



**Lippo China Resources Limited**  
**力寶華潤有限公司**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 156)

**2018/2019**  
**ANNUAL REPORT**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

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

Ms. Millie Yuen Fun Luk

## AUDITOR

Ernst & Young

## PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited  
China CITIC Bank International Limited  
UBS AG  
Oversea-Chinese Banking Corporation Limited

## SOLICITORS

Howse Williams

## REGISTRAR

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

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

## STOCK CODE

156

## WEBSITE

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

## Chairman's Statement

I hereby present the annual report of the Company (together with its subsidiaries, the "Group") for the year ended 31 March 2019 (the "Year").

The growth momentum of the global economy has been dampened by the worsening trade disputes. The prolonged and escalating trade disputes have affected investor sentiment and increased volatility in the financial markets which may have significant repercussions on the global economy, international trade, financial and investment activities.

The Group strode to consolidate and grow its businesses by optimising its operations, strengthening diversified asset portfolio and undertaking corporate transactions in the midst of slower global economic growth as well as regional and international uncertainties and risks during the Year.

During the Year, the Group disposed of its interest in the food distribution business. The terms for such disposal were attractive. The Group will strengthen its manufacturing capacity for its bakery products by constructing a new food factory in Malaysia. The Group is planning to develop new food retail brands to maximise growth opportunities.

Demand for healthcare continues to grow, driven by rapidly ageing population. We are optimistic about the long-term growth outlook for the healthcare sector. The Group has invested in Healthway Medical Corporation Limited ("HMC") which has a wide network of medical centres and clinics in Singapore providing comprehensive healthcare services. It is expected that HMC will benefit from the expansion of the Community Health Assist Scheme in Singapore which will cover all Singaporeans, regardless of income, for chronic conditions.

The Group will continuously look for attractive growth opportunities in Asia and elsewhere that will drive financial returns for shareholders in the long term.

The Group recorded a consolidated loss attributable to shareholders of approximately HK\$78 million for the Year, as compared to a consolidated loss of approximately HK\$122 million (restated following the completion of purchase price allocation exercise in respect of the Group's acquisition of an associate) for the year ended 31 March 2018.

The Directors have proposed a final cash dividend of HK0.5 cent per share and a special final cash dividend of HK2 cents per share for the Year. Together with the interim dividend of HK0.2 cent per share, total dividends for the Year will be HK2.7 cents per share, representing a dividend yield of approximately 18.6% if based on the closing price of the Company's shares as at the date of this statement.

Last but not least, I would like to extend my heartfelt thanks to our Directors, management, our employees and partners for their valuable contributions to the development of the Group as well as to shareholders for their continued support to the Company.

**Stephen Riady**  
*Chairman*

Hong Kong, 27 June 2019

# Report of the Directors

The Directors hereby present their report together with the audited financial statements for the year ended 31 March 2019 (the “Year”).

## BUSINESS REVIEW

### Overview

Global economic growth slowed notably, particularly in the second half of the financial year under review. Trade tensions, Brexit negotiations, cautious market sentiments and geopolitical environment have added uncertainties to the global economy. Such uncertainties have affected business confidence and increased volatility in global financial markets. Against this backdrop, the performance of the Group during the financial year under review was invariably affected. However, the Group successfully executed corporate transactions that management believes would be essential to its growth in future.

### Results for the Year

The Group recorded a consolidated loss attributable to shareholders of approximately HK\$78 million for the year ended 31 March 2019 (the “Year”), as compared to a consolidated loss of approximately HK\$122 million (restated following the completion of purchase price allocation exercise in respect of the Group’s acquisition of an associate) for the year ended 31 March 2018 (the “Last Year” or “2018”). The loss for the Year was mainly attributable to higher net fair value loss on financial instruments at fair value through profit or loss due to the volatile stock markets and share of loss from its joint ventures, but these were offset by the gain on disposal of certain subsidiaries of the Group in the food businesses segment.

Revenue for the Year totalled HK\$2,485 million (2018 — HK\$2,401 million). Food businesses are the principal sources of revenue of the Group, contributing to 96% (2018 — 96%) of total revenue for the Year.

The Group’s other operating expenses included mainly selling and distribution expenses and utilities charges for food businesses, legal and professional fees, consultancy and service fees, repairs and maintenance expenses and donations. Total other operating expenses increased to HK\$394 million for the Year (2018 — HK\$384 million). The higher other operating expenses was mainly due to increase in distribution costs, selling and marketing expenses by HK\$32 million and consultancy and service fees by HK\$27 million, though offset by the decrease in donations by HK\$22 million, legal and professional fees by HK\$10 million and investment advisory fee by HK\$10 million during the Year.

### Food businesses

The Group’s food businesses segment recorded a revenue of HK\$2,397 million (2018 — HK\$2,316 million), mainly from wholesale and distribution of fast-moving consumer goods, food manufacturing and the food retail operations in chains of cafés and bistros.

In December 2018, Auric Pacific Group Limited (“Auric”, a 50.3% subsidiary of the Company, together with its subsidiaries, the “APGL Group”) entered into agreements with independent third parties for the disposal of its interest in Auric Pacific Marketing Pte. Ltd., Centurion Marketing Pte. Ltd. and Auric Pacific (M) Sdn. Bhd. (together, the “Disposal Companies”) for an aggregate consideration of approximately S\$215 million (the “Disposals”). The Disposal Companies are principally engaged in the wholesale distribution and manufacture of food and allied fast-moving consumer products such as butter and margarine in Singapore and Malaysia. The Disposals were completed in March 2019. The consideration for the Disposals was attractive and gave rise to a non-recurring gain of approximately HK\$858 million, of which the Group’s attributable share amounted to HK\$345 million.

## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

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

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

Including the gain on the Disposals of HK\$858 million, the segment recorded a profit of HK\$975 million for the Year (2018 — HK\$159 million). The Group intends to continue to engage in manufacturing of bakery products and food retail in chains of bakeries, cafés and bistros in Singapore and Hong Kong. In order to broaden its production capacity and lower its cost of production, the Group is constructing a new food factory in Malaysia. It has enhanced the food courts and self-operated stalls including the opening of an additional food court in Singapore in April 2019. Another food court will be opened in Malaysia in September 2019. The Group is also developing a new food retail brand in Hong Kong and its first store is going to be opened in the second half of 2019 in Tsimshatsui.

##### Property investment

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

Segment revenue from the property investment business was mainly attributable to recurrent rental income from the Group's investment properties. The total segment revenue for the Year amounted to HK\$35 million (2018 — HK\$42 million). Coupled with the fair value gain on investment properties of HK\$35 million (2018 — HK\$87 million), the segment reported a profit of HK\$55 million for the Year (2018 — HK\$99 million).

##### Treasury and securities investments

The Group managed its investment portfolio in accordance with its investment committee's terms of reference and looked for opportunities to enhance yields and seek gains. The Group invested in a diversified portfolio including listed and unlisted equity securities, debt securities, investment funds and other structural products. Treasury and securities investments businesses recorded a total revenue of HK\$45 million during the Year (2018 — HK\$35 million), mainly attributable to the interest income and dividend income received from the investment portfolio. The stock markets were volatile during the Year and the Group recorded net fair value loss in the statement of profit or loss from its securities investments of HK\$193 million for the Year under this segment (2018 — HK\$38 million). The net fair value loss included unrealised loss of HK\$159 million (2018 — HK\$92 million) from the changes in fair value of financial instruments in this category and realised loss on disposal of HK\$34 million (2018 — gain of HK\$54 million). The unrealised loss was a non-cash item subject to volatility of the stock markets. As a result, the treasury and securities investments businesses recorded a net loss of HK\$170 million in the statement of profit or loss for the Year (2018 — HK\$18 million).

As at 31 March 2019, the treasury and securities investments portfolio of HK\$2,076 million (31 March 2018 — HK\$3,098 million) comprised mainly cash and bank balances of HK\$755 million (31 March 2018 — HK\$964 million), financial assets at fair value through profit or loss ("FVPL") of HK\$961 million (31 March 2018 — HK\$1,738 million) and financial assets at fair value through other comprehensive income ("FVOCI") of HK\$356 million (31 March 2018 — Nil). The balance as at 31 March 2018 also included available-for-sale financial assets of HK\$393 million. Further details of securities investments under different categories are as follows:

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

As of 31 March 2019, the Group's financial assets at FVPL amounted to HK\$961 million (31 March 2018 — HK\$1,738 million), comprising equity securities of HK\$569 million (31 March 2018 — HK\$808 million), debt securities of HK\$20 million (31 March 2018 — HK\$196 million) and investment funds of HK\$372 million (31 March 2018 — HK\$358 million). The balance as at 31 March 2018 also included equity linked notes ("ELNs") of HK\$376 million.

## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

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

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

#### Financial assets at fair value through profit or loss *(continued)*

Details of the major financial assets at FVPL were as follows:

|                                      | As at 31 March 2019    |  | Approximate percentage to the net assets | As at                  | For the                                   |
|--------------------------------------|------------------------|--|--|------------------------|---|
|                                      | Fair value<br>HK\$'000 | Approximate percentage of financial assets at FVPL |  | 31 March 2018          | year ended<br>31 March 2019               |
|                                      |                        |  |  | Fair value<br>HK\$'000 | Net fair value<br>gain/(loss)<br>HK\$'000 |
| GSH Corporation Limited ("GSH")      | 132,830                | 14%  | 3%                                       | 220,941                | (88,111)                                  |
| Tencent Holdings Limited ("Tencent") | 88,066                 | 9%   | 2%                                       | 69,930                 | (28,246)                                  |
| Quantedge Global Fund ("Quantedge")  | 65,030                 | 7%   | 1%                                       | *                      | (2,857)                                   |
| Ascapia Fund II ("Ascapia")          | 58,298                 | 6%   | 1%                                       | *                      | (5,069)                                   |
| PPDAI Group Inc. ("PPDAI")           | 58,027                 | 6%   | 1%                                       | 114,326                | (56,295)                                  |
| Others <i>(Note)</i>                 | 558,858                | 58%  | 12%                                      | 1,332,913              | 25,285                                    |
| <b>Total</b>                         | <b>961,109</b>         | <b>100%</b>  | <b>20%</b>                               | <b>1,738,110</b>       | <b>(155,293)</b>                          |

\* Reclassified from available-for-sale financial assets to financial assets at FVPL upon adoption of the new accounting standard for financial instruments on 1 April 2018. The fair value of Quantedge and Ascapia as at 1 April 2018 was HK\$68,802,000 and HK\$35,568,000, respectively.

Note: Others comprised of various securities, none of which accounted for more than 5% financial assets at FVPL as at 31 March 2019.

#### GSH

As at 31 March 2019, the fair value of the Group's equity securities in GSH amounted to HK\$133 million, representing approximately 14% of the Group's total financial assets at FVPL. GSH, having its shares listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"), is a property developer in Southeast Asia with certain properties under development in Kuala Lumpur and Kota Kinabalu, Malaysia. The pre-sale of one of its residential projects in Kuala Lumpur received satisfactory response. GSH also owns and operates two hotels at Sutera Harbour Resort in Kota Kinabalu. In April 2018, GSH 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 dividend income from GSH of HK\$6 million for the Year. Given the volatility in the stock markets, the share price performance of GSH was not satisfactory, resulting in an unrealised fair value loss of HK\$88 million recognised for the Year. The share price performance of GSH may continue to fluctuate due to the prevailing stock market conditions, which is not directly related to the actual operational performance of GSH.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

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

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

###### Financial assets at fair value through profit or loss *(continued)*

###### Tencent Shares

Commencing last financial year, the Group acquired shares in Tencent (the “Tencent Shares”). As at 31 March 2019, the fair value of such Tencent Shares amounted to HK\$88 million, representing approximately 9% of the Group’s total financial assets at FVPL. The share price of Tencent Shares was very volatile for the Year, resulting in a fair value loss of HK\$28 million being recognised for the Year.

Tencent is a Chinese multinational investment holding conglomerate founded in 1998, whose subsidiaries specialise in various internet-related services and products, entertainment, artificial intelligence and technology both in the PRC and globally. Tencent is one of the world’s most valuable technology conglomerates, one of the world’s largest social media groups, venture capital firms and investment corporations. Its many services include social network, music, web portals, e-commerce, mobile games, internet services, payment systems, smartphones, and multiplayer online games, which are all among the world’s biggest and most successful in their respective categories. Offerings in the PRC include the instant messenger Tencent QQ and one of the largest web portals, QQ.com. It also owns the majority of the PRC’s music services (Tencent Music Entertainment).

###### Quantedge

The investment objective of Quantedge, an unlisted investment fund, is to achieve absolute long-term capital growth by investing in multiple asset classes across the globe, accordingly the investment results may vary substantially over short periods of time. Its goal is in line with the Group’s investment strategy and the Group subscribed for units of Quantedge in early 2018. The investment is for long-term strategic purpose and was classified as available-for-sale financial asset as at 31 March 2018. Following the adoption of the new accounting standard for financial instruments, Quantedge was classified as financial asset at fair value through profit or loss since 1 April 2018. As at 31 March 2019, the fair value of the Group’s equity securities in Quantedge amounted to HK\$65 million, representing approximately 7% of the Group’s total financial assets at FVPL. The Group reported a fair value loss of HK\$3 million for its investment in Quantedge for the Year, primarily due to underperformance of its major asset classes in global commodities and global currencies. Quantedge has a track record of delivering superior returns and is optimistic about its future returns by continuing to invest in research and actively identify new sources of risk premiums to further diversify the fund and increase the robustness of its future returns and with the objective to outperform other assets over the long run. The Group will continue to hold Quantedge for long-term strategic purpose.

###### Ascapia

As at 31 March 2019, the fair value of the Group’s investment in Ascapia amounted to HK\$58 million, representing approximately 6% of the Group’s total financial assets at FVPL. The Group invested in Ascapia for strategic purpose from the beginning of year 2018 and was recorded as available-for-sale financial asset as at 31 March 2018. Same as Quantedge, investment in Ascapia was reclassified to financial asset at FVPL since 1 April 2018.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

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

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

###### *Financial assets at fair value through profit or loss (continued)*

###### *Ascapia (continued)*

Ascapia is an unlisted investment fund with investment objective to preserve capital and deliver attractive risk-adjusted returns and to outperform the market indices in bearish markets. The investment approach is based on the premise that companies can often trade at attractive discounts to intrinsic value. This includes securities that trade meaningfully below the investment manager's estimated net asset value of the relevant entity which operates good quality businesses where the investment manager expects such entity to grow earnings significantly over time. The investment manager of Ascapia looks for situations where management is or will be incentivised to align with shareholders and that there are catalysts for change that the market is underestimating. The investment manager seeks to avoid securities that it considers to be fraudulent, faddish, or financially unsustainable and actively attempts to hedge tail-risk with currency, commodities or futures. The Group reported a fair value loss of HK\$5 million for its investment in Ascapia for the year, primarily due to short term volatility and underperformance of certain equity investments in the fund. The investment approach of Ascapia aligns with the Group's investment strategy and the Group will continue to maintain its position in the Group's investment portfolio.

###### PPDAI

As at 31 March 2019, the Group held American Depository Shares ("ADSs") of PPDAI with a carrying amount of HK\$58 million, representing approximately 6% of the Group's total financial assets at FVPL.

PPDAI's ADSs are listed on the New York Stock Exchange. It is one of the leading online consumer finance marketplace operators 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. As of 31 March 2019, PPDAI had approximately 93.9 million cumulative registered users and reached 15.4 million cumulative number of borrowers. Based on its unaudited financial results for the three months ended 31 March 2019 ("Q1 2019"), operating revenues increased by 52.6% to RMB1,458.3 million in Q1 2019 from RMB955.4 million in the same period of 2018, and net profit substantially increased by 60.7% to RMB703.1 million in Q1 2019 from RMB437.6 million in the same period of 2018.

After the initial public offering (the "IPO") of PPDAI's ADSs, an announcement was made by the PRC Government putting a cap on the interest rate and restriction on the licensing in the online financing industry which adversely affected many companies in this sector including PPDAI as reflected in their share price. Hence, the share price performance of PPDAI's ADSs was not satisfactory. It also came to the Group's attention that a class action lawsuit has been filed by law firms in the U.S.A. against PPDAI. The filed complaint concerned whether PPDAI's filings with the U.S. Securities and Exchange Commission in connection with the IPO contained untrue statements or omitted material information regarding PPDAI's business practices, the interest rates on loans or the quality of loans. The Group recorded an unrealised fair value loss of HK\$56 million from its investment in PPDAI for the Year. Volatility in share price of PPDAI's ADSs is expected as regulators in the PRC are pushing through tough reforms in the Peer-to-Peer lending industry.

## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

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

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

###### *Financial assets at fair value through other comprehensive income*

In addition to the above investments under financial assets at FVPL, the Group also invests in listed and unlisted equity securities which are held for long term strategic purposes. Such investments were recorded under financial assets at FVOCI upon adoption of the new accounting standard for financial instruments on 1 April 2018. As at 31 March 2019, the fair value of such investments amounted to approximately HK\$356 million. During the Year, unrealised fair value gain of HK\$95 million was recognised in other comprehensive income from these investments. The major investments under this category are Tencent Shares and investments in eBroker Holding Limited (“eBroker”), which accounted for 93% of the Group’s total financial assets at FVOCI as at 31 March 2019.

As at 31 March 2019, the major investment under this category was the Tencent Shares received on the expiry of the ELNs linked to Tencent Shares during the Year. The Group recorded a realised gain in the statement of profit or loss of HK\$15 million upon maturity of the ELNs. These Tencent Shares are not intended to be held for trading and was designated at FVOCI at initial recognition. As at 31 March 2019, the fair value of these Tencent Shares amounted to HK\$219 million, representing 62% of the Group’s total financial assets at FVOCI. Unrealised fair value loss of HK\$11 million was recorded in other comprehensive income due to the volatile share price performance as mentioned above.

During the Year, the Group further participated in eBroker’s financing. Together with participation in previous round financing in Last Year, the fair value of total investments in eBroker amounted to HK\$111 million as at 31 March 2019, representing 31% of the Group’s total financial assets at FVOCI. Unrealised fair value gain of HK\$103 million was recorded in other comprehensive income for the Year, by reference to the subscription price of the latest round financing in early 2019. Established in September 2015 in Shanghai, the PRC, eBroker conducts its business under the brand name of eDaili (e代理). Its core business is acting as an agent between wealthy individuals in mainland China and financial institutions as well as insurance issuers in overseas via its online wealth management platform. It has a very strong growth in business, in terms of customers, revenue and net profit, since its establishment. There will be no change in business direction. Whether the Group will continue to participate in its future round’s funding will depend on its business growth rate and financial results as well as the valuation, among other factors.

## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

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

##### Healthcare services

The Group's healthcare services business is mainly carried out through its investments in Healthway Medical Corporation Limited ("Healthway", together with its subsidiaries, the "HMC Group"), an associate of the Company.

In Singapore and in the Southeast Asia region, the long-term growth outlook for the healthcare sector continues to be driven by an ageing population and a rising middle class. The Group is optimistic about the prospects in the healthcare industry in Singapore, and has established its presence in this field. The Group is interested in approximately 40.82% of the issued shares in Healthway. Healthway is a company listed on the sponsor-supervised listing platform of the SGX-ST and a well-established private healthcare provider in Singapore. The HMC Group owns, operates and manages close to 100 medical centres and clinics. Healthway continued to strengthen its foundation through a series of business optimisation initiatives, in line with its rebranding. It began refurbishment works in some of the clinics to better cater to the needs of patients across Singapore and in the process of closing certain non-performing clinics. Accordingly, there was an increase in expenses and provision for onerous lease contracts. As a result of the above measures, Healthway was able to narrow its losses and the Group's share of loss from the HMC Group amounted to HK\$16 million (2018 — HK\$23 million). Coupled with the impact of depreciation of Singapore dollar during the Year, the Group's interest in Healthway decreased to HK\$424 million (31 March 2018 — HK\$454 million). As highlighted in the Singapore Budget 2019, the Community Health Assist Scheme ("CHAS") will be expanded to cover all Singaporeans, regardless of income, for chronic conditions such as diabetes and osteoarthritis. Consequently, more patients will be able to benefit from affordable and accessible healthcare services. This policy update, together with Singapore's ageing population, is expected to drive up patient numbers at clinics across Singapore. Thus, with the expansion of CHAS, Healthway expects clinics to see an increase in patient numbers. To heighten efficiency across all levels of the organization, Healthway is working towards enhancing its IT services, to ensure Healthway remains competitive and efficient in a data-driven and technology-enabled society.

##### Mineral exploration and extraction

Reference was made to the Group's interest in a minority ownership interest in Skye Mineral Partners, LLC ("Skye") whose major asset, prior to the events described below, was 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.A. and had engaged in the business of mining and processing copper and other minerals. Subsequently, the Group invested in Collyer Quay Limited ("CQL"), a joint venture of the Company, for an investment in a joint venture consortium (the "JV Company"). The JV Company, in which the Group has an effective interest of 45%, acquired all or substantially all of the mining assets (the "Assets") held by CS Mining in a court-supervised sale process under its bankruptcy proceedings in August 2017. In January 2018, a verified complaint (the "Complaint") was filed in a United States state court in Delaware 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. The Complaint alleges, among other things, that the majority investors directly and derivatively through their ownership of Skye, suffered from 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 has opposed, and will continue to vigorously oppose, the allegations set forth in the Complaint (including any amendments thereto) and any other claim that the majority investors in Skye may seek to bring against the Group. The Group has filed a motion to dismiss the Complaint on numerous grounds, and the motion to dismiss, as of the date hereof, remains pending.

## 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 since the last quarter of 2017. Due to the drop in copper price and the increased production cost during the Year, the JV Company put the mine into care and maintenance mode in early 2019 in order to minimise the costs incurred. As a result, CQL fully impaired its investment in the JV Company and the Group shared a loss of joint venture of HK\$88 million for the Year (2018 — HK\$44 million) with nil carrying amount as at 31 March 2019 (31 March 2018 — HK\$88 million). After taking into account other operating costs in relation to the segment, segment loss before accounting for the share of results of joint ventures for the Year amounted to HK\$17 million (2018 — HK\$11 million, after a write-back of provision for impairment losses on loans and receivables of HK\$21 million).

##### Other business

In order to expand its scope of business in securities and fund investments in Asia, the Group had acquired 39.9% interest in TIH Limited (“TIH”), a company listed on the Mainboard of the SGX-ST in early 2018. TIH is an associate of the Group. The Group recorded a share of profit of HK\$5 million from its investment in TIH for the Year (2018 — loss of HK\$1 million, restated due to the completion of purchase price allocation exercise in respect of the Group’s acquisition), mainly attributable to the fair value gain on its investments at FVPL. As at 31 March 2019, the carrying amount of the investments exceeded the market value of TIH due to the volatile stock market during the Year. The Group carried out an impairment assessment for the investment with reference to the estimated recoverable amount of the investments in TIH and impairment of HK\$23 million (2018 — Nil) which represented the goodwill arising from the acquisition in 2018 was made during the Year. Coupled with the effect of depreciation of Singapore dollar during the Year, the interests in TIH as at 31 March 2019 decreased to HK\$296 million (31 March 2018 — HK\$324 million, restated). It is expected that TIH will leverage on the uncertainty in the current financial market and will continue to actively identify special situations, corporates deleveraging and non-core secondary assets at attractive valuations. Additionally, TIH’s experience in corporate finance and extensive network of strategic relationships in Greater China and Southeast Asia enables it to expertly source for opportunities for venture capital investments and long-term investments in attractive companies.

##### Financial Position

The Group’s financial position remained healthy. As at 31 March 2019, its total assets amounted to HK\$6.9 billion (31 March 2018 — HK\$7.3 billion, restated). Property-related assets amounted to HK\$1.6 billion as at 31 March 2019 (31 March 2018 — HK\$1.6 billion), representing 23% (31 March 2018 — 22%, restated) of the total assets. Total liabilities decreased to HK\$1.9 billion (31 March 2018 — HK\$2.7 billion), mainly due to the decreased trade payables for securities investments and the disposal of subsidiaries by the Group. Current ratio as at 31 March 2019 amounted to 2.9 (31 March 2018 — 2.1).

As at 31 March 2019, total cash and bank balances (consisting of cash and cash equivalents, time deposits with original maturity of more than three months and restricted cash) amounted to HK\$2,390 million (31 March 2018 — HK\$1,341 million). The increase in the total cash and bank balances was mainly due to consideration received from disposal of subsidiaries during the Year. Restricted cash balance as at 31 March 2019 amounted to HK\$60 million (31 March 2018 — HK\$66 million).

## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Financial Position *(continued)*

As at 31 March 2019, bank and other borrowings of the Group amounted to HK\$1,268 million (31 March 2018 — HK\$1,362 million), which included bank loans of HK\$982 million (31 March 2018 — HK\$1,066 million), unsecured notes of HK\$285 million (31 March 2018 — HK\$295 million) and obligations under finance leases of HK\$0.4 million (31 March 2018 — HK\$1 million).

As at 31 March 2019, the bank loans comprised secured bank loans of HK\$758 million (31 March 2018 — HK\$1,027 million) and unsecured bank loans of HK\$224 million (31 March 2018 — HK\$39 million) and were denominated mainly in Hong Kong dollars and Singapore dollars. The bank loans were secured by certain properties of the Group. All of the bank loans carried interest at floating rates. The unsecured 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.

As at 31 March 2019, approximately 46% (31 March 2018 — 46%) of the bank and other borrowings were repayable within one year. As at 31 March 2019, the gearing ratio (measured as total borrowings, net of non-controlling interests, to equity attributable to equity holders of the Company) was 29.0% (31 March 2018 — 33.1%, restated).

The net asset value attributable to equity holders of the Company decreased to HK\$3.9 billion as at 31 March 2019 (31 March 2018 — HK\$4.0 billion, restated), mainly attributable to the loss for the Year and translation loss on foreign operations from the depreciation of Singapore dollars and Renminbi. This was equivalent to HK43 cents per share as at 31 March 2019 (31 March 2018 — HK44 cents per share, restated).

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

The Group had bankers' guarantees of approximately HK\$37 million as at 31 March 2019 (31 March 2018 — HK\$35 million) issued in lieu of rental and utility deposits for the premises used for operation of food businesses. Approximately 45% (31 March 2018 — 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 (31 March 2018 — Nil).

The Group's commitments are mainly related to securities investments and food businesses. During the Year, the construction of the new factory for the food businesses was commenced. Hence, total commitment as at 31 March 2019 increased to HK\$169 million (31 March 2018 — HK\$94 million). The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Staff and Remuneration

The Group had 1,051 full-time employees as at 31 March 2019 (31 March 2018 — 1,765 full-time employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss for the Year amounted to HK\$491 million (2018 — HK\$426 million). The Group ensures that its employees are offered competitive remuneration packages. The Group also provides benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Group.

#### PROSPECTS

Global economic outlook remains clouded by uncertainties and downside risks such as escalating trade conflicts, a no-deal Brexit and geopolitical tensions. The deadlock in trade conflict between the U.S.A. and mainland China may further adversely affect business sentiments and consumer confidence.

The Group will continue to be watchful of market developments. We shall stay vigilant in monitoring our investments and seek suitable business opportunities with a view to enhancing shareholder value and sustainable long term return.

#### BUSINESS STRATEGY

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

#### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries, associates, joint ventures and joint operation are principally engaged in investment holding, property investment, property development, food businesses, healthcare services, property management, mineral exploration, extraction and processing, securities investment, treasury investment and money lending.

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 191 to 198, page 199, page 200 and page 201, 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 2019 are set out in the financial statements on pages 82 to 201.

An interim dividend of HK0.2 cent per share (For the six months ended 30 September 2017 — HK0.2 cent per share) for the six months ended 30 September 2018 was paid in January 2019. The Directors have resolved to recommend the payment of a final dividend of HK0.5 cent per share (2018 — HK0.5 cent per share) amounting to approximately HK\$45.9 million for the Year (2018 — approximately HK\$45.9 million) and a special final dividend of HK2 cents per share (2018 — Nil) amounting to approximately HK\$183.7 million for the Year (2018 — Nil). Total dividends for the Year will be HK2.7 cents per share (2018 — HK0.7 cent per share) amounting to approximately HK\$248.0 million (2018 — approximately HK\$64.3 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 204.

### 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 28 to the financial statements.

### SHARE CAPITAL

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

### SHARE OPTION SCHEME

Details of the share option scheme of a subsidiary of the Company are set out in Note 32 to the financial statements.

### DISTRIBUTABLE RESERVES

As at 31 March 2019, 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\$686,469,000.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 191 to 198.



## Report of the Directors *(continued)*

### DONATIONS

Charitable and other donations made by the Group during the Year amounted to HK\$4,510,000 (2018 — HK\$26,415,000).

### 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 (*Chief Executive Officer*)

Mr. James Siu Lung Lee

#### Non-executive Director

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"), Messrs. Edwin Neo and King Fai Tsui will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Dr. Stephen Riady, Messrs. John Luen Wai Lee and James Siu Lung Lee 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.lcr.com.hk](http://www.lcr.com.hk)).

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. Following the expiry of the term under their respective former letter agreements with the Company, (a) 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 2018; (b) 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 2019; and (c) Mr. James Siu Lung 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 May 2019. All the above letter agreements are terminable by either party by giving three months' prior written notice. The term of office of the Directors is also subject to the provisions of the 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. Mr. John Luen Wai Lee also entered into an employment agreement for his employment as the Chief Executive Officer of the Company with effect from 1 January 2015. Mr. James Siu Lung Lee entered into an employment agreement for his appointment as an Executive Vice President — Business Development of the Company with effect from 1 May 2015. The above employment agreements are terminable by either party by giving three months' prior written notice.

Dr. Stephen Riady also entered into an employment contract with a subsidiary of the Company which is terminable by either party by giving six 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** (former name: Stephen Tjondro Riady), aged 59, was appointed a Director of the Company in 1992 and is the Chairman of board of directors of the Company. Dr. Riady is also an executive director and the Chairman of the board of directors of Lippo Limited ("Lippo") and Hongkong Chinese Limited ("HKC"), both are public listed companies in Hong Kong. He has been the Executive President of each of the Company, Lippo and HKC since January 2015. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and HKC. Dr. Riady also holds directorship in certain subsidiaries of the Company, Lippo and HKC. He is the Executive Chairman of OUE Limited, a company listed on the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST"). He is a non-executive non-independent director of Healthway Medical Corporation Limited ("HMC"), a company listed on the sponsor-supervised listing platform (the "Catalist Board") of the SGX-ST. He is also an executive director of Auric Pacific Group Limited ("Auric"), a company formerly listed on the Mainboard of the SGX-ST. He was appointed a member of the board of commissioners of PT Lippo Karawaci Tbk, a company listed on the Indonesia Stock Exchange, on 18 April 2019. He retired as a non-independent and non-executive director of OUE Lippo Healthcare Limited, a company listed on Catalist Board of the SGX-ST, on 25 April 2019. Dr. Riady is a director of Lippo Capital Group Limited, Lippo Capital Holdings Company Limited, Lippo Capital Limited, First Tower Corporation ("First Tower") and Skyscraper Realty Limited ("Skyscraper") which, together with Lippo, 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 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 70, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. Mr. Lee is the Managing Director and Chief Executive Officer of Lippo. He is an executive director and the Chief Executive Officer of 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 retired as a non-executive non-independent Chairman of HMC on 26 April 2019. He is a director of First Tower and Skyscraper. Mr. Lee is an authorised representative of the Company, Lippo and HKC. In addition, he holds directorships in certain subsidiaries of the Company, Lippo and HKC. 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 Price Waterhouse (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. James Siu Lung Lee**, aged 49, was appointed an executive Director of the Company on 1 May 2015. Mr. Lee has over 15 years of experience in mergers and acquisitions on technology companies. Mr. Lee joined Lippo Securities Limited ("LSL"), a former subsidiary of HKC, in 1997 and was the Head of Derivatives Department before he left LSL in late 1999. Mr. Lee was subsequently appointed as an assistant to the then Managing Director of the Company in early 2000 and left the Company in early 2009. He was a director of Systech Century Group from 2009 to 2014. In December 2014, Mr. Lee rejoined the Group and was appointed an Executive Vice President of business development. He also holds directorship in certain subsidiaries of the Company. Mr. Lee holds a Bachelor degree in Manufacturing Engineering with honours from Queen's University, Belfast, United Kingdom and a Doctor degree in Engineering (major in Hierarchical Operations Management and Control for Automated Systems and Robotics) from The University of Hong Kong. He also holds a Master of Laws (major in International Economic Law) from The Chinese University of Hong Kong.

**Mr. Leon Nim Leung Chan**, aged 63, 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 Lippo and HKC. Mr. Chan is a member of the Audit Committee, Remuneration Committee and Nomination Committee of each of the Company, Lippo and HKC.

## Report of the Directors *(continued)*

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

**Mr. Edwin Neo**, aged 69, 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 Lippo and HKC. Mr. Neo is also a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company, Lippo and HKC.

**Mr. King Fai Tsui**, aged 69, 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 Group Limited (formerly known as China Aoyuan Property Group Limited) and Newton Resources Ltd, all are public listed companies in Hong Kong. He has over 40 years of extensive experience in accounting, finance and investment management, particularly in investments in mainland China. Mr. Tsui worked for two of the Big Four audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Accountants Australia and New Zealand and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. Mr. Tsui is an independent non-executive director of Lippo and HKC. He is the Chairman of the Audit Committee of HKC and a member of the Audit Committee of each of the Company and Lippo. He is also the Chairman of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and HKC.

**Mr. Victor Ha Kuk Yung**, aged 65, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. Mr. Yung holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and HKC. Mr. Yung is the Chairman of the Audit Committee of each of the Company and Lippo 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, Lippo 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 9 and 10 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 herein below:

- (a) the fixed bonus and the discretionary bonus of Dr. Stephen Riady in an amount of HK\$83,000 and HK\$30,000,000 respectively;
- (b) the discretionary bonus of Mr. John Luen Wai Lee in an amount of HK\$14,000,000; and
- (c) the discretionary bonus of Mr. James Siu Lung Lee in an amount of HK\$1,200,000.

Dr. Stephen Riady and Messrs. John Luen Wai Lee and James Siu Lung 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 9 to the financial statements.

Each of the Directors of the Company is entitled to receive a director's fee from the Company. The director's fee paid to each of the Directors of the Company was HK\$238,800 for the Year. A non-executive Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and/or members of various board committees of the Company. The fees paid to the non-executive Directors for serving as Chairmen and/or members of various board committees of the Company for the Year are as follows:

|          | HK\$   |
|----------|--------|
| Chairman | 79,200 |
| Member   | 51,600 |

With effect from 1 April 2019, the director's fee payable to each of the Directors of the Company was adjusted from HK\$238,800 per annum to HK\$246,000 per annum and the fees payable to the non-executive Directors per annum for serving as Chairmen and/or members of various board committees of the Company were adjusted as follows:

|          | HK\$   |
|----------|--------|
| Chairman | 81,600 |
| Member   | 52,800 |

## 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 2019, 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   | –   | –                                     | 6,890,184,389<br><i>Notes (i) and (ii)</i>                | 6,890,184,389   | 74.99  |
| James Siu Lung Lee  | 2,000   | –                                     | –   | 2,000           | 0.00   |
| <b>Number of ordinary shares in Lippo Limited ("Lippo")</b>                           |   |                                       |   |                 |  |
| Stephen Riady   | –   | –                                     | 369,800,219<br><i>Note (i)</i>                            | 369,800,219     | 74.98  |
| John Luen Wai Lee   | 1,031,250                                     | –                                     | –   | 1,031,250       | 0.21   |
| <b>Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HKC")</b> |   |                                       |   |                 |  |
| Stephen Riady   | –   | –                                     | 1,477,715,492<br><i>Notes (i) and (iii)</i>               | 1,477,715,492   | 73.95  |
| John Luen Wai Lee   | 2,000,270                                     | 270                                   | –   | 2,000,540       | 0.10   |
| King Fai Tsui   | 600,000                                       | 75,000                                | –   | 675,000         | 0.03   |
| James Siu Lung Lee  | 2,000   | –                                     | –   | 2,000           | 0.00   |

*Note:*

- (i) As at 31 March 2019, 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, Lippo. 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 2019, Lippo, 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, the Company.
- (iii) As at 31 March 2019, Lippo, through its 100% owned subsidiaries, was indirectly interested in 1,477,715,492 ordinary shares of HK\$1.00 each in, representing approximately 73.95% 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 2019:

| 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            | 80,618,551                  | 65.48   |
| 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   |
| Brimming Fortune Limited                         | (a)  | Ordinary shares            | 1                           | 100   |
| Broadwell Overseas Holdings Limited              | (a)  | Ordinary shares            | 1                           | 100   |
| First Tower Corporation                          | (d)  | Ordinary shares            | 1                           | 100   |
| Gainmate Hong Kong Limited                       | (e)  | Ordinary shares            | 100                         | 100   |
| 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                           | (f)  | Ordinary shares            | 1                           | 100   |
| Lippo Finance Limited                            | (a)  | Ordinary shares            | 6,176,470                   | 82.35   |
| 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  |
| Skyscraper Realty Limited                        | (d)  | Ordinary shares            | 10                          | 100   |
| Superfood Retail Limited ("Superfood")           | (g)  | Ordinary shares            | 10,000                      | 100   |
| The HCB General Investment (Singapore) Pte. Ltd. | (a)  | Ordinary shares            | 100,000                     | 100   |
| Valencia Development Limited                     | (a)  | Ordinary shares            | 800,000                     | 100   |
|  | (a)  | Non-voting deferred shares | 200,000                     | 100   |
| Winroot Holdings Limited                         | (a)  | Ordinary shares            | 1                           | 100   |



## Report of the Directors *(continued)*

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

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

Note:

- (a) Such share(s) was/were 100% held directly or indirectly by Lippo Capital, a 60% owned indirect subsidiary of Lippo Capital Group.
- (b) Of these shares, 4,999,283 ordinary shares were held by Jeremiah Holdings Limited ("Jeremiah"), a 60% owned indirect subsidiary of the Company; 20,004,000 ordinary shares were held by Nine Heritage Pte Ltd ("Nine Heritage"), an 80% owned direct subsidiary of Jeremiah; 36,165,052 ordinary shares were held by Pantogon Holdings Pte Ltd ("Pantogon"), a 100% owned indirect subsidiary of the Company and 759,000 ordinary shares were held by Max Turbo Limited ("Max Turbo"), a 100% owned indirect subsidiary of the Company. Details of Dr. Riady's interest in the Company are disclosed in Notes (i) and (ii) above. In addition, as at 31 March 2019, 18,691,216 ordinary shares were held by Silver Creek Capital Pte. Ltd. ("Silver Creek"). Dr. Riady, through companies controlled by him, is the beneficial owner of 100% of the issued shares in Silver Creek. Accordingly, Dr. Riady was taken to be interested in an aggregate of 80,618,551 ordinary shares in, representing approximately 65.48% 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(s) was/were 100% held directly or indirectly by Lippo. Details of Dr. Riady's interest in Lippo are disclosed in Note (i) above.
- (e) 50 shares were held by Oddish Ventures Pte. Ltd. ("Oddish"), a 100% owned direct subsidiary of OUE Limited ("OUE"). OUE was indirectly owned as to approximately 68.65% by Fortune Code Limited ("Fortune Code"). HKC, through its 50% joint venture, Lippo ASM Asia Property Limited, held 92.05% interest in Fortune Code. 50 shares were held by Raising Fame Ventures Limited, a 100% owned indirect subsidiary of the Company. Details of Dr. Riady's interest in HKC and the Company are disclosed in Notes (i) to (iii) above.
- (f) Such share was 100% held directly by Lippo Capital Group.
- (g) Of these shares, 1,625 ordinary shares were held by Nine Heritage; 2,937 ordinary shares were held by Pantogon; 406 ordinary shares were held by Jeremiah; 62 ordinary shares were held by Max Turbo and 4,970 ordinary shares were held by Oddish. Accordingly, Dr. Riady was taken to be interested in an aggregate of 10,000 ordinary shares in, representing 100% of the issued shares of, Superfood.

As at 31 March 2019, 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 2019, 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 2019, 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 2019, 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 |
|---|---------------------------|---|
| Skyscraper Realty Limited ("Skyscraper")                          | 6,890,184,389             | 74.99                                       |
| First Tower Corporation ("First Tower")                           | 6,890,184,389             | 74.99                                       |
| Lippo Limited ("Lippo")   | 6,890,184,389             | 74.99                                       |
| Lippo Capital Limited ("Lippo Capital")                           | 6,890,184,389             | 74.99                                       |
| Lippo Capital Holdings Company Limited ("Lippo Capital Holdings") | 6,890,184,389             | 74.99                                       |
| Lippo Capital Group Limited ("Lippo Capital Group")               | 6,890,184,389             | 74.99                                       |
| Madam Shincee Leonardi  | 6,890,184,389             | 74.99                                       |
| PT Trijaya Utama Mandiri ("PT TUM")                               | 6,890,184,389             | 74.99                                       |
| Mr. James Tjahaja Riady   | 6,890,184,389             | 74.99                                       |
| Madam Aileen Hambali  | 6,890,184,389             | 74.99                                       |

#### Note:

- 6,890,184,389 ordinary shares of the Company were held by Skyscraper directly as beneficial owner which in turn is a 100% owned subsidiary of First Tower. First Tower is a 100% owned subsidiary of Lippo. Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in 369,800,219 ordinary shares in, representing approximately 74.98% of the issued shares of, Lippo.
- 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.
- Skyscraper's interests in the ordinary shares of the Company were recorded as the interests of First Tower, Lippo, Lippo Capital, Lippo Capital Holdings, Lippo Capital Group, Madam Shincee Leonardi, PT TUM, Mr. James Tjahaja Riady and Madam Aileen Hambali. The above 6,890,184,389 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 2019, 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 2019, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

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

The Directors of the Company are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and its Directors would comply with the relevant requirements of the Company's 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) On 17 March 2016, Auric Pacific Group Limited ("Auric"), a subsidiary of the Company, exercised its option to renew and entered into a lease agreement (the "Lease Agreement") with DBS Trustee Limited, the trustee of OUE Commercial Real Estate Investment Trust ("OUE C-REIT", a joint venture of Hongkong Chinese Limited ("HKC") which in turn is a subsidiary of Lippo Limited ("Lippo"), a holding company of the Company) (the "Trustee") pursuant to which Auric agreed to lease from the Trustee Unit #06-03, 50 Collyer Quay, Singapore, with a floor area of approximately 4,187 square feet (the "Premises"), for a term of two years from 15 July 2016 to 14 July 2018, both days inclusive, with an option to renew for a further term of two years, at a monthly rental of S\$46,057.00 plus the Goods and Services Tax (the "GST") thereon at the prevailing GST rate, for office use. The service charge paid by Auric under the Lease Agreement should be S\$5,443.10 per month plus GST thereon. The maximum aggregate annual rental and service charge paid by Auric under the Lease Agreement for the Year was HK\$1,300,000 (approximately S\$203,000). The rental was determined by reference to the then prevailing open market rentals.

## Report of the Directors *(continued)*

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

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

(A) *(continued)*

Auric exercised its option to renew the Lease Agreement and entered into a lease agreement (the "Second Lease Agreement") with the Trustee on 19 January 2018 pursuant to which Auric agreed to lease from the Trustee the Premises for a term of two years from 15 July 2018 to 14 July 2020, both days inclusive, with an option to renew for a further term of two years, at a monthly rental of S\$46,894.40 plus GST thereon at the prevailing GST rate, for office use. The service charge paid by Auric under the Second Lease Agreement was S\$5,443.10 per month plus GST thereon. The maximum aggregate annual rental and service charge paid by Auric under the Second Lease Agreement for the Year was HK\$3,200,000 (approximately S\$542,000). The rental was determined by reference to the then prevailing open market rentals.

Further details of the Lease Agreement and the Second Lease Agreement are disclosed in Note 41(c) to the financial statements.

- (B) On 3 March 2017, Food Junction Management Pte Ltd ("Food Junction") (as tenant), a non-wholly owned subsidiary of the Company, accepted the letter of offer dated 22 February 2017 issued by OUB Centre Limited ("OUBC", an approximately 83.33% indirect subsidiary of OUE C-REIT) (as landlord) for leasing the premises located in the shopping mall known as #05-07, Tower One, One Raffles Place, 1 Raffles Place, Singapore 048616 with a floor area of 10,258 square feet, for a term of three years commencing from the expiry of the fitting-out period which was expected to be one month after the possession date (that is, 1 June 2017 or such later date as advised by OUBC) (the "Lease"). The rental for the Lease comprises a base rent of S\$37,954.60 per month, a service charge of S\$12,309.60 per month and advertising and promotional fees of S\$3,077.40 per month (collectively, the "Fixed Rent") and a percentage rent of (i) 0.5% of the gross sales turnover for that month; or (ii) 10% of the gross sales turnover for that month less the Fixed Rent, whichever is higher. Food Junction shall have the option to renew the Lease for a further term of three years with OUBC upon expiration of the initial lease term at a base rent of S\$41,032 per month, a service charge of S\$12,309.60 per month and advertising and promotional fees of S\$3,077.40 per month (collectively, the "Renewed Fixed Rent") and a percentage rent of (i) 0.5% of the gross sales turnover for that month; or (ii) 10% of the gross sales turnover for that month less the Renewed Fixed Rent, whichever is higher. The above monthly rental shall be subject to GST at the prevailing rate. The above premises is used as a food court with hawker food stalls and drinks stalls. The maximum aggregate rental and other outgoings paid by Food Junction under the Lease for the Year was HK\$4,500,000 (approximately S\$714,000). The rental was determined by reference to the then prevailing open market rentals. Further details of the Lease are disclosed in Note 41(d) to the financial statements.

## Report of the Directors *(continued)*

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

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

(C) On 21 August 2017, a tenancy agreement was entered into between Serene Yield Limited (“Serene Yield”), a wholly-owned subsidiary of the Company, and LCR Catering Services Limited (“LCR Catering”), a subsidiary of Auric, pursuant to which LCR Catering agreed to lease from Serene Yield Unit 4, Ground Floor, Lippo Centre, 89 Queensway, Hong Kong, 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 “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 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) should be payable by LCR Catering to Serene Yield and such service charge shall not exceed HK\$95,000 per month (the “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 Maximum Service Charge, for the Year was HK\$6,000,000.

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

The independent non-executive Directors have confirmed that the above 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 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

- (D) On 30 October 2018, Hongkong China Treasury Limited, a wholly-owned subsidiary of the Company, was allotted and issued with 1,411,332 new units (representing its pro rata entitlement) in OUE C-REIT, a real estate investment trust constituted under the laws of Singapore and listed on the Mainboard of Singapore Exchange Securities Trading Limited, at an issue price of S\$0.456 per unit for an aggregate consideration of approximately S\$643,567 (excluding transaction costs) pursuant to the rights issue of OUE C-REIT.
- (E) On 29 March 2019, an assignment agreement was entered into between Innovation Lab Technology Pte. Ltd. ("Innovation Lab"), a wholly-owned subsidiary of the Company, and OUELH Medical Assets Pte. Ltd. ("OMA"), a wholly-owned subsidiary of OUE Lippo Healthcare Limited ("OUELH") which in turn is a subsidiary of OUE Limited ("OUE") pursuant to which OMA agreed to assign to Innovation Lab all rights, title and interests (including the relevant intellectual property rights) owned by OMA in the assets which mainly consisted of modules and systems developed by OMA and which could be further developed into software products (the "Assets") for a consideration of S\$1,588,785.05. The Assets included (amongst others) the following:
- (i) the front-end and back-end of the out-patient management module which is for the management of out-patient service in the healthcare service facilities, together with a number of sub-modules and sub-systems including user management sub-module, username/password-based user authentication and authorization sub-module, multi-factor user authentication and authorization sub-module, appointment and queue management sub-module, electronic health record management sub-system, automated/semi-automated room control and monitoring sub-system, payment management sub-system and reporting sub-system;
  - (ii) codes, data repositories and technical documentation in relation to such modules and systems and such other materials to use, maintain, adapt and support the aforementioned modules and systems;
  - (iii) user interface and user experience design and prototype, drafts of the functional and system design documents, functional and system design documents and testing plans and test cases; and
  - (iv) certain hardware, software and equipment used by OMA in connection with the software product development.



## Report of the Directors *(continued)*

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

#### Connected Transactions *(continued)*

(F) On 17 May 2019, Auric, as tenant, entered into a deed of surrender (the “Deed of Surrender”) with the Trustee, as landlord, to terminate the Second Lease Agreement and surrender its lease of the Premises. With effect from and including 31 May 2019, being the surrender date, but subject to the conditions set out in the Deed of Surrender, Auric and the Trustee were released from all their obligations and liabilities under the Second Lease Agreement.

On 17 May 2019, a new lease agreement (the “New Lease Agreement”) was entered into between Auric and the Trustee pursuant to which Auric agreed to lease from the Trustee Unit #05-06, 50 Collyer Quay, Singapore, with an aggregate floor area of approximately 4,521 square feet (the “New Premises”), for a term of three years from 1 August 2019 (the date immediately following the expiry of the fit-out period) to 31 July 2022, both days inclusive, with an option to renew for a further term of three years, at a monthly rental of S\$46,114.20 plus the GST thereon at the prevailing GST rate, for office use. The service charge to be payable by Auric under the New Lease Agreement shall be S\$5,877.30 per month plus GST thereon at the prevailing GST rate. The rental was determined by reference to the current market rent payable for a lease similar to the New Premises. In light of the upcoming expiry of the Second Lease Agreement in July 2020 and taking into account the projected rent increase if the Second Lease Agreement is renewed, the leasing of the New Premises represented a good opportunity as it was already vacant and the rent payable under the New Lease Agreement would be less than the projected rent payable if the Second Lease Agreement was renewed. The New Premises will continue to be used as office space for the business operations of Auric.

Dr. Riady is a director of OUE (which is a joint venture of HKC and the sponsor of OUE C-REIT) and was a director of OUE LH. He is also a controlling shareholder of Lippo which in turn is the holding company of each of HKC and the Company.

The Directors of the Company (excluding Dr. Riady who had abstained from voting) considered the terms of the continuing connected transactions and connected transactions disclosed herein were fair and reasonable 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.

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

Save as disclosed above and in Note 41 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

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



## Report of the Directors *(continued)*

### 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 less than 30% of the Group's aggregate revenue. During the Year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's aggregate purchases.

None of the Directors 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.

### RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its brand competitiveness and dominant status, the Group aims at delivering constantly high standards of quality in the products and 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(af) and 8 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 32 to 42.

## Report of the Directors *(continued)*

### 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 on pages 43 to 51. 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.

### ADOPTION OF DIVIDEND POLICY

The Board had approved and adopted a dividend policy for the Company in January 2019 that aims to set out the approach to determine the dividend to be payable by the Company, enhance transparency of the Company and facilitate shareholders and investors of the Company to make informed investment decisions. Details of the Company's dividend policy are disclosed in the Corporate Governance Report as set out on page 42.

### 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 every 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.

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 52 to 76.

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

## Report of the Directors *(continued)*

### SUFFICIENCY OF PUBLIC FLOAT

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

### 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**

*Chief Executive Officer*

Hong Kong, 27 June 2019

# 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 shareholder value.

During the year ended 31 March 2019 (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 15), including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 16 to 18). A list containing the names of the Directors and their roles and functions can also be found on the Company’s website ([www.lcr.com.hk](http://www.lcr.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 and King Fai Tsui (who are to retire by rotation at the forthcoming 2019 annual general meeting of the Company (the "2019 AGM")) 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.

## Corporate Governance Report *(continued)*

### BOARD OF DIRECTORS *(continued)*

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

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

During the Year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

Individual attendance of each Director at the Board meetings and general meetings 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 Meetings |
| <b>Executive Directors</b>  |                               |                 |                        |                      |                  |
| Dr. Stephen Riady ( <i>Chairman</i> )   | 5/7                           | N/A             | 4/4                    | 4/4                  | 2/2              |
| Mr. John Luen Wai Lee<br>( <i>Chief Executive Officer</i> )                                     | 7/7                           | N/A             | N/A                    | N/A                  | 2/2              |
| Mr. James Siu Lung Lee  | 5/7                           | N/A             | N/A                    | N/A                  | 2/2              |
| <b>Non-executive Director</b>   |                               |                 |                        |                      |                  |
| Mr. Leon Nim Leung Chan   | 7/7                           | 3/3             | 4/4                    | 4/4                  | 2/2              |
| <b>Independent Non-executive Directors</b>  |                               |                 |                        |                      |                  |
| Mr. Victor Ha Kuk Yung<br>( <i>Chairman of the Audit Committee</i> )                            | 7/7                           | 3/3             | 4/4                    | 4/4                  | 2/2              |
| Mr. King Fai Tsui<br>( <i>Chairman of the Remuneration Committee and Nomination Committee</i> ) | 7/7                           | 3/3             | 4/4                    | 4/4                  | 2/2              |
| Mr. Edwin Neo   | 7/7                           | 3/3             | 4/4                    | 4/4                  | 2/2              |

## 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 four 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.lcr.com.hk](http://www.lcr.com.hk)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Remuneration Committee has been delegated with the authority and responsibility to determine the remuneration packages of individual Directors and senior management. Senior management of the Company comprises Directors of the Company only.

The principal role of the Remuneration Committee is to exercise the powers of the Board to review and determine or make recommendations to the Board on the remuneration packages of individual Directors and senior 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 Remuneration 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. Four 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 9 and 2.4(af) 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. In light of certain amendments to the Listing Rules, the Board revised the terms of reference of the Nomination Committee in January 2019. A copy of the revised terms of reference can be found on the Company's website ([www.lcr.com.hk](http://www.lcr.com.hk)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The principal role of the Nomination Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; assessment of the independence of independent non-executive Directors and make recommendations to the Board for the appointment of independent non-executive Directors; making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors in particular the Chairman of the Board and the chief executive; and to review the terms of reference of the Nomination Committee, the board diversity policy and the Directors' nomination policy and recommend to the Board any necessary changes required. 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 annual general meeting of the Company held on 4 September 2018 (the "2018 AGM") and assessed the independence of the independent non-executive Directors. The Nomination Committee also reviewed the existing structure, size, composition, diversity and efficiency of the Board, and assisted the Board in the development of the Directors' nomination policy (the "Nomination Policy") and made recommendations to the Board on the revision to the terms of reference of the Nomination Committee and the board diversity policy (the "Diversity Policy"). The Nomination Committee also reviewed and recommended to the Board on the re-election of retiring Directors at the 2019 AGM.

With the support and recommendation of the Nomination Committee, the Board adopted the Nomination Policy in January 2019. The Nomination Policy aims to, inter alia, set out the criteria and process in the nomination, appointment and re-election of Directors and ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company. The Nomination Committee is responsible to identify, evaluate and recommend potential candidates to the Board. The ultimate responsibility for selection and appointment of Directors rests with the entire Board and, where applicable, subject to the approval of the shareholders in general meeting.

Any Directors or shareholders may nominate any individuals as candidates for directorship for the consideration of the Nomination Committee in accordance with the Company's Articles, any applicable policies or procedures of the Company and/or the Listing Rules from time to time. The procedures for such shareholders' nomination are published on the Company's website ([www.lcr.com.hk](http://www.lcr.com.hk)). When assessing the suitability of a proposed candidate, the Nomination Committee will take into consideration various factors including, but not limited to, character and integrity, qualification, skills and knowledge, experience, potential contributions, board diversity, number of directorships in other listed companies, independence requirements (for independent non-executive Directors) as set out in the Listing Rules and such other perspectives that are appropriate to the Company's business and succession plan.

## Corporate Governance Report *(continued)*

### NOMINATION OF DIRECTORS *(continued)*

Retiring Directors eligible for re-election at general meeting and proposed candidates are requested to submit the necessary information together with their written consents to be re-elected or appointed as Directors. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating the retiring Director or the proposed candidate which may include, without limitation, personal interviews, background checks, written submissions by the candidate and/or third-party references. The Nomination Committee shall then recommend the proposed re-election or appointment of Director to the Board for the Board's consideration and, where applicable, the Board will make recommendation to shareholders. The Nomination Committee may nominate a suitable candidate to fill a casual vacancy on the Board for the Board's consideration and approval. A circular containing the requisite information of candidates recommended by the Board to stand for election at the general meeting (whether as new appointment or re-election) will be sent to shareholders as required under the Listing Rules.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and substantial and balanced development. The Diversity Policy was adopted by the Board in August 2013 and revised in January 2019. A copy of the revised Diversity Policy can be found on the Company's website ([www.lcr.com.hk](http://www.lcr.com.hk)). 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, cultural and 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 regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The Company will also take into account factors based on its own business model and specific needs from time to time. The Nomination Committee monitors the implementation of the Diversity Policy and will at appropriate time set measurable objectives for achieving diversity under the Diversity Policy. It will review objectives for the implementation of the Diversity Policy and monitor progress towards the achievement thereof. In carrying out its responsibility for identifying suitable candidates to become members of the Board, the Nomination Committee will give adequate consideration to the Diversity Policy and the Nomination Policy. The Nomination Committee will review the Diversity Policy from time to time as appropriate to ensure its continued effectiveness. 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 Nomination 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. Four meetings were held during the Year and the individual attendance of each member is set out above.

## 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 2019 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 16 to 18.

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.

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>Chief Executive Officer</i> ) | (1), (2) and (3)  |
| Mr. James Siu Lung Lee                                   | (1), (2) and (3)  |
| <b>Non-executive Director</b>                            |                   |
| 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)  |

## Corporate Governance Report *(continued)*

### 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\$6.5 million (2018 — HK\$5.8 million) and approximately HK\$0.6 million (2018 — HK\$0.1 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.

### 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.lcr.com.hk](http://www.lcr.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 2019 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 43 to 51. 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 her 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 2018 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.lcr.com.hk](http://www.lcr.com.hk)).

To provide effective communication, the Company maintains a website at [www.lcr.com.hk](http://www.lcr.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 Tengis Limited, at Level 54, 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 [lcr.ir@lippohk.com](mailto:lcr.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 [lcr.ir@lippohk.com](mailto:lcr.ir@lippohk.com).



## Corporate Governance Report *(continued)*

### DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders and investors of the Company to be its goal and endeavours to achieve a progressive dividend policy where appropriate. The Board had approved and adopted a dividend policy for the Company (the "Dividend Policy") in January 2019 that aims to set out the approach to determine the dividend to be payable by the Company, enhance transparency of the Company and facilitate shareholders and investors of the Company to make informed investment decisions.

In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Group's earnings performance, financial position, investment and funding requirements, and future prospects. There is no assurance that a dividend will be proposed or declared in any given year.

The Board will review the Dividend Policy from time to time to ensure its continued effectiveness.

### 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.lcr.com.hk](http://www.lcr.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 2019, 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 77 to 81.

### 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

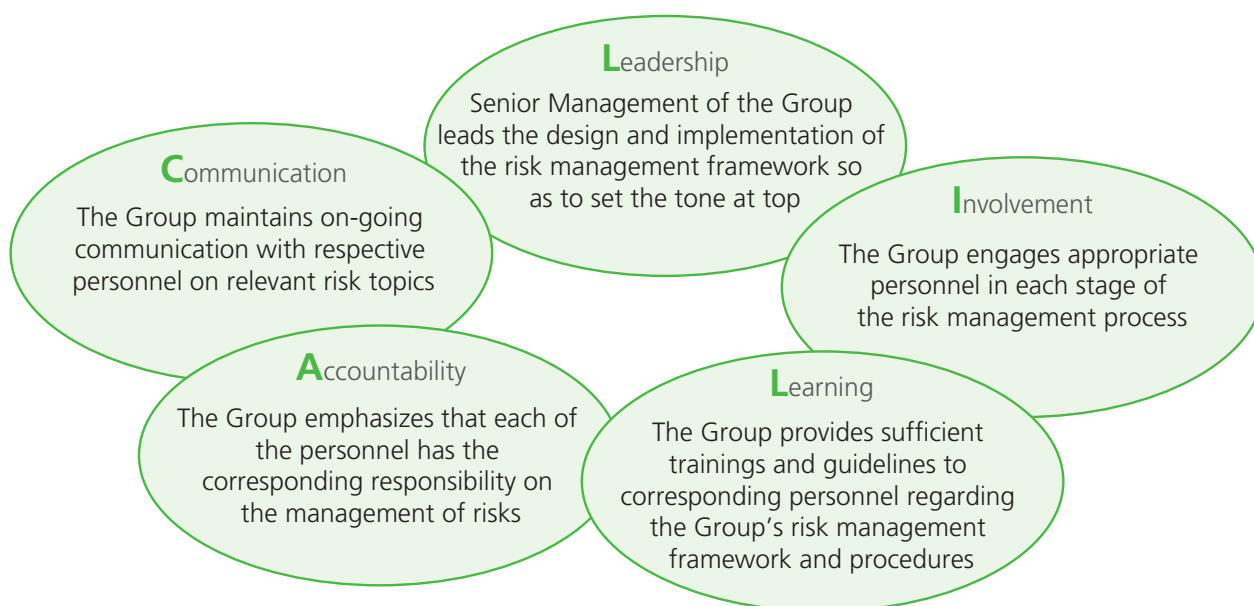
Effective risk management is essential for the Group to take the appropriate level of risks and opportunities in pursuing its strategic and business goals. The Group is committed to the continuous improvement of the risk management system in order to facilitate the long-term growth and sustainability of its businesses. During the year ended 31 March 2019 (the “Year”), the Group has integrated Environmental, Social and Governance (“ESG”) risk factors into enterprise risk management process given that the increasing significance of ESG risks.

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 (2017), 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:



## Risk Management Report *(continued)*

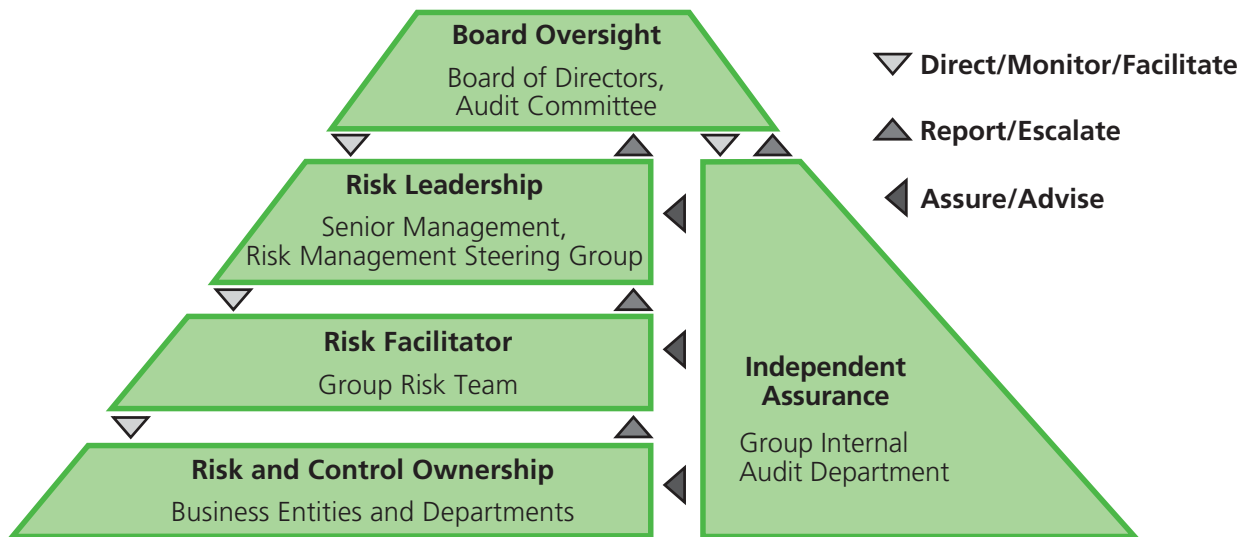
### RISK MANAGEMENT STRATEGY *(continued)*

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

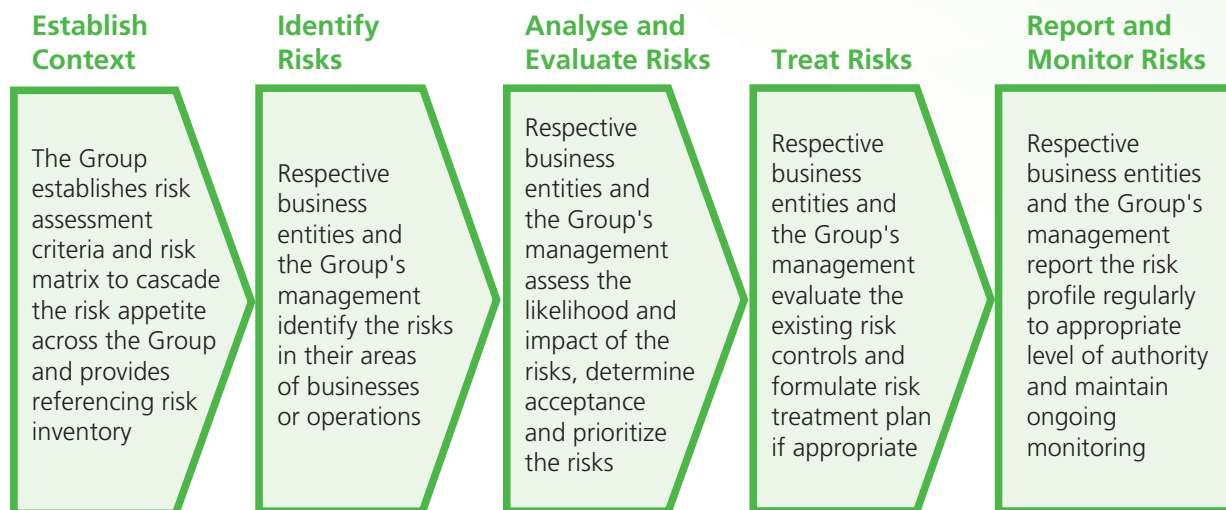
##### Group Internal Audit Department

- 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 | ✓ Implemented 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 objective |
|                          | ✓ Revised enterprise risk management manual to incorporate changes in the Year and enhanced the readability of the manual  |
| Risk Governance          | ✓ Implemented Risk and Control Self-Assessment   |
|                          | ✓ Discussed key risk profiles in the RM Steering Group   |
|                          | ✓ 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 | ✓ 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                                       |
|                         | ✓ Integrated Environmental, Social and Governance (“ESG”) risk factors into enterprise risk management process                  |

### 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><br/>– <b>Strategy Direction Risk</b></p> <p>The risk of inappropriate or ineffective enterprise level strategies and initiatives due to changes of market or economic conditions impacting the achievement of financial objectives</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>• Regular operational review in light of present circumstances.</li> </ul>   |    |
| <p><b>Strategic</b><br/>– <b>Investment Risk</b></p> <p>The risk of poor performance of the investment portfolio due to different factors such as the rising of geopolitical tensions and volatility in global financial market, type or 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>Operational</b><br/>– <b>Natural Disaster Risk<sup>1</sup></b></p> <p>The risk of extensive damage in network facilities caused by storm, flood, landslide, extreme weather phenomenon due to climate change impacting the Group's ability to sustain operation and/or loss of critical data and/or information</p>                                | <ul style="list-style-type: none"> <li>• Performing periodic system backup</li> <li>• Establish business continuity plan covering different disaster scenarios</li> <li>• Appropriate insurance coverage for different disaster scenarios</li> </ul>   |  |

<sup>1</sup> material risk identified with ESG aspects

## Risk Management Report *(continued)*

### MATERIAL RISKS *(continued)*

#### B. Food Businesses





| Risks  | Examples of Response Taken  | Risk Trend  |
|--|---|---|
| <p><b>Strategic</b><br/>– <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><br/>– <b>Quality and Safety Risk<sup>1</sup></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><br/>– <b>Operating Cost Risk</b></p> <p>The risk of increasing operating cost, impacting the company's operational budget control</p>  | <ul style="list-style-type: none"> <li>• Ongoing monitoring and negotiating of commodities price and forecasting of sales volume</li> <li>• Explore commodity hedging to cushion the rising prices</li> <li>• Using bulk oil tank storage to save delivery cost in drum</li> </ul>  |  |
| <p><b>Operational</b><br/>– <b>Talent Attraction and Retention Risk</b></p> <p>The risk of failure to attract and/or retain qualified staff, impacting the business operation and achievement of business objectives</p>   | <ul style="list-style-type: none"> <li>• Ongoing recruitment advertisements placed in different channels</li> <li>• Talent scouting</li> <li>• In-house training to improve the productivity of existing staff</li> </ul>   |  |

<sup>1</sup> material risk identified with ESG aspects

## Risk Management Report *(continued)*

### MATERIAL RISKS *(continued)*

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

| Risks   | Key Controls   | Risk Trend  |
|---|--|---|
| <p><b>Strategic</b><br/>– <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>  Risk level has increased                Risk level has remained steady                Risk level has decreased         </p> |  |   |

### 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:

- Regular risk management progress reports on the status of implementation;
- Regular risk reports on the Group's material risks and entities' risk profile including key mitigations;
- Risk and control self-assessment by various entities;
- Regular audit reports by the Group Internal Audit Department for audit evaluation of the internal controls and key findings with relevant recommendations;
- Consideration on the adequacy of resources, staff qualifications and experience, training programmes and budgets of the accounting, internal audit and financial reporting functions;
- Consideration on the scope and quality of management's ongoing monitoring of the systems; and
- 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 2019 (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 covers the operation of the Company’s head office in Hong Kong and its subsidiaries in food businesses, property development, property investment and property management 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”)<br>Auric Marketing Sdn. Bhd. (“Auric Marketing”) <sup>1</sup><br>Auric Pacific Food Industries Pte. Ltd. (“Auric Pacific Food Industries”)<br>Auric Pacific Food Processing Sdn. Bhd. (“Auric Pacific Food Processing”) <sup>1</sup><br>Auric Pacific Marketing Pte. Ltd. (“Auric Pacific Marketing”) <sup>1</sup><br>Centurion Marketing Pte. Ltd. (“Centurion Marketing”) <sup>1, 2</sup><br>Cuisine Continental (HK) Limited (“Cuisine Continental”) <sup>1, 2</sup><br>Delifrance (HK) Limited (“Delifrance HK”)<br>Delifrance (Singapore) Pte. Ltd. (“Delifrance Singapore”)<br>Food Junction Holdings Limited (“Food Junction”)<br>LCR Catering Services Limited |
| Property development, property investment and property management | 福建莆田忠信物業管理有限公司<br>(Fujian Putian Zhong Xin Property Management Limited)<br>福州力寶商業顧問有限公司<br>(Fuzhou Lippo Commercial Consultants Limited)   |
| Management services   | 北京力寶商業顧問有限公司<br>(Beijing Lippo Commercial Consultants Limited) (“Beijing Lippo”)<br>LCR Management Limited   |

<sup>1</sup> Auric Marketing, Auric Pacific Food Processing, Auric Pacific Marketing and Centurion Marketing ceased to be subsidiaries of the Company on 29 March 2019.

<sup>2</sup> Centurion Marketing and Cuisine Continental are new additions to the reporting boundary in the ESG Report for 2018/2019.

## 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 ESG 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 2019.

#### 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 [lcr.ir@lippohk.com](mailto:lcr.ir@lippohk.com). Your feedback or suggestions would greatly help the Group continuously improve its performance.

### ESG GOVERNANCE

The Board takes the overall responsibility for the oversight of the Group’s policies, measures and performance on ESG matters. Through regular board meetings, the Board evaluates and reviews ESG matters, such as product responsibility, employment, community investment and environmental management.

To more properly address and manage the sustainability risks and opportunities faced by the Group, the Group formed a working group which comprises representatives from inter alia, business divisions and compliance team. To better prepare the Group to rise above future challenges, it is on the Group’s agenda to continue enhancing its ESG governance and develop sustainability strategies more comprehensively.



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

### ESG GOVERNANCE *(continued)*

#### Risk Management and Internal Control

The Group considers effective risk management as an integral part of day-to-day operations and sound corporate governance. It is essential for the Group to evaluate risks that may prevent or endanger the achieving of its strategic and business goals, and identify opportunities ahead.

The Board has the overall responsibility for the risk management and internal control systems. The Group's risk governance structure and risk management process span all business entities and departments. Empowered by the Board, the Audit Committee reviews and approves risk criteria, oversees the risk exposure and reviews the adequacy and effectiveness of the systems.

In an effort to educate business entities and departments, the Group organised company-wide workshops at three locations during the Year on how to identify and assess risk areas, and take appropriate actions to address the risks.

For further information regarding the Group's risk management strategy, governance structure and process, please refer to the Risk Management Report on pages 43 to 51.

### STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholders are groups or individuals who have a significant impact on the Group's business, and those who are materially influenced or affected by the Group's business. Key groups of stakeholders are shown below:

| Internal Stakeholders  | External Stakeholders   |
|--|---|
| <ul style="list-style-type: none"> <li>• The Board</li> <li>• Management</li> <li>• General staff</li> </ul> | <ul style="list-style-type: none"> <li>• Investors</li> <li>• Shareholders</li> <li>• Suppliers</li> <li>• Business partners</li> <li>• Auditors</li> <li>• Customers</li> <li>• Service providers</li> <li>• Bankers</li> <li>• Communities</li> </ul> |

Understanding stakeholders' views guides the Group to meet their needs and expectations, and manage potential risks and opportunities. To collect their feedback, the Group engages its internal and external stakeholders through a number of channels such as meetings, emails, interviews, conferences, visits and survey.

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

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

#### Highlights of stakeholder communication

| Employees  | Suppliers  |
|--|--|
| Engage employees through implementing a range of initiatives to create a healthy workplace with development opportunities. | Keep suppliers aware of the Group's social and environmental standards during supplier selection and assessment. |
| Customers  | Communities  |
| Communicate with customers to improve the products and services the Group delivers, and enhance their satisfaction.        | Support the community through making charitable efforts, such as donation and sponsorship.                       |

#### Materiality Assessment

To identify the most important environmental and social issues for the Group and its stakeholders, the independent consultant commissioned by the Group adopted a three-step approach to conduct a materiality assessment.

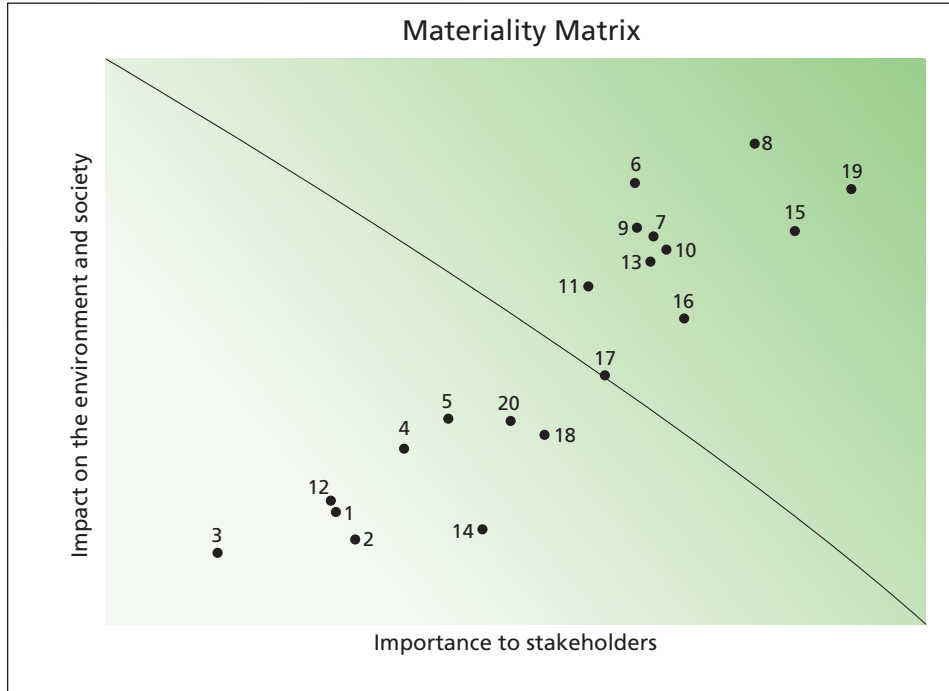
| 1. Issue identification   | 2. Online questionnaire  | 3. Materiality matrix   |
|---|--|---|
| <p><b>Management Interview</b></p> <ul style="list-style-type: none"> <li>Conducted interview with the senior management to identify new and emerging material issues and risks</li> </ul> <p><b>Expert review</b></p> <ul style="list-style-type: none"> <li>Identified relevant issues</li> </ul> | <ul style="list-style-type: none"> <li>Stakeholders ranked the issues by their importance to them and the Group's impact on the environment and society</li> <li>Received 172 valid responses from internal and external stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>Assessed the materiality of each issue</li> <li>Developed a materiality matrix to present stakeholders' views</li> </ul> |

The Group has identified 11 out of 20 issues relating to the environmental and social aspects to be the material focus of the ESG Report.

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

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

### Materiality Assessment *(continued)*



| Number <sup>3</sup> | Identified Material Issues                                   |
|---------------------|--|
| 19                  | Anti-corruption  |
| 8                   | Health and safe working environment                          |
| 15                  | Protection of customer information and privacy               |
| 6                   | Employment management system                                 |
| 7                   | Employer-employee relations                                  |
| 9                   | Training and development                                     |
| 10                  | Elimination of discrimination                                |
| 13                  | Labour standards   |
| 16                  | Quality management and after-sales service                   |
| 11                  | Employee diversity and equal opportunities                   |
| 17                  | Fair and responsible marketing communication and information |

Looking ahead, the Group will continue to explore different forms of engagement and strengthen its interaction with stakeholders to create mutually beneficial relationships.

<sup>3</sup> Please refer to the above materiality matrix. The issues considered to be material to the Group are shown in the top right hand side of the graph.

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

### OPERATING RESPONSIBLY

Business ethics and consistently high standards of product quality are essential for the long-term viability of the Group's business. The Group's commitment and approach to responsible corporate citizenship are underpinned by the following policies and guidelines.

Anti-corruption  
Policy

Whistleblowing  
Policy

Product and  
Service  
Responsibility  
Policy

Sustainable  
Supply Chain  
Policy

#### Anti-corruption and Whistleblowing Measures

Honesty, integrity and fairness have always been at the core of the Group's operations. In line with the Group's stance to prohibiting bribery, extortion, fraud and money laundering, the Group has the Anti-corruption Policy in place, which sets out the Group's expectations on all Directors and staff. It gives guidance on the standard of conduct in circumstances such as accepting or offering advantage, dealing with conflict of interest and handling confidential information.

The Whistleblowing Policy enables employees or any other person to raise concerns on possible improprieties or non-compliance without fear of reprisal or retribution. To facilitate and encourage reporting, communication channels (email address and telephone number) are made available to all employees. Reports can be made for the attention of managers or head of department, 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 process is kept confidential and the whistleblower is protected against unfair dismissal, victimisation or unwarranted disciplinary action.

The Audit Committee of the Company has the responsibility of overseeing the procedure and investigating reports received, which is administered with the support of the GIA. The Company will inform the whistleblower of the outcomes of the investigation. The Whistleblowing Policy is reviewed periodically by the head of the GIA to ensure effective monitoring and implementation.

There are no relevant laws and regulations in relation to corruption that have a significant impact on the Group. During the Year, the Group did not identify any non-compliance cases with laws and regulations in relation to corruption nor was there any concluded legal case regarding corruption practices brought against it or its employees.

#### Product Responsibility

The Group is committed to delivering products and services of high quality to its customers. Guided by the Product and Service Responsibility Policy, the Group ensures the products and services it offers are in line with laws and regulations relating to privacy matters, health and safety, advertising and labelling, etc.

##### *Protection of customers' data privacy and intellectual property*

As stated in the Product and Service Responsibility Policy, employees are expected to follow its guiding principles to safeguard customers' data privacy and intellectual property of any third-party. In addition, the Group has a range of measures designed to protect privacy and safeguard confidential information that it handles in its business activities.

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

### OPERATING RESPONSIBLY *(continued)*

#### Product Responsibility *(continued)*

##### *Protection of customers' data privacy and intellectual property (continued)*

Cuisine Continental, Delifrance HK and Delifrance Singapore

| Communicating Privacy Policy   | Enforcing data security   |
|--|---|
| At subsidiaries such as Delifrance HK and Delifrance Singapore that hold personally identifiable information of customers, a privacy policy is in place which provides guidance on how to collect, use, communicate and disclose those information. The policy is publicly available on the company website for easy access by customers and members of the public. To respect customers' privacy, Delifrance HK and Delifrance Singapore collect, use and retain only required information. | Cuisine Continental, Delifrance HK and Delifrance Singapore have put in place security measures to protect customer data against loss or theft, as well as unauthorised access, disclosure, copying, use or modification. The data is handled by authorised employees and the scope of information disclosure is limited. |

There are no relevant laws and regulations in relation to privacy matters that have a significant impact on the Group. During the Year, the Group did not identify any cases of non-compliance with laws and regulations regarding privacy matters.

#### *Safety and quality management*

Food businesses

Ensuring the safety and quality of products and services delivered is a priority at all times across the Group's food businesses.

| Management systems adopted         |   |
|------------------------------------|---|
| ISO 9001 Quality Management System | ISO 22000 Food Safety Management System                   |
| Good Manufacturing Practices (GMP) | Hazard Analysis and Critical Control Point (HACCP) system |

Subsidiaries such as Auric Pacific Food Industries, Auric Pacific Food Processing, Delifrance HK and Delifrance Singapore have a number of management systems in place. The Group assesses and monitors food safety risks through these systems on an on-going basis.

To identify and minimise potential food safety hazards, the Group implements a range of preventive and mitigation measures throughout its production and retail chain. These ensure the products sold meet the Group's standards and regulatory requirements relating to health and safety.

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

### OPERATING RESPONSIBLY *(continued)*

#### Product Responsibility *(continued)*

##### Safety and quality management *(continued)*

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

|                                     |   |  |
|-------------------------------------|---|--|
| Vendor assessment                   | ▼ | • Evaluate new and existing suppliers against quality and safety requirements through audit  |
| Incoming materials inspection       | ▼ | • Perform assessment in accordance with the established acceptance criteria during receiving of raw materials, including raw ingredients, dry ingredients, seasoning and packaging                                       |
| Materials storage                   | ▼ | • Ensure materials are kept in appropriate locations and temperature according to the product categories   |
| Handling and processing of products | ▼ | • Staff are required to follow proper operating procedures, and maintain personal hygiene and cleanliness when carrying out daily production duties<br>• Properly clean and maintain production facilities and equipment |
| End products testing                | ▼ | • Perform laboratory testing to ensure the microbiological quality of end products and goods for sale at stores meet regulatory requirements   |
| Logistics                           | ▼ | • Ensure the condition of warehouse, storage areas and delivery fleet are properly maintained and cleaned  |
| Retail                              | ▼ | • Conduct regular quality assessment of retail stores  |

If non-conforming or potentially unsafe product is spotted, or a product recall is required, the Group has in place a controlling and handling procedure. Respective departments are responsible for segregating and evaluating the non-conforming products, and initiating corrective actions.

To ensure food safety in daily operations, during the Year, Cuisine Continental and Delifrance HK organised games for staff in stores and provided monthly training to all store-in-charge to share the results of retail quality assessment and customer complaints in relation to product quality and improvement actions.

The Group abides by the applicable laws and regulations relating to health and safety of products and services provided. During the Year, the Group regrets that there was one case of non-compliance with laws and regulations regarding health and safety of products and services provided. Delifrance Singapore was fined approximately HK\$1,700 for non-compliance with the National Environment Agency regulations under Regulation 26(a) of the Environmental Public Health (Food Hygiene) Regulations (Cap. 95, Rg. 16) and Regulation 33(1). Delifrance Singapore has thereafter implemented an action plan to tighten the standards on food hygiene and safety at each outlet.



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

### OPERATING RESPONSIBLY *(continued)*

#### Product Responsibility *(continued)*

##### *Safety and quality management (continued)*

Property development, property investment and property management

During the Year, the Group did not have any ongoing property project under development. Product health and safety as well as quality project management were not considered as material issues for this business segment.

##### *Responsible marketing and customer communication*

The Group is mindful of its obligations to advertise and label its products and services responsibly. Considering the business nature of the Group, it provides information regarding its products and services both on printed communication materials and digital platforms during day-to-day operations. As part of the Product and Service Responsibility Policy, the Group is committed to providing adequate information on its products and services that customers can trust.

Product labels provide customers with information on allergens, product shelf life dates, and storage and consumption advice. At subsidiaries such as Cuisine Continental and Delifrance HK, sharing session on customer services are held to offer insights into handling and responding to customer queries on products and services to restaurant managers.

There are no relevant laws and regulations in relation to advertising and labelling that have a significant impact on the Group. During the Year, the Group did not identify any cases of non-compliance or complaints regarding advertising and labelling.

#### Supply Chain Management

The Group continues to enhance supply chain management through managing the social and environmental risks in its supply chain. The Sustainable Supply Chain Policy sets out the social, ethical and environmental standards to be considered in the supplier selection and monitoring process. These revolve around:



The Group's business dealings steer clear of suppliers that commit material breach of 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 monitors and evaluates its suppliers against the abovementioned requirements on an on-going basis, and will continue to work closely with business partners to build a socially and environmentally responsible supply chain.

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

### CARING FOR OUR EMPLOYEES

An engaged and talented workforce is the core pillar for the Group's long-term growth and viability. With this in mind, the Group is committed to creating an engaged, healthy and safe workplace, with respect for different cultures and traditions, and employee development. In conjunction with the Human Resources Policy, the Group has a set of measures and initiatives in place supporting employee performance.

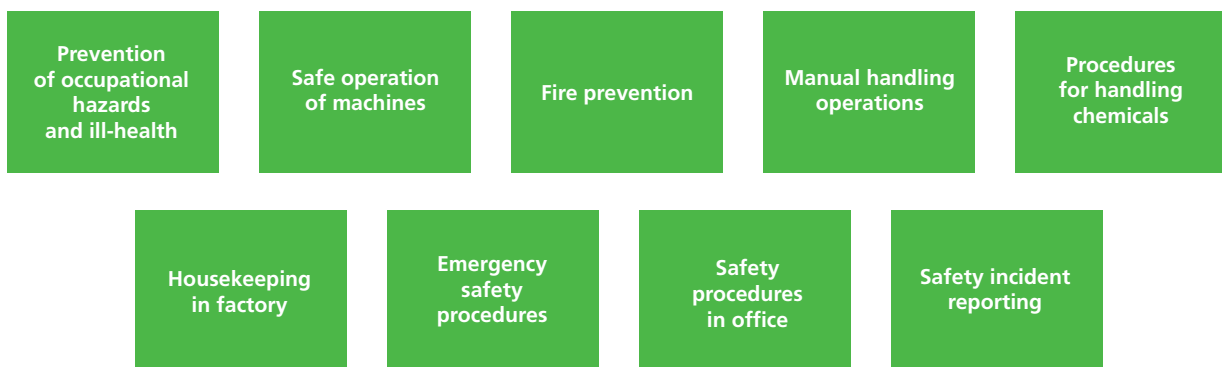
#### Employee Health and Safety

Safeguarding the health and safety of employees has always been at the core of the Group's operations. The Human Resources Policy underlines the Group's commitment to protecting employees from workplace hazards, and minimising safety and health risks.

##### *Food businesses*

##### Safety guidelines

Recognising the importance of safety awareness, the Group has established safety guidelines that help employees prioritise safety at work:



Cuts, burn and scald, slips, trips and bruises are the most common safety hazards at factories and restaurants. The safety guidelines detail the appropriate conduct and necessary protective equipment for performing different tasks to avoid safety hazards.

##### Safety committee

A number of subsidiaries in the Group's food businesses have set up safety committees overseeing workplace health and safety. The committees comprise personnel from various departments, such as the Human Resources Department, Operation Department, Project Department and Quality Assurance Department.

At Delifrance Singapore, it is the responsibility of the safety committee to develop, implement and administer a comprehensive safety management system. The safety committee has to ensure safety standards at the outlets and baking centre are in line with all statutory obligations and practices. Regular meetings were conducted to review and resolve health and safety issues, and help the company stay abreast of applicable laws and regulations.

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

### CARING FOR OUR EMPLOYEES *(continued)*

#### Employee Health and Safety *(continued)*

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

##### *Safety training*

At subsidiaries such as Delifrance Singapore, safety guidebooks and safety training, including structured classroom and on-the-job training, are provided to current and newly hired factory employees. Employees are required to sign a "Letter of Undertaking" to acknowledge their completion of the training.

To prepare for fire emergencies, the fire safety committees in the Group's food businesses organise fire drills and provide training on a regular basis.

##### *Safety inspections and communications*

To maintain good housekeeping, safety inspections are conducted on a regular basis. For example, at Delifrance HK, monthly assessment in store is conducted to maintain a safe working environment. The Human Resources Department reviews health and safety issues, and provides case sharing and preventive actions in monthly restaurant manager meetings.

The Group provides medical insurance programmes and encourages employees to provide suggestions on improving workplace health and safety through various communication channels.

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

To protect employees from injury, the Group ensures sufficient personal protective equipment are provided and are readily available on site. To prepare employees for special accidents such as electric shock, strong acid and alkali injury, heat stroke and syncope, etc., the Group communicates the special accident handling guidelines to various departments, such as the engineering department, security department and cleaning department.

The Group regrets that there were 18 cases of minor work related injuries during the Year across the 15 subsidiaries covered in the reporting boundary. The injuries were caused by incidents such as cut, sprain, and slip and fall. The Group has conducted investigations and implemented preventive measures, such as conducting review of risk assessment and adequacy of safety equipment, and providing safety awareness training to prevent reoccurrence.

### Employment Management System

The Human Resources Policy outlines the Group's principles for developing a motivating, diverse, impartial, harmonious and safe working environment. Employment policies and procedures across different operations are in place regarding recruitment, dismissal, hours of work, overtime, compensation and benefits and other employment arrangements.

##### *Diversity and equal opportunities*

Employee diversity and equal opportunities are at the core of the Human Resources Policy. Employees are treated equally irrespective of their age, gender, marital status, pregnancy, sexual orientation, family status, disability, politics, race, nationality or religion. Recruitment, compensation, rewards and promotion are fairly based on employees' performance, aptitude and potential.

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

### CARING FOR OUR EMPLOYEES *(continued)*

#### Employment Management System *(continued)*

##### *Diversity and equal opportunities (continued)*

Various subsidiaries have policies, procedures and measures in support of a culture of diversity and equal opportunities:

#### Cuisine Continental and Delifrance HK

The equal opportunity policy of Cuisine Continental and Delifrance HK underlines its commitment to being an equal opportunity employer and making sure all employees are treated fairly and with respect. Cuisine Continental and Delifrance HK rejects any form of unfair discrimination, harassment and defamation, and treats employees justly according to their abilities to meet the requirements of their role.

Employees, customers or any other person can raise their concerns or report any cases in relation to equal opportunity or discrimination to the Human Resources Department for investigation. To enhance employee awareness, Cuisine Continental and Delifrance HK ensures such policy and procedure are communicated to all head office staff and frontline managerial staff during the induction training.

#### Auric Pacific Marketing and Centurion Marketing Understanding Halal

To create a faith-friendly workplace for Muslim colleagues and respect their dietary requirements, Auric Pacific Marketing and Centurion Marketing provide ovens exclusively for heating halal food. To alert employees of cultural differences, the Human Resources Team circulates a friendly reminder through the e-bulletin.

Halal is an Arabic word meaning lawful or permitted. It is the standard of conduct for Muslims that applies to all facets of life. Muslim colleagues do not consume non-halal food, with pork a common example.

#### *Fair and competitive remuneration*

To keep employees engaged and enhance their well-being, the Group develops and delivers comprehensive welfare and benefits. The Group's remuneration package offers a number of benefits in addition to the statutory requirements, such as paid marriage leave, medical and compassionate leave, generous annual leave, healthcare insurance and retirement benefits.

#### *Employee engagement*

Open communication helps build trust and higher levels of engagement in the workplace. Communication channels are available for employees to raise any concerns at work to their direct supervisors and managers, the Human Resources Department, the General Manager or the Chief Executive Officer as appropriate. All feedback received will be handled confidentially. The Group did not receive any employee grievances during the Year.

Engagement activities can boost trust and happiness among employees. For instance, employees from Auric Pacific Marketing and Centurion Marketing received monthly updates on company events and engagement activities through email and the Human Resources bulletin. During the Year, the Group has organised various employee activities to enhance employees' sense of belonging, such as Long Service Award Dinner, Chinese New Year Thankful Lunch, staff outing and Annual Dinner. The Group also encouraged employees to participate in charity activities such as "McDull Charity Run" organised by The Samaritan Befrienders Hong Kong and food donation for the "Three-Legged Charity Walk" organised by Christian Action and caring visits to the elderly and disabled, as well as disadvantaged families and individuals.

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

### CARING FOR OUR EMPLOYEES *(continued)*

#### Training and Development

Training and development are central to the Group's approach to keeping employees engaged and energised about their future with the Group. The Human Resources Policy sets out a clear framework for providing learning and development opportunities to employees. The Group supports employees to seek a variety of internal and external training opportunities, through which they are able to acquire requisite skills and advance in their roles.

The Group has a performance management and development process for its employees. Annual performance appraisal is designed to evaluate employees' performance against various performance indexes and annual objectives, as applicable. The relevant divisions and departments are responsible for conducting coaching, assessing development needs of employees and setting aside training and development budgets.

#### Create a culture of self-directed learning

The Group seeks to create a motivated and energetic team that never stops learning. To encourage employees to become self-directed learners, the Group provides financial support to employees taking training and development programmes.

The Group arranges training sessions which provide insights into corporate governance, as well as updates on regulatory requirements and development for the Directors and senior management. At subsidiaries in the Group's food businesses, such as Cuisine Continental and Delifrance HK, training topics for frontline managers and office employees range from retail quality and hygiene to customer services and leadership skills.

#### Labour Standards

The Group recognises its responsibility to uphold ethical labour standards and comply with the relevant laws and regulations where it operates. In line with its commitment in prohibiting child and forced labour as underlined in the Human Resources Policy, the Group has implemented effective systems and controls across its operations. As a preventive practice, the Group evaluates applicants with suitable assessment of academic qualifications, talent, age and experience.

There are no relevant laws and regulations in relation to employment, health and safety, and labour standards that have a significant impact on the Group. During the Year, the Group did not identify any non-compliance cases regarding health and safety, employment, child labour and forced labour.

### INVESTING IN SOCIETY

The Group is committed to supporting the communities where it operates by understanding the needs and reducing the impacts of its operations on the neighbourhoods.

The Group seeks to make donations that assists meeting the needs and expectation of local communities and fostering the social development as outlined in the Donation Policy. The Group supports making contributions to 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\$4,510,000 for various charity initiatives. In addition to monetary contributions, for example, the Group also sponsored coffee coupons and food to volunteers of the project "Red Pocket for every home" and "3-Legged Charity Walk" organised by Christian Action.

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

### INVESTING IN SOCIETY *(continued)*

The Group mobilised employees, together with their families and friends, to support the “Share-To-Care Volunteer Campaign” organised by Agency for Volunteer Service in January 2019. Our volunteers participated in caring visits and delivered gift bags to the elderly and disabled, as well as disadvantaged families and individuals.

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

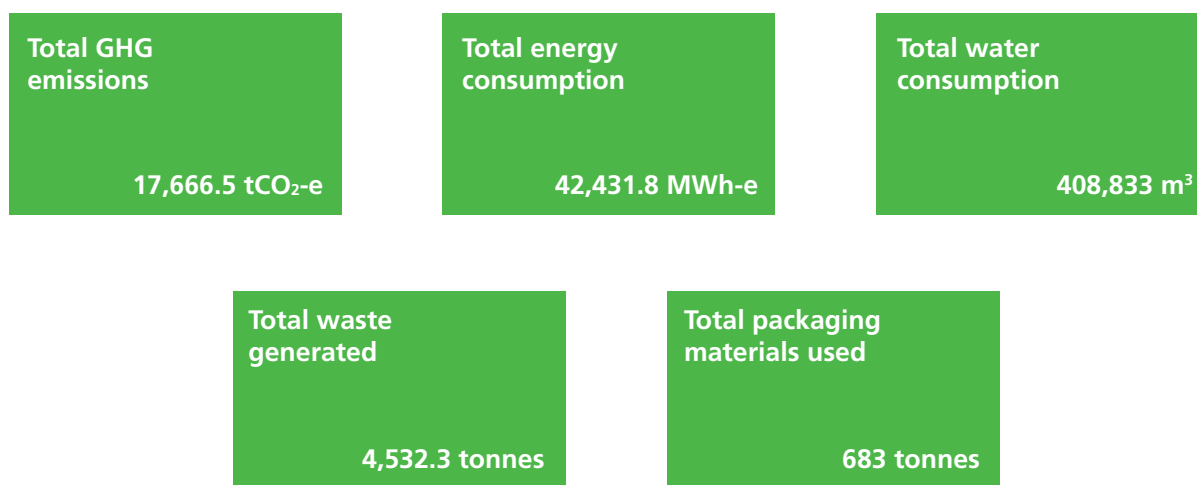
### PROTECTING THE ENVIRONMENT

The Group upholds environmentally responsible business practices for the interest of the communities. As stipulated in its Environmental Policy, the Group takes into consideration the material environmental risks and opportunities in its business decisions. The Group’s Environmental Policy expects subsidiaries to manage and minimise their environmental impact. Environmental performance is tracked and reported on an on-going basis to ensure compliance with regulatory requirements and industry codes.

Subsidiaries of food businesses, such as Auric Pacific Food Industries, manage the environmental impacts of its operations through the ISO 14001 Environmental Management Systems. Auric Pacific Food Industries is also ISO 14001 certified since 2000.

### Environmental Impact and Management

#### Environmental Performance Highlights



Further details of the environmental performance of the Year are provided below and in the Key Performance Indicators section.

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

### PROTECTING THE ENVIRONMENT *(continued)*

#### Environmental Impact and Management *(continued)*

##### Emissions

The quantification of Greenhouse Gases (“GHG”) emissions was conducted in accordance with international and local standards, including:

- the Guidelines for Accounting and Reporting Greenhouse Gas Emissions – China Public Building Operator Units (Enterprises) (Trial) of the PRC;
- the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong;
- ISO 14064-1; and
- the GHG Protocol.

| GHG emissions  | Emissions (tonnes of CO <sub>2</sub> -e) |                        |
|--|--|------------------------|
|  | 2018/2019                                | 2017/2018 <sup>4</sup> |
| Scope 1: Direct emissions  | 4,611.8                                  | 3,890.9                |
| Scope 2: Energy indirect emissions                                 | 12,568.5                                 | 12,274.3               |
| Scope 3: Other indirect emissions                                  | 486.2                                    | 69.9                   |
| Total GHG emissions (Scope 1, 2 and 3)                             | 17,666.5                                 | 16,235.1               |
| GHG intensity (tonnes of CO <sub>2</sub> -e/m <sup>2</sup> )       | 0.25                                     | 0.24                   |
| GHG intensity (tonnes of CO <sub>2</sub> -e/HK\$1 million revenue) | 7.11                                     | 6.76                   |

| Air emissions                  | Emissions (kg) |                        |
|--------------------------------|----------------|------------------------|
|                                | 2018/2019      | 2017/2018 <sup>5</sup> |
| Nitrogen oxides                | 67,931.4       | 271.8                  |
| Sulphur oxides                 | 5,149.5        | 1.0                    |
| Respirable suspended particles | 4,825.8        | 26.4                   |

The total GHG emissions of the Year was 17,666.5 tonnes of CO<sub>2</sub>-e, with an 8.8% increase comparing with 2017/2018. The GHG intensity was 0.25 tonnes of CO<sub>2</sub>-e/m<sup>2</sup> or 7.11 tonnes of CO<sub>2</sub>-e/HK\$1 million revenue. A rise of 4.2% and 5.2% was observed respectively comparing with 2017/2018. The primary source of GHG emissions was Scope 2 energy indirect GHG emissions, which was mainly contributed by electricity consumption, accounting for nearly 71% of the total GHG emissions. Scope 1 direct GHG emissions and Scope 3 other indirect GHG emissions constituted 26% and 3% of the total GHG emissions respectively. Key air pollutants included nitrogen oxides, sulphur oxides and respirable suspended particles, which were emitted by boilers, manufacturing equipment and vehicles.

<sup>4</sup> Delifrance Singapore and Beijing Lippo were excluded.

<sup>5</sup> Subsidiaries in Singapore and Malaysia were excluded.



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

### PROTECTING THE ENVIRONMENT *(continued)*

#### Environmental Impact and Management *(continued)*

##### Emissions *(continued)*

To manage emissions, the Group continues to give priority to purchase of machines, equipment and company vehicles with higher energy efficiency and lower emissions, such as LED lights and electric vehicles.

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

Moving forward, the Group will consider the possibility of using the emission data in support of establishing a group-wide carbon reduction strategy, identifying carbon reduction actions and setting reduction targets.

##### Resource management

The Group relies on the planet for many of the raw materials, energy and water utilised by its operations, and acknowledges its responsibility in responsible and efficient use of these resources.

##### Energy management

The total energy consumption of the Year was 42,431.8 MWh-e, with a 6.4% increase comparing with 2017/2018. The energy intensity was 0.61 MWh-e/m<sup>2</sup> floor area or 17.1 MWh-e/HK\$1 million revenue. An increase of 1.7% and 3.0% was recorded respectively comparing with 2017/2018. Improving operational energy efficiency is a fundamental strategy to reduce energy consumption and associated GHG emissions. Throughout the subsidiaries, a range of energy-efficiency initiatives have been implemented:

- Automatic lighting controls on a set schedule to save energy during non-business hours;
- Set thermostat of air conditioners to optimal temperature that balance employee comfort and energy use;
- Perform regular cleaning and maintenance of air-conditioning systems;
- Install lighting control sensor in the Company's head office;
- Choose energy efficient electrical appliances where applicable; and
- Give priority to LED lights when there is need for replacement.



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

### PROTECTING THE ENVIRONMENT *(continued)*

#### Environmental Impact and Management *(continued)*

##### Resource management *(continued)*

###### Water management

The total water consumption of the Year was 408,833 m<sup>3</sup>, and the water intensity was 6.0 m<sup>3</sup>/m<sup>2</sup> floor area. A rise of 34% and 30.4% was recorded respectively comparing with 2017/2018. Considering the nature of the Group's businesses, the Group mainly withdraws water from municipal supplies. It has minimal impact on local water resources and has no issue in sourcing water. Domestic water is consumed for personal hygiene and routine cleaning. Domestic effluents are discharged into municipal wastewater sewage treatment systems.

To enhance the quality of wastewater discharge and ensure environmental compliance, Auric Pacific Food Industries and Auric Pacific Food Processing conduct treatment of wastewater and arrange third-party testing before discharge.

Though there are limited opportunities to reuse and recycle water due to its business nature, the Group has identified and implemented initiatives to reduce the amount of water it consumes. Examples include refitting water taps with lower flow rate and performing regular maintenance of its water supply system.

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

###### Waste management

During the Year, the Group produced 0.06 tonnes of hazardous waste and 4,532.3 tonnes of non-hazardous waste. Hazardous waste intensity and non-hazardous waste intensity were 0.81 tonnes/m<sup>2</sup> floor area and 0.06 tonnes/m<sup>2</sup> floor area respectively. Major non-hazardous waste generated throughout the Group's operations are domestic solid waste from offices, and food waste and packaging waste from food businesses. All non-hazardous waste was collected and handled by authorised waste collectors. Mindful of its responsibility to manage and reduce the waste it produces, the Group has implemented a set of measures:

#### Waste reduction in offices

- Practise reuse and recycling in offices where applicable
- Reuse one-sided paper for printing
- Adopt e-communication whenever possible

#### Waste reduction measures adopted in various production facilities and retail stores

- Give priority to durable tools and equipment during purchasing
- Reuse store decorations
- Reuse shipment trays

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

### PROTECTING THE ENVIRONMENT *(continued)*

#### Environmental Impact and Management *(continued)*

##### Resource management *(continued)*

##### Waste management *(continued)*

| Food waste reduction and collection   | Reduce single-use plastic materials   |
|---|---|
| <ul style="list-style-type: none"> <li>Conduct sales forecasts and monitor return of excess products for adjusting production patterns</li> <li>Standardise control of production process to achieve consistency in product quality and reduce defective products</li> <li>Store perishable ingredients properly</li> <li>Repurpose leftover ingredients in other dishes, such as bread cubes, while maintaining quality and safety standards</li> <li>Donate surplus food to local organisations for redistribution to the needy</li> <li>Practise food waste collection where applicable</li> </ul> | <ul style="list-style-type: none"> <li>Avoid unnecessary wrapping of food products</li> <li>Use environmentally friendly packaging materials, such as FSC-certified paper packaging and bio-degradable plastic bags</li> <li>Encourage customers to use their own bags before offering plastic bags</li> <li>Provide plastic straws only upon customers' request</li> </ul> |

| No Straw Everyday<br>Delifrance HK   | Cookies/mooncake tins<br>collection   | Bread donation   |
|--|---|--|
| <p>Delifrance HK launched "No Straws on Monday and Friday" in June 2018 and expanded it to "No Straw Everyday" in September 2018. It had replaced the single-use plastic straws with bio-degradable substitutes. Delifrance HK estimated that these initiatives helped reduce the amount of straws purchased per store by 39%, comparing with the same period before implementation.</p> | <p>To help reduce waste at the Chinese New Year and Mid-Autumn Festival, Delifrance HK encouraged customers to bring in their cleaned Delifrance cookies tins and mooncake tins of any brands for recycling by offering Delifrance HK\$50 vouchers in return.</p> | <p>Delifrance HK partnered with the People Service Centre, which collects surplus bakery products at retail stores and redistributes to the needy.</p> |

The Group's operations generated minimal quantities of hazardous waste, such as spent fluorescent light tubes, which were disposed of by authorised vendors in accordance with applicable environmental regulations.

To enhance environmental awareness of employees, Delifrance HK provides bi-annually environmental training to restaurant managers on waste reduction and recycling, food waste separation, energy and water conservation, and sustainable procurement.

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

### PROTECTING THE ENVIRONMENT *(continued)*

#### Environmental Impact and Management *(continued)*

##### Resource management *(continued)*

##### Waste management *(continued)*

Moving forward, the Group will continue to explore ways to enhance its energy, water and waste management measures across its operations to reduce its impact on the environment and natural resources.

There are no relevant laws and regulations in relation to the environment that have a significant impact on the Group. During the Year, the Group did not identify any non-compliance cases regarding environmental laws and regulations.

### KEY PERFORMANCE INDICATORS

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

| Air emissions                  | Emissions (kg) |                        |
|--------------------------------|----------------|------------------------|
|                                | 2018/2019      | 2017/2018 <sup>7</sup> |
| Nitrogen oxides                | 67,931.4       | 271.8                  |
| Sulphur oxides                 | 5,149.5        | 1.0                    |
| Respirable suspended particles | 4,825.8        | 26.4                   |

| GHG emissions  | Emissions (tonnes of CO <sub>2</sub> -e) |           |
|--|--|-----------|
|  | 2018/2019                                | 2017/2018 |
| Scope 1: Direct emissions  | 4,611.8                                  | 3,890.9   |
| Scope 2: Energy indirect emissions                                 | 12,568.5                                 | 12,274.3  |
| Scope 3: Other indirect emissions                                  | 486.2                                    | 69.9      |
| Total GHG emissions (Scope 1, 2 and 3)                             | 17,666.5                                 | 16,235.1  |
| GHG intensity (tonnes of CO <sub>2</sub> -e/m <sup>2</sup> )       | 0.25                                     | 0.24      |
| GHG intensity (tonnes of CO <sub>2</sub> -e/HK\$1 million revenue) | 7.11                                     | 6.76      |

| Waste  | Amount (tonnes) |                      |
|--|-----------------|----------------------|
|  | 2018/2019       | 2017/2018            |
| Hazardous waste  | 0.06            | Not applicable       |
| Hazardous waste intensity (tonnes/million m <sup>2</sup> ) | 0.81            | Not applicable       |
| Non-hazardous waste  | 4,532.3         | 5,110.4 <sup>8</sup> |
| Non-hazardous waste intensity (tonnes/m <sup>2</sup> )     | 0.06            | 0.11                 |

<sup>6</sup> Delifrance Singapore and Beijing Lippo were excluded for figures in 2017/2018.

<sup>7</sup> Subsidiaries in Singapore and Malaysia were excluded.

<sup>8</sup> Delifrance Singapore, Beijing Lippo, Auric, Auric Marketing and Food Junction were excluded.

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

### KEY PERFORMANCE INDICATORS *(continued)*

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

| Energy consumption                             |                   | Amount of consumption |           |
|--|-------------------|-----------------------|-----------|
|  |                   | 2018/2019             | 2017/2018 |
| Direct energy                                  | Petrol (MWh-e)    | 438.9                 | 208.3     |
|  | Diesel (MWh-e)    | 14,372.1              | 13,452.7  |
|  | Towngas (MWh-e)   | 847.7                 | 884.3     |
| Indirect energy                                | Electricity (MWh) | 26,773.1              | 25,344.7  |
| Total energy consumption (MWh-e)               |                   | 42,431.8              | 39,890.0  |
| Energy intensity (MWh-e/m <sup>2</sup> )       |                   | 0.61                  | 0.60      |
| Energy intensity (MWh-e/HK\$1 million revenue) |                   | 17.1                  | 16.6      |

| Water consumption                                 |  | Amount of consumption |           |
|---|--|-----------------------|-----------|
|   |  | 2018/2019             | 2017/2018 |
| Total water consumption (m <sup>3</sup> )         |  | 408,833 <sup>9</sup>  | 304,723   |
| Water intensity (m <sup>3</sup> /m <sup>2</sup> ) |  | 6.0                   | 4.6       |

| Packaging material  |  | Amount of consumption |           |
|---|--|-----------------------|-----------|
|   |  | 2018/2019             | 2017/2018 |
| Total packaging material used (tonnes)                      |  | 683                   | 619       |
| Packaging material intensity (tonnes/HK\$1 million revenue) |  | 0.27                  | 0.26      |

#### Social Performance<sup>10</sup>

| Number of employees |        |          |       |          |            |                 |           | 2018/2019 |                 | 2017/2018 |                 |
|---------------------|--------|----------|-------|----------|------------|-----------------|-----------|-----------|-----------------|-----------|-----------------|
| Region              | Gender | Below 30 | 30-50 | Above 50 | Management | Other employees | Sub-total | Total     | Workforce       | Total     | Workforce       |
|                     |        |          |       |          |            |                 |           | workforce | ratio by gender | workforce | ratio by gender |
| Hong Kong           | Male   | 95       | 80    | 39       | 14         | 200             | 214       | 1,426     | 1:1             | 1,708     | 1.1:1           |
|                     | Female | 90       | 160   | 105      | 9          | 346             | 355       |           |                 |           |                 |
| Singapore           | Male   | 132      | 237   | 98       | 26         | 441             | 467       | 1,426     | 1:1             | 1,708     | 1.1:1           |
|                     | Female | 109      | 120   | 105      | 13         | 321             | 334       |           |                 |           |                 |
| PRC                 | Male   | 0        | 16    | 18       | 6          | 28              | 34        | 1,426     | 1:1             | 1,708     | 1.1:1           |
|                     | Female | 1        | 14    | 7        | 3          | 19              | 22        |           |                 |           |                 |
| Malaysia            | Male   | -        | -     | -        | -          | -               | -         | 1,426     | 1:1             | 1,708     | 1.1:1           |
|                     | Female | -        | -     | -        | -          | -               | -         |           |                 |           |                 |

<sup>6</sup> Delifrance Singapore and Beijing Lippo were excluded for figures in 2017/2018.

<sup>9</sup> Centurion Marketing was excluded.

<sup>10</sup> Auric Marketing, Auric Pacific Food Processing, Auric Pacific Marketing and Centurion Marketing, which ceased to be subsidiaries of the Company on 29 March 2019, were excluded for figures in 2018/2019.

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

### KEY PERFORMANCE INDICATORS *(continued)*

#### Social Performance<sup>9</sup> *(continued)*

| Region    |        | Gender | Number and rate of work-related fatalities | Number of work-related injury | 2018/2019  |  | 2017/2018  |  |
|-----------|--------|--------|--|-------------------------------|--|--|--|--|
|           |        |        |  |                               | Work-related injury rate (per 1,000 workforce) (by region) | Work-related injury rate (per 1,000 workforce) | Work-related injury rate (per 1,000 workforce) (by region) | Work-related injury rate (per 1,000 workforce) |
| Hong Kong | Male   | 0      | 3  |                               |  |  |  |  |
|           | Female | 0      | 6  | 9                             |  | 14   |  |  |
| Singapore | Male   | 0      | 8  | 9                             |  | 25   |  |  |
|           | Female | 0      | 1  |                               | 12.6   |  | 19   |  |
| PRC       | Male   | 0      | 0  | 0                             |  | 0  |  |  |
|           | Female | 0      | 0  |                               |  |  |  |  |
| Malaysia  | Male   | –      | –  | –                             |  | 5  |  |  |
|           | Female | –      | –  |                               |  |  |  |  |

| Region    |        | Gender    | Number of employees trained |                 |           | 2018/2019 |        |
|-----------|--------|-----------|-----------------------------|-----------------|-----------|-----------|--------|
|           |        |           | Management                  | Other employees | Subtotal  | Male      | Female |
| Hong Kong | Male   | 9 (64%)   | 121 (61%)                   | 130 (61%)       |           |           |        |
|           | Female | 3 (33%)   | 206 (60%)                   | 209 (59%)       |           |           |        |
| Singapore | Male   | 18 (69%)  | 313 (71%)                   | 331 (71%)       |           |           |        |
|           | Female | 19 (100%) | 130 (40%)                   | 149 (45%)       | 464 (65%) | 361 (51%) |        |
| PRC       | Male   | 3 (50%)   | 0 (0%)                      | 3 (9%)          |           |           |        |
|           | Female | 2 (67%)   | 1 (5%)                      | 3 (14%)         |           |           |        |
| Malaysia  | Male   | –         | –                           | –               |           |           |        |
|           | Female | –         | –                           | –               |           |           |        |

| Region    |        | Gender | Average training hours |                 |                 | 2018/2019 |        |
|-----------|--------|--------|------------------------|-----------------|-----------------|-----------|--------|
|           |        |        | Management             | Other employees | Total employees | Male      | Female |
| Hong Kong | Male   | 7.3    | 3.8                    | 4               |                 |           |        |
|           | Female | 1.2    | 3.3                    | 3.3             |                 |           |        |
| Singapore | Male   | 6.6    | 6.7                    | 6.6             |                 |           |        |
|           | Female | 18.9   | 4.1                    | 4.7             | 5.5             | 3.8       |        |
| PRC       | Male   | 1.8    | 0                      | 0               |                 |           |        |
|           | Female | 2.3    | 0.2                    | 0               |                 |           |        |
| Malaysia  | Male   | –      | –                      | –               |                 |           |        |
|           | Female | –      | –                      | –               |                 |           |        |

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

### ESG REPORTING GUIDE CONTENT INDEX

| Material Aspect            | Content   | Page Index/<br>Remarks         |
|----------------------------|---|--------------------------------|
| <b>A. Environmental</b>    |   |                                |
| <b>A1 Emissions</b>        |   |                                |
| General Disclosure         | Information on:<br>(a) the policies; and<br>(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. | 66-67                          |
| A1.1                       | The types of emissions and respective emissions data.   | 70                             |
| A1.2                       | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).   | 70                             |
| A1.3                       | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  | 70                             |
| A1.4                       | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)   | 70                             |
| A1.5                       | Description of measures to mitigate emissions and results achieved.   | 66-67                          |
| A1.6                       | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.  | 68-70                          |
| <b>A2 Use of Resources</b> |   |                                |
| General Disclosure         | Policies on the efficient use of resources, including energy, water and other raw materials.  | 67-68                          |
| 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).  | 71                             |
| A2.2                       | Water consumption in total and intensity (e.g. per unit of production volume, per facility).  | 71                             |
| A2.3                       | Description of energy use efficiency initiatives and results achieved.  | 67                             |
| A2.4                       | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.   | 68; 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.  | 71                             |



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

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

| Material Aspect                                 | Content   | Page Index/<br>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.  | 65-70                  |
| A3.1  | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.   | 65-70                  |
| <b>B. Social</b>                                |   |                        |
| <b>B1 Employment</b>                            |   |                        |
| General Disclosure                              | Information on:<br>(a) the policies; and<br>(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. | 62-63                  |
| B1.1  | Total workforce by gender, employment type, age group and geographical region.  | 71                     |
| <b>B2 Health and Safety</b>                     |   |                        |
| General Disclosure                              | Information on:<br>(a) the policies; and<br>(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.   | 61-62                  |
| B2.1  | Number and rate of work-related fatalities.   | 72                     |
| B2.3  | Description of occupational health and safety measures adopted, how they are implemented and monitored.   | 61-62                  |
| GRI 403-2                                       | Injury rate (number of injuries per 1,000 employees).   | 72                     |
| <b>B3 Development and Training</b>              |   |                        |
| General Disclosure                              | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.   | 64                     |

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

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

| Material Aspect                   | Content   | Page Index/<br>Remarks |
|-----------------------------------|---|------------------------|
| <b>B4 Labour Standards</b>        |   |                        |
| General Disclosure                | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.  | 64                     |
| B4.1                              | Description of measures to review employment practices to avoid child and forced labour.  | 64                     |
| <b>B5 Supply Chain Management</b> |   |                        |
| General Disclosure                | Policies on managing environmental and social risks of the supply chain.  | 60                     |
| <b>B6 Product Responsibility</b>  |   |                        |
| General Disclosure                | Information on:<br>(a) the policies; and<br>(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. | 57-60                  |
| B6.3                              | Description of practices relating to observing and protecting intellectual property rights.   | 57-58                  |
| B6.4                              | Description of quality assurance process and recall procedures.   | 58-59                  |
| B6.5                              | Description of consumer data protection and privacy policies, how they are implemented and monitored.   | 57-58                  |

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

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

| Material Aspect                | Content  | Page Index/<br>Remarks       |
|--------------------------------|--|------------------------------|
| <b>B7 Anti-corruption</b>      |  |                              |
| General Disclosure             | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 57                           |
| 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.                                     | 57; no concluded legal cases |
| B7.2                           | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.   | 57                           |
| <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.                 | 64-65                        |
| B8.1                           | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).  | 64-65                        |
| B8.2                           | Resources contributed (e.g. money or time) to the focus area.  | 64-65                        |

# Independent Auditor's Report



## To the members of Lippo China Resources Limited

(Incorporated in Hong Kong with limited liability)

### OPINION

We have audited the consolidated financial statements of Lippo China Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 201, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 assessments of interests in associates</i></b></p> <p>As at 31 March 2019, the gross carrying amount of the Group's interests in associates amounted to approximately HK\$791 million before impairment provision of approximately HK\$53 million. The interests in associates 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 amounts of the Group's interests in Healthway Medical Corporation Limited ("Healthway") and TIH Limited ("TIH"), material associates of the Group, amounted to HK\$424 million and HK\$296 million, respectively, as at 31 March 2019. Healthway is a listed company in Singapore which is engaged in the provision of healthcare services in Singapore. TIH is also a listed company in Singapore which is engaged in fund investment and management businesses.</p> <p>The impairment assessment of interests in associates is significant to our audit due to (i) the significance of the carrying amount as at 31 March 2019; and (ii) the determination of the recoverable amount of the interests in associates requires significant management's judgement and estimate.</p> <p>Related disclosures are included in Notes 3 and 20 to the consolidated financial statements.</p> | <p>We assessed management's process for identifying the objective evidence of impairment in respect of the interests in Healthway and TIH. We evaluated and tested the assumptions and methodologies used by management in determination of the recoverable amounts. We assessed the cash flow projections of Healthway and TIH by making reference to its historical financial performance. For the discount rates applied to the cash flow projections of Healthway and TIH, we assessed the inputs used to determine the rates with reference to market data. We involved our internal valuation specialists to assist us in assessing the discount rates adopted in the cash flow projections.</p> |
| <p><b><i>Fair value of investment properties</i></b></p> <p>As at 31 March 2019, investment properties measured at fair values amounted to approximately HK\$880 million, with a corresponding net fair value gain of HK\$35 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 HKSA's, 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 Chung Chi Ming.

#### **Ernst & Young**

*Certified Public Accountants*

22/F CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

27 June 2019

## Consolidated Statement of Profit or Loss

For the year ended 31 March 2019

|  | Note | 2019<br>HK\$'000   | 2018<br>HK\$'000<br>(Restated) |
|--|------|--------------------|--------------------------------|
| <b>Revenue</b>   | 5    | <b>2,484,874</b>   | 2,400,637                      |
| Cost of sales  |      | <b>(1,403,454)</b> | (1,367,850)                    |
| <b>Gross profit</b>  |      | <b>1,081,420</b>   | 1,032,787                      |
| Other income   | 6    | <b>33,108</b>      | 30,401                         |
| Administrative expenses  |      | <b>(748,356)</b>   | (678,248)                      |
| Other operating expenses   |      | <b>(393,968)</b>   | (383,655)                      |
| Gain/(Loss) on disposal of subsidiaries  | 35   | <b>873,928</b>     | (14,560)                       |
| Net fair value gain on investment properties   |      | <b>35,030</b>      | 87,492                         |
| Net fair value loss on financial instruments at fair value<br>through profit or loss | 8    | <b>(187,028)</b>   | (42,696)                       |
| Other gains/(losses) — net   | 7    | <b>(42,916)</b>    | 39,475                         |
| Finance costs  | 11   | <b>(49,042)</b>    | (33,925)                       |
| Share of results of associates   |      | <b>(9,180)</b>     | (20,910)                       |
| Share of results of joint ventures   | 12   | <b>(89,444)</b>    | (43,254)                       |
| <b>Profit/(Loss) before tax</b>  | 8    | <b>503,552</b>     | (27,093)                       |
| Income tax   | 13   | <b>(15,093)</b>    | (22,414)                       |
| <b>Profit/(Loss) for the year</b>  |      | <b>488,459</b>     | (49,507)                       |
| <b>Attributable to:</b>  |      |                    |                                |
| Equity holders of the Company  |      | <b>(78,233)</b>    | (122,352)                      |
| Non-controlling interests  |      | <b>566,692</b>     | 72,845                         |
|  |      | <b>488,459</b>     | (49,507)                       |
|  |      | <b>HK cents</b>    | HK cents<br>(Restated)         |
| <b>Loss per share attributable to equity holders<br/>of the Company</b>              | 14   | <b>(0.85)</b>      | (1.33)                         |
| Basic and diluted  |      |                    |                                |

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

|  | Note | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|--|------|------------------|--------------------------------|
| <b>Profit/(Loss) for the year</b>  |      | <b>488,459</b>   | (49,507)                       |
| <b>Other comprehensive income/(loss)</b>   |      |                  |                                |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:                |      |                  |                                |
| Available-for-sale financial assets:   |      |                  |                                |
| Changes in fair value  |      | –                | 18,556                         |
| Adjustment for disposals   |      | –                | (2,436)                        |
| Adjustment for derecognition   |      | –                | (12,919)                       |
| Exchange differences on translation of foreign operations  |      | <b>(59,944)</b>  | 170,526                        |
| Exchange differences reclassified to profit or loss upon:  |      |                  |                                |
| Disposal of foreign subsidiaries   | 35   | <b>28,936</b>    | 13,155                         |
| Disposal of a foreign joint operation  |      | –                | 2,021                          |
| Deemed disposal of a foreign associate   |      | –                | (1,849)                        |
| Liquidation of foreign operations  | 7    | <b>(9,501)</b>   | 13,665                         |
| Settlement of intercompany dividend  | 7    | –                | 10,054                         |
| Share of other comprehensive income/(loss) of associates   |      | <b>(24,860)</b>  | 14,761                         |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax |      | <b>(65,369)</b>  | 225,534                        |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:                  |      |                  |                                |
| Changes in fair value of equity instruments at fair value through other comprehensive income                       |      | <b>95,450</b>    | –                              |
| Gain on property revaluation   |      | <b>2,790</b>     | –                              |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax       |      | <b>98,240</b>    | –                              |
| Other comprehensive income for the year, net of tax  |      | <b>32,871</b>    | 225,534                        |
| <b>Total comprehensive income for the year</b>   |      | <b>521,330</b>   | 176,027                        |
| <b>Attributable to:</b>  |      |                  |                                |
| Equity holders of the Company  |      | <b>(36,198)</b>  | 24,953                         |
| Non-controlling interests  |      | <b>557,528</b>   | 151,074                        |
|  |      | <b>521,330</b>   | 176,027                        |

# Consolidated Statement of Financial Position

As at 31 March 2019

|   | Note | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|---|------|------------------|--------------------------------|
| <b>Non-current assets</b>   |      |                  |                                |
| Intangible assets   | 16   | 181,592          | 213,238                        |
| Exploration and evaluation assets                                 | 17   | 602              | 356                            |
| Fixed assets  | 18   | 991,040          | 964,227                        |
| Investment properties   | 19   | 880,353          | 844,220                        |
| Interests in associates   | 20   | 737,958          | 796,359                        |
| Interests in joint ventures                                       | 21   | 4,673            | 90,941                         |
| Financial assets at fair value through other comprehensive income | 22   | 356,495          | –                              |
| Financial assets at fair value through profit or loss             | 23   | 389,419          | –                              |
| Available-for-sale financial assets                               | 22   | –                | 393,053                        |
| Debtors, prepayments and other assets                             | 25   | 38,634           | 42,427                         |
| Deferred tax assets   | 30   | 845              | 8,326                          |
|   |      | <b>3,581,611</b> | 3,353,147                      |
| <b>Current assets</b>   |      |                  |                                |
| Inventories   | 26   | 11,349           | 302,406                        |
| Debtors, prepayments and other assets                             | 25   | 328,090          | 530,385                        |
| Financial assets at fair value through profit or loss             | 23   | 571,690          | 1,738,110                      |
| Other financial assets  | 24   | 365              | –                              |
| Tax recoverable   |      | 2                | 7,408                          |
| Restricted cash   | 27   | 59,899           | 65,959                         |
| Time deposits with original maturity of more than three months    |      | 69,342           | 73,027                         |
| Cash and cash equivalents   |      | 2,260,905        | 1,201,861                      |
|   |      | <b>3,301,642</b> | 3,919,156                      |
| <b>Current liabilities</b>  |      |                  |                                |
| Bank and other borrowings   | 28   | 583,339          | 628,197                        |
| Creditors, accruals and other liabilities                         | 29   | 421,106          | 1,071,815                      |
| Other financial liabilities                                       | 24   | 9,770            | 14,513                         |
| Tax payable   |      | 138,169          | 172,884                        |
|   |      | <b>1,152,384</b> | 1,887,409                      |
| <b>Net current assets</b>   |      | <b>2,149,258</b> | 2,031,747                      |
| <b>Total assets less current liabilities</b>                      |      | <b>5,730,869</b> | 5,384,894                      |

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

As at 31 March 2019

|  | Note | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|--|------|------------------|--------------------------------|
| <b>Non-current liabilities</b>                       |      |                  |                                |
| Bank and other borrowings                            | 28   | <b>684,444</b>   | 733,606                        |
| Creditors, accruals and other liabilities            | 29   | <b>24,412</b>    | 31,816                         |
| Other financial liability                            | 24   | <b>220</b>       | –                              |
| Deferred tax liabilities                             | 30   | <b>50,814</b>    | 56,736                         |
|  |      | <b>759,890</b>   | 822,158                        |
| <b>Net assets</b>                                    |      |                  |                                |
| <b>Equity</b>  |      |                  |                                |
| Equity attributable to equity holders of the Company |      |                  |                                |
| Share capital  | 31   | <b>1,705,907</b> | 1,705,907                      |
| Reserves   | 33   | <b>2,202,393</b> | 2,336,173                      |
|  |      | <b>3,908,300</b> | 4,042,080                      |
| Non-controlling interests                            |      | <b>1,062,679</b> | 520,656                        |
|  |      | <b>4,970,979</b> | 4,562,736                      |

**John Luen Wai Lee**  
Director

**Stephen Riady**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

|   | Attributable to equity holders of the Company |  |                                  |                               |                  |                  |                           |                  |
|---|---|--|----------------------------------|-------------------------------|------------------|------------------|---------------------------|------------------|
|   | Share capital                                 | Fair value reserve of financial assets at FVOCI* | Other assets revaluation reserve | Exchange equalisation reserve | Retained profits | Total            | Non-controlling interests | Total equity     |
|   | HK\$'000                                      | HK\$'000   | HK\$'000                         | HK\$'000                      | HK\$'000         | HK\$'000         | HK\$'000                  | HK\$'000         |
| At 31 March 2018, as previously reported  | 1,705,907                                     | 19,776   | -                                | 167,398                       | 2,158,588        | 4,051,669        | 520,656                   | 4,572,325        |
| Prior year adjustments (Note 45(a))   | -   | (4,601)  | -                                | -                             | (4,988)          | (9,589)          | -                         | (9,589)          |
| At 31 March 2018, as restated   | 1,705,907                                     | 15,175   | -                                | 167,398                       | 2,153,600        | 4,042,080        | 520,656                   | 4,562,736        |
| Impact on initial application of HKFRS 9 (Note 2.2(a))  | -   | (230,398)  | -                                | -                             | 197,123          | (33,275)         | (1,120)                   | (34,395)         |
| At 1 April 2018, as adjusted  | 1,705,907                                     | (215,223)  | -                                | 167,398                       | 2,350,723        | 4,008,805        | 519,536                   | 4,528,341        |
| Profit/(Loss) for the year  | -   | -  | -                                | -                             | (78,233)         | (78,233)         | 566,692                   | 488,459          |
| Other comprehensive income/(loss) for the year:   |   |  |                                  |                               |                  |                  |                           |                  |
| Exchange differences on translation of foreign operations   | -   | -  | -                                | (34,299)                      | -                | (34,299)         | (25,645)                  | (59,944)         |
| Exchange differences reclassified to profit or loss upon:   |   |  |                                  |                               |                  |                  |                           |                  |
| Disposal of foreign subsidiaries  | -   | -  | -                                | 11,638                        | -                | 11,638           | 17,298                    | 28,936           |
| Liquidation of foreign operations   | -   | -  | -                                | (9,501)                       | -                | (9,501)          | -                         | (9,501)          |
| Share of other comprehensive loss of associates   | -   | -  | -                                | (24,860)                      | -                | (24,860)         | -                         | (24,860)         |
| Changes in fair value of equity instruments at fair value through other comprehensive income                        | -   | 96,267   | -                                | -                             | -                | 96,267           | (817)                     | 95,450           |
| Gain on property revaluation  | -   | -  | 2,790                            | -                             | -                | 2,790            | -                         | 2,790            |
| Total comprehensive income/(loss) for the year  | -   | 96,267   | 2,790                            | (57,022)                      | (78,233)         | (36,198)         | 557,528                   | 521,330          |
| Transfer of fair value reserve upon disposal of equity instruments at fair value through other comprehensive income | -   | 10,664   | -                                | -                             | (10,664)         | -                | -                         | -                |
| Change in non-controlling interests without change in control   | -   | -  | -                                | -                             | 2                | 2                | (43)                      | (41)             |
| 2017/2018 final dividend declared and paid to shareholders of the Company   | -   | -  | -                                | -                             | (45,935)         | (45,935)         | -                         | (45,935)         |
| 2018/2019 interim dividend declared and paid to shareholders of the Company   | -   | -  | -                                | -                             | (18,374)         | (18,374)         | -                         | (18,374)         |
| Dividends declared and paid to non-controlling shareholders of subsidiaries   | -   | -  | -                                | -                             | -                | -                | (14,458)                  | (14,458)         |
| Unclaimed dividends to non-controlling shareholders of subsidiaries   | -   | -  | -                                | -                             | -                | -                | 116                       | 116              |
| <b>At 31 March 2019</b>   | <b>1,705,907</b>                              | <b>(108,292)</b>                                 | <b>2,790</b>                     | <b>110,376</b>                | <b>2,197,519</b> | <b>3,908,300</b> | <b>1,062,679</b>          | <b>4,970,979</b> |

\* FVOCI stands for fair value through other comprehensive income and the balance at 31 March 2018 represents the investment revaluation reserve in relation to the available-for-sale financial assets under HKAS 39.

## Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 March 2019

|   | Attributable to equity holders of the Company |                                |                               |                  |           |          | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|---|---|--------------------------------|-------------------------------|------------------|-----------|----------|---------------------------------------|--------------------------|
|   | Share capital                                 | Investment revaluation reserve | Exchange equalisation reserve | Retained profits | Total     |          |                                       |                          |
|   | HK\$'000                                      | HK\$'000                       | HK\$'000                      | HK\$'000         | HK\$'000  | HK\$'000 |                                       |                          |
| At 1 April 2017   | 1,705,907                                     | 21,876                         | 13,392                        | 2,363,780        | 4,104,955 | 483,929  | 4,588,884                             |                          |
| Profit/(Loss) for the year (restated)                                       | -   | -                              | -                             | (122,352)        | (122,352) | 72,845   | (49,507)                              |                          |
| Other comprehensive income/(loss) for the year:                             |   |                                |                               |                  |           |          |                                       |                          |
| Available-for-sale financial assets:  |   |                                |                               |                  |           |          |                                       |                          |
| Changes in fair value   | -   | 18,437                         | -                             | -                | 18,437    | 119      | 18,556                                |                          |
| Adjustment for disposals  | -   | (2,436)                        | -                             | -                | (2,436)   | -        | (2,436)                               |                          |
| Adjustment for derecognition  | -   | (12,919)                       | -                             | -                | (12,919)  | -        | (12,919)                              |                          |
| Exchange differences on translation of foreign operations                   | -   | -                              | 106,788                       | -                | 106,788   | 63,738   | 170,526                               |                          |
| Exchange differences reclassified to profit or loss upon:                   |   |                                |                               |                  |           |          |                                       |                          |
| Disposal of a foreign subsidiary  | -   | -                              | 13,155                        | -                | 13,155    | -        | 13,155                                |                          |
| Disposal of a foreign joint operation                                       | -   | -                              | 2,021                         | -                | 2,021     | -        | 2,021                                 |                          |
| Deemed disposal of a foreign associate                                      | -   | -                              | (1,849)                       | -                | (1,849)   | -        | (1,849)                               |                          |
| Liquidation of foreign operations   | -   | -                              | 5,385                         | -                | 5,385     | 8,280    | 13,665                                |                          |
| Settlement of intercompany dividend   | -   | -                              | 3,962                         | -                | 3,962     | 6,092    | 10,054                                |                          |
| Share of other comprehensive income/(loss) of associates (restated)         | -   | (9,783)                        | 24,544                        | -                | 14,761    | -        | 14,761                                |                          |
| Total comprehensive income/(loss) for the year (restated)                   | -   | (6,701)                        | 154,006                       | (122,352)        | 24,953    | 151,074  | 176,027                               |                          |
| Change in non-controlling interests without change in control (Note 36)     | -   | -                              | -                             | (552)            | (552)     | (24,036) | (24,588)                              |                          |
| 2016/2017 final dividend declared and paid to shareholders of the Company   | -   | -                              | -                             | (68,902)         | (68,902)  | -        | (68,902)                              |                          |
| 2017/2018 interim dividend declared and paid to shareholders of the Company | -   | -                              | -                             | (18,374)         | (18,374)  | -        | (18,374)                              |                          |
| Dividends declared and paid to non-controlling shareholders of subsidiaries | -   | -                              | -                             | -                | -         | (91,184) | (91,184)                              |                          |
| Unclaimed dividends to non-controlling shareholders of subsidiaries         | -   | -                              | -                             | -                | -         | 873      | 873                                   |                          |
| At 31 March 2018 (restated)   | 1,705,907                                     | 15,175                         | 167,398                       | 2,153,600        | 4,042,080 | 520,656  | 4,562,736                             |                          |



# Consolidated Statement of Cash Flows

For the year ended 31 March 2019

|  | Note  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                |       |                  |                  |
| Cash generated from/(used in) operations                                   | 37(a) | 465,831          | (316,520)        |
| Interest received  |       | 21,691           | 12,692           |
| Dividends received from investments  |       | 26,293           | 25,509           |
| Taxes paid:  |       |                  |                  |
| Hong Kong  |       | (1,067)          | (7,547)          |
| Overseas   |       | (41,022)         | (68,060)         |
| Net cash flows from/(used in) operating activities                         |       | 471,726          | (353,926)        |
| <b>Cash flows from investing activities</b>                                |       |                  |                  |
| Proceeds from return of capital of:  |       |                  |                  |
| Financial assets at fair value through other comprehensive income          |       | 497              | –                |
| Financial assets at fair value through profit or loss                      |       | 7,122            | –                |
| Proceeds from disposals of:  |       |                  |                  |
| Fixed assets   |       | 896              | 48,005           |
| An associate   |       | 1,587            | –                |
| A joint venture  |       | –                | 28,792           |
| Financial assets at fair value through other comprehensive income          |       | 35,776           | –                |
| Financial assets at fair value through profit or loss                      |       | 253,861          | –                |
| Available-for-sale financial assets  |       | –                | 8,347            |
| Payments to acquire:   |       |                  |                  |
| Fixed assets   |       | (139,618)        | (140,304)        |
| Exploration and evaluation assets  |       | (258)            | (393)            |
| Associates   |       | –                | (98,309)         |
| Financial assets at fair value through other comprehensive income          |       | (235,730)        | –                |
| Financial assets at fair value through profit or loss                      |       | (318,548)        | –                |
| Available-for-sale financial assets  |       | –                | (477,440)        |
| Additions to investment properties   |       | –                | (57,769)         |
| Advances to joint ventures   |       | (3,290)          | (134,162)        |
| Disposal of a joint operation  |       | –                | 784              |
| Disposal of subsidiaries   | 35    | 1,158,272        | 181,753          |
| Recovery of loans and advances   |       | –                | 21,475           |
| Increase in time deposits with original maturity of more than three months |       | (2,848)          | (22,686)         |
| Net cash flows from/(used in) investing activities                         |       | 757,719          | (641,907)        |

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

For the year ended 31 March 2019

|  | Note | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Cash flows from financing activities</b>                    |      |                  |                  |
| Finance costs paid   |      | (47,265)         | (39,621)         |
| Drawdown of bank and other borrowings                          |      | 1,148,065        | 1,224,271        |
| Repayment of bank and other borrowings                         |      | (1,175,934)      | (1,221,617)      |
| Repayment of obligations under finance leases                  |      | (1,060)          | (574)            |
| Acquisition of non-controlling interests                       |      | (41)             | –                |
| Payment for share capital reduction by a subsidiary            | 36   | –                | (24,588)         |
| Dividends paid to shareholders of the Company                  |      | (64,309)         | (87,276)         |
| Dividends paid to non-controlling shareholders of subsidiaries |      | (14,458)         | (91,184)         |
| Decrease in restricted cash                                    |      | 3,952            | 832,036          |
| Net cash flows from/(used in) financing activities             |      | (151,050)        | 591,447          |
| <b>Net increase/(decrease) in cash and cash equivalents</b>    |      | <b>1,078,395</b> | <b>(404,386)</b> |
| <b>Cash and cash equivalents at beginning of year</b>          |      | <b>1,201,861</b> | <b>1,538,558</b> |
| Exchange realignments  |      | (19,351)         | 67,689           |
| <b>Cash and cash equivalents at end of year</b>                |      | <b>2,260,905</b> | <b>1,201,861</b> |

# Notes to the Financial Statements

## 1. CORPORATE AND GROUP INFORMATION

Lippo China Resources 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 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, property management, mineral exploration, extraction and processing, securities investment, treasury investment and money lending.

The immediate holding company of the Company is Skyscraper Realty Limited, a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Capital Group Limited, a company incorporated in Hong Kong.

Details of the principal subsidiaries are set out on pages 191 to 198.

## 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. 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 2019. 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).

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

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

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

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

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

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

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.

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

|  |  |
|--|--|
| Amendments to HKFRS 2                      | <i>Classification and Measurement of Share-based Payment Transactions</i>      |
| Amendments to HKFRS 4                      | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> |
| HKFRS 9                                    | <i>Financial Instruments</i>   |
| HKFRS 15                                   | <i>Revenue from Contracts with Customers</i>                                   |
| Amendments to HKFRS 15                     | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>        |
| Amendments to HKAS 40                      | <i>Transfers of Investment Property</i>  |
| HK(IFRIC)-Int 22                           | <i>Foreign Currency Transactions and Advance Consideration</i>                 |
| <i>Annual Improvements 2014-2016 Cycle</i> | Amendments to HKFRS 1 and HKAS 28  |

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the application of the above new and revised standards has had no significant financial effect on these financial statements.

#### (a) **HKFRS 9 Financial Instruments**

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

The following information sets out the impact of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

##### *Classification and measurement*

The changes in classification and measurement mainly affect the classification and measurement of the available-for-sale financial assets of the Group and its associate.

##### *Impairment*

Upon adoption of HKFRS 9, the Group has applied the simplified approach and recorded 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. The results of the revision at 1 April 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

#### (a) HKFRS 9 *Financial Instruments* *(continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

|  | Note  | HKAS 39<br>measurement<br>category | HKFRS 9<br>measurement<br>category | HKAS 39<br>carrying<br>amount<br>HK\$'000 | Re-<br>classification<br>HK\$'000 | Re-<br>measurement<br>HK\$'000 | HKFRS 9<br>carrying<br>amount<br>HK\$'000 |
|--|-------|------------------------------------|------------------------------------|---|-----------------------------------|--------------------------------|---|
| <b>Financial assets</b>  |       |                                    |                                    |   |                                   |                                |   |
| Available-for-sale financial assets:   |       |                                    |                                    |   |                                   |                                |   |
| Equity securities  | (i)   | AFS                                | FVOCI                              | 95,930                                    | (95,930)                          | -                              | -   |
| Debt securities  | (ii)  | AFS                                | FVPL                               | 18,057                                    | (18,057)                          | -                              | -   |
| Investment funds   | (iii) | AFS                                | FVPL                               | 279,066                                   | (279,066)                         | -                              | -   |
| Financial assets at fair value through<br>other comprehensive income:          |       |                                    |                                    |   |                                   |                                |   |
| Equity securities  | (i)   | N/A                                | FVOCI                              | -   | 95,930                            | (33,378)                       | 62,552                                    |
| Financial assets at fair value through<br>profit or loss:                      |       |                                    |                                    |   |                                   |                                |   |
| Equity securities  |       |                                    | FVPL                               | 808,276                                   | -                                 | -                              | 808,276                                   |
| Debt securities  | (ii)  |                                    | FVPL                               | 195,965                                   | 18,057                            | -                              | 214,022                                   |
| Investment funds   | (iii) |                                    | FVPL                               | 357,462                                   | 279,066                           | (1,017)                        | 635,511                                   |
| Equity linked notes  |       |                                    | FVPL                               | 376,407                                   | -                                 | -                              | 376,407                                   |
| Financial assets included in debtors,<br>prepayments and other assets          |       |                                    |                                    |   |                                   |                                |   |
|  |       | L&R                                | AC                                 | 528,194                                   | -                                 | -                              | 528,194                                   |
| Restricted cash  |       |                                    |                                    |   |                                   |                                |   |
|  |       | L&R                                | AC                                 | 65,959                                    | -                                 | -                              | 65,959                                    |
| Time deposits with original maturity of<br>more than three months              |       |                                    |                                    |   |                                   |                                |   |
|  |       | L&R                                | AC                                 | 73,027                                    | -                                 | -                              | 73,027                                    |
| Cash and cash equivalents  |       |                                    |                                    |   |                                   |                                |   |
|  |       | L&R                                | AC                                 | 1,201,861                                 | -                                 | -                              | 1,201,861                                 |
| Total financial assets   |       |                                    |                                    | 4,000,204                                 | -                                 | (34,395)                       | 3,965,809                                 |
| <b>Financial liabilities</b>   |       |                                    |                                    |   |                                   |                                |   |
| Bank and other borrowings  |       |                                    |                                    |   |                                   |                                |   |
|  |       | AC                                 | AC                                 | 1,361,803                                 | -                                 | -                              | 1,361,803                                 |
| Financial liabilities included in creditors,<br>accruals and other liabilities |       |                                    |                                    |   |                                   |                                |   |
|  |       | AC                                 | AC                                 | 1,037,360                                 | -                                 | -                              | 1,037,360                                 |
| Other financial liabilities  |       |                                    |                                    |   |                                   |                                |   |
|  |       | FVPL                               | FVPL                               | 14,513                                    | -                                 | -                              | 14,513                                    |
| Total financial liabilities  |       |                                    |                                    | 2,413,676                                 | -                                 | -                              | 2,413,676                                 |

FVOCI: Fair value through other comprehensive income

FVPL: Fair value through profit or loss

AC: Amortised cost

AFS: Available-for-sale

L&R: Loans and receivables

N/A: Not applicable

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

#### (a) HKFRS 9 *Financial Instruments* *(continued)*

The following table summarised the impact of initial application of HKFRS 9 on the Group's equity as at 1 April 2018:

|   | Note  | Fair value<br>reserve of<br>financial<br>assets at<br>FVOCI<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 |
|---|-------|---|---------------------------------|--|
| HKAS 39 carrying amount at 31 March 2018,<br>as previously reported                   |       | 19,776  | 2,158,588                       | 520,656                                      |
| Prior year adjustments  | (vi)  | (4,601)   | (4,988)                         | –  |
| HKAS 39 carrying amount at 31 March 2018,<br>as restated                              |       | 15,175  | 2,153,600                       | 520,656                                      |
| Remeasurement of financial assets at<br>fair value through other comprehensive income | (i)   | (33,378)  | –                               | –  |
| Remeasurement of financial assets at<br>fair value through profit or loss             | (iii) | –   | 103                             | (1,120)                                      |
| Transfer from retained profits to<br>fair value reserve of financial assets at FVOCI  | (i)   | (182,299)   | 182,299                         | –  |
| Transfer from fair value reserve of<br>financial assets at FVOCI to retained profits  | (iv)  | (24,504)  | 24,504                          | –  |
| Transfer of fair value reserve of<br>financial assets at FVOCI by an associate        | (v)   | 9,783   | (9,783)                         | –  |
| Balance at 1 April 2018, as adjusted  |       | (215,223)   | 2,350,723                       | 519,536                                      |

Note:

- (i) Equity securities classified as AFS were reclassified to FVOCI because the Group invests in such investments for strategic purpose and intends to hold for the foreseeable future and the Group has irrevocably elected to so classify upon initial recognition or transition. Besides, certain unlisted equity instruments classified as AFS were previously carried at cost less impairment. Upon initial application of HKFRS 9 at 1 April 2018, difference between the carrying amount and fair value was adjusted to retained profits and the accumulated impairment was transferred from retained profits to fair value reserve of financial assets at FVOCI (formerly investment revaluation reserve).
- (ii) Certain debt securities were reclassified from AFS to FVPL as their cash flow characteristics fail the solely comprised of principal and interest criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.
- (iii) Investment funds classified as AFS were reclassified to FVPL as their cash flows are not solely payments of principal and interest on the principal outstanding. Besides, certain investment funds classified as AFS were previously carried at cost less impairment. Upon initial application of HKFRS 9 at 1 April 2018, difference between the carrying amount and fair value was adjusted to retained profits.
- (iv) Investment revaluation reserve relating to debt securities and investment funds, which was previously presented under accumulated other comprehensive income, was transferred to retained profits.
- (v) An associate reclassified its financial assets in accordance with HKFRS 9. The amount represented the share of transfer from fair value reserve of financial assets at FVOCI to retained profits.
- (vi) The amounts refer to the prior period adjustments due to the completion of purchase price allocation exercise for the acquisition of an associate during the year. Further details are disclosed in Note 45(a) to the financial statements.



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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

#### **(b) HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in Notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in Note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Results for the periods beginning on or after 1 April 2018 are presented under HKFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. In addition, the Group has elected to apply HKFRS 15 retrospectively to all contracts as at 1 April 2018. The major changes as a result of the adoption of HKFRS 15 are as follows:

#### *Sale of goods and fast-moving consumer products with variable consideration*

For the sale of goods and fast-moving consumer products under food businesses, some contracts with customers provide a right of return, trade discounts, promotional rebates or trading term rebates. Prior to adopting HKFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns, trading discounts, promotional rebates and trading term rebates. Under HKFRS 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

#### *Rights of return*

The Group previously recorded a provision for the net margin arising from expected returns, with the initial carrying amount of goods expected to be returned included in inventories and the respective initial sales amount expected to be refunded as net of trade debtors. Under HKFRS 15, the Group estimates the amount of expected returns in determining the transaction price and recognises revenue based on the amounts to which the Group expects to be entitled through the end of the return period. The Group recognises the amount of expected returns as a refund liability included in creditors, accruals and other liabilities, representing its obligation to return the customer's consideration. Separately, the Group recognises a right of return asset included in debtors, prepayments and other assets for the right to recover the returned goods. The reclassification has not resulted in any material impact to the consolidated statements of financial position as at 1 April 2018 and 31 March 2019.

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

#### (b) HKFRS 15 Revenue from Contracts with Customers *(continued)*

##### *Promotional rebates and trading terms rebates*

The Group provides retrospective promotional rebates and trading terms rebates to some of its customers based on the threshold of purchase. Prior to the adoption of HKFRS 15, the Group estimated the amount of promotional rebates and included a provision for rebates in creditors, accruals and other liabilities. Under HKFRS 15, retrospective promotional rebates and trading term rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the expected value method. Upon adoption of HKFRS 15, the Group recognised refund liabilities of HK\$40,632,000 for the expected future rebates as at 1 April 2018, which was previously included in provision for rebates. There is no impact on the total creditors, accruals and other liabilities and retained profits as at 1 April 2018. As at 31 March 2019, the adoption of HKFRS 15 resulted in an increase in refund liabilities of HK\$4,037,000 and a corresponding decrease in provision for rebates under total creditors, accruals and other liabilities.

The following table gives a summary of the amounts of affected line items in the consolidated statement of profit or loss for the year ended 31 March 2019 that have been impacted by HKFRS 15:

|                          | Year ended 31 March 2019  |  |  |
|--------------------------|---|--|--|
|                          | As presented under accounting policies pre 1 April 2018<br>HK\$'000 | Effect on adoption of HKFRS 15<br>HK\$'000 | As presented under accounting policies from 1 April 2018<br>HK\$'000 |
| Revenue                  | 2,488,979   | (4,105)                                    | 2,484,874  |
| Cost of sales            | (1,421,219)   | 17,765                                     | (1,403,454)  |
| Gross profit             | 1,067,760   | 13,660                                     | 1,081,420  |
| Other operating expenses | (380,308)   | (13,660)                                   | (393,968)  |

There is no material impact on profit for the year, and basic and diluted loss per share attributable to equity holders of the Company for the year ended 31 March 2019. Furthermore, there is no impact on other comprehensive income or on the Group's operating, investing and financing cash flows for the year ended 31 March 2019. Except the reclassification impact as disclosed above, there is no impact on the amounts of line items in the consolidated statement of financial position as at 31 March 2019.

## 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 3                      | <i>Definition of a Business</i> <sup>2</sup>  |
| Amendments to HKFRS 9                      | <i>Prepayment Features with Negative Compensation</i> <sup>1</sup>  |
| Amendments to HKFRS 10 and HKAS 28 (2011)  | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup> |
| HKFRS 16                                   | <i>Leases</i> <sup>1</sup>  |
| HKFRS 17                                   | <i>Insurance Contracts</i> <sup>3</sup>   |
| Amendments to HKAS 1 and HKAS 8            | <i>Definition of Material</i> <sup>2</sup>  |
| Amendments to HKAS 19                      | <i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>   |
| Amendments to HKAS 28                      | <i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>                                  |
| HK(IFRIC)-Int 23                           | <i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>  |
| <i>Annual Improvements 2015-2017 Cycle</i> | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>1</sup>   |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<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.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

## 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 16, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two 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 will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. At 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases as shown in Note 39(b) amounted to approximately HK\$516,057,000, the majority of which are payable between one and five years after the reporting date. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all these leases unless they qualify for low value or short-term leases.

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

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 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.

HK(IFRIC)-Int 23 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.

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.



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

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

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

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.

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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.

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

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

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

#### **(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. 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 $\frac{1}{3}$ %   |

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) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets relating to unpatented technology and customer relationships which 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% |

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

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

#### (i) Intangible assets (other than goodwill) *(continued)*

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for 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.

#### (j) 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.

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

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

#### **(k) 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.

#### **(l) Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)**

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.



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

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

#### (I) Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)*

##### *Initial recognition and measurement (continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at FVOCI (debt instruments)*

The Group measures debt investments at FVOCI if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt investments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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

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

**(I) Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)***  
*Subsequent measurement (continued)*

*Financial assets designated at FVOCI (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as revenue in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

*Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVPL are also recognised as revenue in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

#### **(m) Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)**

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at FVPL, 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 FVPL.

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 FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. 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 FVPL 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 (applicable before 1 April 2018)" below.

Financial assets designated upon initial recognition as at FVPL 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 FVPL. 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 (policies under HKAS 39 applicable before 1 April 2018) *(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 (applicable before 1 April 2018)" 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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)**

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) *(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 (policies under HKFRS 9 applicable from 1 April 2018)**

The Group recognises an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at FVOCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than thirty days past due.

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

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

#### (o) Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)*

##### *General approach (continued)*

The Group considers a financial asset in default when contractual payments are ninety days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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

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

#### **(p) Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)**

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)*

#### **(p) Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) *(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)*

#### (q) Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings or payables, 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 other liabilities, 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 FVPL (policies under HKFRS 9 applicable from 1 April 2018)*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. 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 FVPL are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at FVPL are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to 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 at FVPL (policies under HKAS 39 applicable before 1 April 2018)*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

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.

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

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

**(q) Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) *(continued)***

*Subsequent measurement (continued)*

*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.

**(r) Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)**

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.

**(s) Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)**

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.

**(t) Derivative financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)**

*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.

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

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

**(t) Derivative financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) *(continued)***

*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.

**(u) 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.

**(v) 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, 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.

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

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

#### **(w) Provisions**

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

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

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

#### **(x) 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.

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

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

#### **(x) Income tax *(continued)***

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

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

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

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

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

#### **(y) Revenue recognition (applicable from 1 April 2018)**

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

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

#### **(y) Revenue recognition (applicable from 1 April 2018) *(continued)***

##### *Revenue from contracts with customers (continued)*

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### (i) Sale of goods and fast-moving consumer products

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with a right of return and with retrospective promotional rebates and trading term rebates based on the aggregate sales over a period of time.

The amount of revenue recognised is based on the transaction price, which comprises the contractual price, net of the estimated promotional rebates and trading term rebates and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction price only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the expected promotional rebates and trading term rebates payable to customer where consideration have been received from customers and refunds due to expected returns from customers as refund liabilities. Separately, the Group recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the good less expected costs to recover the goods, and adjust them against cost of sales correspondingly.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

The Group has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is one year or less.



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

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

#### **(y) Revenue recognition (applicable from 1 April 2018) *(continued)***

##### *Revenue from contracts with customers (continued)*

- (ii) Sale of food and beverage  
Revenue from sale of food and beverage is recognised upon the delivery to and acceptance by customers, net of discounts.
- (iii) Sale of properties  
Revenue from the sale of properties is recognised at the point in time when control of the properties is transferred to the customers. Deposits received from purchasers prior to revenue recognition are accounted for as deposits received.
- (iv) Provision of management services  
Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

##### *Revenue from other sources*

Fixed rental income is recognised on a time proportion basis over the lease terms. The variable portion of the rental income is recognised when the Group's entitlement to relevant payment has been established in accordance with the terms of the agreements.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### **(z) Revenue recognition (applicable before 1 April 2018)**

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)*

#### **(z) Revenue recognition (applicable before 1 April 2018) *(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.

#### **(aa) Contract assets (applicable from 1 April 2018)**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### **(ab) Contract liabilities (applicable from 1 April 2018)**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

#### **(ac) Contract costs (applicable from 1 April 2018)**

Other than the costs which are capitalised as inventories, exploration and evaluation assets, fixed assets and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (i) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (ii) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (iii) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

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

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

#### **(ad) Right-of-return assets (applicable from 1 April 2018)**

A right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned goods.

#### **(ae) Refund liabilities (applicable from 1 April 2018)**

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

#### **(af) 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)*

#### **(ag) 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.

#### **(ah) 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.

#### **(ai) 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

#### (ai) Foreign currencies *(continued)*

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

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

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

### 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 dates 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 2019 was HK\$880,353,000 (2018 — HK\$844,220,000). 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.

The recoverable amounts of the CGU to which goodwill and trademarks have been allocated to are determined based on value in use calculations. 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 2019 was HK\$181,592,000 (2018 — HK\$213,238,000). Impairment loss on goodwill of HK\$10,681,000 (2018 — Nil) was provided during the year.

After application of the equity method, the Group assesses whether there is any objective evidence of impairment for the interests in associates. The interests in associates are tested for impairment when there is objective evidence of impairment. During the year, impairment loss of HK\$22,698,000 (2018 — Nil) was provided for interests in associates. The carrying amount of interests in associates as at 31 March 2019 was HK\$737,958,000 (2018 — HK\$796,359,000, restated). Further details are disclosed in Note 20 to the financial statements.



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

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

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

##### *Fair value of unlisted equity investments*

When the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair values are determined using valuation techniques including the use of comparable recent arm's length transactions and other valuation techniques commonly used by other market participants. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as the implied equity value, volatility and discount rate. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The Group classifies the fair value of these investments as Level 3. Further details are included in Note 43 to the financial statements.

##### *Provision for expected credit losses on trade debtors*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade debtors is disclosed in Note 25 to the financial statements.

##### *Estimation of variable consideration for sale of goods and fast-moving consumer products*

In estimating the variable consideration for the sale of goods, the Group uses the expected value method to predict the promotional rebates and trading term rebates and product returns by the different product types. The Group relies on historical experience with purchasing patterns and product returns of customers for the past year. For new products, the Group uses the historical trends for purchasing patterns and returns for similar products, and adjusted for higher return rates based on historical trends for new product launches, so as to determine the projection for new product returns.

The Group has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For promotional rebates and trading term rebates, the Group has determined that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a significant reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue. For product returns, the Group considers its historical experience and evidence from other similar contracts to develop an estimate of variable consideration for expected returns using the expected value method.



## 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 investments in securities held-for-trading and for long-term strategic purpose;
- (e) 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;
- (f) the healthcare services segment includes provision of healthcare management services;
- (g) the mineral exploration and extraction segment includes mineral exploration, extraction and processing; and
- (h) the "other" segment comprises principally money lending, the provision of property management 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)*

Year ended 31 March 2018 (restated)

|  | Property investment<br>HK\$'000 | Property development<br>HK\$'000 | Treasury investment<br>HK\$'000 | Securities investment<br>HK\$'000 | Food businesses<br>HK\$'000 | Healthcare services<br>HK\$'000 | Mineral exploration and extraction<br>HK\$'000 | Other<br>HK\$'000 | Inter-segment elimination<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|---------------------------------|----------------------------------|---------------------------------|-----------------------------------|-----------------------------|---------------------------------|--|-------------------|---------------------------------------|--------------------------|
| <b>Revenue</b>   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       |                          |
| External   | 36,374                          | -                                | 7,588                           | 27,011                            | 2,315,848                   | -                               | -  | 13,816            | -                                     | 2,400,637                |
| Inter-segment  | 6,024                           | -                                | -                               | -                                 | -                           | -                               | -  | -                 | (6,024)                               | -                        |
| <b>Total</b>   | <b>42,398</b>                   | <b>-</b>                         | <b>7,588</b>                    | <b>27,011</b>                     | <b>2,315,848</b>            | <b>-</b>                        | <b>-</b>                                       | <b>13,816</b>     | <b>(6,024)</b>                        | <b>2,400,637</b>         |
| <b>Segment results</b>   | <b>98,786</b>                   | <b>(16,497)</b>                  | <b>7,588</b>                    | <b>(25,616)</b>                   | <b>158,527</b>              | <b>11,878</b>                   | <b>(10,961)</b>                                | <b>(3,561)</b>    | <b>-</b>                              | <b>220,144</b>           |
| Unallocated corporate expenses   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | (151,594)                |
| Finance costs  |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | (31,479)                 |
| Share of results of associates   | -                               | -                                | -                               | -                                 | -                           | (22,518)                        | -  | 1,608             | -                                     | (20,910)                 |
| Share of results of joint ventures   | -                               | 15                               | -                               | -                                 | 294                         | (25)                            | (43,538)                                       | -                 | -                                     | (43,254)                 |
| Loss before tax  |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | (27,093)                 |
| <b>Segment assets</b>  | <b>1,594,800</b>                | <b>21,854</b>                    | <b>259,660</b>                  | <b>2,838,083</b>                  | <b>1,501,545</b>            | <b>-</b>                        | <b>1,949</b>                                   | <b>92,273</b>     | <b>(1,103)</b>                        | <b>6,309,061</b>         |
| Interests in associates  | -                               | -                                | -                               | -                                 | -                           | 454,394                         | -  | 341,965           | -                                     | 796,359                  |
| Interests in joint ventures  | -                               | 383                              | -                               | -                                 | -                           | 2,474                           | 88,084   | -                 | -                                     | 90,941                   |
| Unallocated assets   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | 75,942                   |
| <b>Total assets</b>  |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | <b>7,272,303</b>         |
| <b>Segment liabilities</b>   | <b>302,206</b>                  | <b>209</b>                       | <b>-</b>                        | <b>471,553</b>                    | <b>580,760</b>              | <b>420,374</b>                  | <b>91,136</b>                                  | <b>432,256</b>    | <b>(185,794)</b>                      | <b>2,112,700</b>         |
| Unallocated liabilities  |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | 596,867                  |
| <b>Total liabilities</b>   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | <b>2,709,567</b>         |
| <b>Other segment information:</b>  |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       |                          |
| Capital expenditure (Note)   | 58,367                          | -                                | -                               | -                                 | 109,541                     | -                               | 393  | -                 | -                                     | 168,301                  |
| Depreciation   | (18,731)                        | -                                | -                               | -                                 | (42,681)                    | -                               | (52)   | (37)              | -                                     | (61,501)                 |
| Amortisation of intangible assets  | -                               | -                                | -                               | -                                 | (104)                       | -                               | -  | -                 | -                                     | (104)                    |
| Interest income  | -                               | -                                | 7,588                           | 2,083                             | 3,426                       | -                               | -  | 88                | -                                     | 13,185                   |
| Finance costs  | -                               | -                                | -                               | -                                 | (1,745)                     | -                               | -  | (701)             | -                                     | (2,446)                  |
| Gain/(Loss) on disposal of:  |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       |                          |
| A subsidiary   | -                               | (14,560)                         | -                               | -                                 | -                           | -                               | -  | -                 | -                                     | (14,560)                 |
| A joint venture  | -                               | -                                | -                               | -                                 | 14,678                      | -                               | -  | -                 | -                                     | 14,678                   |
| A joint operation  | -                               | -                                | -                               | -                                 | -                           | -                               | (105)  | -                 | -                                     | (105)                    |
| Fixed assets   | -                               | -                                | -                               | -                                 | 21,657                      | -                               | (3)  | -                 | -                                     | 21,654                   |
| Available-for-sale financial assets  | -                               | -                                | -                               | 7,767                             | -                           | -                               | -  | -                 | -                                     | 7,767                    |
| Gain on deemed disposal of an associate  | -                               | -                                | -                               | -                                 | -                           | 4,859                           | -  | -                 | -                                     | 4,859                    |
| Gain on derecognition of available-for-sale financial assets                             | -                               | -                                | -                               | -                                 | -                           | 12,919                          | -  | -                 | -                                     | 12,919                   |
| Write-back of provisions/(Provisions) for impairment losses on:                          |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       |                          |
| Fixed assets   | -                               | -                                | -                               | -                                 | 13,227                      | -                               | -  | -                 | -                                     | 13,227                   |
| Available-for-sale financial assets  | -                               | -                                | -                               | (11,267)                          | (12,628)                    | -                               | -  | -                 | -                                     | (23,895)                 |
| Inventories  | -                               | -                                | -                               | -                                 | (7,774)                     | -                               | -  | -                 | -                                     | (7,774)                  |
| Loans and receivables  | -                               | -                                | -                               | -                                 | (2,338)                     | -                               | 21,475   | (15,029)          | -                                     | 4,108                    |
| Fixed assets written off   | -                               | -                                | -                               | -                                 | (3,582)                     | -                               | -  | -                 | -                                     | (3,582)                  |
| Realised translation losses reclassified to the statement of profit or loss relating to: |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       |                          |
| Liquidation of foreign operations  | -                               | -                                | -                               | -                                 | (13,665)                    | -                               | -  | -                 | -                                     | (13,665)                 |
| Settlement of intercompany dividend  | -                               | -                                | -                               | -                                 | (10,054)                    | -                               | -  | -                 | -                                     | (10,054)                 |
| Net fair value gain/(loss) on financial instruments at fair value through profit or loss | -                               | -                                | -                               | (37,594)                          | (5,586)                     | 484                             | -  | -                 | -                                     | (42,696)                 |
| Net fair value gain on investment properties   | 87,492                          | -                                | -                               | -                                 | -                           | -                               | -  | -                 | -                                     | 87,492                   |
| Unallocated:   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       |                          |
| Capital expenditure (Note)   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | 56,715                   |
| Depreciation   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | (5,863)                  |
| Gain on disposal of fixed assets   |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | 66                       |
| Finance costs  |                                 |                                  |                                 |                                   |                             |                                 |  |                   |                                       | (31,479)                 |

Note: Capital expenditure includes additions to fixed assets, investment properties and exploration and evaluation assets.

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

### 4. SEGMENT INFORMATION *(continued)*

#### Geographical information

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

|                       | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong             | 279,297          | 282,521          |
| Mainland China        | 13,993           | 15,628           |
| Republic of Singapore | 1,512,233        | 1,494,154        |
| Malaysia              | 665,924          | 592,946          |
| Other                 | 13,427           | 15,388           |
|                       | <b>2,484,874</b> | 2,400,637        |

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

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

|                          | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|--------------------------|------------------|--------------------------------|
| Hong Kong                | 1,316,872        | 1,313,124                      |
| Mainland China           | 202,060          | 213,396                        |
| Republic of Singapore    | 1,094,754        | 1,160,249                      |
| Malaysia                 | 132,440          | 82,206                         |
| United States of America | 9,420            | 97,501                         |
| Other                    | 42,073           | 43,972                         |
|                          | <b>2,797,619</b> | 2,910,448                      |

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\$416,916,000 for the year ended 31 March 2019 (2018 — HK\$428,627,000) was derived from sales by the food businesses segment to a single customer.

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

### 5. REVENUE

An analysis of revenue is as follows:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Revenue from contracts with customers:          | <b>2,250,414</b> | –                |
| Sale of goods and fast-moving consumer products | –                | 1,706,766        |
| Sale of food and beverage                       | –                | 449,552          |
| Sale of properties                              | –                | 3,556            |
| Provision of management services                | –                | 13,034           |
| Revenue from other sources:                     |                  |                  |
| Fees charged to food court tenants              | <b>136,958</b>   | 130,525          |
| Property rental income                          | <b>29,402</b>    | 32,818           |
| Interest income                                 | <b>21,605</b>    | 13,097           |
| Dividend income                                 | <b>26,162</b>    | 24,928           |
| Other   | <b>20,333</b>    | 26,361           |
|   | <b>2,484,874</b> | 2,400,637        |

#### Revenue from contracts with customers

##### (a) Disaggregated revenue information Year ended 31 March 2019

| Segments  | Food<br>businesses<br>HK\$'000 | Other<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------------|-------------------|-------------------|
| Types of goods or services:                     |                                |                   |                   |
| Sale of goods and fast-moving consumer products | <b>1,788,264</b>               | –                 | <b>1,788,264</b>  |
| Sale of food and beverage                       | <b>448,374</b>                 | –                 | <b>448,374</b>    |
| Provision of management services                | –                              | <b>13,776</b>     | <b>13,776</b>     |
| Total revenue from contracts with customers     | <b>2,236,638</b>               | <b>13,776</b>     | <b>2,250,414</b>  |
| Geographical markets:                           |                                |                   |                   |
| Hong Kong                                       | <b>240,447</b>                 | <b>11,220</b>     | <b>251,667</b>    |
| Mainland China                                  | –                              | <b>2,556</b>      | <b>2,556</b>      |
| Republic of Singapore                           | <b>1,348,935</b>               | –                 | <b>1,348,935</b>  |
| Malaysia  | <b>647,256</b>                 | –                 | <b>647,256</b>    |
| Total revenue from contracts with customers     | <b>2,236,638</b>               | <b>13,776</b>     | <b>2,250,414</b>  |
| Timing of revenue recognition:                  |                                |                   |                   |
| Goods transferred at a point in time            | <b>2,236,638</b>               | –                 | <b>2,236,638</b>  |
| Services transferred over time                  | –                              | <b>13,776</b>     | <b>13,776</b>     |
| Total revenue from contracts with customers     | <b>2,236,638</b>               | <b>13,776</b>     | <b>2,250,414</b>  |

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

### 5. REVENUE *(continued)*

#### Revenue from contracts with customers *(continued)*

##### (a) Disaggregated revenue information *(continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

#### Year ended 31 March 2019

| Segments                                       | Food<br>businesses<br>HK\$'000 | Other<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------------------|-------------------|-------------------|
| Revenue from contracts with external customers | 2,236,638                      | 13,776            | 2,250,414         |
| Revenue from other sources — external          | 159,863                        | 292               | 160,155           |
| Total segment revenue                          | 2,396,501                      | 14,068            | 2,410,569         |

##### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

- (i) Sale of goods and fast-moving consumer products  
Revenue from sale of goods and fast-moving consumer products is recognised at a point in time when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with a right of return and with volume discounts based on the aggregate sales over a period of time. Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period of 30 to 90 days is allowed according to relevant business practice.
- (ii) Sale of food and beverage  
Revenue from sale of food and beverage is recognised at a point in time when the food and beverage are delivered to the customer, net of discounts. The payment of the transaction price is due immediately at the point the customer purchases the goods.
- (iii) Sale of properties  
Revenue from the sale of properties is recognised at a point in time when control of the properties is transferred to the customers. Deposits received from purchasers prior to revenue recognition are accounted for as deposits received.
- (iv) Provision of management services  
The performance obligation is satisfied over time as services are rendered. Accordingly, the service fee income is recognised as the service is performed over time.

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

### 6. OTHER INCOME

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Recovery of costs from food court tenants | 32,284           | 30,313           |
| Interest income from promissory note      | 824              | 88               |
|   | <b>33,108</b>    | 30,401           |

### 7. OTHER GAINS/(LOSSES) — NET

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Gain/(Loss) on disposal of:   |                  |                  |
| Fixed assets  | (2,402)          | 21,720           |
| A joint venture   | –                | 14,678           |
| A joint operation   | –                | (105)            |
| An associate  | 5                | –                |
| Available-for-sale financial assets   | –                | 7,767            |
| Gain on deemed disposal of an associate   | –                | 4,859            |
| Gain on derecognition of available-for-sale financial assets  | –                | 12,919           |
| Write-back of provisions/(Provisions) for impairment losses on:                                     |                  |                  |
| Intangible assets   | (10,681)         | –                |
| Fixed assets  | 3,262            | 13,227           |
| An associate  | (22,698)         | –                |
| A joint venture   | (41)             | –                |
| Available-for-sale financial assets   | –                | (23,895)         |
| Inventories   | (8,158)          | (7,774)          |
| Loans and receivables   | (2,535)          | 4,108            |
| Fixed assets written off  | (6,720)          | (3,582)          |
| Foreign exchange gains/(losses) — net   | (2,449)          | 19,272           |
| Realised translation gains/(losses) reclassified to<br>the statement of profit or loss relating to: |                  |                  |
| Liquidation of foreign operations   | 9,501            | (13,665)         |
| Settlement of intercompany dividend   | –                | (10,054)         |
|   | <b>(42,916)</b>  | 39,475           |



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

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

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

|  | 2019<br>HK\$'000   | 2018<br>HK\$'000 |
|--|--------------------|------------------|
| Net fair value gain/(loss) on financial instruments at fair value through profit or loss:              |                    |                  |
| Held for trading financial assets at fair value through profit or loss:                                |                    |                  |
| Equity securities  | <b>(189,354)</b>   | (38,859)         |
| Debt securities  | <b>(2,452)</b>     | 2,261            |
| Investment funds   | <b>(18,039)</b>    | 25,574           |
| Other financial assets mandatorily classified at fair value through profit or loss:                    |                    |                  |
| Debt securities  | <b>4,239</b>       | –                |
| Investment funds   | <b>34,728</b>      | –                |
| Equity linked notes  | <b>15,585</b>      | (5,520)          |
| Financial liabilities at fair value through profit or loss designated as such upon initial recognition | <b>(1,059)</b>     | (2,326)          |
| Derivative financial instruments   | <b>(30,676)</b>    | (23,826)         |
|  | <b>(187,028)</b>   | (42,696)         |
| Employee benefit expense <i>(Note (a))</i> :   |                    |                  |
| Wages and salaries   | <b>(452,565)</b>   | (387,153)        |
| Retirement benefit costs <i>(Note (b))</i>   | <b>(37,987)</b>    | (39,222)         |
| Total staff costs  | <b>(490,552)</b>   | (426,375)        |
| Interest income:   |                    |                  |
| Financial assets at fair value through profit or loss  | <b>8,690</b>       | 2,016            |
| Available-for-sale financial assets  | –                  | 67               |
| Promissory note  | <b>824</b>         | 88               |
| Other  | <b>12,915</b>      | 11,014           |
| Depreciation   | <b>(68,912)</b>    | (67,364)         |
| Amortisation of intangible assets <i>(Note (c))</i>  | –                  | (104)            |
| Auditor's remuneration   | <b>(7,546)</b>     | (7,469)          |
| Operating leases:  |                    |                  |
| Minimum lease payments   | <b>(206,236)</b>   | (203,795)        |
| Contingent rents   | <b>(11,570)</b>    | (12,220)         |
| Direct operating expenses arising on rental-earning investment properties                              | <b>(1,983)</b>     | (3,125)          |
| Cost of properties sold  | –                  | (3,679)          |
| Cost of inventories sold   | <b>(1,401,471)</b> | (1,337,187)      |
| Selling and distribution expenses <i>(Note (d))</i>  | <b>(161,934)</b>   | (129,772)        |
| Legal and professional fees <i>(Note (d))</i>  | <b>(42,336)</b>    | (52,076)         |
| Consultancy and service fees <i>(Note (d))</i>   | <b>(49,186)</b>    | (22,131)         |
| Utilities charges <i>(Note (d))</i>  | <b>(42,296)</b>    | (44,174)         |
| Repairs and maintenance expenses <i>(Note (d))</i>   | <b>(31,579)</b>    | (31,013)         |
| Investment advisory fee <i>(Note (d))</i>  | <b>(3,130)</b>     | (12,829)         |
| Donations <i>(Note (d))</i>  | <b>(4,510)</b>     | (26,415)         |

Note:

- (a) The amounts include Directors' emoluments disclosed in Note 9 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 "Administrative expenses" in the consolidated statement of profit or loss.
- (d) The amounts are included in "Other operating expenses" in the consolidated statement of profit or loss.

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

### 9. 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:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Directors' fees                                 | 2,375            | 2,863            |
| Basic salaries, allowances and benefits in kind | 7,939            | 7,518            |
| Discretionary bonuses paid and payable          | 45,200           | 12,000           |
| Retirement benefit costs                        | 108              | 108              |
|   | <b>55,622</b>    | 22,489           |

The emoluments paid to each of the Directors during the year ended 31 March 2019 are as follows:

| 2019                                 | Directors' fees<br>HK\$'000 | Basic salaries,<br>allowances<br>and benefits<br>in kind<br>HK\$'000 | Discretionary<br>bonuses paid<br>and payable<br>HK\$'000 | Retirement<br>benefit costs<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|-----------------------------|--|--|---|-------------------|
| Executive directors:                 |                             |  |  |   |                   |
| Stephen Riady                        | 239                         | 6,293  | 30,000   | 72                                      | 36,604            |
| John Luen Wai Lee                    | 239                         | 845  | 14,000   | 18                                      | 15,102            |
| James Siu Lung Lee                   | 239                         | 801  | 1,200  | 18                                      | 2,258             |
|                                      | <b>717</b>                  | <b>7,939</b>   | <b>45,200</b>  | <b>108</b>                              | <b>53,964</b>     |
| Non-executive director:              |                             |  |  |   |                   |
| Leon Nim Leung Chan                  | 394                         | –  | –  | –                                       | 394               |
| Independent non-executive directors: |                             |  |  |   |                   |
| Edwin Neo                            | 394                         | –  | –  | –                                       | 394               |
| King Fai Tsui                        | 449                         | –  | –  | –                                       | 449               |
| Victor Ha Kuk Yung                   | 421                         | –  | –  | –                                       | 421               |
|                                      | <b>1,264</b>                | <b>–</b>   | <b>–</b>   | <b>–</b>                                | <b>1,264</b>      |
|                                      | <b>2,375</b>                | <b>7,939</b>   | <b>45,200</b>  | <b>108</b>                              | <b>55,622</b>     |

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

### 9. DIRECTORS' EMOLUMENTS *(continued)*

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

| 2018                                 | Directors' fees<br>HK\$'000 | Basic salaries, allowances and benefits in kind<br>HK\$'000 | Discretionary bonuses paid and payable<br>HK\$'000 | Retirement benefit costs<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|-----------------------------|---|--|--------------------------------------|-------------------|
| Executive directors:                 |                             |   |  |                                      |                   |
| Stephen Riady                        | 230                         | 5,907   | 8,000  | 72                                   | 14,209            |
| John Luen Wai Lee                    | 230                         | 811   | 2,000  | 18                                   | 3,059             |
| James Siu Lung Lee                   | 230                         | 800   | 2,000  | 18                                   | 3,048             |
|                                      | 690                         | 7,518   | 12,000   | 108                                  | 20,316            |
| Non-executive director:              |                             |   |  |                                      |                   |
| Leon Nim Leung Chan                  | 382                         | –   | –  | –                                    | 382               |
| Independent non-executive directors: |                             |   |  |                                      |                   |
| Edwin Neo                            | 1,001                       | –   | –  | –                                    | 1,001             |
| King Fai Tsui                        | 382                         | –   | –  | –                                    | 382               |
| Victor Ha Kuk Yung                   | 408                         | –   | –  | –                                    | 408               |
|                                      | 1,791                       | –   | –  | –                                    | 1,791             |
|                                      | 2,863                       | 7,518   | 12,000   | 108                                  | 22,489            |

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)*

### 10. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included two (2018 — one) Directors, details of whose emoluments are set out in Note 9 to the financial statements. Details of the emoluments of the remaining three (2018 — four) non-director, highest paid employees for the year are as follows:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Basic salaries, allowances and benefits in kind | 4,955            | 9,932            |
| Discretionary bonuses paid and payable          | 17,000           | 12,224           |
| Retirement benefit costs                        | –                | 157              |
|   | <b>21,955</b>    | <b>22,313</b>    |

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

| Emoluments bands (HK\$): | 2019<br>Number of<br>employees | 2018<br>Number of<br>employees |
|--------------------------|--------------------------------|--------------------------------|
| 3,500,001 — 4,000,000    | –                              | 2                              |
| 4,500,001 — 5,000,000    | 1                              | 1                              |
| 5,000,001 — 5,500,000    | 1                              | –                              |
| 10,000,001 — 10,500,000  | –                              | 1                              |
| 11,500,001 — 12,000,000  | 1                              | –                              |
|                          | <b>3</b>                       | <b>4</b>                       |

### 11. FINANCE COSTS

|                                       | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Interest on bank and other borrowings | 48,927           | 33,852           |
| Interest on finance leases            | 115              | 73               |
| Total interest                        | <b>49,042</b>    | <b>33,925</b>    |

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

### 12. SHARE OF RESULTS OF JOINT VENTURES

Share of results of joint ventures for the year ended 31 March 2019 mainly included share of loss of Collyer Quay Limited ("CQL"). CQL is a joint venture consortium to invest in a company (the "JV Company") principally engaged in exploration, extraction and processing of mineral resources. Due to the drop in copper price and the increased production cost during the year, the JV Company put the mine into care and maintenance mode in order to minimise the costs incurred. As a result, CQL fully impaired its investment in the JV Company and the Group shared a loss of HK\$88,325,000 from the joint venture for the year ended 31 March 2019 (2018 — HK\$43,538,000).

Reference was made to the Group's interest in a minority ownership interest in Skye Mineral Partners, LLC ("Skye") whose major asset, prior to the events described below, was 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.A. and had engaged in the business of mining and processing copper and other minerals. The JV Company acquired all or substantially all of the mining assets (the "Assets") held by CS Mining in a court-supervised sale process under its bankruptcy proceedings in August 2017. In January 2018, a verified complaint (the "Complaint") was filed in a United States state court in Delaware 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. The Complaint alleges, among other things, that the majority investors directly and derivatively through their ownership of Skye, suffered from 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 has opposed, and will continue to vigorously oppose, the allegations set forth in the Complaint (including any amendments thereto) and any other claim that the majority investors in Skye may seek to bring against the Group. The Group has filed a motion to dismiss the Complaint on numerous grounds, and the motion to dismiss, as of the date hereof, remains pending.

### 13. INCOME TAX

|                              | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Hong Kong:                   |                  |                  |
| Charge for the year          | 1,299            | 2,142            |
| Deferred ( <i>Note 30</i> )  | (715)            | 1,874            |
|                              | <b>584</b>       | 4,016            |
| Overseas:                    |                  |                  |
| Charge for the year          | 36,177           | 36,950           |
| Overprovision in prior years | (20,349)         | (15,344)         |
| Deferred ( <i>Note 30</i> ): |                  |                  |
| Current year                 | (1,319)          | (2,891)          |
| Effect of change in tax rate | –                | (317)            |
|                              | <b>14,509</b>    | 18,398           |
| Total charge for the year    | <b>15,093</b>    | 22,414           |

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

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

Hong Kong profits tax has been provided at the rate of 8.25% or 16.5%, as appropriate (2018 — 16.5%) on the estimated assessable profits arising in Hong Kong during the year. For the companies operating in the Republic of Singapore and mainland China, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 17% and 25% (2018 — 17% 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.

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

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|---|------------------|--------------------------------|
| Profit/(Loss) before tax  | <b>503,552</b>   | (27,093)                       |
| Tax at the statutory tax rate of 16.5% (2018 — 16.5%)                     | <b>83,086</b>    | (4,470)                        |
| Effect of different tax rates in other jurisdictions                      | <b>10,761</b>    | 7,464                          |
| Effect of change in tax rate in other jurisdiction                        | –                | (317)                          |
| Adjustments in respect of current tax of previous years                   | <b>(20,349)</b>  | (15,344)                       |
| Losses attributable to joint ventures and associates                      | <b>16,273</b>    | 10,587                         |
| Income not subject to tax   | <b>(161,149)</b> | (34,389)                       |
| Expenses not deductible for tax   | <b>53,897</b>    | 53,544                         |
| Effect of partial tax exemption and tax relief                            | <b>(985)</b>     | (4,030)                        |
| Benefits from tax losses/temporary differences<br>previously unrecognised | <b>(9,203)</b>   | (9,160)                        |
| Tax losses/temporary differences not recognised                           | <b>42,762</b>    | 18,529                         |
| Tax charge at the Group's effective rate                                  | <b>15,093</b>    | 22,414                         |

The share of tax charge attributable to associates amounting to HK\$203,000 (2018 — HK\$1,423,000) is included in "Share of results of associates" on the face of the consolidated statement of profit or loss. For the year ended 31 March 2018, the share of tax credit attributable to joint ventures amounting to HK\$34,000 was included in "Share of results of joint ventures" on the face of the consolidated statement of profit or loss.

### 14. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

#### (a) Basic loss per share

Basic loss per share is calculated based on (i) the consolidated loss for the year attributable to equity holders of the Company; and (ii) the weighted average number of approximately 9,186,913,000 ordinary shares (2018 — approximately 9,186,913,000 ordinary shares) in issue during the year.

#### (b) Diluted loss per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

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

### 15. DIVIDENDS

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Interim dividend, declared, of HK0.2 cent<br>(2018 — HK0.2 cent) per ordinary share | <b>18,374</b>    | 18,374           |
| Final dividend, proposed, of HK0.5 cent<br>(2018 — HK0.5 cent) per ordinary share   | <b>45,935</b>    | 45,935           |
| Special final dividend, proposed, of HK2 cents<br>(2018 — Nil) per ordinary share   | <b>183,738</b>   | –                |
|   | <b>248,047</b>   | 64,309           |

The proposed final and special final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 16. INTANGIBLE ASSETS

|  | Goodwill<br>HK\$'000 | Trademarks<br>and trademark<br>licence<br>agreement<br>HK\$'000 | Other<br>intangible<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|--|----------------------|---|---|-------------------|
| <b>2019</b>  |                      |   |   |                   |
| Cost:  |                      |   |   |                   |
| At 1 April 2018                                    | 270,988              | 317,821   | 173,748                                   | 762,557           |
| Disposal of subsidiaries (Note 35)                 | (14,388)             | –   | –   | (14,388)          |
| Exchange adjustments                               | (8,383)              | (10,166)  | (5,554)                                   | (24,103)          |
| <b>At 31 March 2019</b>                            | <b>248,217</b>       | <b>307,655</b>  | <b>168,194</b>                            | <b>724,066</b>    |
| Accumulated amortisation and<br>impairment losses: |                      |   |   |                   |
| At 1 April 2018                                    | 157,409              | 218,162   | 173,748                                   | 549,319           |
| Impairment during the year                         | 10,681               | –   | –   | 10,681            |
| Exchange adjustments                               | (5,003)              | (6,969)   | (5,554)                                   | (17,526)          |
| <b>At 31 March 2019</b>                            | <b>163,087</b>       | <b>211,193</b>  | <b>168,194</b>                            | <b>542,474</b>    |
| Net carrying amount:                               |                      |   |   |                   |
| <b>At 31 March 2019</b>                            | <b>85,130</b>        | <b>96,462</b>   | –   | <b>181,592</b>    |



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

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

|  | Goodwill<br>HK\$'000 | Trademarks<br>and trademark<br>licence<br>agreement<br>HK\$'000 | Other<br>intangible<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|--|----------------------|---|---|-------------------|
| 2018   |                      |   |   |                   |
| Cost:  |                      |   |   |                   |
| At 1 April 2017                                    | 252,315              | 295,255   | 161,411                                   | 708,981           |
| Exchange adjustments                               | 18,673               | 22,566  | 12,337                                    | 53,576            |
| At 31 March 2018                                   | 270,988              | 317,821   | 173,748                                   | 762,557           |
| Accumulated amortisation and<br>impairment losses: |                      |   |   |                   |
| At 1 April 2017                                    | 146,234              | 202,671   | 161,311                                   | 510,216           |
| Amortisation provided for the year                 | –                    | –   | 104                                       | 104               |
| Exchange adjustments                               | 11,175               | 15,491  | 12,333                                    | 38,999            |
| At 31 March 2018                                   | 157,409              | 218,162   | 173,748                                   | 549,319           |
| Net carrying amount:                               |                      |   |   |                   |
| At 31 March 2018                                   | 113,579              | 99,659  | –   | 213,238           |

Trademarks relate to the “Food Junction” trademarks and the useful lives of these trademarks are estimated to be indefinite.

Trademark licence agreement relates to the right to use the “Delifrance” trademark granted under a licence agreement. 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 Sous 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 in prior years.

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

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

#### Impairment testing of goodwill, trademarks and trademark licence agreement

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<br>HK\$'000 | Trademarks<br>and trademark<br>licence<br>agreement<br>HK\$'000 | Compounded<br>revenue<br>growth rate<br>% | Long-term<br>growth rate<br>% | Pre-tax<br>discount rate<br>per annum<br>% |
|--|----------------------|---|---|-------------------------------|--|
| <b>At 31 March 2019</b>                          |                      |   |   |                               |  |
| Food Junction Holdings Limited <i>(Note (a))</i> | <b>64,175</b>        | <b>96,462</b>   | <b>3.9</b>                                | <b>1.7</b>                    | <b>11.9</b>                                |
| All Around Limited <i>(Note (b))</i>             | <b>20,955</b>        | <b>–</b>  | <b>3.8</b>                                | <b>1.0</b>                    | <b>9.1</b>                                 |
|  | <b>85,130</b>        | <b>96,462</b>   |   |                               |  |
| <b>At 31 March 2018</b>                          |                      |   |   |                               |  |
| Food Junction Holdings Limited <i>(Note (a))</i> | 77,360               | 99,659  | 12.3                                      | 1.0                           | 18.4                                       |
| All Around Limited <i>(Note (b))</i>             | 21,127               | –   | 2.3                                       | 1.0                           | 17.0                                       |
| Auric Marketing Sdn. Bhd. <i>(Note (c))</i>      | 15,092               | –   | 7.7                                       | 3.0                           | 9.8  |
|  | 113,579              | 99,659  |   |                               |  |

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 (2018 — 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:*

- For the years ended 31 March 2019 and 2018, impairment assessment had been performed for the goodwill and trademarks acquired for Food Junction Holdings Limited ("FJH") and an impairment loss of HK\$10,681,000 (2018 — Nil) was recognised as the recoverable amount was below the carrying value.
- For the years ended 31 March 2019 and 2018, 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.
- For the year ended 31 March 2018, it was assessed that there was no impairment of the goodwill acquired for Auric Marketing Sdn. Bhd. ("AMSB") as the recoverable amount was in excess of the carrying value. AMSB was disposed of during the year ended 31 March 2019.

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

Pre-tax discount rate — Discount rate represents 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 *(continued)*

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

**Compounded revenue growth rate** — 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 rate based on past performance and its expectations for market development. The forecast is based on management's past experience and does not exceed the long-term average growth rate for the industries relevant to the CGUs.

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

##### Impairment loss recognised

For the year ended 31 March 2019, management performed a business and operations review to rationalise FJH's operations. Prior year assumptions on growth rates and discount rate were reassessed to reflect the current assessment of future outlook in the goodwill impairment test that was performed. This resulted in the recognition of an impairment loss of HK\$10,681,000 on the goodwill. The impairment loss was presented under "other gains/(losses) – net" in the consolidated statement of profit or loss. 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 2019 and 2018, 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

|                                | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| Cost:                          |                  |                  |
| Balance at beginning of year   | 82,045           | 108,161          |
| Additions during the year      | 258              | 393              |
| Disposal of a joint operation  | –                | (31,141)         |
| Exchange adjustments           | (2,592)          | 4,632            |
| Balance at end of year         | 79,711           | 82,045           |
| Accumulated impairment losses: |                  |                  |
| Balance at beginning of year   | 81,689           | 107,062          |
| Disposal of a joint operation  | –                | (29,958)         |
| Exchange adjustments           | (2,580)          | 4,585            |
| Balance at end of year         | 79,109           | 81,689           |
| Net carrying amount            | 602              | 356              |

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

### 18. FIXED ASSETS

|  | Land and<br>buildings<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Furniture,<br>fixtures,<br>plant and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------------------|---------------------------------------|---|-------------------------------|---|-------------------|
| <b>2019</b>  |                                   |                                       |   |                               |   |                   |
| At 31 March 2018 and at 1 April 2018                                       |                                   |                                       |   |                               |   |                   |
| Cost   | 967,702                           | 312,949                               | 387,219   | 17,563                        | 1,950                                   | 1,687,383         |
| Accumulated depreciation and impairment losses                             | (144,488)                         | (231,225)                             | (337,387)   | (9,751)                       | (305)                                   | (723,156)         |
| Net carrying amount  | 823,214                           | 81,724                                | 49,832  | 7,812                         | 1,645                                   | 964,227           |
| At 1 April 2018, net of accumulated<br>depreciation and impairment losses  | 823,214                           | 81,724                                | 49,832  | 7,812                         | 1,645                                   | 964,227           |
| Additions during the year (Note)   | 973                               | 59,936                                | 24,702  | 261                           | 58,338                                  | 144,210           |
| Surplus on revaluation   | 2,790                             | -                                     | -   | -                             | -                                       | 2,790             |
| Reclassification to investment properties (Note 19)                        | (19,900)                          | -                                     | -   | -                             | -                                       | (19,900)          |
| Reclassification   | -                                 | 261                                   | -   | -                             | (261)                                   | -                 |
| Disposals during the year  | -                                 | (1,646)                               | (422)   | (1,230)                       | -                                       | (3,298)           |
| Disposal of subsidiaries (Note 35)   | (9,451)                           | (260)                                 | (8,794)   | (565)                         | -                                       | (19,070)          |
| Depreciation provided for the year   | (20,661)                          | (26,759)                              | (19,300)  | (2,192)                       | -                                       | (68,912)          |
| Impairment written back during the year                                    | -                                 | 2,281                                 | 981   | -                             | -                                       | 3,262             |
| Write-off during the year  | -                                 | (4,463)                               | (1,160)   | -                             | (1,097)                                 | (6,720)           |
| Exchange adjustments   | (3,021)                           | (756)                                 | (1,405)   | (132)                         | (235)                                   | (5,549)           |
| At 31 March 2019, net of accumulated<br>depreciation and impairment losses | 773,944                           | 110,318                               | 44,434  | 3,954                         | 58,390                                  | 991,040           |
| <b>At 31 March 2019</b>  |                                   |                                       |   |                               |   |                   |
| Cost   | 914,907                           | 346,466                               | 326,300   | 12,536                        | 58,691                                  | 1,658,900         |
| Accumulated depreciation and impairment losses                             | (140,963)                         | (236,148)                             | (281,866)   | (8,582)                       | (301)                                   | (667,860)         |
| Net carrying amount  | 773,944                           | 110,318                               | 44,434  | 3,954                         | 58,390                                  | 991,040           |

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

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

|  | Land and<br>buildings<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Furniture,<br>fixtures,<br>plant and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------------------|---------------------------------------|---|-------------------------------|---|-------------------|
| <b>2018</b>  |                                   |                                       |   |                               |   |                   |
| At 1 April 2017  |                                   |                                       |   |                               |   |                   |
| Cost   | 214,186                           | 308,626                               | 358,995   | 18,506                        | 1,700                                   | 902,013           |
| Accumulated depreciation and impairment losses                             | (133,733)                         | (257,079)                             | (322,601)   | (10,100)                      | (283)                                   | (723,796)         |
| Net carrying amount  | 80,453                            | 51,547                                | 36,394  | 8,406                         | 1,417                                   | 178,217           |
| At 1 April 2017, net of accumulated<br>depreciation and impairment losses  |                                   |                                       |   |                               |   |                   |
| Cost   | 80,453                            | 51,547                                | 36,394  | 8,406                         | 1,417                                   | 178,217           |
| Additions during the year (Note)   | 70,571                            | 59,587                                | 33,567  | 2,938                         | 191                                     | 166,854           |
| Reclassification from investment properties (Note 19)                      | 697,900                           | –                                     | –   | –                             | –                                       | 697,900           |
| Disposals during the year  | (11,084)                          | (12,288)                              | (1,424)   | (1,516)                       | –                                       | (26,312)          |
| Depreciation provided for the year   | (15,786)                          | (28,402)                              | (20,794)  | (2,382)                       | –                                       | (67,364)          |
| Impairment written back during the year                                    | –                                 | 12,444                                | 783   | –                             | –                                       | 13,227            |
| Write-off during the year  | –                                 | (3,035)                               | (547)   | –                             | –                                       | (3,582)           |
| Exchange adjustments   | 1,160                             | 1,871                                 | 1,853   | 366                           | 37                                      | 5,287             |
| At 31 March 2018, net of accumulated<br>depreciation and impairment losses | 823,214                           | 81,724                                | 49,832  | 7,812                         | 1,645                                   | 964,227           |
| At 31 March 2018   |                                   |                                       |   |                               |   |                   |
| Cost   | 967,702                           | 312,949                               | 387,219   | 17,563                        | 1,950                                   | 1,687,383         |
| Accumulated depreciation and impairment losses                             | (144,488)                         | (231,225)                             | (337,387)   | (9,751)                       | (305)                                   | (723,156)         |
| Net carrying amount  | 823,214                           | 81,724                                | 49,832  | 7,812                         | 1,645                                   | 964,227           |

Note: The amounts include reinstatement costs of HK\$4,592,000 (2018 — HK\$9,798,000) for dismantling, removal and restoration of fixed assets. The amounts in 2018 also included a reclassification from prepayment of HK\$16,752,000. Cash payments of HK\$139,618,000 (2018 — HK\$140,304,000) 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 2019 was HK\$623,000 (2018 — HK\$1,824,000). Leased assets are pledged as security for the related finance lease obligations as set out in Note 28 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 28 to the financial statements.

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

### 19. INVESTMENT PROPERTIES

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Carrying amount at beginning of year                     | 844,220          | 1,370,971        |
| Additions during the year                                | –                | 57,769           |
| Reclassification from/(to) fixed assets <i>(Note 18)</i> | 19,900           | (697,900)        |
| Fair value adjustments                                   | 35,030           | 87,492           |
| Exchange adjustments                                     | (18,797)         | 25,888           |
| Carrying amount at end of year                           | 880,353          | 844,220          |

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 28 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 2019 made by Vigers Appraisal and Consulting Limited, RHL Appraisal Limited, CBRE, Inc., Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Cresa Polska Sp. z o.o., D'Valuer Property Consultants Pte Ltd and Dalia Assis, independent qualified valuers, the investment properties were revalued on an open market, existing use basis at HK\$880,353,000 (2018 — HK\$844,220,000).

#### Fair value hierarchy

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

|  | Fair value measurement using                                   |  |  | Total<br>HK\$'000 |
|--|--|--|--|-------------------|
|  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>HK\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| <b>At 31 March 2019</b>                      |  |  |  |                   |
| <b>Recurring fair value measurement for:</b> |  |  |  |                   |
| Completed investment properties in:          |  |  |  |                   |
| Hong Kong                                    | –  | –  | 525,660  | 525,660           |
| Mainland China                               | –  | –  | 186,526  | 186,526           |
| Overseas                                     | –  | –  | 168,167  | 168,167           |
|  | –  | –  | 880,353  | 880,353           |

## 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<br>HK\$'000 |
|--|--|--|--|-------------------|
|  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>HK\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| At 31 March 2018                             |  |  |  |                   |
| <b>Recurring fair value measurement for:</b> |  |  |  |                   |
| Completed investment properties in:          |  |  |  |                   |
| Hong Kong                                    | –  | –  | 474,560  | 474,560           |
| Mainland China                               | –  | –  | 198,440  | 198,440           |
| Overseas                                     | –  | –  | 171,220  | 171,220           |
|  | –  | –  | 844,220  | 844,220           |

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 (2018 — 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\$139,500 to HK\$322,000<br>(2018 — HK\$75,500 to HK\$316,000) |
|                                     | Income approach      | Capitalisation rate             | 2.5% to 8.0%<br>(2018 — 2.4% to 8.0%)                            |
| Mainland China                      | Market approach      | Price per square metre          | HK\$19,500 to HK\$24,000<br>(2018 — HK\$21,000 to HK\$23,500)    |
| Overseas                            | Market approach      | Price per square metre          | HK\$6,500 to HK\$153,000<br>(2018 — HK\$9,000 to HK\$161,000)    |



## 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 input was the capitalisation rate. A significant increase/decrease in the capitalisation rate would result in a significant decrease/increase in the fair value of the investment properties.

### 20. INTERESTS IN ASSOCIATES

|                                  | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|----------------------------------|------------------|--------------------------------|
| Share of net assets              | <b>500,562</b>   | 528,066                        |
| Goodwill                         | <b>260,098</b>   | 268,671                        |
| Due from associates              | <b>30,736</b>    | 30,736                         |
|                                  | <b>791,396</b>   | 827,473                        |
| Provisions for impairment losses | <b>(53,438)</b>  | (31,114)                       |
|                                  | <b>737,958</b>   | 796,359                        |

The balances with the associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these balances are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associates.

Details of the principal associates are set out on page 199.

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

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

Healthway Medical Corporation Limited (“Healthway”) and TIH Limited (“TIH”) are considered as material associates of the Group.

#### **Healthway**

Healthway is a listed company in Singapore. Healthway, together with its subsidiaries, owns, operates and manages close to 100 medical centres and clinics. Healthway became an associate of the Group in May 2017 after the completion of a voluntary conditional cash offer and Healthway is accounted for using the equity method. As at 31 March 2019, the Group’s equity interest in Healthway was 40.82% (2018 — 40.82%).

The Group assessed whether there is any objective evidence that the carrying amount of interest in Healthway may be impaired and the recoverable amount of the associate is estimated based on a value in use calculation. The Directors considered no impairment loss was necessary for the year ended 31 March 2019 (2018 — Nil).

#### **TIH**

TIH is a closed-end fund listed in Singapore which focuses on investment in various sectors in Asia such as consumer and industrial products, healthcare, technology, media and telecommunications, food, manufacturing and chemicals. TIH became an associate of the Group in early 2018 through a share offer (the “TIH Offer”) and is accounted for using the equity method. As at 31 March 2019, the Group’s equity interest in TIH remained at 39.9% (2018 — 39.9%). The purchase price allocation exercise of the investments in TIH was completed during the year. As a consequence, comparative amounts have been restated as if the accounting for the acquisition of the associate had been completed during the year ended 31 March 2018. Further details of the restatement of comparative amounts are disclosed in Note 45(a) to the financial statements.

The Group carried out an impairment assessment for the investment in TIH as the carrying amount of the investments exceeded the market value of the investments held by the Group as at 31 March 2019. The recoverable amount of the investment was determined based on a value in use calculation. The discount rate applied to the cash flow projection was 7.95%. Impairment loss of HK\$22,698,000 (2018 — Nil) has been charged to the consolidated statement of profit or loss for the year as the recoverable amount was lower than its carrying amount.

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

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

The following table illustrates the summarised consolidated financial information of Healthway and TIH, adjusted for fair value adjustments on acquisition (if any) and any differences in accounting policies and reconciled to the carrying amounts in the financial statements:

|   | Healthway        |                  | TIH              |                                |
|---|------------------|------------------|------------------|--------------------------------|
|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
| Current assets  | <b>271,911</b>   | 345,354          | <b>305,484</b>   | 296,131                        |
| Non-current assets  | <b>367,343</b>   | 355,762          | <b>547,928</b>   | 573,085                        |
| Current liabilities   | <b>(116,080)</b> | (123,682)        | <b>(112,872)</b> | (116,324)                      |
| Non-current liabilities   | <b>(65,449)</b>  | (63,860)         | –                | –                              |
| Net assets, excluding goodwill  | <b>457,725</b>   | 513,574          | <b>740,540</b>   | 752,892                        |
| Reconciliation to the Group's interests in associates:                  |                  |                  |                  |                                |
| Group's share of net assets of associates, excluding goodwill           | <b>186,842</b>   | 209,640          | <b>295,624</b>   | 300,555                        |
| Goodwill, less cumulative impairment                                    | <b>236,930</b>   | 244,754          | –                | 23,447                         |
| Carrying amount of the investments                                      | <b>423,772</b>   | 454,394          | <b>295,624</b>   | 324,002                        |
| Revenue for the year/period <i>(Note (a))</i>                           | <b>651,135</b>   | 544,514          | <b>39,537</b>    | 5,210                          |
| Profit/(Loss) for the year/period <i>(Note (a))</i>                     | <b>(39,450)</b>  | (46,787)         | <b>11,680</b>    | (2,309)                        |
| Other comprehensive income/(loss) for the year/period <i>(Note (a))</i> | <b>(35,565)</b>  | 55,598           | <b>(25,909)</b>  | (24,507)                       |
| Total comprehensive income/(loss) for the year/period <i>(Note (a))</i> | <b>(75,015)</b>  | 8,811            | <b>(14,229)</b>  | (26,816)                       |
| Fair value of the Group's listed investments <i>(Note (b))</i>          | <b>299,722</b>   | 541,834          | <b>161,999</b>   | 274,105                        |

Note:

- (a) The financial information in 2018 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. TIH's comparative amounts have been restated as if the accounting for the acquisition of the associate had been completed during the year ended 31 March 2018.
- (b) Based on the quoted market price as at 31 March (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:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Share of the associates' profit and total comprehensive income for the year | <b>2,261</b>     | 2,529            |
| Aggregate carrying amount of the Group's interests in the associates        | <b>18,562</b>    | 17,963           |

### 21. INTERESTS IN JOINT VENTURES

|                                  | 2019<br>HK\$'000            | 2018<br>HK\$'000 |
|----------------------------------|-----------------------------|------------------|
| Share of net liabilities         | <b>(132,958)</b>            | (43,395)         |
| Due from joint ventures          | <b>137,672</b>              | 134,336          |
| Provisions for impairment losses | <b>4,714</b><br><b>(41)</b> | 90,941<br>–      |
|                                  | <b>4,673</b>                | 90,941           |

The balances with the joint ventures are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these balances are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

Details of the principal joint ventures are set out on page 200.

CQL is considered as a material joint venture of the Group and is accounted for using the equity method. CQL is a joint venture consortium to invest in a company principally engaged in exploration, extraction and processing of mineral resources.

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

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

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

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Current assets   | 1                | 1                |
| Non-current assets   | –                | 146,715          |
| Current financial liabilities (excluding trade and other payables) and current liabilities         | <b>(789)</b>     | (198)            |
| Non-current financial liabilities (excluding trade and other payables) and non-current liabilities | <b>(219,512)</b> | (219,437)        |
| Net liabilities  | <b>(220,300)</b> | (72,919)         |
| Group's share of net liabilities of the joint venture  | <b>(132,181)</b> | (43,752)         |
| Due from the joint venture   | <b>132,222</b>   | 131,836          |
| Provision for impairment loss  | <b>(41)</b>      | –                |
| Carrying amount of the investment  | –                | 88,084           |
| Revenue for the year/period <i>(Note)</i>  | –                | –                |
| Loss and total comprehensive loss for the year/period <i>(Note)</i>                                | <b>(147,209)</b> | (72,564)         |

*Note:* The financial information in 2018 presented above is based on the results for the period from the date when CQL became a joint venture of the Group to 31 March 2018.

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

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Share of the joint ventures' profit/(loss) and total comprehensive income/(loss) for the year | <b>(1,119)</b>   | 284              |
| Aggregate carrying amount of the Group's interests in the joint ventures                      | <b>4,673</b>     | 2,857            |

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

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Financial assets at fair value through other comprehensive income |                  |                  |
| Equity securities   | <b>356,495</b>   | –                |
| Available-for-sale financial assets                               |                  |                  |
| Financial assets stated at fair value:                            |                  |                  |
| Equity securities   | –                | 38,580           |
| Debt securities   | –                | 18,057           |
| Investment funds  | –                | 144,819          |
|   | –                | 201,456          |
| Financial assets stated at cost:                                  |                  |                  |
| Equity securities   | –                | 242,640          |
| Investment funds  | –                | 162,654          |
|   | –                | 405,294          |
| Provisions for impairment losses                                  | –                | (213,697)        |
|   | –                | 191,597          |
|   | –                | 393,053          |

The Group has designated certain equity securities as financial assets at fair value through other comprehensive income at 1 April 2018 or acquisition date as the Group considers these equity securities to be strategic in nature.

During the year ended 31 March 2019, the Group sold certain equity securities at fair value through other comprehensive income as these investments no longer coincided with the Group's investment strategy. The fair value on the date of sale was HK\$35,776,000 and the net accumulated loss recognised in other comprehensive income was HK\$11,370,000. Net accumulated loss attributable to equity holders of the Company of HK\$10,664,000 was transferred from fair value reserve of financial assets at FVOCI to retained profits upon disposal.

During the year ended 31 March 2019, the Group recognised dividend income of HK\$1,351,000 from investments derecognised during the reporting period and HK\$16,000 from those related to investments held at the end of the reporting period. Such dividend income is included in "Revenue" in the consolidated statement of profit or loss.

As at 31 March 2018, the available-for-sale financial assets consisted of investments in equity securities and investment funds which had no fixed maturity date or coupon rate and the debt securities which were non-interest bearing. Certain available-for-sale financial assets issued by private entities were measured at cost less impairment as at 31 March 2018 because the range of reasonable fair value estimates was so significant that the Directors were of the opinion that their fair values could not be measured reliably.

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

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

During the year ended 31 March 2018, the gross gain in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK\$18,556,000, of which gains of HK\$2,436,000 and HK\$12,919,000 were reclassified from consolidated other comprehensive income to the consolidated statement of profit or loss for the year upon disposal and derecognition, respectively.

During the year ended 31 March 2018, 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 had been charged to the consolidated statement of profit or loss for the year ended 31 March 2018.

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

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Held for trading:   |                  |                  |
| Equity securities   | 568,560          | 808,276          |
| Debt securities   | –                | 195,965          |
| Investment funds  | 3,130            | 357,462          |
|   | <b>571,690</b>   | 1,361,703        |
| Other financial assets mandatorily classified at fair value through profit or loss: |                  |                  |
| Debt securities   | 20,061           | –                |
| Investment funds  | 369,358          | –                |
|   | <b>389,419</b>   | –                |
| Designated as such upon initial recognition:  |                  |                  |
| Equity linked notes ( <i>Note</i> )   | –                | 376,407          |
|   | <b>961,109</b>   | 1,738,110        |
| Analysed for reporting purpose as:  |                  |                  |
| Current assets  | 571,690          | 1,738,110        |
| Non-current assets  | 389,419          | –                |
|   | <b>961,109</b>   | 1,738,110        |

Note: In March 2018, the Group subscribed for the equity linked notes (the "ELN") which are linked to the shares of Tencent Holdings Limited 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.



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

### 24. OTHER FINANCIAL ASSETS/LIABILITIES

|  | 2019               |                         | 2018               |                         |
|--|--------------------|-------------------------|--------------------|-------------------------|
|  | Assets<br>HK\$'000 | Liabilities<br>HK\$'000 | Assets<br>HK\$'000 | Liabilities<br>HK\$'000 |
| Current portion:   |                    |                         |                    |                         |
| Derivative financial instruments:  |                    |                         |                    |                         |
| Forward currency contracts <i>(Note (a))</i>   | 365                | –                       | –                  | 5,802                   |
| Financial liabilities at fair value through profit or loss designated as such upon initial recognition | –                  | 9,770                   | –                  | 8,711                   |
|  | 365                | 9,770                   | –                  | 14,513                  |
| Non-current portion:   |                    |                         |                    |                         |
| Derivative financial instruments:  |                    |                         |                    |                         |
| Interest rate swap <i>(Note (b))</i>   | –                  | 220                     | –                  | –                       |

Note:

(a) 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 2019 was HK\$279,617,000 (2018 — HK\$429,467,000).

(b) The notional amount of the outstanding interest rate swap as at 31 March 2019 was HK\$57,904,000 (2018 — Nil).

### 25. DEBTORS, PREPAYMENTS AND OTHER ASSETS

Trade debtors mainly related to food businesses operation. 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.

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

|                                 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Outstanding balances with ages: |                  |                  |
| Within 30 days                  | 27,405           | 249,760          |
| Between 31 and 60 days          | 17,244           | 65,834           |
| Between 61 and 90 days          | 13,382           | 45,449           |
| Between 91 and 180 days         | 1,696            | 25,362           |
| Over 180 days                   | –                | 102              |
|                                 | 59,727           | 386,507          |

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

### 25. DEBTORS, PREPAYMENTS AND OTHER ASSETS *(continued)*

As at 31 March 2019, the balances of debtors, prepayments and other assets included the promissory note received in connection with the TIH Offer of HK\$36,743,000 (2018 — HK\$37,956,000), which is unsecured, bears interest at a rate of 2.25% per annum and is repayable on demand. The balance also included a loan of HK\$75,275,000 (2018 — Nil), which is unsecured, bears interest at a rate of 5% per annum and is repayable within one year. The remaining balances of debtors, prepayments and other assets were non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

#### Loss allowance for impairment of trade debtors

The movements in the loss allowance for impairment of trade debtors are as follows:

|                              | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Balance at beginning of year | 10,091           | 8,391            |
| Impairment losses recognised | 2,535            | 2,338            |
| Disposal of subsidiaries     | (6,593)          | –                |
| Write-off                    | (3,308)          | (1,735)          |
| Exchange adjustments         | (426)            | 1,097            |
| Balance at end of year       | 2,299            | 10,091           |

#### *Impairment under HKFRS 9 for the year ended 31 March 2019*

The Group applies the simplified approach to measure the loss allowance at lifetime ECLs for trade debtors. The Group determines the ECLs by using a provision matrix. The provision rates are based on the past due status of the debtors and adjusted for factors specific to the debtors, general economic conditions forecasts and forward-looking information that is available without undue cost or effort. For the year ended 31 March 2019, loss allowance of HK\$2,535,000 was charged to the consolidated statement of profit or loss for receivables arising from contracts with customers under food businesses.

Set out below is the information about the credit risk exposure on the Group's trade debtors using a provision matrix:

|                        | Expected<br>credit loss<br>rate | Gross<br>carrying<br>amount<br>HK\$'000 | Expected<br>credit losses<br>HK\$'000 |
|------------------------|---------------------------------|---|---------------------------------------|
| Current                | 0%                              | 37,034                                  | –                                     |
| Past due:              |                                 |   |                                       |
| Within 30 days         | 0%                              | 18,523                                  | –                                     |
| Between 31 and 90 days | 12.8%                           | 4,691                                   | 602                                   |
| Over 90 days           | 95.4%                           | 1,778                                   | 1,697                                 |
|                        | 3.7%                            | 62,026                                  | 2,299                                 |

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

### 25. DEBTORS, PREPAYMENTS AND OTHER ASSETS *(continued)*

#### Loss allowance for impairment of trade debtors *(continued)*

##### Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of trade debtors, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired trade debtors of HK\$10,091,000.

As at 31 March 2018, trade debtors of HK\$134,442,000 were past due but not impaired under HKAS 39. These related to a number of independent customers that had a good track record with the Group. The ageing analysis of these balances is as follows:

|                                 | 2018<br>HK\$'000 |
|---------------------------------|------------------|
| Outstanding balances with ages: |                  |
| Within 30 days                  | 92,027           |
| Between 31 and 60 days          | 29,166           |
| Between 61 and 90 days          | 5,557            |
| Between 91 and 180 days         | 7,597            |
| Over 180 days                   | 95               |
|                                 | 134,442          |

#### Loss allowance for impairment of financial assets included in other debtors, prepayments and other assets

The movements in the loss allowance for impairment of financial assets included in other debtors, prepayments and other assets are as follows:

|                              | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Balance at beginning of year | 753              | 1,037            |
| Write-off                    | (200)            | –                |
| Exchange adjustments         | (27)             | (284)            |
| Balance at end of year       | 526              | 753              |

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

### 25. DEBTORS, PREPAYMENTS AND OTHER ASSETS *(continued)*

#### Loss allowance for impairment of financial assets included in other debtors, prepayments and other assets *(continued)*

##### *Impairment under HKFRS 9 for the year ended 31 March 2019*

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate, general economic conditions forecasts and forward-looking information that is available without undue cost or effort. Loss allowance as at 1 April 2018 represented lifetime ECLs made for credit-impaired balances. There has been no significant increase in the credit risk since the initial recognition of the remaining balances, additional ECLs required for the year is therefore minimal.

##### *Impairment under HKAS 39 for the year ended 31 March 2018*

Included in the above provision for impairment, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired receivables of HK\$753,000. As at 31 March 2018, other receivables of HK\$5,497,000 were past due but not impaired under HKAS 39. These related to a number of independent counterparties that had a good track record with the Group.

### 26. INVENTORIES

|                                   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|-----------------------------------|------------------|------------------|
| Raw materials and stores          | 7,290            | 17,216           |
| Finished goods and goods for sale | 4,059            | 285,190          |
|                                   | <b>11,349</b>    | 302,406          |

### 27. RESTRICTED CASH

As at 31 March 2019, restricted cash balances with a carrying amount of HK\$52,516,000 (2018 — HK\$53,846,000) were placed in a bank account of a subsidiary of the Company which is solely earmarked to satisfy the principal and interest repayment for the unsecured notes (other than those held by the joint offeror and other concert parties of the TIH Offer). Details of the unsecured notes are set out in Note 28(b) to the financial statements.

Except for the above, the restricted cash balances also included bank deposits pledged as securities for bankers' guarantees issued in relation to the food businesses segment as set out in Note 38 to the financial statements.

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

### 28. BANK AND OTHER BORROWINGS

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Current portion:                                   |                  |                  |
| Bank loans:  |                  |                  |
| Secured <i>(Note (a))</i>                          | <b>359,285</b>   | 588,767          |
| Unsecured  | <b>223,857</b>   | 38,928           |
| Other borrowings:                                  |                  |                  |
| Obligations under finance leases <i>(Note (c))</i> | <b>197</b>       | 502              |
|  | <b>583,339</b>   | 628,197          |
| Non-current portion:                               |                  |                  |
| Secured bank loans <i>(Note (a))</i>               | <b>398,937</b>   | 437,995          |
| Other borrowings:                                  |                  |                  |
| Unsecured notes <i>(Note (b))</i>                  | <b>285,328</b>   | 294,750          |
| Obligations under finance leases <i>(Note (c))</i> | <b>179</b>       | 861              |
|  | <b>684,444</b>   | 733,606          |
|  | <b>1,267,783</b> | 1,361,803        |
| Bank and other borrowings by currency:             |                  |                  |
| Hong Kong dollar                                   | <b>758,222</b>   | 1,026,762        |
| Singapore dollar                                   | <b>509,561</b>   | 296,113          |
| Malaysian Ringgit                                  | –                | 38,928           |
|  | <b>1,267,783</b> | 1,361,803        |
| Bank loans repayable:                              |                  |                  |
| Within one year                                    | <b>583,142</b>   | 627,695          |
| In the second year                                 | <b>398,937</b>   | 39,802           |
| In the third to fifth years, inclusive             | –                | 398,193          |
|  | <b>982,079</b>   | 1,065,690        |
| Other borrowings repayable:                        |                  |                  |
| Within one year                                    | <b>197</b>       | 502              |
| In the second year                                 | <b>285,507</b>   | 502              |
| In the third to fifth years, inclusive             | –                | 295,109          |
|  | <b>285,704</b>   | 296,113          |

The Group's bank loans bear interest at floating rates ranging from 2.5% to 5.1% (2018 — 2.5% to 4.3%) per annum.

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

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

Note:

- (a) At the end of the reporting period, the bank loans were secured by first legal mortgages over certain investment properties and land and buildings of the Group with carrying amounts of HK\$456,100,000 (2018 — HK\$409,300,000) and HK\$705,269,000 (2018 — HK\$740,159,000), respectively.
- (b) The unsecured notes were issued 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.
- (c) 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% (2018 — 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\$623,000 (2018 — HK\$1,824,000).

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

|  | 2019   |  | 2018   |  |
|--|--|--|--|--|
|  | Present value<br>of minimum<br>lease<br>payments<br>HK\$'000 | Minimum<br>lease<br>payments<br>HK\$'000 | Present value<br>of minimum<br>lease<br>payments<br>HK\$'000 | Minimum<br>lease<br>payments<br>HK\$'000 |
| Within one year                        | 197  | 226                                      | 502  | 574                                      |
| In the second year                     | 179  | 208                                      | 502  | 574                                      |
| In the third to fifth years, inclusive | —  | —  | 359  | 419                                      |
|  | <b>376</b>   | <b>434</b>                               | 1,363  | 1,567                                    |
| Future finance charges                 |  | <b>(58)</b>                              |  | (204)                                    |
|  |  | <b>376</b>                               |  | 1,363                                    |

### 29. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Included in the balances are trade creditors with an ageing analysis, based on the invoice date, as follows:

|                                 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Outstanding balances with ages: |                  |                  |
| Within 30 days <i>(Note)</i>    | 47,206           | 652,662          |
| Between 31 and 60 days          | 10,180           | 60,031           |
| Between 61 and 90 days          | 625              | 13,070           |
| Between 91 and 180 days         | 828              | 14,212           |
| Over 180 days                   | 313              | 407              |
|                                 | <b>59,152</b>    | 740,382          |

Note: The balance as at 31 March 2018 included payables for settlement of various securities investments of HK\$460,970,000 which had been settled within 30 days after the end of the reporting period.

The balances of creditors are non-interest bearing and are generally settled on their normal trade terms.

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

### 30. DEFERRED TAX

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

|  | Depreciation allowance in excess of related depreciation<br>HK\$'000 | Revaluation of properties<br>HK\$'000 | Tax losses<br>HK\$'000 | Provision and accruals<br>HK\$'000 | Indefinite life intangible assets<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|---------------------------------------|------------------------|------------------------------------|---|--------------------|-------------------|
| <b>2019</b>  |  |                                       |                        |                                    |   |                    |                   |
| At 1 April 2018  | 7,616  | 31,667                                | (1,026)                | (9,037)                            | 16,940  | 2,250              | 48,410            |
| Deferred tax charged/(credited) to the statement of profit or loss during the year (Note 13) | (2,291)  | 292                                   | 935                    | (98)                               | -   | (872)              | (2,034)           |
| Disposal of subsidiaries (Note 35)   | -  | -                                     | -                      | 7,754                              | -   | -                  | 7,754             |
| Exchange adjustments   | (129)  | (3,270)                               | -                      | (147)                              | (541)   | (74)               | (4,161)           |
| <b>At 31 March 2019</b>  | <b>5,196</b>   | <b>28,689</b>                         | <b>(91)</b>            | <b>(1,528)</b>                     | <b>16,399</b>                                 | <b>1,304</b>       | <b>49,969</b>     |
| <b>2018</b>  |  |                                       |                        |                                    |   |                    |                   |
| At 1 April 2017  | 6,176  | 27,146                                | (626)                  | (5,882)                            | 15,737  | 1,573              | 44,124            |
| Deferred tax charged/(credited) to the statement of profit or loss during the year (Note 13) | 1,126  | (317)                                 | (400)                  | (2,280)                            | -   | 537                | (1,334)           |
| Exchange adjustments   | 314  | 4,838                                 | -                      | (875)                              | 1,203   | 140                | 5,620             |
| At 31 March 2018   | 7,616  | 31,667                                | (1,026)                | (9,037)                            | 16,940  | 2,250              | 48,410            |

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

|                              | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Deferred tax assets          | (845)            | (8,326)          |
| Deferred tax liabilities     | 50,814           | 56,736           |
| Net deferred tax liabilities | 49,969           | 48,410           |

The Group has tax losses of HK\$1,244,544,000 (2018 — HK\$1,015,788,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except for tax losses of HK\$39,804,000 (2018 — HK\$38,465,000) which will expire in one to five years (2018 — 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.

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

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

The Group also has unrecognised deferred tax assets in respect of unabsorbed capital allowances of HK\$3,555,000 (2018 — HK\$2,644,000) 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 2019, there were no significant unrecognised deferred tax liabilities (2018 — 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.

### 31. SHARE CAPITAL

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| <b>Issued and fully paid:</b>                        |                  |                  |
| 9,186,912,716 (2018 — 9,186,912,716) ordinary shares | <b>1,705,907</b> | 1,705,907        |

In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the ordinary shares of the Company have no par value.

There was no movement in the share capital during the years ended 31 March 2019 and 2018.



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

### 32. SHARE OPTION SCHEME

A share option scheme of Asia Now Resources Corp. ("Asia Now", a subsidiary of the Company) (the "ANR Share Option Scheme"), which was approved by the shareholders of Asia Now, the Company and Lippo Limited ("Lippo"), an intermediate holding company of 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.

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):

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

### 32. SHARE OPTION SCHEME *(continued)*

| 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.

### 33. 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 86 and 87.

Included in the retained profits of the Group as at 31 March 2019 were amounts of final dividend and special final dividend for the year then ended of HK\$45,935,000 (2018 — HK\$45,935,000) and HK\$183,738,000 (2018 — Nil), respectively proposed after the end of the reporting period.

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

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

Auric Pacific Group Limited ("Auric") is considered as a subsidiary that has material non-controlling interests. The percentage of ownership interest held by its non-controlling shareholders as at 31 March 2019 was 59.8% (2018 — 59.8%). Details of the Group's subsidiary that has material non-controlling interests are set out below:

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Profit for the year allocated to non-controlling interests                           | <b>567,384</b>   | 75,096           |
| Dividends paid to non-controlling interests  | <b>14,458</b>    | 91,184           |
| Accumulated balances of non-controlling interests at the end of the reporting period | <b>1,050,901</b> | 520,656          |

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

|  | 2019<br>HK\$'000   | 2018<br>HK\$'000 |
|--|--------------------|------------------|
| Revenue  | <b>2,390,906</b>   | 2,315,848        |
| Total expenses                                       | <b>(1,442,187)</b> | (2,192,306)      |
| Profit for the year                                  | <b>948,719</b>     | 123,542          |
| Total comprehensive income for the year              | <b>970,829</b>     | 161,334          |
| Current assets                                       | <b>1,834,700</b>   | 1,094,244        |
| Non-current assets                                   | <b>526,712</b>     | 534,492          |
| Current liabilities                                  | <b>(441,790)</b>   | (580,078)        |
| Non-current liabilities                              | <b>(33,584)</b>    | (55,067)         |
| Net cash flows from operating activities             | <b>55,887</b>      | 83,232           |
| Net cash flows from/(used in) investing activities   | <b>987,240</b>     | (129,218)        |
| Net cash flows from/(used in) financing activities   | <b>217,228</b>     | (159,145)        |
| Net increase/(decrease) in cash and cash equivalents | <b>1,260,355</b>   | (205,131)        |

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

### 35. DISPOSAL OF SUBSIDIARIES

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Net assets disposed of:   |                  |                  |
| Intangible assets   | 14,388           | –                |
| Fixed assets  | 19,070           | 79               |
| Deferred tax assets   | 7,754            | –                |
| Properties under development  | –                | 203,832          |
| Inventories   | 255,558          | –                |
| Debtors, prepayments and other assets   | 291,556          | –                |
| Tax recoverable   | 3,851            | –                |
| Cash and cash equivalents   | 55,495           | 338              |
| Bank and other borrowings   | (56,471)         | –                |
| Creditors, accruals and other liabilities                                       | (275,142)        | (338)            |
| Tax payable   | (5,156)          | –                |
|   | <b>310,903</b>   | 203,911          |
| Release of cumulative exchange differences on translation of foreign operations | 28,936           | 13,155           |
|   | <b>339,839</b>   | 217,066          |
| Gain/(Loss) on disposal   | 873,928          | (14,560)         |
|   | <b>1,213,767</b> | 202,506          |
| Satisfied by:   |                  |                  |
| Cash  | 1,213,767        | 182,091          |
| Other receivables   | –                | 20,415           |
|   | <b>1,213,767</b> | 202,506          |

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

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Cash consideration   | 1,213,767        | 182,091          |
| Cash and cash equivalents disposed of  | (55,495)         | (338)            |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | <b>1,158,272</b> | 181,753          |

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

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

During the year ended 31 March 2019, there were no material changes in ownership interests in subsidiaries without change in control.

During the year ended 31 March 2018, 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., 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 Mainboard 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 non-controlling 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%. The Group recognised a decrease in non-controlling interests of HK\$24,036,000 and a decrease in retained profits of HK\$552,000.

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

### 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

|  | Note | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|--|------|------------------|--------------------------------|
| Profit/(Loss) before tax   |      | 503,552          | (27,093)                       |
| Adjustments for:   |      |                  |                                |
| Share of results of associates   |      | 9,180            | 20,910                         |
| Share of results of joint ventures   |      | 89,444           | 43,254                         |
| Loss/(Gain) on disposal of:  |      |                  |                                |
| Fixed assets   | 7    | 2,402            | (21,720)                       |
| An associate   | 7    | (5)              | –                              |
| A Joint venture  | 7    | –                | (14,678)                       |
| A joint operation  | 7    | –                | 105                            |
| Subsidiaries   | 35   | (873,928)        | 14,560                         |
| Available-for-sale financial assets  | 7    | –                | (7,767)                        |
| Gain on deemed disposal of an associate  | 7    | –                | (4,859)                        |
| Gain on derecognition of available-for-sale financial assets                                     | 7    | –                | (12,919)                       |
| Provisions/(Write-back of provisions) for impairment losses on:                                  |      |                  |                                |
| Intangible assets  | 7    | 10,681           | –                              |
| Fixed assets   | 7    | (3,262)          | (13,227)                       |
| An associate   | 7    | 22,698           | –                              |
| A joint venture  | 7    | 41               | –                              |
| Available-for-sale financial assets  | 7    | –                | 23,895                         |
| Inventories  | 7    | 8,158            | 7,774                          |
| Loans and receivables  | 7    | 2,535            | (4,108)                        |
| Fixed assets written off   | 7    | 6,720            | 3,582                          |
| Realised translation losses/(gains) reclassified to the statement of profit or loss relating to: |      |                  |                                |
| Liquidation of foreign operations  | 7    | (9,501)          | 13,665                         |
| Settlement of intercompany dividend  | 7    | –                | 10,054                         |
| Net fair value loss on financial instruments at fair value through profit or loss                |      | 187,028          | 42,696                         |
| Net fair value gain on investment properties   |      | (35,030)         | (87,492)                       |
| Finance costs  |      | 49,042           | 33,925                         |
| Interest income  | 8    | (22,429)         | (13,185)                       |
| Dividend income  | 5    | (26,162)         | (24,928)                       |
| Depreciation   | 8    | 68,912           | 67,364                         |
| Amortisation of intangible assets  | 8    | –                | 104                            |
|  |      | (9,924)          | 49,912                         |
| Decrease in properties held for sale   |      | –                | 3,679                          |
| Decrease/(Increase) in inventories   |      | 27,739           | (54,660)                       |
| Increase in debtors, prepayments and other assets  |      | (104,273)        | (36,252)                       |
| Decrease/(Increase) in financial instruments at fair value through profit or loss                |      | 936,354          | (774,117)                      |
| Decrease in assets classified as held for sale   |      | –                | 173                            |
| Increase/(Decrease) in creditors, accruals and other liabilities                                 |      | (383,446)        | 493,966                        |
| Increase/(Decrease) in other financial liabilities   |      | (619)            | 834                            |
| Decrease in liabilities classified as held for sale  |      | –                | (55)                           |
| Cash generated from/(used in) operations   |      | 465,831          | (316,520)                      |

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

### 37. 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:

- (i) 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 voluntary conditional cash offer in May 2017.
- (ii) 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.

#### (c) Changes in liabilities arising from financing activities

|  | Bank and<br>other<br>borrowings<br>HK\$'000 | Interest<br>payable<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|---------------------------------|-------------------|
| At 1 April 2018  | 1,361,803                                   | 1,197                           | 1,363,000         |
| Changes from financing cash flows:                       |   |                                 |                   |
| Finance costs paid                                       | –   | (47,265)                        | (47,265)          |
| Drawdown of bank and other borrowings                    | 1,148,065                                   | –                               | 1,148,065         |
| Repayment of bank and other borrowings                   | (1,175,934)                                 | –                               | (1,175,934)       |
| Repayment of obligations under finance leases            | (1,060)                                     | –                               | (1,060)           |
| Total changes from financing cash flows                  | (28,929)                                    | (47,265)                        | (76,194)          |
| Disposal of subsidiaries <i>(Note 35)</i>                | (56,471)                                    | –                               | (56,471)          |
| Exchange adjustments                                     | (10,195)                                    | (4)                             | (10,199)          |
| Finance costs charged to the statement of profit or loss | 1,575                                       | 47,467                          | 49,042            |
| <b>At 31 March 2019</b>                                  | <b>1,267,783</b>                            | <b>1,395</b>                    | <b>1,269,178</b>  |
| At 1 April 2017  | 1,066,728                                   | 3,701                           | 1,070,429         |
| Changes from financing cash flows:                       |   |                                 |                   |
| Finance costs paid                                       | (4,380)                                     | (35,241)                        | (39,621)          |
| Drawdown of bank and other borrowings                    | 1,224,271                                   | –                               | 1,224,271         |
| Repayment of bank and other borrowings                   | (1,221,617)                                 | –                               | (1,221,617)       |
| Repayment of obligations under finance leases            | (574)                                       | –                               | (574)             |
| Total changes from financing cash flows                  | (2,300)                                     | (35,241)                        | (37,541)          |
| Issuance of unsecured notes                              | 294,750                                     | –                               | 294,750           |
| Exchange adjustments                                     | 1,410                                       | 27                              | 1,437             |
| Finance costs charged to the statement of profit or loss | 1,215                                       | 32,710                          | 33,925            |
| At 31 March 2018   | 1,361,803                                   | 1,197                           | 1,363,000         |

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

### 38. CONTINGENT LIABILITIES

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

|                              | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Secured bankers' guarantee   | 16,981           | 20,116           |
| Unsecured bankers' guarantee | 20,355           | 14,792           |
|                              | <b>37,336</b>    | 34,908           |

The bankers' guarantees were mainly issued in lieu of rental and utility deposits for the premises used in the food businesses segment. As at 31 March 2019, fixed deposits of approximately HK\$7,383,000 (2018 — HK\$12,113,000) were pledged to banks as security for secured bankers' guarantees issued.

### 39. 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\$15,011,000 (2018 — HK\$15,663,000).

As at 31 March 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Within one year                         | 124,905          | 94,194           |
| In the second to fifth years, inclusive | 83,045           | 39,903           |
|   | <b>207,950</b>   | 134,097          |



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

### 39. 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 30 June 2025 and the leases for properties contain the provision for rental adjustments.

As at 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Within one year                         | 240,479          | 177,649          |
| In the second to fifth years, inclusive | 270,413          | 121,117          |
| After five years                        | 5,165            | 15,367           |
|   | <b>516,057</b>   | 314,133          |

### 40. COMMITMENTS

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

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Commitments in respect of properties, plant and equipment:<br>Contracted, but not provided for <i>(Note (a))</i> | 111,112          | 5,703            |
| Other commitments:<br>Contracted, but not provided for <i>(Note (b))</i>   | 58,335           | 87,925           |
|  | <b>169,447</b>   | 93,628           |

Note:

- (a) The balance included the Group's commitments in relation to the construction of a new food factory in Malaysia of HK\$109,353,000 (2018 — Nil).
- (b) The balance included the Group's commitments for financial assets at fair value through profit or loss of approximately HK\$55,835,000 (2018 — available-for-sale financial assets of HK\$85,425,000).

### 41. 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, LCR Management Limited ("LCR Management"), a wholly-owned subsidiary of the Company, received rental income (including service charges) of HK\$1,552,000 (2018 — HK\$2,246,000) from Hongkong Chinese Limited ("HKC"), a fellow subsidiary of the Company. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31 July 2019. The Group expects the total future minimum lease receivables for the year ending 31 March 2020 to be approximately HK\$470,000.

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

### 41. RELATED PARTY TRANSACTIONS *(continued)*

- (b) During the year, LCR Management received rental income (including service charges) of HK\$630,000 (2018 — HK\$3,144,000) from Lippo. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31 July 2019. The Group expects the total future minimum lease receivables for the year ending 31 March 2020 to be approximately HK\$191,000.
- (c) During the year, the Group paid rental expenses (including service charges) of HK\$3,609,000 (2018 — HK\$3,559,000) to a joint venture of HKC. The rental was determined by reference to the then prevailing open market rentals. Such lease was surrendered on 31 May 2019. The Group expects the total future minimum lease payables for the year ending 31 March 2020 to be approximately HK\$543,000.
- (d) During the year, the Group paid rental expenses (including service charges) of HK\$3,788,000 (2018 — HK\$2,810,000) to a joint venture of HKC. 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 2020 and 31 March 2021 to be approximately HK\$2,637,000 and HK\$659,000, respectively.
- (e) During the year, the Group paid finance costs of HK\$1,992,000 (2018 — HK\$191,000) to Lippo.
- (f) During the year, Innovation Lab Technology Pte. Ltd. (“Innovation Lab”), a wholly-owned subsidiary of the Company, entered into an assignment agreement with OUELH Medical Assets Pte. Ltd. (“OMA”), a joint venture of HKC, for the assignment to Innovation Lab of all rights, title and interests (including the relevant intellectual property rights) owned by OMA in the assets which mainly consisted of modules and systems developed by OMA and which could be further developed into software products for a consideration of approximately HK\$9,200,000.
- (g) As at 31 March 2019, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 20 and 21 to the financial statements.
- (h) The key management personnel of the Group are its Directors. Details of the Directors’ emoluments are disclosed in Note 9 to the financial statements.

The transactions referred to in items (c), (d) and (f) above are/were also continuing connected transactions or connected transaction as defined under Chapter 14A of the Listing Rules which were subject to the disclosure requirements under the Listing Rules. Further details of such transactions are disclosed in the section headed “Continuing Connected Transactions and Connected Transactions” in the Report of Directors. The transactions referred to in items (a), (b) and (e) above are/were continuing connected transactions exempted from reporting, annual review and independent shareholders’ approval under Chapter 14A of the Listing Rules. The transactions referred to in items (g) and (h) above 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.

In respect of the above transactions, the relationships between the Company, HKC and Lippo, all are publicly listed companies in Hong Kong, of which the ultimate holding company is Lippo Capital Group Limited, are defined, and the Directors’ interests therein are separately reported.

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

### 42. 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 |   | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost<br>HK\$'000 | Derivative financial instruments<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|---|---|--|--|-------------------|
|  | Held for trading<br>HK\$'000                          | Other mandatorily classified at fair value through profit or loss<br>HK\$'000 | Equity securities<br>HK\$'000                                     |  |  |                   |
| <b>At 31 March 2019</b>  |   |   |   |  |  |                   |
| Financial assets at fair value through other comprehensive income  | -   | -   | 356,495   | -  | -  | 356,495           |
| Financial assets at fair value through profit or loss              | 571,690   | 389,419   | -   | -  | -  | 961,109           |
| Financial assets included in debtors, prepayments and other assets | -   | -   | -   | 262,110  | -  | 262,110           |
| Other financial assets   | -   | -   | -   | -  | 365  | 365               |
| Restricted cash  | -   | -   | -   | 59,899   | -  | 59,899            |
| Time deposits with original maturity of more than three months     | -   | -   | -   | 69,342   | -  | 69,342            |
| Cash and cash equivalents  | -   | -   | -   | 2,260,905                                      | -  | 2,260,905         |
|  | <b>571,690</b>  | <b>389,419</b>  | <b>356,495</b>  | <b>2,652,256</b>                               | <b>365</b>                                   | <b>3,970,225</b>  |

|  | Financial assets at fair value through profit or loss |   | Loans and receivables<br>HK\$'000 | Available-for-sale financial assets<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|---|-----------------------------------|---|-------------------|
|  | Held for trading<br>HK\$'000                          | Designated as such upon initial recognition<br>HK\$'000 |                                   |   |                   |
| <b>At 31 March 2018</b>  |   |   |                                   |   |                   |
| Available-for-sale financial assets                                | -   | -   | -                                 | 393,053   | 393,053           |
| Financial assets at fair value through profit or loss              | 1,361,703   | 376,407   | -                                 | -   | 1,738,110         |
| Financial assets included in debtors, prepayments and other assets | -   | -   | 528,194                           | -   | 528,194           |
| Restricted cash  | -   | -   | 65,959                            | -   | 65,959            |
| Time deposits with original maturity of more than three months     | -   | -   | 73,027                            | -   | 73,027            |
| Cash and cash equivalents  | -   | -   | 1,201,861                         | -   | 1,201,861         |
|  | <b>1,361,703</b>                                      | <b>376,407</b>  | <b>1,869,041</b>                  | <b>393,053</b>                                  | <b>4,000,204</b>  |

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

### 42. 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<br>HK\$'000 | Financial liabilities at amortised cost<br>HK\$'000 | Derivative financial instruments<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|---|--|-------------------|
| <b>At 31 March 2019</b>   |  |   |  |                   |
| Bank and other borrowings   | –  | 1,267,783   | –  | 1,267,783         |
| Financial liabilities included in creditors, accruals and other liabilities | –  | 340,948   | –  | 340,948           |
| Other financial liabilities   | 9,770  | –   | 220  | 9,990             |
|   | 9,770  | 1,608,731   | 220  | 1,618,721         |
| <b>At 31 March 2018</b>   |  |   |  |                   |
| Bank and other borrowings   | –  | 1,361,803   | –  | 1,361,803         |
| Financial liabilities included in creditors, accruals and other liabilities | –  | 1,037,360   | –  | 1,037,360         |
| Other financial liabilities   | 8,711  | –   | 5,802  | 14,513            |
|   | 8,711  | 2,399,163   | 5,802  | 2,413,676         |

### 43. 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      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
| <b>Financial assets</b>   |                  |                  |                  |                  |
| Financial assets at fair value through other comprehensive income | 356,495          | –                | 356,495          | –                |
| Financial assets at fair value through profit or loss             | 961,109          | 1,738,110        | 961,109          | 1,738,110        |
| Available-for-sale financial assets                               | –                | 201,456          | –                | 201,456          |
| Other financial assets  | 365              | –                | 365              | –                |
|   | 1,317,969        | 1,939,566        | 1,317,969        | 1,939,566        |
| <b>Financial liabilities</b>                                      |                  |                  |                  |                  |
| Bank and other borrowings   | 285,328          | 294,750          | 282,112          | 300,950          |
| Other financial liabilities                                       | 9,990            | 14,513           | 9,990            | 14,513           |
|   | 295,318          | 309,263          | 292,102          | 315,463          |

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

### 43. 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, financial assets included in debtors, prepayments and other assets and financial liabilities included in creditors, accruals and other liabilities 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.

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 securities, debt securities and investment funds are based on quoted market prices.

The fair values of unlisted debt securities are determined by reference to the quoted market prices from the broker using valuation technique with market observable inputs.

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 and interest rate swap are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include present value calculations using forward pricing, observable forward interest rate.

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 2019 was assessed to be insignificant.

The fair values of unlisted investment 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 assets held under the investments. For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, when the net asset value increases/decreases 3% (2018 — 3%), the fair value will be increased/decreased by HK\$11,081,000 (2018 — HK\$4,345,000).

The fair values of unlisted equity securities are estimated based on either the market approach or the income approach. Market approach is based on price multiple determined with reference to comparable public companies and includes appropriate risks adjustments for lack of marketability. Income approach uses discounted cash flow model which requires management to make assumption about model inputs, including forecast cash flows, the discount rate and volatility based on observable or unobservable market data.

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

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

Below is a summary of significant unobservable inputs to the valuation of the unlisted equity securities used in Level 3 fair value measurements as at 31 March 2019:

|                            | Valuation technique | Significant unobservable inputs             | Range                          | Sensitivity of fair value to the input   |
|----------------------------|---------------------|---|--------------------------------|--|
| Unlisted equity securities | Market approach     | Price to earnings multiple ("PE multiple")  | 14.83 to 15.45<br>(2018 — N/A) | When PE multiple increases/decreases by 0.5, the fair value will be increased/decreased by HK\$3,949,000 and HK\$3,949,000, respectively.                              |
|                            |                     | Discount for lack of marketability ("DLOM") | 15.8%<br>(2018 — N/A)          | When DLOM increases/decreases, the fair value will be decreased/increased. Fair value changes resulting from reasonably possible changes in DLOM were not significant. |
|                            | Income approach     | Discount rate                               | 20.3% to 26.0%<br>(2018 — N/A) | When discount rate increases/decreases by 3%, the fair value will be decreased/increased by HK\$2,178,000 and HK\$3,143,000, respectively.                             |
|                            |                     | DLOM  | 15.8% to 20.6%<br>(2018 — N/A) | When DLOM increases/decreases, the fair value will be decreased/increased. Fair value changes resulting from reasonably possible changes in DLOM were not significant. |

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

### 43. 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<br>HK\$'000 |
|---|--|--|--|-------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>HK\$'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>HK\$'000 |                   |
| <b>At 31 March 2019</b>   |  |  |  |                   |
| <b>Assets measured at fair value</b>  |  |  |  |                   |
| Financial assets at fair value through<br>other comprehensive income:                                     |  |  |  |                   |
| Equity securities   | 219,791  | –  | 136,704  | 356,495           |
| Held for trading financial assets at fair value through<br>profit or loss:                                |  |  |  |                   |
| Equity securities   | 568,560  | –  | –  | 568,560           |
| Investment funds  | 2,470  | 660  | –  | 3,130             |
| Other financial assets mandatorily classified at<br>fair value through profit or loss:                    |  |  |  |                   |
| Debt securities   | –  | 20,061   | –  | 20,061            |
| Investment funds  | –  | –  | 369,358  | 369,358           |
| Other financial assets:   |  |  |  |                   |
| Foreign currency contracts  | –  | 365  | –  | 365               |
|   | <b>790,821</b>   | <b>21,086</b>  | <b>506,062</b>   | <b>1,317,969</b>  |
| <b>Liabilities measured at fair value</b>   |  |  |  |                   |
| Other financial liabilities:  |  |  |  |                   |
| Financial liabilities at fair value through profit or loss<br>designated as such upon initial recognition | –  | 9,770  | –  | 9,770             |
| Interest rate swap  | –  | 220  | –  | 220               |
|   | –  | <b>9,990</b>   | –  | <b>9,990</b>      |
| <b>At 31 March 2018</b>   |  |  |  |                   |
| <b>Assets measured at fair value</b>  |  |  |  |                   |
| Available-for-sale financial assets:  |  |  |  |                   |
| Equity securities   | 38,580   | –  | –  | 38,580            |
| Debt securities   | –  | 18,057   | –  | 18,057            |
| Investment funds  | –  | –  | 144,819  | 144,819           |
| Financial assets at fair value through profit or loss:  |  |  |  |                   |
| Equity securities   | 808,276  | –  | –  | 808,276           |
| Debt securities   | 195,965  | –  | –  | 195,965           |
| Investment funds  | 355,580  | 1,882  | –  | 357,462           |
| Equity linked notes   | –  | –  | 376,407  | 376,407           |
|   | <b>1,398,401</b>   | <b>19,939</b>  | <b>521,226</b>   | <b>1,939,566</b>  |
| <b>Liabilities measured at fair value</b>   |  |  |  |                   |
| Other financial liabilities:  |  |  |  |                   |
| Financial liabilities at fair value through profit or loss<br>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>     |

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

### 43. 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:

|  | Equity securities at fair value through other comprehensive income<br>HK\$'000 | Investment funds mandatorily classified at fair value through profit or loss<br>HK\$'000 | Available-for-sale investment funds<br>HK\$'000 | Equity linked notes<br>HK\$'000 |
|--|--|--|---|---------------------------------|
| At 31 March 2018, as previously reported                   | –  | –  | 144,819   | 376,407                         |
| Impact on initial application of HKFRS 9                   | 23,972   | 278,049  | (144,819)                                       | –                               |
| At 1 April 2018, as adjusted                               | 23,972   | 278,049  | –   | 376,407                         |
| Total gains recognised in the statement of profit or loss  | –  | 34,728   | –   | 15,585                          |
| Total gains recognised in other comprehensive income       | 108,929  | –  | –   | –                               |
| Additions  | 5,338  | 66,185   | –   | 506,866                         |
| Disposals  | (1,038)  | –  | –   | (898,858)                       |
| Return of capital  | (497)  | (7,122)  | –   | –                               |
| Exchange adjustments                                       | –  | (2,482)  | –   | –                               |
| <b>At 31 March 2019</b>                                    | <b>136,704</b>   | <b>369,358</b>   | <b>–</b>  | <b>–</b>                        |
| At 1 April 2017  | –  | –  | 112,273   | –                               |
| Total losses recognised in the statement of profit or loss | –  | –  | –   | (5,520)                         |
| Total gains recognised in other comprehensive income       | –  | –  | 8,623   | –                               |
| Additions  | –  | –  | 23,923  | 381,927                         |
| At 31 March 2018   | –  | –  | 144,819   | 376,407                         |

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 (2018 — 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<br>HK\$'000 |
|--|---|---|---|-------------------|
|  | Quoted prices in active markets (Level 1)<br>HK\$'000 | Significant observable inputs (Level 2)<br>HK\$'000 | Significant unobservable inputs (Level 3)<br>HK\$'000 |                   |
| <b>At 31 March 2019</b>                                |   |   |   |                   |
| <b>Liabilities for which fair values are disclosed</b> |   |   |   |                   |
| Bank and other borrowings:                             |   |   |   |                   |
| Unsecured notes  | –   | –   | 282,112   | 282,112           |
| At 31 March 2018                                       |   |   |   |                   |
| <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)*

### 44. 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 Group trades only with recognised and creditworthy parties. 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 for trade receivables. New customers are subject to credit evaluation while the Group continues to monitor existing customers, especially those with repayment issues. Credit approval for loans and advances takes 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. Appropriate allowances are made for probable losses when necessary for identified debtors.

#### *Maximum exposure and year-end staging as at 31 March 2019*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

|   | 12-month ECLs       |                     | Lifetime ECLs       |                                    | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|------------------------------------|-------------------|
|   | Stage 1<br>HK\$'000 | Stage 2<br>HK\$'000 | Stage 3<br>HK\$'000 | Simplified<br>approach<br>HK\$'000 |                   |
| Financial assets included in debtors,<br>prepayments and other assets |                     |                     |                     |                                    |                   |
| Trade debtors*  | –                   | –                   | –                   | 62,026                             | 62,026            |
| Others**  | 202,383             | –                   | 526                 | –                                  | 202,909           |
| Restricted cash***  | 59,899              | –                   | –                   | –                                  | 59,899            |
| Time deposits with original maturity of<br>more than three months***  | 69,342              | –                   | –                   | –                                  | 69,342            |
| Cash and cash equivalents***  | 2,260,905           | –                   | –                   | –                                  | 2,260,905         |
|   | <b>2,592,529</b>    | <b>–</b>            | <b>526</b>          | <b>62,026</b>                      | <b>2,655,081</b>  |

\* For trade debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 25 to the financial statements.

\*\* Further details in respect of the Group's loss allowance for impairment of other financial assets included in debtors, prepayments and other assets are disclosed in Note 25 to the financial statements.

\*\*\* The bank balances are deposited with creditworthy financial institutions with no recent history of default. The Group considers these balances have low credit risk and the amount of the loss allowance for impairment was negligible.

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

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### (a) Credit risk *(continued)*

*Maximum exposure as at 31 March 2018*

Credit risk from the financial assets of the Group was mainly composed of cash and cash equivalents, time deposits with original maturity of more than three months, restricted cash and financial assets included in debtors, prepayments and other assets. The carrying values of the Group's financial assets represented the maximum exposure to credit risk.

*Concentration of credit risk*

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

|                              | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|------------------------------|------------------|------------------|
| <b>By geographical area:</b> |                  |                  |
| Hong Kong                    | <b>1,264</b>     | 2,605            |
| Mainland China               | <b>30</b>        | 84               |
| Republic of Singapore        | <b>58,433</b>    | 250,650          |
| Malaysia                     | –                | 133,150          |
| United States of America     | –                | 18               |
|                              | <b>59,727</b>    | 386,507          |

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

### 44. 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 2019, approximately 46.0% (2018 — 46.1%) of the Group's debts would mature in less than one year based on the carrying values of bank and other borrowings.

The maturity profile of liabilities of the Group as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

|   | Repayable<br>on demand<br>HK\$'000 | 3 months<br>or less<br>HK\$'000 | 1 year<br>or less<br>but over<br>3 months<br>HK\$'000 | 5 years<br>or less<br>but over<br>1 year<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------------|---------------------------------|---|--|-------------------|
| <b>At 31 March 2019</b>                   |                                    |                                 |   |  |                   |
| Bank and other borrowings                 | –                                  | 529,923                         | 355,068   | 413,238  | 1,298,229         |
| Creditors, accruals and other liabilities | –                                  | 147,891                         | 193,057   | –  | 340,948           |
| Other financial liabilities               | 9,770                              | –                               | –   | 220  | 9,990             |
| Bankers' guarantee                        | –                                  | 2,639                           | 7,472   | 27,225   | 37,336            |
|   | <b>9,770</b>                       | <b>680,453</b>                  | <b>555,597</b>  | <b>440,683</b>                                       | <b>1,686,503</b>  |
| <b>At 31 March 2018</b>                   |                                    |                                 |   |  |                   |
| Bank and other borrowings                 | –                                  | 285,136                         | 371,889   | 763,356  | 1,420,381         |
| Creditors, accruals and other liabilities | –                                  | 754,237                         | 283,123   | –  | 1,037,360         |
| Other financial liabilities               | 8,711                              | 90                              | 5,712   | –  | 14,513            |
| Bankers' guarantee                        | –                                  | 4,606                           | 15,815  | 14,487   | 34,908            |
|   | <b>8,711</b>                       | <b>1,044,069</b>                | <b>676,539</b>  | <b>777,843</b>                                       | <b>2,507,162</b>  |

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

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### (c) Interest rate risk

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

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

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

|                      | 2019                                       |  | 2018                                       |  |
|----------------------|--|--|--|--|
|                      | Increase/<br>(Decrease)<br>in basis points | Increase/<br>(Decrease)<br>in profit<br>before tax<br>HK\$'000 | Increase/<br>(Decrease)<br>in basis points | Increase/<br>(Decrease)<br>in profit<br>before tax<br>HK\$'000 |
| Hong Kong dollar     | +50  | (3,391)  | +50  | (4,845)  |
| United States dollar | +50  | 1,434  | +50  | (4,886)  |
| Singapore dollar     | +50  | 6,537  | +50  | 1,285  |
| Renminbi             | +50  | 539  | +50  | 563  |
| Hong Kong dollar     | -50  | 3,391  | -50  | 4,845  |
| United States dollar | -50  | (1,434)  | -50  | 5,266  |
| Singapore dollar     | -50  | (6,537)  | -50  | (1,285)  |
| Renminbi             | -50  | (539)  | -50  | (563)  |

#### (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)*

### 44. 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/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

|   | Increase/(Decrease)<br>in profit before tax |                  |
|---|---|------------------|
|   | 2019<br>HK\$'000                            | 2018<br>HK\$'000 |
| United States dollar against Hong Kong dollar |   |                  |
| — strengthened 3% (2018 — 3%)                 | <b>10,177</b>                               | 651              |
| — weakened 3% (2018 — 3%)                     | <b>(10,177)</b>                             | (651)            |
| Singapore dollar against Hong Kong dollar     |   |                  |
| — strengthened 3% (2018 — 3%)                 | <b>(760)</b>                                | 1,208            |
| — weakened 3% (2018 — 3%)                     | <b>760</b>                                  | (1,208)          |
| Renminbi against Hong Kong dollar             |   |                  |
| — strengthened 3% (2018 — 3%)                 | <b>120</b>                                  | 634              |
| — weakened 3% (2018 — 3%)                     | <b>(120)</b>                                | (634)            |

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\$199,350,000 (2018 — HK\$210,756,000). 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 included in financial assets at fair value through other comprehensive income/available-for-sale financial assets (Note 22) and financial assets at fair value through profit or loss (Note 23) as at 31 March 2019. The Group's listed financial assets are mainly listed on the Hong Kong, Republic of 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<br>2019 | High/Low<br>2019     | 31 March<br>2018 | High/Low<br>2018 |
|---|------------------|----------------------|------------------|------------------|
| Hong Kong — Hang Seng Index                 | <b>29,051</b>    | <b>31,593/24,540</b> | 30,093           | 33,484/23,724    |
| Republic of Singapore — Straits Times Index | <b>3,213</b>     | <b>3,642/2,955</b>   | 3,428            | 3,612/3,114      |
| New York — NYSE Composite Index             | <b>12,697</b>    | <b>13,262/10,723</b> | 12,452           | 13,637/11,325    |
| London — FTSE All-Share Index               | <b>3,978</b>     | <b>4,337/3,573</b>   | 3,894            | 4,277/3,799      |

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

### 44. 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 investments at fair value through other comprehensive income/the available-for-sale investments, the impact is deemed to be on the fair value reserve of financial assets at FVOCI/investment revaluation reserve, respectively.

|  | 2019                                      |                                 |   |                                 | 2018                                      |                                 |   |                                 |
|--|---|---------------------------------|---|---------------------------------|---|---------------------------------|---|---------------------------------|
|  | 3% increase                               |                                 | 3% decrease                               |                                 | 3% increase                               |                                 | 3% decrease                               |                                 |
|  | Increase in profit before tax<br>HK\$'000 | Increase in equity*<br>HK\$'000 | Decrease in profit before tax<br>HK\$'000 | Decrease in equity*<br>HK\$'000 | Increase in profit before tax<br>HK\$'000 | Increase in equity*<br>HK\$'000 | Decrease in profit before tax<br>HK\$'000 | Decrease in equity*<br>HK\$'000 |
| Financial assets at fair value through other comprehensive income (2018 – Available-for-sale financial assets) |   |                                 |   |                                 |   |                                 |   |                                 |
| Hong Kong  | -   | 6,859                           | -   | (6,859)                         | -   | 255                             | -   | (255)                           |
| Republic of Singapore  | -   | 70                              | -   | (70)                            | -   | 903                             | -   | (903)                           |
| Global and others  | -   | 3,766                           | -   | (3,766)                         | -   | 4,344                           | -   | (4,344)                         |
|  | -   | 10,695                          | -   | (10,695)                        | -   | 5,502                           | -   | (5,502)                         |
| Financial assets at fair value through profit or loss  |   |                                 |   |                                 |   |                                 |   |                                 |
| Hong Kong  | 8,200                                     | -                               | (8,200)                                   | -                               | 12,209                                    | -                               | (13,332)                                  | -                               |
| Republic of Singapore  | 5,211                                     | -                               | (5,211)                                   | -                               | 8,265                                     | -                               | (8,265)                                   | -                               |
| United States of America   | 2,858                                     | -                               | (2,858)                                   | -                               | 10,098                                    | -                               | (10,098)                                  | -                               |
| Global and others  | 11,618                                    | -                               | (11,618)                                  | -                               | 7,903                                     | -                               | (7,903)                                   | -                               |
|  | 27,887                                    | -                               | (27,887)                                  | -                               | 38,475                                    | -                               | (39,598)                                  | -                               |

\* Excluding retained profits

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

### 44. 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.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 2018.

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.

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000<br>(Restated) |
|---|------------------|--------------------------------|
| Bank and other borrowings <i>(Note 28)</i>                          | <b>1,267,783</b> | 1,361,803                      |
| <i>Less: Non-controlling interests in bank and other borrowings</i> | <b>(134,046)</b> | (24,086)                       |
| Bank and other borrowings, net of non-controlling interests         | <b>1,133,737</b> | 1,337,717                      |
| Equity attributable to equity holders of the Company                | <b>3,908,300</b> | 4,042,080                      |
| Gearing ratio   | <b>29.0%</b>     | 33.1%                          |

### 45. COMPARATIVE AMOUNTS

- (a) During the year ended 31 March 2018, the Group acquired 39.9% equity interests in TIH, an associate of the Company (Note 20). The purchase price allocation exercise of the acquisition was completed during the current year. As a consequence, comparative amounts have been restated as if the accounting for the acquisition of the associate had been completed during the year ended 31 March 2018. These retrospective adjustments led to an increase in share of loss of associates and loss attributable to equity holders of the Company of HK\$4,988,000 in consolidated statement of profit or loss for the year ended 31 March 2018, a decrease in interests in associates of HK\$9,589,000 and a decrease in the investment revaluation reserve of HK\$4,601,000 in the Group's consolidated statement of financial position as at 31 March 2018. As a result, the equity attributable to equity holders of the Company was decreased by HK\$9,589,000 as at 31 March 2018 and the loss per share amount attributable to the equity holders of the Company was increased by HK0.05 cent for the year ended 31 March 2018.
- (b) The Group had initially applied HKFRS 9 and HKFRS 15 on 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.2 to the financial statements.
- (c) Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

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

### 46. 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:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| <b>Non-current assets</b>                             |                  |                  |
| Fixed assets  | 2,483            | 3,393            |
| Interests in subsidiaries                             | 2,703,082        | 3,289,517        |
| Financial assets at fair value through profit or loss | 19,286           | –                |
| Available-for-sale financial assets                   | –                | 17,281           |
|   | <b>2,724,851</b> | 3,310,191        |
| <b>Current assets</b>                                 |                  |                  |
| Debtors, prepayments and other assets                 | 354              | 723              |
| Financial assets at fair value through profit or loss | 45,637           | 89,915           |
| Cash and cash equivalents                             | 313,521          | 29,451           |
|   | <b>359,512</b>   | 120,089          |
| <b>Current liabilities</b>                            |                  |                  |
| Bank and other borrowings                             | 320,000          | 320,000          |
| Creditors, accruals and other liabilities             | 93,513           | 49,600           |
| Tax payable   | 297              | 297              |
|   | <b>413,810</b>   | 369,897          |
| <b>Net current liabilities</b>                        | <b>(54,298)</b>  | (249,808)        |
| <b>Total assets less current liabilities</b>          | <b>2,670,553</b> | 3,060,383        |
| <b>Non-current liabilities</b>                        |                  |                  |
| Bank and other borrowings                             | 279,347          | 278,787          |
| <b>Net assets</b>                                     | <b>2,391,206</b> | 2,781,596        |
| <b>Equity</b>   |                  |                  |
| Share capital   | 1,704,032        | 1,704,032        |
| Reserves <i>(Note)</i>                                | 687,174          | 1,077,564        |
|   | <b>2,391,206</b> | 2,781,596        |

**John Luen Wai Lee**  
Director

**Stephen Riady**  
Director



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

### 46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

|   | Capital<br>reserve<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------------|--|---------------------------------|-------------------|
| <b>2019</b>   |                                |  |                                 |                   |
| At 31 March 2018, as previously reported  | 705                            | 10,130   | 1,066,729                       | 1,077,564         |
| Impact on initial application of HKFRS 9  | –                              | (10,130)   | 10,130                          | –                 |
| At 1 April 2018, as adjusted  | 705                            | –  | 1,076,859                       | 1,077,564         |
| Loss for the year   | –                              | –  | (326,081)                       | (326,081)         |
| 2017/2018 final dividend declared and paid to shareholders of the Company       | –                              | –  | (45,935)                        | (45,935)          |
| 2018/2019 interim dividend declared and paid to shareholders of the Company     | –                              | –  | (18,374)                        | (18,374)          |
| <b>At 31 March 2019</b>   | <b>705</b>                     | <b>–</b>   | <b>686,469</b>                  | <b>687,174</b>    |
| <b>2018</b>   |                                |  |                                 |                   |
| At 1 April 2017   | 705                            | 10,003   | 1,260,367                       | 1,271,075         |
| Loss for the year   | –                              | –  | (106,362)                       | (106,362)         |
| Other comprehensive income/(loss) for the year:                                 |                                |  |                                 |                   |
| Fair value gain on available-for-sale financial assets                          | –                              | 2,577  | –                               | 2,577             |
| Reclassification adjustment for disposal of available-for-sale financial assets | –                              | (2,450)  | –                               | (2,450)           |
| Total comprehensive income/(loss) for the year                                  | –                              | 127  | (106,362)                       | (106,235)         |
| 2016/2017 final dividend declared and paid to shareholders of the Company       | –                              | –  | (68,902)                        | (68,902)          |
| 2017/2018 interim dividend declared and paid to shareholders of the Company     | –                              | –  | (18,374)                        | (18,374)          |
| At 31 March 2018  | 705                            | 10,130   | 1,066,729                       | 1,077,564         |

Included in the retained profits of the Company as at 31 March 2019 were amounts of final dividend and special final dividend for the year then ended of HK\$45,935,000 (2018 — HK\$45,935,000) and HK\$183,738,000 (2018 — Nil), respectively proposed after the end of the reporting period.

### 47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019.

## Particulars of Principal Subsidiaries

PARTICULARS OF PRINCIPAL SUBSIDIARIES AS AT 31 MARCH 2019 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)# |     | Principal activities |
|-----------------------------------|---|--|---|-----|----------------------|
| Golden Sunshine Worldwide Limited | British Virgin Islands                              | US\$1  | 100   | 100 | Investment holding   |
| Grand Vista Limited               | British Virgin Islands                              | US\$1  | 100   | 100 | Investment holding   |
| Kingz Ltd                         | British Virgin Islands                              | US\$1  | 100   | 100 | Investment holding   |
| Rickon Holdings Limited           | British Virgin Islands                              | US\$1  | 100   | 100 | Investment holding   |
| Admiralty Development Limited     | Hong Kong   | HK\$446,767,129  | –   | 100 | Property investment  |
| Ally Wise Capital Limited         | British Virgin Islands                              | US\$1  | –   | 100 | Investment           |
| Apexwin Limited                   | British Virgin Islands                              | US\$1  | –   | 100 | Investment holding   |
| Asia Now Resources Limited        | British Virgin Islands                              | US\$1  | –   | 100 | Investment holding   |
| Broadwell Asia Limited            | British Virgin Islands                              | US\$1  | –   | 100 | Property investment  |
| Cajan Enterprises Limited         | British Virgin Islands                              | US\$1  | –   | 100 | Investment holding   |
| Capital Wave Limited              | British Virgin Islands                              | US\$1  | –   | 100 | Investment           |
| Caross Limited                    | British Virgin Islands                              | US\$1  | –   | 100 | Investment holding   |
| Castar Assets Limited             | British Virgin Islands                              | US\$1  | –   | 100 | Property investment  |
| Chalton Assets Limited            | British Virgin Islands                              | US\$1  | –   | 100 | Property investment  |
| China Chance Investments Limited  | Hong Kong   | HK\$10   | –   | 100 | Investment holding   |
| China Gold Pte. Ltd.**            | Republic of Singapore                               | S\$1   | –   | 100 | Investment holding   |
| China Pacific Electric Limited    | British Virgin Islands                              | US\$100  | –   | 100 | Investment holding   |
| Continental Equity Inc.           | British Virgin Islands                              | US\$1  | –   | 100 | Investment           |
| DXS Capital Limited               | British Virgin Islands                              | US\$100  | –   | 100 | Investment holding   |
| DXS Capital (U.S.) Limited        | United States of America                            | US\$1.221  | –   | 100 | Investment holding   |

## Particulars of Principal Subsidiaries *(continued)*

| Name of company  | Place of incorporation/<br>registration and<br>operations | Issued and<br>fully paid<br>ordinary share<br>capital (unless<br>otherwise<br>stated) | Approximate<br>percentage of equity<br>attributable to the<br>Company/Group<br>(unless<br>otherwise stated)# | Principal activities   |
|--|---|---|--|--|
| Direct Union Limited   | British Virgin Islands                                    | US\$1   | – 100  | Investment   |
| Dragon Board Holdings Limited  | British Virgin Islands                                    | S\$1  | – 100  | Investment holding   |
| Dukestown Sp. z o.o.**   | Poland  | PLN600,000  | – 100  | Property investment  |
| Energetic Holdings Limited   | British Virgin Islands                                    | US\$1   | – 100  | Property investment  |
| Ethnos Ltd.**  | Israel  | NIS100  | – 100  | Property investment  |
| Fortune Finance Investment Limited   | British Virgin Islands                                    | US\$1   | – 100  | Investment   |
| Fortune Star Asia Limited  | Hong Kong   | HK\$1   | – 100  | Investment   |
| Frontop Limited  | British Virgin Islands                                    | US\$1   | – 100  | Investment holding   |
| 福建莆田忠信物業管理有限公司<br>(Fujian Putian Zhong Xin Property<br>Management Limited)**<br>— wholly foreign-owned<br>re-invested enterprise## | People's Republic of<br>China                             | RMB810,000*   | – 100  | Property management  |
| 福州力寶商業顧問有限公司<br>(Fuzhou Lippo Commercial<br>Consultants Limited)**<br>— wholly foreign-owned<br>enterprise##                       | People's Republic of<br>China                             | HK\$100,000*  | – 100  | Real estate leasing<br>and agency services,<br>and consultancy<br>services |
| Gabarro Limited  | British Virgin Islands                                    | US\$1   | – 100  | Investment holding   |
| Gain Motion International Limited  | Hong Kong   | HK\$1   | – 100  | Investment   |
| Gentle Care Pte. Ltd.**  | Republic of Singapore                                     | S\$1  | – 100  | Investment holding   |
| Globe Energy Development Limited**   | Hong Kong   | HK\$1   | – 100  | Property investment  |
| Golden Rain Holdings Limited   | British Virgin Islands                                    | US\$1   | – 100  | Investment holding   |
| Golden Super Holdings Limited  | British Virgin Islands                                    | US\$1   | – 100  | Investment   |
| Goldmax Pacific Limited  | British Virgin Islands                                    | US\$1   | – 100  | Investment holding   |

## Particulars of Principal Subsidiaries *(continued)*

| Name of company                             | Place of incorporation/<br>registration and<br>operations | Issued and<br>fully paid<br>ordinary share<br>capital (unless<br>otherwise<br>stated) | Approximate<br>percentage of equity<br>attributable to the<br>Company/Group<br>(unless<br>otherwise stated)# | Principal activities            |
|---|---|---|--|---------------------------------|
| Gothic Investments Limited                  | Samoa   | US\$1   | – 100  | Property investment             |
| Grandbeam Limited                           | Hong Kong   | HK\$1   | – 100  | Investment holding              |
| Hongkong China Treasury Limited             | British Virgin Islands/<br>Hong Kong                      | US\$1   | – 100  | Securities investment           |
| Innovation Lab Technology<br>Pte. Ltd.**    | Republic of Singapore                                     | S\$1  | – 100  | Software product<br>development |
| Integral Fortress Limited                   | British Virgin Islands                                    | US\$1   | – 100  | Investment                      |
| Istan Assets Limited                        | British Virgin Islands                                    | US\$1   | – 100  | Property investment             |
| JB Property Holdings Pte. Ltd.**            | Republic of Singapore                                     | S\$1  | – 100  | Property investment             |
| Kaiser Union Limited                        | British Virgin Islands                                    | US\$1   | – 100  | Investment holding              |
| Keytime Holdings Limited                    | British Virgin Islands                                    | US\$1   | – 100  | Property investment             |
| LCR Ltd.                                    | British Virgin Islands                                    | US\$1   | – 100  | Intellectual property           |
| LCR Management Limited                      | Hong Kong   | HK\$1   | – 100  | Management services             |
| Laurel Century Limited                      | British Virgin Islands                                    | US\$1   | – 100  | Investment holding              |
| Liberty Town Holding Limited                | British Virgin Islands/<br>Hong Kong                      | US\$1   | – 100  | Property investment             |
| Lippo Consortium Pte. Limited**             | Republic of Singapore                                     | S\$2  | – 100  | Property development            |
| Lippo Group International<br>Pte. Limited** | Republic of Singapore                                     | S\$2  | – 100  | Investment holding              |
| Lippo Property Management Limited           | British Virgin Islands/<br>Hong Kong                      | US\$1   | – 100  | Investment holding              |
| Lippo Resources Investments Limited         | British Virgin Islands                                    | US\$1   | – 100  | Investment holding              |
| Lippo Retail Holdings Limited               | British Virgin Islands                                    | US\$1   | – 100  | Investment holding              |
| Mantor Assets Limited                       | British Virgin Islands                                    | US\$1   | – 100  | Property investment             |

## Particulars of Principal Subsidiaries *(continued)*

| Name of company  | Place of incorporation/<br>registration and<br>operations | Issued and<br>fully paid<br>ordinary share<br>capital (unless<br>otherwise<br>stated) | Approximate<br>percentage of equity<br>attributable to the<br>Company/Group<br>(unless<br>otherwise stated)# |     | Principal activities     |
|--|---|---|--|-----|--------------------------|
| Masstrong Limited  | Hong Kong   | HK\$1   | –  | 100 | Investment holding       |
| Mastafield Limited   | British Virgin Islands/<br>Hong Kong                      | US\$1   | –  | 100 | Property investment      |
| Maxfit Holding Limited   | British Virgin Islands                                    | US\$1   | –  | 100 | Investment holding       |
| Netscope Limited   | British Virgin Islands                                    | US\$1   | –  | 100 | Investment               |
| New Grandeur Development Limited   | Hong Kong   | HK\$1   | –  | 100 | Management services      |
| Northville Global Limited  | British Virgin Islands                                    | US\$1   | –  | 100 | Investment holding       |
| Oriental Coronet Limited   | British Virgin Islands                                    | US\$1   | –  | 100 | Investment               |
| PacNet Holdings Limited  | British Virgin Islands                                    | US\$1   | –  | 100 | Investment holding       |
| PacNet Capital (U.S.) Limited  | United States of<br>America                               | US\$1.603   | –  | 100 | Investment holding       |
| Pantogon Holdings Pte Ltd**  | Republic of Singapore                                     | S\$1,000,000  | –  | 100 | Investment holding       |
| Polarstar Capital Limited  | British Virgin Islands                                    | US\$1   | –  | 100 | Investment               |
| Premier Asia Limited   | British Virgin Islands                                    | US\$1   | –  | 100 | Investment holding       |
| 莆田力寶商業顧問有限公司<br>(Putian Lippo Commercial<br>Consultants Limited)**<br>– wholly foreign-owned<br>enterprise## | People's Republic of<br>China                             | RMB2,000,000*   | –  | 100 | Commercial<br>consulting |
| 莆田塔林基礎建設有限公司<br>(Putian Talin Infrastructure<br>Co., Ltd.**<br>– wholly foreign-owned<br>enterprise##        | People's Republic of<br>China                             | US\$300,000*  | –  | 100 | Property services        |
| Powerful Arch Limited  | British Virgin Islands/<br>Hong Kong                      | US\$1   | –  | 100 | Investment               |
| Queenz Limited   | British Virgin Islands                                    | US\$1   | –  | 100 | Investment holding       |

## Particulars of Principal Subsidiaries *(continued)*

| Name of company                    | Place of incorporation/<br>registration and<br>operations | Issued and<br>fully paid<br>ordinary share<br>capital (unless<br>otherwise<br>stated) | – | Approximate<br>percentage of equity<br>attributable to the<br>Company/Group<br>(unless<br>otherwise stated)# | Principal activities                    |
|------------------------------------|---|---|---|--|---|
| Radical Profits Limited            | British Virgin Islands                                    | US\$1   | – | 100  | Property investment                     |
| Reiley Inc.                        | British Virgin Islands                                    | US\$1   | – | 100  | Investment holding                      |
| Rock Phoenix Limited               | British Virgin Islands                                    | US\$1   | – | 100  | Property investment                     |
| Season Spark Limited               | British Virgin Islands/<br>Hong Kong                      | US\$1   | – | 100  | Investment                              |
| Serene Yield Limited               | British Virgin Islands/<br>Hong Kong                      | US\$1   | – | 100  | Property investment                     |
| Sincere Wish Global Limited        | British Virgin Islands                                    | US\$1   | – | 100  | Investment holding                      |
| Star Heaven Limited                | British Virgin Islands                                    | US\$1   | – | 100  | Investment holding                      |
| Star Trendy Limited                | British Virgin Islands/<br>Hong Kong                      | US\$1   | – | 100  | Property holding                        |
| Starford Corporation Limited       | Hong Kong   | HK\$1   | – | 100  | Investment                              |
| Super Assets Company Limited       | Samoa   | US\$1   | – | 100  | Investment holding                      |
| Super Equity International Limited | British Virgin Islands                                    | US\$1   | – | 100  | Investment holding                      |
| Tamsett Holdings Limited           | British Virgin Islands                                    | US\$1   | – | 100  | Investment holding                      |
| Topstar China Limited              | Hong Kong   | HK\$1   | – | 100  | Investment holding                      |
| Trefar Enterprises Limited         | British Virgin Islands                                    | US\$1   | – | 100  | Property investment                     |
| Vitaland Limited                   | Hong Kong   | HK\$1   | – | 100  | Investment holding                      |
| Waterloo Street Limited            | British Virgin Islands                                    | US\$1   | – | 100  | Financing                               |
| West Tower Holding Limited         | British Virgin Islands/<br>Hong Kong                      | US\$1   | – | 100  | Property investment                     |
| Win Joyce Limited                  | Hong Kong   | HK\$2   | – | 100  | Money lending and<br>investment holding |
| Winplace Global Limited            | British Virgin Islands                                    | US\$1   | – | 100  | Property investment                     |
| Wollora Assets Limited             | British Virgin Islands                                    | US\$1   | – | 100  | Property investment                     |
| World Grand Holding Limited        | British Virgin Islands/<br>Hong Kong                      | US\$1   | – | 100  | Investment                              |

## Particulars of Principal Subsidiaries *(continued)*

| Name of company  | Place of incorporation/<br>registration and<br>operations | Issued and<br>fully paid<br>ordinary share<br>capital (unless<br>otherwise<br>stated) | Approximate<br>percentage of equity<br>attributable to the<br>Company/Group<br>(unless<br>otherwise stated)# |                    | Principal activities   |
|--|---|---|--|--------------------|--|
| Writring Investments Limited   | Hong Kong   | HK\$2   | –  | 100                | Property investment  |
| Lippo Select HK & Mainland<br>Property ETF**<br><i>(an exchange traded fund<br/>listed on The Stock Exchange<br/>of Hong Kong Limited)</i> | Hong Kong   | N/A   | –  | 93.48 <sup>®</sup> | Investment   |
| Jeremiah Holdings Limited  | British Virgin Islands                                    | S\$1,298,645  | –  | 60                 | Investment holding   |
| Nine Heritage Pte Ltd**  | Republic of Singapore                                     | S\$1,000,000  | –  | 48                 | Investment holding   |
| Superfood Retail Limited   | British Virgin Islands                                    | US\$10,000  | –  | 40.23              | Investment holding   |
| Cuisine Continental (HK) Limited**   | Hong Kong   | HK\$3,000,000   | –  | 40.23              | Selling of food<br>and beverages,<br>the operation of<br>restaurants and<br>the wholesale<br>business  |
| Cuisine Creations Pte. Ltd.**  | Republic of Singapore                                     | S\$2  | –  | 40.23              | Investment holding   |
| Delifrance (HK) Limited**  | Hong Kong   | HK\$12,000,000  | –  | 40.23              | Selling of food<br>and beverages,<br>the operation of<br>cafés and kiosk<br>and the provision of<br>catering services                              |
| Delifrance Singapore Pte Ltd**   | Republic of Singapore                                     | S\$4,000,002  | –  | 40.23              | Manufacture<br>and sale of<br>French bakery and<br>pastry products,<br>and the operation<br>of café-bakeries,<br>bakery corners<br>and restaurants |

## Particulars of Principal Subsidiaries *(continued)*

| Name of company  | Place of incorporation/<br>registration and<br>operations | Issued and<br>fully paid<br>ordinary share<br>capital (unless<br>otherwise<br>stated) |   | Approximate<br>percentage of equity<br>attributable to the<br>Company/Group<br>(unless<br>otherwise stated)# | Principal activities   |
|--|---|---|---|--|--|
| Auric Pacific Group Limited**  | Republic of Singapore                                     | S\$60,251,954   | – | 40.23  | Investment holding   |
| Auric Flavours Sdn Bhd**   | Malaysia  | RM25,000,002  | – | 40.23  | Supply of bakery products and sugar confectionery  |
| Auric Pacific Food Industries Pte Ltd**                              | Republic of Singapore                                     | S\$34,400,000   | – | 40.23  | General wholesale and trade in food products   |
| Food Retail Asia Ltd**<br>(formerly known as<br>Delifrance Asia Ltd) | Republic of Singapore                                     | S\$18,058,100   | – | 40.23  | Management and holding company, development and sale of franchising activities   |
| Food Junction Holdings Limited**                                     | Republic of Singapore                                     | S\$12,707,435.70  | – | 39.45  | Investment holding and provision of management services to its subsidiary companies, fast food restaurants and general wholesale trade |
| Food Junction Management Pte Ltd**                                   | Republic of Singapore                                     | S\$1,489,000  | – | 39.45  | Operation and management of food courts and fast food restaurants and general wholesale trade  |
| Food Junction Singapore Pte Ltd**                                    | Republic of Singapore                                     | S\$400,000  | – | 39.45  | Fast food restaurants and general wholesale trade  |
| T & W Food Junction Sdn. Bhd. **                                     | Malaysia  | RM500,000   | – | 39.45  | Management of food courts and operation of food outlets  |
| LCR Catering Services Limited**                                      | Hong Kong   | HK\$9,000,000   | – | 35.50  | Owns and operates a restaurant in Hong Kong  |



## Particulars of Principal Subsidiaries *(continued)*

- # 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
- ## type of legal entity
- \* paid up registered capital
- \*\* audited by certified public accountants other than Ernst & Young, Hong Kong

Note:

- NIS – New Israeli shekels
- PLN – Poland zlotys
- RM – Malaysian ringgits
- RMB – People's Republic of China renminbi
- S\$ – Singapore dollars
- US\$ – United States dollars

As at 31 March 2019, 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 2019 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 <sup>#</sup> | Principal activities         |
|---|---------------------------------|---------------------------------------|--|---|------------------------------|
| Lippo-Savills Property Management Limited         | Corporate                       | Hong Kong                             | HK\$2  | 50  | Property management services |
| Healthway Medical Corporation Limited             | Corporate                       | Republic of Singapore                 | S\$277,433,000   | 40.82   | Healthcare services          |
| 莆田華正自來水有限公司<br>(Putian Hua Zheng Water Co., Ltd.) | Equity joint venture enterprise | People's Republic of China            | RMB9,250,000*  | 40  | Water supply                 |
| TIH Limited                                       | Corporate                       | Republic of Singapore                 | S\$56,650,000  | 39.92   | Private equity investment    |
| Catalyst Enterprises Limited                      | Corporate                       | British Virgin Islands                | US\$50,000   | 35  | Investment holding           |

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

\* paid up registered capital

Note:

RMB – People's Republic of China renminbi

S\$ – Singapore dollars

US\$ – United States dollars

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

## Particulars of Principal Joint Ventures

PARTICULARS OF PRINCIPAL JOINT VENTURES AS AT 31 MARCH 2019 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   | 50  | Provision of customised healthcare staffing solution        |
| Tanglin Residential Pte. Ltd.                      | Corporate                  | Republic of Singapore                 | S\$2   | 50  | Property investment and property development                |
| Collyer Quay Limited                               | Corporate                  | Cayman Islands                        | Note (b)   | Note (b)  | Investment holding  |
| Tamra Mining Company, LLC                          | Corporate                  | United States of America              | US\$37,293,780.24  | Note (c)  | Exploration, extraction and processing of mineral resources |

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

Note:

(a) S\$ – Singapore dollars  
US\$ – United States dollars

(b) Its issued share capital comprised of 99 management shares of US\$1.00 each and 100 participating shares of US\$1.00 each, of which the Group was interested in 33 management shares and 60 participating shares which entitled the Group to one-third of the voting rights and approximately 60% of the dividend and distribution of this company.

(c) The Group was effectively interested in 45% of the issued and outstanding membership interests.

## Particulars of Joint Operation

PARTICULARS OF JOINT OPERATION AS AT 31 MARCH 2019 ARE AS SET OUT BELOW.

| Name of company   | Form of business structure                           | Place of incorporation and operation | Registered capital | Approximate percentage of interest attributable to the Group <sup>#</sup> | Principal activity               |
|---|--|--------------------------------------|--------------------|---|----------------------------------|
| 雲南東鑫礦產勘查有限公司<br>(Yunnan Dong Xin Mineral Exploration Company Limited) | Chinese-foreign cooperative joint-venture enterprise | People's Republic of China           | US\$14,900,000*    | 72  | 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 2019

| Description  | Use         | Approximate gross floor area<br>(square metres) | Status | Percentage of the Group's interest |
|--|-------------|---|--------|------------------------------------|
| <b>Hong Kong</b>   |             |   |        |                                    |
| Lippo Centre<br>89 Queensway<br>Central<br>Inland Lot No. 8615   | Commercial  | 1,343<br>(net floor area)                       | Rental | 100                                |
| <i>The above property is held under long term lease.</i>   |             |   |        |                                    |
| <b>People's Republic of China</b>  |             |   |        |                                    |
| 19th Floor to 29th Floor<br>and 13 car parking spaces<br>of Lippo Tianma Plaza<br>1 Wuyibei Road<br>Fuzhou, Fujian | Commercial  | 11,955  | Rental | 100                                |
| <i>The above properties are held under medium term leases.</i>   |             |   |        |                                    |
| <b>Overseas</b>  |             |   |        |                                    |
| 353 Pasir Panjang Road<br>#05-02, #05-03<br>and #05-05<br>Jubilee Residence<br>Singapore 118695                    | Residential | 711   | Rental | 100                                |
| 118 Kim Seng Road<br>#29-08, The Trillium<br>Singapore 239435  | Residential | 514   | Rental | 100                                |
| 10 Harav Agan Street<br>Jerusalem<br>Block 30050<br>Parcel 101<br>Israel   | Commercial  | 940   | Rental | 100                                |

*The above properties are freehold.*

## Schedule of Major Properties *(continued)*

### (2) PROPERTIES HELD AS FIXED ASSETS AS AT 31 MARCH 2019

| Description  | Use         | Approximate gross floor area<br>(square metres) | Approximate percentage of the Group's interest |
|--|-------------|---|--|
| <b>Hong Kong</b>   |             |   |  |
| Lippo Centre<br>89 Queensway<br>Central<br>Inland Lot No. 8615   | Commercial  | 2,532<br>(net floor area)                       | 100  |
| 2nd Floor of Sun Court<br>3 Belcher's Street<br>Kennedy Town<br>Subsection 1 of Section C of<br>Marine Lot No. 262,<br>the remaining portion of Section C<br>of Marine Lot No. 262 and<br>the remaining portion of<br>Marine Lot No. 262 | Commercial  | 743   | 100  |
| 3 units and 3 car parking spaces<br>of Celestial Garden<br>5 Repulse Bay Road<br>Rural Building Lot No. 979  | Residential | 660   | 100  |
| <i>The above properties are held under long term leases.</i>   |             |   |  |
| <b>Overseas</b>  |             |   |  |
| 2 Senoko Avenue<br>Singapore 758298<br>Lot No. MK13-2293K  | Commercial  | 7,387   | 40.23  |
| <i>The above property is held under short term lease.</i>  |             |   |  |
| PT1161 and PT1162<br>Bandar Baru Enstek<br>Daerah Seremban<br>Negeri Sembilan<br>Malaysia  | Industrial  | 77,111<br>(site area)                           | 40.23  |
| <i>The above property is freehold.</i>   |             |   |  |

## Summary of Financial Information

|   | Year ended<br>31 March<br>2019<br>HK\$'000 | Year ended<br>31 March<br>2018<br>HK\$'000<br>(Restated) <sup>(1)</sup> | Year ended<br>31 March<br>2017<br>HK\$'000 | Year ended<br>31 March<br>2016<br>HK\$'000<br>(Restated) <sup>(2)</sup> | Year ended<br>31 March<br>2015<br>HK\$'000<br>(Restated) <sup>(2)</sup> |
|---|--|---|--|---|---|
| Profit/(Loss) attributable to equity holders of the Company | <b>(78,233)</b>                            | (122,352)   | 387,785                                    | (309,172)   | 399,176   |
| Total assets  | <b>6,883,253</b>                           | 7,272,303   | 6,514,700                                  | 5,721,575   | 6,558,880   |
| Total liabilities   | <b>(1,912,274)</b>                         | (2,709,567)   | (1,925,816)                                | (1,433,571)   | (1,651,587)   |
| Net assets  | <b>4,970,979</b>                           | 4,562,736   | 4,588,884                                  | 4,288,004   | 4,907,293   |
| Non-controlling interests                                   | <b>(1,062,679)</b>                         | (520,656)   | (483,929)                                  | (466,389)   | (603,808)   |
| Equity attributable to equity holders of the Company        | <b>3,908,300</b>                           | 4,042,080   | 4,104,955                                  | 3,821,615   | 4,303,485   |

<sup>(1)</sup> The Group has made certain retrospective adjustments to the financial information for the year ended 31 March 2018 following the completion of the purchase price allocation review in respect of the acquisition of equity interest of the Group's associate. Details regarding the adjustments made during the year ended 31 March 2019 (the "Year") are provided in Note 45(a) to the financial statements for the Year.

<sup>(2)</sup> 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.



**Lippo China Resources Limited**  
**力寶華潤有限公司**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 156)