



Hongkong Chinese Limited
香港華人有限公司*

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

2019/2020
ANNUAL REPORT

Contents

	Page
Corporate Information	2
Chairman's Statement	3
Report of the Directors	5
Corporate Governance Report	23
Risk Management Report	34
Environmental, Social and Governance Report	41
Independent Auditor's Report	59
Consolidated Statement of Profit or Loss	64
Consolidated Statement of Comprehensive Income	65
Consolidated Statement of Financial Position	66
Consolidated Statement of Changes in Equity	68
Consolidated Statement of Cash Flows	69
Notes to the Financial Statements	70
Particulars of Principal Subsidiaries	144
Particulars of Principal Associates	147
Particulars of Principal Joint Ventures	148
Schedule of Major Properties	149
Summary of Financial Information	151
Supplementary Financial Information	152

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr Leon Nim Leung Chan

Independent non-executive Directors

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

COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

SECRETARY

Mr Kelsch Woon Kun Wong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

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

SOLICITORS

Howse Williams

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

655

WEBSITE

www.hkchinese.com.hk

Chairman's Statement

I am pleased to present the annual report of the Company (together with its subsidiaries, the "Group") for the year ended 31 March 2020 (the "Year").

The Year was a period of consolidation and strategic business and management transformation for the Group and its joint ventures in Singapore (led by OUE Limited ("OUE"), together with its subsidiaries, the "OUE Group") with focus on further strengthening their core businesses, optimising their financial resources and seeking new income streams in the midst of changing global and regional economic and political situations.

As part of the OUE Group's continuous move to unlock value gains, rebalance its asset portfolio and strengthen its financial resources, it executed timely divestments of its minority interests in Aquamarina Hotel Private Limited ("Aquamarina", being the owner of Marina Mandarin Singapore) and Marina Centre Holdings Private Limited ("Marina Centre"), the 268 luxury serviced residences occupying 7th to 32nd storeys of OUE Downtown 1 (Oakwood Premier OUE Singapore) and a residential property development, realising approximately S\$774 million (approximately HK\$4.5 billion) in aggregate.

The OUE Group increased its interest in Gemdale Properties and Investment Corporation Limited ("GPI", listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) from approximately 14.8% to approximately 23.8% as at 31 March 2020. The investment in GPI allows the OUE Group to expand its existing access and exposure to the real estate market in the People's Republic of China (the "PRC"). It also formed a new consumer division comprising food and beverage and lifestyle experience in Singapore, Indonesia, Hong Kong and the United States of America, underscored by the acquisition of stakes in cafes and restaurants and Maxx coffee chain during the Year. In June 2020, it completed the acquisition of plots of land with a total area of approximately 8,000 sq.m. in a prime location in the central business district in South Jakarta, Indonesia for the proposed development of a high-rise property comprising Grade A offices and a lifestyle hotel.

Following the successful merger of OUE Commercial Real Estate Investment Trust ("OUE C-REIT", listed on the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST") and OUE Hospitality Trust ("OUE H-Trust, then listed on the Mainboard of the SGX-ST) in September 2019, OUE C-REIT became one of the largest diversified Singapore REITS with total assets of approximately S\$6.8 billion (approximately HK\$37.1 billion) as at 31 March 2020. OUE C-REIT's portfolio now has 7 prime properties with more than 200,000 sq. m. of office and retail space and 1,640 upscale hotel rooms. The OUE Group also entered into an agreement in March 2020 for the rebranding and management of Mandarin Orchard Singapore as Hilton Singapore Orchard after refurbishment works expected to be completed by the end of 2021.

OUE Lippo Healthcare Limited ("OUELH") and its subsidiaries (collectively the "OUELH Group") made achievements in their three-pronged growth strategy of establishing strategic partnerships, building asset-light business and growing Pan-Asian presence during the Year. The OUELH Group acquired minority stakes in three hospitals, two clinics and a medical centre in Myanmar and a 70% stake in Wuxi Lippo Xi Nan Hospital in the PRC. It also formed a 50:50 joint venture with the China Merchants group (the "CM Group") to develop the "China Merchants-Lippo" brand hospital in Prince Bay, Shenzhen, the PRC.

The Group and its joint ventures will continue to rationalise their asset portfolio and to foster their recurring income streams in the face of uncertainties ahead that have been aggravated by COVID-19 coronavirus pandemic (the "Pandemic") since the first quarter of 2020. With Pan-Asian business footprint, they are risk-diversified and poised to capitalise on the rebound of regional economic activities and to explore opportunities with a view to sustaining growth and maximising shareholder value.

Chairman's Statement *(continued)*

The Group recorded a consolidated profit attributable to shareholders of approximately HK\$425 million for the Year, as compared to a consolidated profit of approximately HK\$11 million for the year ended 31 March 2019 ("2019").

The Directors have proposed a final cash dividend of HK1 cent per share and a special dividend of HK1 cent per share for the Year. Together with the interim dividend of HK1 cent per share, the total dividends for the Year will be HK3 cents per share.

I would take this opportunity to express my appreciation to my fellow Directors, our management and staff for their contributions and diligent work during the Year.

Stephen Riady
Chairman

29 June 2020

Report of the Directors

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

BUSINESS REVIEW

Overview

During the Year, the Group and its joint ventures underwent consolidation and transformation by strengthening the core businesses, unlocking value gains, optimising financial resources and diversifying revenue sources amid global and regional economic and political uncertainties.

Results for the Year

The Group recorded a consolidated profit attributable to shareholders of approximately HK\$425 million for the Year, as compared to a consolidated profit of approximately HK\$11 million for 2019. The profit was mainly attributable to share of profit of joint ventures primarily resulting from the gain on disposal of interests in an associate by a joint venture, higher contribution from equity-accounted investees of the joint venture and partial offset by the share of fair value loss on investment properties of the joint ventures during the Year.

Property investment and development businesses contributed to 96% (2019 — 91%) of total revenue from continuing operations for the Year. Revenue from continuing operations for the Year amounted to HK\$71 million (2019 — HK\$71 million).

The Group's other operating expenses mainly included legal and professional fees, consultancy and service fees, donations and exchange difference. Other operating expenses from continuing operations decreased to HK\$38 million for the Year (2019 — HK\$54 million). The decrease was mainly due to a reduction of HK\$9 million in foreign exchange loss and less donation made during the Year.

Property Investment

Segment revenue from the property investment business was mainly attributable to recurrent rental income from the Group's investment properties and interest income from the loans to joint ventures of the Company. The segment revenue for the Year amounted to HK\$68 million (2019 — HK\$59 million). Segment profit for the Year before accounting for the share of results from the Group's joint ventures amounted to HK\$48 million (2019 — HK\$42 million).

Lippo ASM Asia Property Limited ("LAAPL", together with its subsidiaries the "LAAPL Group"), a principal joint venture of the Company is the vehicle holding a controlling stake of approximately 68.7% equity interest in OUE as at 31 March 2020. OUE is listed on the Mainboard of the SGX-ST. The OUE Group develops and manages assets across the commercial, hospitality, retail, residential and healthcare sectors.

The OUE Group directly owns Downtown Gallery, a premium retail mall of approximately 14,000 sq.m. and the iconic U.S. Bank Tower in downtown Los Angeles, a 72-storey Class A office tower enhanced with OUE Skyspace LA (a 2-storey open-air observation deck at the top of the tower offering unrivalled 360-degree city views). It has engaged in non-binding exploratory discussions with a prospective purchaser on a proposed sale of U.S. Bank Tower.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property Investment *(continued)*

In April 2019, the OUE Group completed the disposal of its minority interests in Aquamarina and Marina Centre for an aggregate consideration of S\$390 million (approximately HK\$2.3 billion). Coupled with such disposal, Singapore Mandarin International Hotels Pte Ltd (a subsidiary of OUE) also terminated its hotel operating agreement with Aquamarina on 31 December 2019. In November 2019, the OUE Group completed its sale of the 268 luxury serviced residences occupying 7th to 32nd storeys of OUE Downtown 1 (Oakwood Premier OUE Singapore) together with all plant, machinery and equipment thereon, and related business and assets for an aggregate consideration of approximately S\$289 million (approximately HK\$1.7 billion).

During the Year, the OUE Group increased its interest in GPI from approximately 14.8% to approximately 23.8% as at 31 March 2020. The investment in GPI allows the OUE Group to expand its existing access and exposure to the real estate market in the PRC as it continues to explore its partnership and potential collaborations with the GPI group. The OUE Group also expanded its operations with a new consumer division comprising food and beverage and lifestyle businesses which span over Singapore, Indonesia, Hong Kong and the United States of America, by leveraging on its operational experience in order to achieve sustainable returns. In February 2020, the OUE Group signed an agreement for the acquisition of a majority interest in a coffee chain which has more than 75 outlets in Indonesia and Singapore. In June 2020, the OUE Group completed the acquisition of plots of land with a total area of approximately 8,000 sq.m. in a prime location in the central business district in South Jakarta, Indonesia for a consideration of IDR1,316 billion (approximately HK\$720 million). It is proposed to develop the site into a high-rise property featuring Grade A offices and a lifestyle hotel.

In September 2019, the merger of OUE C-REIT and OUE H-Trust was successfully completed thereby creating one of the largest diversified Singapore REITs with total assets of approximately S\$6.8 billion (approximately HK\$37.1 billion) as at 31 March 2020. As a result, OUE H-Trust became wholly owned by OUE C-REIT and was delisted from the SGX-ST, and the OUE Group's interest in OUE C-REIT was reduced to approximately 47.7% as at 31 March 2020. The LAAPL Group had in aggregate an approximately 48.6% interest in OUE C-REIT. With a larger capital base and broadened investment mandate, OUE C-REIT has improved its standing in the investment community thereby enhancing its long-term growth potential. It has increased capacity to undertake larger acquisitions and asset enhancement initiatives as well as improved flexibility in sources of funding.

OUE C-REIT's portfolio of 7 high-quality prime properties includes OUE Bayfront, One Raffles Place, OUE Downtown Office, 1,077-room Mandarin Orchard Singapore, the adjoining Mandarin Gallery and the 563-room Crowne Plaza Changi Airport in Singapore as well as the properties at Lippo Plaza in Shanghai, the PRC, with more than 200,000 sq.m. of office and retail space and 1,640 upscale hotel rooms. In March 2020, the OUE Group entered into a branding and management agreement with Conrad International Management Services (Singapore) Pte. Ltd. for the rebranding and management of Mandarin Orchard Singapore as Hilton Singapore Orchard, which will become Hilton's flagship in Singapore and the largest Hilton hotel in Asia Pacific, after completion of refurbishment works in phases expected by the end of 2021. The office segment committed occupancy and the retail segment committed occupancy were 93.9% and 97.8% respectively as at 31 March 2020. The OUE Group's operations have been affected by the Pandemic since the first quarter of 2020 and various measures are being implemented to mitigate the impacts.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property Investment *(continued)*

The OUE Group had, as at 31 March 2020, an approximately 64.4% equity interest in OUELH in Singapore which is listed on the Catalist Board of the SGX-ST. The OUELH Group provides high-quality and sustainable healthcare solutions through the acquisition, development, management and operation of healthcare facilities across Asia. It owns 12 quality nursing homes in Japan which continue to generate stable recurring rental income. It also has an integrated hospital development project in Chengdu and real estate in Wuxi, the PRC as well as a strategically located site in Kuala Lumpur, Malaysia. In April 2019, the OUELH Group completed its acquisition of minority stakes in two Myanmar companies which operate three hospitals, two clinics and a medical centre in Myanmar in April 2019. In October 2019, it further acquired a 70% stake in Wuxi Lippo Xi Nan Hospital and then assumed full operating control thereof. The management agreements of its joint venture with the CM Group for the management of three medical facilities of the CM Group in Shanghai, Chongqing and Nanjing, the PRC expired in December 2019. In January 2020, the OUELH Group formed a 50:50 joint venture with the CM Group to develop the “China Merchants-Lippo” brand hospital in Prince Bay, Shenzhen, the PRC which will become the flagship hospital of the strategic partnership between the two groups.

As at 31 March 2020, the OUE Group, through the OUELH Group and Bowsprit Capital Corporation Limited (the manager of First Real Estate Investment Trust (“First REIT” which is listed on the Mainboard of the SGX-ST)) had an approximately 19.0% interest in First REIT. First REIT is a healthcare real estate investment trust which invests in a diversified portfolio of income-producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare related purposes. As at 31 March 2020, First REIT had 20 properties comprising 16 in Indonesia, 3 in Singapore and 1 in South Korea.

In May 2020, the Group provided a loan facility of US\$35 million (approximately HK\$271 million) to the LAAPL Group for investment opportunities of strategic assets and general working capital purposes.

The Group recorded a share of profit of joint ventures of HK\$440 million from its investment in LAAPL for the Year (2019 — share of loss of HK\$112 million). The change mainly resulted from the gain on disposal of interests in Aquamarina, higher contribution from equity-accounted investees and partial offset by the fair value loss on investment properties during the Year. Besides, the Group shared fair value gain of the LAAPL Group’s financial assets at fair value through other comprehensive income of HK\$55 million during the Year. As a result of the dilution impact on the merger of OUE C-REIT and OUE H-Trust, the Group recorded a decrease in interest in LAAPL of HK\$206 million directly in equity. Coupled with the decrease in exchange reserve on translation of LAAPL’s investment of HK\$489 million during the Year, the Group’s total interests in LAAPL as at 31 March 2020 decreased to HK\$10.1 billion (2019 — HK\$10.3 billion).

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property Development

Sale of the remaining apartment unit, small number of shophouses and carparking spaces at Lippo Plaza in Beijing, the PRC continued to be sluggish due to market conditions and the Pandemic. No sale was completed during the Year while segment revenue of HK\$6 million was recorded in 2019 mainly from the sale of the remaining carparking spaces of a residential development project in Macau. Before accounting for the share of results from the Group's associates and joint ventures, the segment recorded a loss of HK\$4 million for the Year (2019 — profit of HK\$2 million).

Sale of some of the remaining units of the luxurious Marina Collection in Sentosa, Singapore (in which the Group has a 50% interest) was completed during the Year. A portion of the remaining units is leased out. The Group shared a profit of associate of HK\$25 million (2019 — HK\$6 million) from the investment.

Treasury and Securities Investments

The Group managed its investment portfolio and looked for opportunities to enhance return. The stock markets were volatile during the Year and the Group recorded fair value loss on its investment portfolio during the Year. The treasury and securities investments businesses recorded a net loss of HK\$2 million for the Year (2019 — profit of HK\$5 million). Total revenue from treasury and securities investments businesses for the Year amounted to HK\$2 million (2019 — HK\$5 million).

Banking

The Macau Chinese Bank Limited ("MCB") is a joint venture of the Company in which the Group had a 20% equity interest as at 31 March 2020. MCB recorded strong growth in customer deposits and loans during the Year. MCB reported a profit for the Year before taking into account the impact of allowance for expected credit losses on its financial assets. Due to the uncertainty on economic conditions, the expected credit losses increased. As a result, the Group recorded a share of accounting loss from MCB of HK\$5 million for the Year (2019 — profit of HK\$8 million).

Pursuant to the Amended and Restated Shareholders Agreement in June 2018, the Group has a put option to sell its remaining 20% interest to the majority shareholder of MCB at any time during the 5 years from 3 November 2017 (the "Put Option"). The fair value of the Put Option was included in "Other financial asset" of the Group's consolidated statement of financial position and the change in fair value of the Put Option was recorded in the "net fair value gain/(loss) on financial instruments at fair value through profit or loss" of the Group's consolidated statement of profit or loss. The banking business segment reported a loss of HK\$2 million for the Year (2019 — profit of HK\$0.3 million), resulting from a decrease in the fair value of the Put Option.

Financial Position

The Group's financial position remained healthy. As at 31 March 2020, its total assets amounted to HK\$11.2 billion (31 March 2019 — HK\$11.8 billion). Property-related assets amounted to HK\$10.8 billion as at 31 March 2020 (31 March 2019 — HK\$11.1 billion), representing 97% (31 March 2019 — 94%) of total assets. Total liabilities as at 31 March 2020 amounted to HK\$589 million (31 March 2019 — HK\$842 million). Total cash and cash equivalents as at 31 March 2020 decreased to HK\$135 million (31 March 2019 — HK\$507 million), mainly due to the repayment of bank loans during the Year. Current ratio as at 31 March 2020 amounted to 3.3 (31 March 2019 — 1.9).

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Financial Position *(continued)*

As at 31 March 2020, the Group's bank and other borrowings decreased to HK\$492 million (31 March 2019 — HK\$737 million). The bank loans were denominated in Hong Kong dollars and carried interest at floating rate. 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 2020, all the bank loans were not repayable within one year (31 March 2019 — approximately 33% of the bank loans were repayable within one year). The gearing ratio (measured as total borrowings to equity attributable to equity holders of the Company) was 4.7% as at 31 March 2020 (31 March 2019 — 6.7%).

The net asset value attributable to equity holders of the Company remained strong and amounted to HK\$10.6 billion as at 31 March 2020 (31 March 2019 — HK\$10.9 billion). This was equivalent to HK\$5.3 per share (31 March 2019 — HK\$5.5 per share).

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

The Group had no material contingent liabilities outstanding nor any charge on the Group's assets at the end of the Year (31 March 2019 — Nil).

The Group's commitments amounted to HK\$1 million as at 31 March 2020 (31 March 2019 — HK\$1 million). The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Staff and Remuneration

The number of employees of the Group was 39 as at 31 March 2020 (31 March 2019 — 40). Staff costs (including directors' emoluments) from continuing operations charged to the statement of profit or loss during the Year amounted to HK\$24 million (2019 — HK\$28 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

The Pandemic and its aftermath are expected to last for some time against the backdrop of intensifying economic and political fallouts. The Group and its joint ventures will continue their efforts to counteract the adverse operating environment and rationalise their asset portfolio while maintaining financial resilience and exploring new revenue streams.

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.

Report of the Directors *(continued)*

PRINCIPAL ACTIVITIES

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

The activities and other particulars of the principal subsidiaries, principal associates and principal joint ventures are set out in the financial statements on pages 144 to 146, page 147 and page 148, respectively.

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

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group and the Company as at 31 March 2020 are set out in the financial statements on pages 64 to 148.

An interim dividend of HK1 cent per share for the Year (2019 — HK1 cent per share) was paid in January 2020. The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share (2019 — HK1 cent per share) amounting to approximately HK\$20 million (2019 — approximately HK\$20 million) and a special dividend of HK1 cent per share (2019 — Nil) amounting to approximately HK\$20 million, totalling approximately HK\$40 million for the Year. Total dividends for the Year will be HK3 cents per share (2019 — HK2 cents per share) amounting to approximately HK\$60 million (2019 — approximately HK\$40 million).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 151.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in Note 40 to the financial statements.

INVESTMENT PROPERTIES

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 38 to the financial statements.

DONATIONS

During the Year, the Group made charitable and other donations of HK\$980,000 (2019 — HK\$5,882,000).

Report of the Directors *(continued)*

DIRECTORS

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

Executive Directors

Dr Stephen Riady ("Dr Riady") (*Chairman*)

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

Non-executive Director

Mr Leon Nim Leung Chan ("Mr Chan")

Independent non-executive Directors

Mr Victor Ha Kuk Yung ("Mr Yung")

Mr King Fai Tsui ("Mr Tsui")

Mr Edwin Neo ("Mr Neo")

In accordance with Bye-law 87 of the Company's Bye-laws (the "Bye-laws"), Mr Yung and Mr Tsui will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr Yung and Mr Tsui entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30 September 2018, and each of Dr Riady and Mr Lee entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1 January 2019. Following the expiry of the term under their respective former letter agreements with the Company, each of Mr Chan and Mr Neo entered into a new letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1 January 2020. All the above letter agreements are terminable by either party by giving three months' prior written notice. The term of office of the Directors is also subject to the provisions of the Bye-laws. In accordance with the Bye-laws, one-third of the Directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

In addition, Dr Riady entered into an employment agreement for his employment as an Executive President of the Company with effect from 1 January 2015. Mr Lee also entered into an employment agreement for his employment as the Chief Executive Officer of the Company with effect from 1 January 2015. The above employment agreements are terminable by either party by giving three months' prior written notice.

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

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

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

Report of the Directors *(continued)*

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr Stephen Riady (former name: Stephen Tjondro Riady), aged 60, was appointed a Director of the Company in September 1992 and is the Chairman of the Board of Directors of the Company (the “Board”). Dr Riady is also an executive director and the Chairman of the board of directors of each of Lippo Limited (“Lippo”) and Lippo China Resources Limited (“LCR”), both being public listed companies in Hong Kong. He has been the Executive President of each of the Company, Lippo and LCR since January 2015. He is a member of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He also holds directorships in certain subsidiaries of the Company, Lippo and LCR. He is the Executive Chairman of OUE, a company listed on the Mainboard of the SGX-ST. He was appointed as the Group Chief Executive Officer of OUE with effect from 1 January 2020. He is a non-executive non-independent director of Healthway Medical Corporation Limited, a company listed on the Catalist Board of the SGX-ST. He is a member of the board of commissioners of PT Lippo Karawaci Tbk, a company listed on the Indonesia Stock Exchange. He is a director of Lippo Capital Group Limited (“Lippo Capital Group”), Lippo Capital Holdings Company Limited (“Lippo Capital Holdings”) and Lippo Capital Limited (“Lippo Capital”) which, together with Lippo, have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (the “SFO”). He is a graduate of the University of Southern California, the United States of America and holds a Master of Business Administration from Golden Gate University, the 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. He is the spouse of Madam Shincee Leonardi (“Madam Leonardi”) and a brother of Mr James Tjahaja Riady (“Mr James Riady”). Madam Aileen Hambali (“Madam Hambali”) is the spouse of Mr James Riady. The interests of Madam Leonardi, Mr James Riady and Madam Hambali in the Company are disclosed in the section headed “Interests and short positions of shareholders discloseable under the SFO” below.

Mr John Luen Wai Lee, BBS, JP, aged 71, was appointed a Director of the Company in September 1992 and is the Chief Executive Officer of the Company. Mr Lee is the Managing Director and the Chief Executive Officer of Lippo and an executive director and the Chief Executive Officer of LCR, as well as an independent non-executive director of New World Development Company Limited and UMP Healthcare Holdings Limited, both being public listed companies in Hong Kong. He is a director of Prime Success Limited (“Prime Success”) and Hennessy Holdings Limited (“Hennessy”) which have discloseable interests in the Company under the provisions of the SFO. He is an authorised representative of the Company, Lippo and LCR. In addition, he holds directorships in certain subsidiaries of the Company, Lippo and LCR. He is a Fellow of The Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. He is an Honorary Fellow of the City University of Hong Kong, a Justice of Peace in Hong Kong and an awardee of the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. He is active in public service. Over the years, he has served as a member or chairman of different government boards and committees in Hong Kong, including a member of the Hong Kong Hospital Authority and the Chairman of the Hospital Governing Committee of the Queen Elizabeth Hospital. Currently, he serves as the Chairman of the Hospital Governing Committee of Hong Kong Children’s Hospital, a member of the Public Service Commission and the Chairman of the Investment Committee of the Hospital Authority Provident Fund Scheme.

Report of the Directors *(continued)*

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

Mr Leon Nim Leung Chan, aged 64, was appointed a Director of the Company in September 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. Mr Chan is a practising lawyer and presently the principal partner of Messrs Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008. He is also a non-executive director of Lippo and LCR. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR.

Mr Victor Ha Kuk Yung, aged 66, was appointed an independent non-executive Director of the Company in September 2004. Mr Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. He holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and LCR. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. He is an independent non-executive director of Travel Expert (Asia) Enterprises Limited, a public listed company in Hong Kong.

Mr King Fai Tsui, aged 70, 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 and Newton Resources Ltd, all are public listed companies in Hong Kong. He has over 40 years of extensive experience in accounting, finance and investment management, particularly in investments in mainland China. He worked for two of the Big Four audit firms in the 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. He is an independent non-executive director of Lippo and LCR. He is the Chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR.

Mr Edwin Neo, aged 70, was appointed an independent non-executive Director of the Company and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company in January 2018. Mr Neo was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. He is a practising lawyer and a notary public and is presently the senior partner of Hoosenally & Neo, Solicitors & Notaries. He holds a Bachelor of Laws degree with honours and Post-graduate Certificate in Laws from The University of Hong Kong. He is also an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. He was an independent non-executive Director of the Company from 16 January 1995 to 10 March 1998.

Report of the Directors *(continued)*

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

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

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

DIRECTORS’ AND FIVE HIGHEST PAID EMPLOYEES’ EMOLUMENTS

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

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

The emoluments of the Directors for the Year have been covered by their respective letter agreements and/or employment agreements (as applicable) with the Company and/or paid under the relevant statutory requirement save for the fixed bonus of Dr Riady in an amount of HK\$83,000.

Dr Riady and Mr Lee are entitled to receive salaries, discretionary bonuses and other fringe benefits for the executive roles in the Company under their respective employment agreements with the Company.

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

Each of the Directors is entitled to receive a director’s fee from the Company. The director’s fee paid to each of the Directors was HK\$246,000 for the Year. A non-executive Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and/or members of various Board committees. The fees paid to the non-executive Directors for serving as the Chairmen and/or members of various Board committees for the Year were as follows:

	HK\$
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 2020, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations" and each an "Associated Corporation"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), were as follows:

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)	Total interests	Approximate percentage of total interests in the issued shares
------------------	---	---------------------------------------	---	-----------------	--

Number of ordinary shares in the Company

Stephen Riady	–	–	1,477,715,492 <i>Notes (i) and (ii)</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

Number of ordinary shares in Lippo

Stephen Riady	–	–	369,800,219 <i>Note (i)</i>	369,800,219	74.98
John Luen Wai Lee	1,031,250	–	–	1,031,250	0.21

Number of ordinary shares in LCR

Stephen Riady	–	–	6,890,184,389 <i>Notes (i) and (iii)</i>	6,890,184,389	74.99
---------------	---	---	---	---------------	-------

Notes:

- (i) As at 31 March 2020, Lippo Capital, an Associated Corporation, and through its wholly-owned subsidiary, J & S Company Limited ("J & S"), was directly and indirectly interested in an aggregate of 369,800,219 ordinary shares in Lippo, representing approximately 74.98% of the issued shares thereof. Lippo Capital was a 60% owned subsidiary of Lippo Capital Holdings, an Associated Corporation, which in turn was a wholly-owned subsidiary of Lippo Capital Group, an Associated Corporation. Dr Riady was the beneficial owner of one ordinary share in Lippo Capital Group, representing the entire issued share capital thereof.
- (ii) As at 31 March 2020, Lippo, through its wholly-owned subsidiaries, was indirectly interested in 1,477,715,492 ordinary shares in the Company, representing approximately 73.95% of the issued shares thereof.
- (iii) As at 31 March 2020, Lippo, through its wholly-owned subsidiaries, was indirectly interested in 6,890,184,389 ordinary shares in LCR, representing approximately 74.99% of the issued shares thereof.

Report of the Directors *(continued)*

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

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

Through Dr Riady's interest in Lippo Capital Group, he was also interested or taken to be interested (through controlled corporations) in the issued shares of the following Associated Corporations as at 31 March 2020:

Name of Associated Corporation	Note	Class of shares	Number of shares interested	Approximate percentage of interest in the issued shares
Auric Pacific Group Limited ("Auric")	(a)	Ordinary shares	80,618,551	65.48
Bentham Holdings Limited	(b)	Ordinary shares	1	100
Boudry Limited	(c)	Ordinary shares	10	100
	(c)	Non-voting deferred shares	1,000	100
Brimming Fortune Limited	(c)	Ordinary shares	1	100
Broadwell Overseas Holdings Limited	(c)	Ordinary shares	1	100
First Tower Corporation	(d)	Ordinary shares	1	100
Gainmate Hong Kong Limited	(e)	Ordinary shares	100	100
Greenorth Holdings Limited	(c)	Ordinary shares	1	100
Hennessy Holdings Limited	(d)	Ordinary shares	1	100
HKCL Investments Limited	(c)	Ordinary shares	1	100
International Realty (Singapore) Pte. Limited	(c)	Ordinary shares	2	100
J & S Company Limited	(c)	Ordinary shares	1	100
Lippo Capital Holdings Company Limited	(f)	Ordinary shares	1	100
Lippo Capital Limited	(b)	Ordinary shares	423,414,001	60
Lippo Finance Limited	(c)	Ordinary shares	6,176,470	82.35
Prime Success Limited	(d)	Ordinary shares	1	100
Skyscraper Realty Limited	(d)	Ordinary shares	10	100
Superfood Retail Limited ("Superfood")	(g)	Ordinary shares	10,000	100

Notes:

- (a) Of these shares, 4,999,283 ordinary shares were held by Jeremiah Holdings Limited ("Jeremiah"), an indirect 60% owned subsidiary of LCR; 20,004,000 ordinary shares were held by Nine Heritage Pte Ltd ("Nine Heritage"), a direct 80% owned subsidiary of Jeremiah; 36,165,052 ordinary shares were held by Pantogon Holdings Pte Ltd ("Pantogon"), an indirect wholly-owned subsidiary of LCR and 759,000 ordinary shares were held by Max Turbo Limited ("Max Turbo"), an indirect wholly-owned subsidiary of LCR. In addition, as at 31 March 2020, 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 all the issued shares in Silver Creek. Accordingly, Dr Riady was taken to be interested in an aggregate of 80,618,551 ordinary shares in Auric, representing approximately 65.48% of the issued shares thereof.
- (b) Such share(s) was/were held directly by Lippo Capital Holdings which in turn was a direct wholly-owned subsidiary of Lippo Capital Group.
- (c) Such share(s) was/were 100% held directly or indirectly by Lippo Capital, an indirect 60% owned subsidiary of Lippo Capital Group.
- (d) Such share(s) was/were 100% held directly or indirectly by Lippo.

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)*

Notes: *(continued)*

- (e) 50 ordinary shares were held by Oddish Ventures Pte. Ltd. ("Oddish"), an indirect wholly-owned subsidiary of OUE. OUE was indirectly owned as to approximately 68.69% by Fortune Crane Limited ("FCL"). The Company, through its 50% joint venture, LAAPL, held approximately 92.05% interest in FCL. 50 ordinary shares were held by Raising Fame Ventures Limited, an indirect wholly-owned subsidiary of LCR.
- (f) Such share was 100% held directly by Lippo Capital Group.
- (g) 406, 1,625, 2,937, 62 and 4,970 ordinary shares were held by Jeremiah, Nine Heritage, Pantogon, Max Turbo and Oddish respectively. Accordingly, Dr Riady was taken to be interested in an aggregate of 10,000 ordinary shares in Superfood, representing all the issued shares thereof.

As at 31 March 2020, 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 2020, 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 2020, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its Associated Corporations.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

The Bye-laws provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. The Directors of the Company and its subsidiaries have been covered by Directors' and officers' liability insurance.

Report of the Directors *(continued)*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2020, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Interests of substantial shareholders in shares of the Company

Name of substantial shareholder	Number of ordinary shares	Approximate percentage of the issued shares
Hennessy Holdings Limited	1,477,715,492	73.95
Prime Success Limited	1,477,715,492	73.95
Lippo Limited	1,477,715,492	73.95
Lippo Capital Limited	1,477,715,492	73.95
Lippo Capital Holdings Company Limited	1,477,715,492	73.95
Lippo Capital Group Limited	1,477,715,492	73.95
Madam Shincee Leonardi	1,477,715,492	73.95
PT Trijaya Utama Mandiri ("PT TUM")	1,477,715,492	73.95
Mr James Tjahaja Riady	1,477,715,492	73.95
Madam Aileen Hambali	1,477,715,492	73.95

Notes:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,477,715,492 ordinary shares in the Company, representing approximately 73.95% of the issued shares thereof.
2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.
3. Lippo Capital, and through its wholly-owned subsidiary, J & S, was directly and indirectly interested in approximately 74.98% of the issued shares of Lippo.
4. Lippo Capital Holdings owned 60% of the issued shares in Lippo Capital. Lippo Capital Group owned the entire issued share capital of Lippo Capital Holdings. Dr Riady was the beneficial owner of the entire issued share capital of Lippo Capital Group. Madam Leonardi is the spouse of Dr Riady.
5. PT TUM owned the remaining 40% of the issued shares in Lippo Capital. PT TUM was wholly owned by Mr James Riady who is a brother of Dr Riady. Madam Hambali is the spouse of Mr James Riady.
6. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lippo Capital Holdings, Lippo Capital Group, Madam Leonardi, PT TUM, Mr James Riady and Madam Hambali. The above 1,477,715,492 ordinary shares in the Company related to the same block of shares that Dr Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

All the interests stated above represent long positions. Save as disclosed herein, as at 31 March 2020, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Lippo Group (a general reference to the companies in which Dr Riady and his family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31 March 2020, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

All the Directors of the Company are also directors of Lippo and LCR. Further details of the Directors' interests in Lippo and LCR are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Subsidiaries of Lippo and LCR are also engaged in property investment and property development.

The Directors are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and its Directors would comply with the relevant requirements of the Bye-laws and the Listing Rules whenever a Director has any conflict of interest in the transaction(s) with the Company.

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

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

The Group had granted financial assistance to FCL, a subsidiary of LAAPL which in turn is a principal joint venture of the Group. The relevant advances disclosed pursuant to rule 13.13 of the Listing Rules and remained outstanding as at 31 March 2020 were granted under the following loan agreements:

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

Report of the Directors *(continued)*

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

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

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

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

All the above advances to FCL are unsecured. As at 31 March 2020, the balance of the above advances amounted to approximately S\$380,420,000 (equivalent to approximately HK\$2,073,592,000).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed above and in Note 34 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which any Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

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

MANAGEMENT CONTRACTS

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

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

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

Report of the Directors *(continued)*

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the percentage of revenue attributable to the Group's five largest customers combined was 90% of the Group's aggregate revenue and revenue attributable to the largest customer included therein amounted to 72%. During the Year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's aggregate purchases.

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

RETIREMENT BENEFITS SCHEME

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 23 to 33.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties were identified by the Group, details of which are disclosed in the Company's Risk Management Report as set out on pages 34 to 40. There may be other risks and uncertainties in addition to those shown in the above report which are not known to the Group or which may not be material now but could turn out to be material in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, social and governance ("ESG") issues are fundamental to the Group's sustainability. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Company's ESG Report is set out on pages 41 to 58.

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

Report of the Directors *(continued)*

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

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

29 June 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the Year, the Company continued to take measures to closely monitor and enhance its corporate governance practices so as to comply with the requirements of the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

The Board currently comprises six members (the composition of the Board is shown on page 11), including two executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 12 to 14). A list containing the names of the Directors and their roles and functions can also be found on the Company's website (www.hkchinese.com.hk) (the "Company Website") and Hong Kong Exchanges and Clearing Limited ("HKEX")'s website (www.hkexnews.hk) (collectively the "Websites"). To the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

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

Mr Yung and Mr Tsui have served as independent non-executive Directors of the Company for more than nine years. In addition to their confirmation of independence in accordance with rule 3.13 of the Listing Rules, each of them continues to demonstrate the attributes of an independent non-executive Director by providing independent views and advice and there is no evidence that their tenure have had any impact on their independence. The Directors are of the opinion that Mr Yung and Mr Tsui remain independent notwithstanding the length of their service and they believe that their valuable knowledge and experience in the Group's business and their external experience continue to generate significant contribution to the Company and its shareholders as a whole.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

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

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. The Board has delegated certain functions to the relevant Board committees, details of which are disclosed below. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive Directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, dividend policy, material policies and decisions, significant changes in accounting policies, material contracts, major investments and approval of interim reports, annual reports and announcements of interim and final results.

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

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

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

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

Individual attendance of each Director at the Board meetings and general meeting and each committee member at the meetings of the Committees during the Year are set out below:

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

* The only general meeting of the Company held during the Year was the annual general meeting held on 3 September 2019 (the "2019 AGM").

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

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

Corporate Governance Report *(continued)*

REMUNERATION OF DIRECTORS

The Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference is posted on the Websites. The Remuneration Committee has been delegated with the authority and responsibility to determine the remuneration packages of individual Directors and senior management. Senior management of the Company comprises executive Directors of the Company only.

The principal role of the Remuneration Committee is to exercise the powers of the Board to review and determine or make recommendations to the Board on the remuneration packages of individual Directors and senior 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 assessed the performance of the executive Directors, and reviewed and determined with delegated responsibility, inter alia, (i) the remuneration packages of the Directors and senior staff; and (ii) new letter agreements for the appointment of certain existing Directors.

A majority of the Remuneration Committee members are non-executive Directors. The Remuneration Committee comprises five members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo, a non-executive Director, namely Mr Chan and an executive Director, namely Dr Riady. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. Two meetings were held during the Year and the individual attendance of each member is set out above.

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

NOMINATION OF DIRECTORS

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

The Nomination Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. A copy of the terms of reference is posted on the Websites.

The principal duties of the Nomination Committee include, inter alia: to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to assess the independence of independent non-executive Directors and make recommendations to the Board for the appointment of independent non-executive Directors; to identify individuals suitably qualified to become Board members and make 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 (the "Diversity Policy") and the Directors' Nomination Policy (the "Nomination Policy") of the Company and recommend to the Board any necessary changes required.

Corporate Governance Report *(continued)*

NOMINATION OF DIRECTORS *(continued)*

Proposed candidates for re-election and appointment are first considered by the Nomination Committee and its recommendation is then put to the Board for decision. During the Year, the Nomination Committee reviewed, inter alia, the eligibility of the retiring Directors seeking for re-election at the 2019 AGM and assessed the independence of the independent non-executive Directors. It also reviewed the existing structure, size, composition, diversity and efficiency of the Board, and assisted the Board in the development of the Nomination Policy and made recommendations to the Board on the revision of the terms of reference of the Nomination Committee and the Diversity Policy.

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 for identifying, evaluating and recommending 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 consideration by the Nomination Committee in accordance with the Bye-laws, any applicable policies or procedures of the Company and/or the Listing Rules. The procedures for such shareholders' nomination are published on the Company Website. 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, knowledge, experience, potential contributions, board diversity, number of directorships in other listed companies, independence requirements (for independent non-executive Directors) and such other perspectives that are appropriate to the Company's business and succession plan.

Proposed candidates for appointment as a new Director will need to submit necessary information together with their written consents to be appointed as a Director. The Nomination Committee shall consider as a candidate any existing Director who has indicated that he or she is willing to stand for re-election. It may use any process it deems appropriate for the purpose of evaluating the proposed candidate in accordance with the Nomination Policy. It shall then recommend the proposed re-election or appointment of a Director to the Board for consideration by the Board which in turn will make recommendation to shareholders where appropriate. It may also 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 the 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 Diversity Policy was adopted by the Board in August 2013 and was revised in January 2019. A copy of the revised Diversity Policy is posted on the Company Website. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable and balanced development. The Diversity Policy sets out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity factors including, but not limited to, gender, age, professional experience, skills, cultural and educational background, knowledge, length of service, and the business models and specific needs of the Company from time to time. The ultimate decision will be based on merits and contribution that the selected candidates may bring to the Board, 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 Nomination Committee reviews the objectives for and monitors the implementation of the Diversity Policy. It will also review the Diversity Policy from time to time as appropriate to ensure its continued effectiveness.

Corporate Governance Report *(continued)*

NOMINATION OF DIRECTORS *(continued)*

A Majority of the Nomination Committee members are non-executive Directors. The Nomination Committee comprises five members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo, a non-executive Director, namely Mr Chan and an executive Director, namely Dr Riady. The composition of the Nomination Committee meets the requirements of chairmanship and independence of the Listing Rules. Two meetings were held during the Year and the individual attendance of each member is set out above.

DIRECTORS' TIME COMMITMENT AND TRAINING

The Company received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the Year. The Directors are encouraged to participate in professional, public and community organisations. The Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments 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 retiring Directors who will stand for re-election at the forthcoming 2020 annual general meeting of the Company (the "2020 AGM"), their directorships held in listed public companies in the past three years are set out in the circular to shareholders regarding, inter alia, proposed re-election of retiring Directors. Other details of the Directors are set out in the brief biographical details of Directors and senior management on pages 12 to 14.

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

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

Corporate Governance Report *(continued)*

DIRECTORS' TIME COMMITMENT AND TRAINING *(continued)*

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

AUDITOR'S REMUNERATION

Ernst & Young has been appointed by the shareholders annually as the Company's auditor (the "Auditor"). During the Year, the fees charged to the consolidated financial statements of the Group for the statutory audit and non-statutory audit services provided by Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the Auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the Auditor nationally and internationally) amounted to approximately HK\$2.9 million (2019 — HK\$3.1 million) and approximately HK\$0.1 million (2019 — HK\$0.1 million) respectively.

AUDIT COMMITTEE

The Board established the Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Websites. It assists the Board in meeting its responsibilities for ensuring an effective system of risk management, internal control and compliance, and in meeting its external financial reporting objectives. It is also responsible for the Company's corporate governance functions. All the members of the Audit Committee are non-executive Directors. The Audit Committee comprises four members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo and a non-executive Director, namely Mr Chan. Three meetings were held during the Year and the individual attendance of each member is set out above.

Corporate Governance Report *(continued)*

AUDIT COMMITTEE *(continued)*

The members of the Audit Committee possess diversified industry experience and its Chairman has appropriate professional qualifications and experience in accounting matters. Under its current terms of reference, the Audit Committee will meet at least twice each year. Management and the Auditor normally attend the meetings. In addition, the Audit Committee holds regular meetings with the 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, discussing with the executive Directors, management, Auditor and internal audit department (the "IA Department") regarding financial matters, corporate governance policies and practices, and internal audit, risk management and internal control matters of the Group, and making recommendations to the Board including, inter alia, financial-related matters. The Audit Committee reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, the Company's corporate governance policies and practices, the training and continuous professional development of the Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements and the code of conduct applicable to employees and the Directors. It also recommended to the Board that, subject to the shareholders' approval at the 2020 AGM, Ernst & Young shall be re-appointed as the Auditor for the ensuing year, and reviewed the fees charged by the Auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the Year, a review of the effectiveness of the Group's risk management and internal control systems covering the risk management functions and all material controls, including financial, operational and compliance controls was conducted, details of which are set out in the Risk Management Report on pages 34 to 40. Such review will be conducted on an annual basis.

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

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

Corporate Governance Report *(continued)*

INTERNAL AUDIT

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

The principal roles of the IA Department are to ensure the effectiveness of internal control procedures and compliance with different standards and policies across different businesses and operations of the Group. The IA Department audits and evaluates the Group's internal control operation and risk management process so as to address the financial, operational and compliance risks in the Group. The Board and the Audit Committee will actively take actions based on the findings from the IA Department. The IA Department is also responsible for providing improvement recommendations to different operation teams and departments so as to minimise the risk exposure in the future.

COMPANY SECRETARY

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

The Company Website is maintained to provide effective communication. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices, the Company's Memorandum of Association (the "Memorandum") and the Bye-laws are available on the Company Website.

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Registrar") or contact the Customer Service Hotline of the Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

Corporate Governance Report *(continued)*

SHAREHOLDERS' RIGHTS

Under Bye-law 58 of the Bye-laws, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda. Shareholders may send the requisition and request to the Board or the Company Secretary in written form to the principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

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 adopted a dividend policy of the Company (the "Dividend Policy") in January 2019. The Dividend Policy 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 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. 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 HKEX, the same information will be available to the public on the Company Website. The Company recognises its responsibility to disclose its activities to those with a legitimate interest and to respond to their questions. In all cases, great care has been taken in handling Inside Information in accordance with the Inside Information Policy.

Management of the Group maintains regular contacts with the investment community.

In January 2019, the Board adopted the Nomination Policy which stipulates that a retiring Director seeking for re-election at general meeting is subject to the evaluation of the Nomination Committee, the Nomination Committee's recommendation to the Board and in turn the Board's recommendation to the shareholders. A special resolution was proposed and passed at the 2019 AGM for the amendments of Bye-laws 87(2) and 88 of the Bye-laws to conform them with the Nomination Policy. An updated and consolidated version of the Memorandum and the Bye-laws is available on the Websites.

Corporate Governance Report *(continued)*

FINANCIAL REPORTING

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with the Hong Kong Financial Reporting Standards, the Listing Rules and other regulatory requirements. As at 31 March 2020, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The Auditor is responsible for audit and reports, if any, material misstatement or non-compliance with the Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the Auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 59 to 63.

CORPORATE SOCIAL RESPONSIBILITY

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

Risk Management Report

Effective risk management is essential for the Group to take the appropriate level of risks and opportunities in pursuing its strategic and business goals. 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 2020 (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.

With reference to Enterprise Risk Management — Integrated Framework issued by COSO and ISO 31000 Risk Management — Principles and Guidelines, the Group’s risk management framework comprises 3 key components:

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

RISK MANAGEMENT STRATEGY

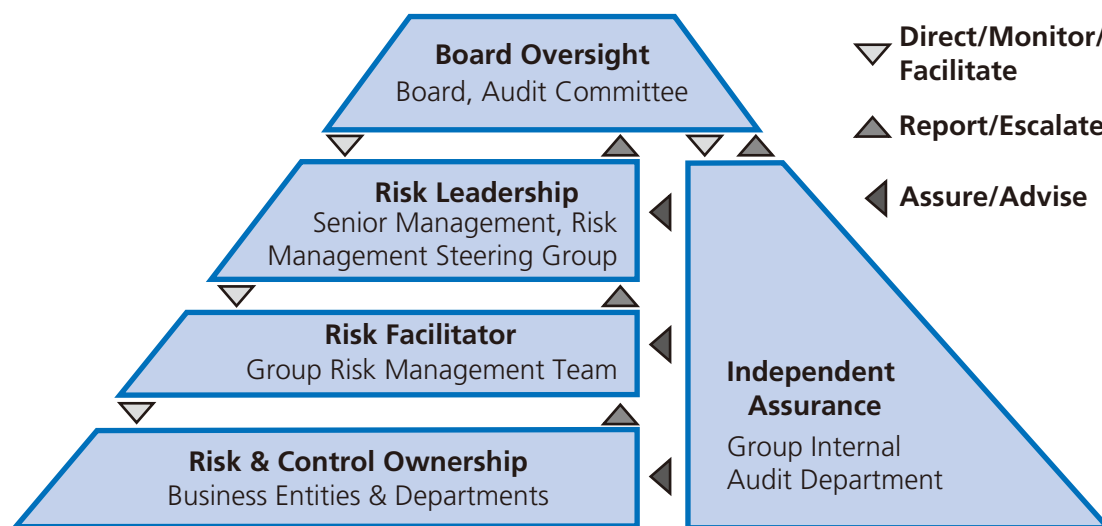
The Group recognises the importance of a proactive risk culture to the effective implementation of a risk management system. In order to foster the desired risk culture, the Group has integrated the risk management system into various parts of the business and day-to-day operation processes, and the Group aims to achieve the following objectives through the risk management activities:

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

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE

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



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

Board Oversight
<p>The Board</p> <ul style="list-style-type: none"> Take the overall responsibility for the risk management and internal control systems <p>Audit Committee empowered by the Board</p> <ul style="list-style-type: none"> Determine the Group’s overall risk appetite and establish appropriate culture throughout the Group for effective risk governance Review and approve risk criteria adopted by senior management to ensure that they are aligned with the Group’s risk appetite Oversee the risk exposure of various types including the mitigation strategies Provide oversight on the risk management and internal control systems and review their adequacy and effectiveness at least on an annual basis

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

Risk Leadership

Senior Management

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

RM Steering Group led by Senior Management

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

Risk Facilitator

Group Risk Management Team

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

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

Risk and Control Ownership

Business Entities and Departments

- Identify and review changes in risks in line with changes in the business environment
- Analyse risks and identify appropriate controls or risk treatment plans to address the risks
- Responsible for risk management activities and reporting in their businesses or operations
- Perform risk and control self-assessment activity to evaluate the effectiveness of risk management and internal controls for their respective entities

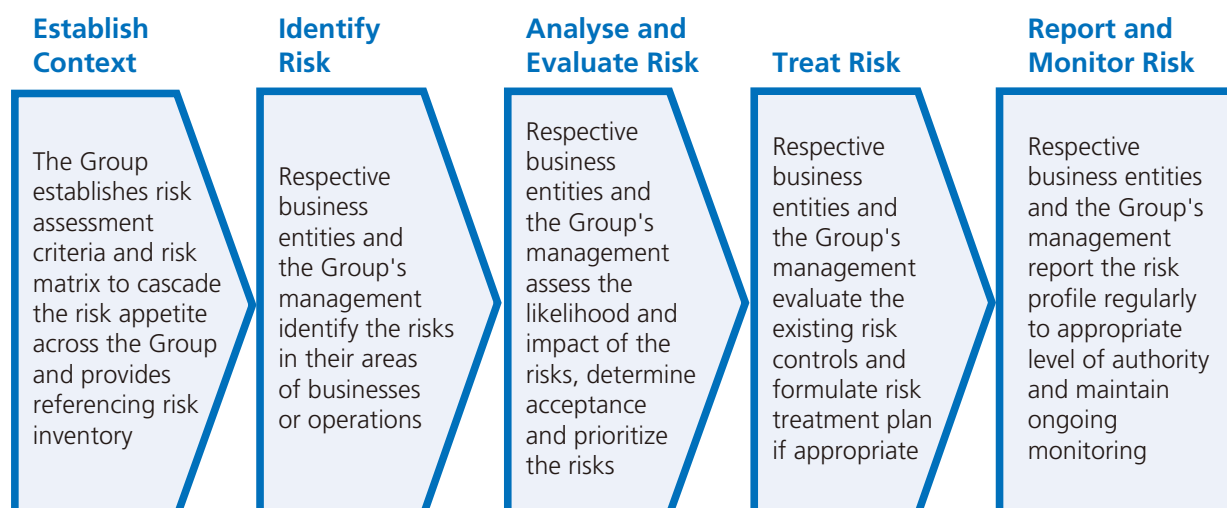
Independent Assurance

Group Internal Audit Department

- Conduct audit projects on various entities and functions across the Group and provide independent review on the adequacy and effectiveness of the internal control and risk management systems

RISK MANAGEMENT PROCESS

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



Risk Management Report *(continued)*

CONTINUOUS IMPROVEMENT

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

- Revised enterprise risk management reporting templates
- Revised Risk and Control Self-Assessment template
- Discussed risk management improvement initiatives across different levels of the Group
- Conducted risk management workshops to provide up-to-date risk knowledge to the risk owners
- Integrated 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:

Strategic	— Risk resulting from suboptimal determination and execution of business strategies or changes in external business environment.
Operational	— Risk of potential financial losses and/or business instability arising from failures in internal controls, operational processes, or in the system that supports them.
Financial	— Risk resulting from financial and reporting activities and/or use of financial instruments.
Compliance	— Risk of non-compliance with any internal requirements/standards, legal/regulatory requirements, and/or any related third party legal actions/disputes.


Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

A. Group Operations

Risks	Examples of Response Taken	Risk Trend
Financial — Credit Risk The risk that a counterparty will not settle an obligation in full value, either when due or at any time thereafter.	<ul style="list-style-type: none"> Default management and recovery procedures in place. Established credit risk management function. 	
Operational — COVID 19 outbreak The risk of adverse impact to the Group's business performance due to COVID-19.	<ul style="list-style-type: none"> Ensure clean and hygienic work environment. Temporary suspension of non-essential business travel. Flexible working hours and work from home. Provided face mask to staff. 	
Operational — Natural Disaster Risk¹ 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.	<ul style="list-style-type: none"> Performed periodic system backup Established business continuity plan covering different disaster scenarios Arranged appropriate insurance coverage for different disaster scenarios 	

B. Property Investment, Property Development and Management Services

Risks	Examples of Response Taken	Risk Trend
Strategic — Market Dynamic Risk The risk of unfavorable condition in the market demand, supply and price of the product/service that the company positioning, impacting the company's sale revenue target.	<ul style="list-style-type: none"> Contacted property agency to find new tenants proactively in order to minimize vacancy periods. Increased agency commission to motivate property agency. 	



Risk level has increased

¹ Material risk identified with ESG aspects

Risk Management Report *(continued)*

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the Year, the Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control systems based on:

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

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

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

Reporting Boundary

This report focuses on the operations of the Company's head office in Hong Kong and its subsidiaries in property investment, development and management as well as in management services for the Year (as summarised in the following table). While not all of the Group's operations are covered herein, it is the Group's aim to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure where appropriate.

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

Note: During the Year, there were no corporate finance and securities broking operations following the disposal of Lippo Securities Holdings Limited ("LSHL") in December 2018.

Reporting Standard

This report is prepared in accordance with the 'comply or explain' provisions of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 27 of the Listing Rules. To ensure the accuracy of environmental key performance indicators, the Group commissioned a professional consultant to conduct a carbon assessment. Selected key performance indicators that are categorised by the ESG Reporting Guide as 'recommended disclosures' are also included for readers' easy reference.

In preparation of this report, the Group adhered to the reporting principles of materiality, quantitative, balance and consistency:

Reporting principle	Application by the Group
Materiality	Material environmental and social issues were identified through stakeholder engagement, and materiality assessment was presented to the Board. The relevant content was prioritised and disclosed in this report.
Quantitative	The Groups records and discloses key performance indicators in quantitative terms as appropriate.
Balance	This report discloses information in an objective manner, giving stakeholders a fair picture of the Group's overall ESG performance.
Consistency	As far as practicable and unless stated otherwise, the Group employs consistent measurement methodology to allow for meaningful comparison of ESG data over time.

Environmental, Social and Governance Report *(continued)*

ABOUT THIS REPORT *(continued)*

Confirmation and Approval

Information in this report was sourced from official documents, statistical data, and management and operational information of and collected by the Group. This report was approved by the Board on 29 June 2020.

Opinion and Feedback

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

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

Email: hkc.ir@lippohk.com

MANAGEMENT APPROACH TO ESG

The Board has the overall responsibility to oversee the Group's ESG matters, including policies, measures, performance and risks. Through regular board meetings, the Board evaluates and reviews ESG matters as appropriate.

A working group, comprising representatives from business divisions, the Company's Secretary and compliance team, was established to implement and monitor ESG strategy and policies, carry out materiality assessment and prepare the ESG report annually. To better prepare the Group for future challenges, the Group will continue to enhance its ESG governance and develop sustainability strategies as necessary.

During the Year, ESG workshops were organised for the staff of the Group, covering ESG reporting, improvement opportunities and updates of local reporting standards.

ESG Risk Management and Internal Control Systems

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 achievement of its strategic and business goals, and to identify opportunities ahead.

The Board takes the overall responsibility for ensuring an appropriate and effective 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.

To increase risk awareness among business entities and departments, relevant training sessions were held in Hong Kong, mainland China and Singapore during the Year. The training covered top risks identified for different businesses and key control measures taken.

For further information regarding the Group's risk governance structure, management strategy and major risks identified, please refer to the Risk Management Report.

Environmental, Social and Governance Report *(continued)*

MANAGEMENT APPROACH TO ESG *(continued)*

Stakeholder Engagement

The Group defines its stakeholders as internal and external groups and individuals who have a significant impact on the Group's businesses, and those who are materially influenced or affected by the Group's businesses. Understanding the needs and expectations of stakeholders enables the Group to formulate strategies that respond to their concerns and manage potential risks. The Group engages its key stakeholders to gather their feedback in daily operations through multiple channels such as meetings, emails, telephone, interviews, conferences, visits, website and survey.

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none"> • C-level executives • Board of directors • Senior and middle management • General staff 	<ul style="list-style-type: none"> • Investors • Shareholders • Suppliers • Business partners • Auditors • Service providers • Customers

Materiality Assessment

To ensure this report addresses the environmental and social issues that are important to the Group and its stakeholders, a materiality assessment was conducted by adopting a four-step approach.

Step	Outcome
1 Identify relevant issues	<ul style="list-style-type: none"> • An interview with senior management was conducted to identify new and emerging material issues and risks. • A list of issues was compiled through reviewing existing and previous engagement results, with reference to local reporting standards. • 22 relevant issues were identified in aspects of "Environmental Protection", "Employment and Labour Practices", "Operating Practices" and "Community Investment".
2 Collect stakeholder feedback	<ul style="list-style-type: none"> • A quantitative online survey was conducted with internal and external stakeholders.
3 Identify material issues	<ul style="list-style-type: none"> • The materiality of each relevant issue was assessed by considering its importance to the stakeholders and the Group's impact on the environment and society. • Based on the survey results, a materiality matrix was developed as illustrated below.
4 Validation	<ul style="list-style-type: none"> • The materiality matrix and assessment results were presented to the Board and senior management.

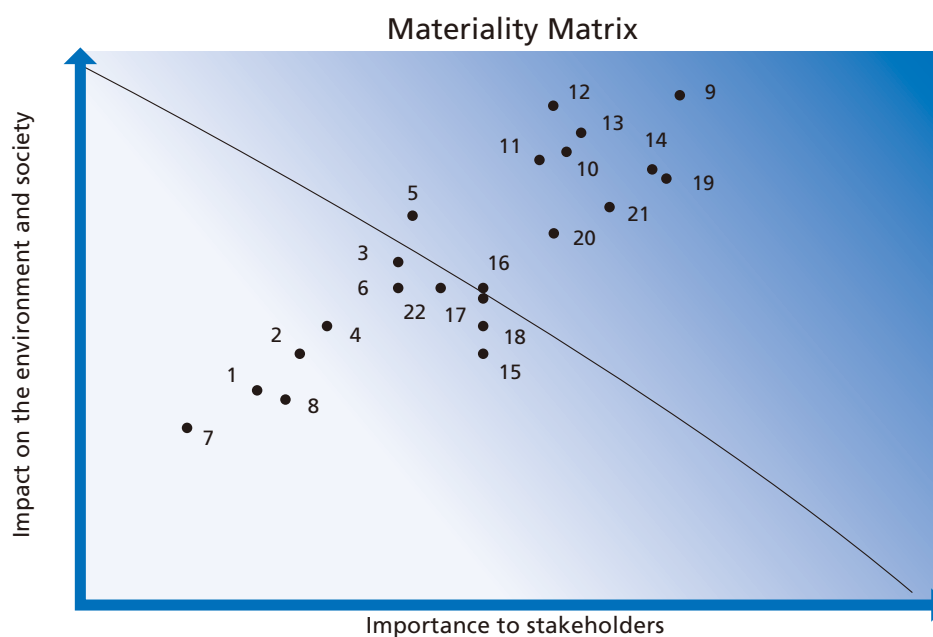
Environmental, Social and Governance Report *(continued)*

MANAGEMENT APPROACH TO ESG *(continued)*

Materiality Assessment *(continued)*

The materiality of 22 issues were mapped at the matrix, with the material issues listed at the top right quadrant and the less material issues found at the bottom left. A total of 11 issues were identified as material for the Group to address and report on.

The Group believes that stakeholder engagement is a continuous process and will continue to explore different forms of engagement channels, so as to strengthen its interaction with stakeholders to create mutually beneficial relationships.



Number (see materiality matrix above)	Identified Material Issues	Relevant section in this report
9	Employment management system	CARING FOR OUR EMPLOYEES — Employment Management System
12	A safe and healthy working environment	CARING FOR OUR EMPLOYEES — Health and Safety
14	Prevention of child labour and forced labour	CARING FOR OUR EMPLOYEES — Employment Management System
19	Protecting customer privacy	OPERATING RESPONSIBLY — Product Responsibility
13	Training and development	CARING FOR OUR EMPLOYEES — Training and Development
10	Employer-employee relations	CARING FOR OUR EMPLOYEES — Employment Management System
11	Diversity, equal opportunity and eliminating discrimination	CARING FOR OUR EMPLOYEES — Employment Management System
21	Anti-corruption	OPERATING RESPONSIBLY — Anti-corruption
20	Protecting intellectual property rights	OPERATING RESPONSIBLY — Product Responsibility
5	Water management	PROTECTING THE ENVIRONMENT — Resources and Waste Management
16	Product quality management	OPERATING RESPONSIBLY — Product Responsibility

To gain a more comprehensive understanding on the material issues, the Group also identified the issues that are of highest concern to the internal and external stakeholders under each aspect. They are waste management and caring for the community. This report has also addressed these issues in addition to the material topics identified through the materiality assessment.

Environmental, Social and Governance Report *(continued)*

CARING FOR OUR EMPLOYEES

Employment Management System

A sound employment system is the first step in maintaining a pool of talented employees. The Group aims to create a motivating, impartial, harmonious and safe working environment, as stated in the Human Resources Policy. Employment policies and procedures list guidelines and provisions such as recruitment, promotion, dismissal, hours of work, rest periods, overtime, compensation and other benefits and welfare.

Diversity and equal opportunities

The Human Resources Policy emphasises the importance of employee diversity and equal opportunities. Employees are given equal access to opportunities regardless of their age, gender, marital status, pregnancy, sexual orientation, family status, disability, politics, race, nationality or religion. Recruitment, compensation, rewards and promotion are based on employees' performance, aptitude and potential.

Fair and competitive remuneration

The Group enhances employees' well-being by offering comprehensive welfare and benefits. A number of benefits are covered in the Group's remuneration package, such as paid marriage leave, medical and compassionate leave, annual leave, healthcare and life insurance, retirement benefits and training subsidies.

Employee communication

Employees are free to voice out any concerns and complaints to their direct supervisors and managers, the human resources department, the general manager or the chief executive officer as appropriate through various communication channels. All feedback and complaints received will be handled with confidentiality.

Labour standards

The Group respects human rights and strictly prohibits any form of child and forced labour, as stated in the Human Resources Policy. The Group has also established effective systems and controls across its operation. To ensure the Group to comply with local rules and regulations, during the recruitment process, a suitable candidate is selected and assessed based on the identity document, academic background, talent, age, experience and other applicable merits.

Environmental, Social and Governance Report *(continued)*

CARING FOR OUR EMPLOYEES *(continued)*

Training and Development

The key to unleashing employee potential lies in establishing the right processes to support employees. In line with the Human Resources Policy, the Group supports employees to seek a variety of learning and development opportunities to acquire knowledge and skills for career growth. Divisions and departments nurture their staff through formulating work plans and providing day-to-day guidance. Employee performance is assessed against different performance indices and goals. An annual performance appraisal is performed to deliver feedback, identify individual development needs and address any performance concerns. Promotion is based on employees' performance, aptitude and potential to make future contributions in line with the Group's development.

During the Year, the Group provided a range of internal and external training opportunities to its employees. Examples of training activities during the Year are shown below:

Business	Subsidiary	Key Training Activities in the Year
Property investment and development	Chengdu Lippo	<ul style="list-style-type: none"> • Training workshop on enterprise risk management and ESG.
	One Realty	<ul style="list-style-type: none"> • Training workshop on enterprise risk management; • Continuing professional education in technical areas, e.g. financial accounting standards.
Management services	HCL Management	<ul style="list-style-type: none"> • Training workshop on enterprise risk management and ESG; • Subsidies provided for external training based on employees' needs, e.g. financial accounting standards.

Health and Safety

The Group cares about its employees and makes health and safety a priority to the Group's operations. As underlined in its Human Resources Policy, the Group's overall goal is to minimise risks related to employees' health and safety and to protect them from occupational hazards.

For the property investment and development business, fire drills are regularly held to better prepare employees in emergencies to ensure that they can efficiently identify and mitigate potential risks in the event of a fire. First aid kits are also provided at offices in the event of an accident. For subsidiaries located in poorer air quality regions such as Beijing Lippo, personal desktop air cleaners are provided to employees to minimise health risks related to respiratory system.

In the midst of the Pandemic, the Group has been caring for the health and safety of its employees and providing free surgical masks to them. It has implemented work-from-home and flexible working hours arrangements for the employees as appropriate. It has also sourced suppliers of surgical masks and disinfection products for the employees and placed orders for them. Offices are regularly sanitised and equipped with adequate disinfection and hygiene supplies for the employees.

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 cases of non-compliance in relation to employment, health and safety, child labour and forced labour.

Environmental, Social and Governance Report *(continued)*

OPERATING RESPONSIBLY

As a responsible corporate citizen, the Group is committed to upholding business ethics and standards of quality products and services. Its commitment and approach are underlined in the following Group's policies:

- Anti-corruption Policy
- Whistleblowing Policy
- Product and Service Responsibility Policy
- Sustainable Supply Chain Policy

Anti-corruption and Whistleblowing

Honesty, integrity and fair play have always been the Group's core values. With these core values in mind, the Group is strongly against bribery, extortion, fraud and money laundering. The Anti-corruption Policy guides directors and staff in circumstances such as acceptance of advantage and handling of conflict of interest.

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

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 cases of non-compliance in relation to corruption or whistleblowing nor was there any concluded legal case regarding corruption practices brought against it or its employees.

Product Responsibility

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

Protection of data privacy and intellectual property rights

The Group respects customer privacy and intellectual property rights of any third-party. The Product and Service Responsibility Policy defines the guiding principles on safeguarding customer data and intellectual property of third-parties. Employees are required to follow the policy and comply with applicable laws and regulations when handling such information. The Group only collects and keeps information of its business partners, customers and tenants that is necessary in its business activities. Consent from the relevant stakeholders is obtained for data collection. To preserve the confidentiality of the data, the Group ensures that only authorised persons have access to such information. Important data are encrypted and regular data backup is performed.

Environmental, Social and Governance Report *(continued)*

OPERATING RESPONSIBLY *(continued)*

Product Responsibility *(continued)*

Quality management

The Group cares about the potential impacts of its products and services on its customers. To ensure the products and services offered are safe and reliable, subsidiaries are required to follow the Group's Product and Service Responsibility Policy and other specific policies and procedures. To ensure the safety and quality of products and services offered by the suppliers, it is expected to maintain on-going monitoring and regular review of supplier performance and communicate with suppliers to identify any safety and quality concerns. In the event of any safety and quality issues, suppliers are requested to report, investigate and respond as soon as possible, and to recall products as appropriate. To take care of the health of tenants, subsidiaries are expected to establish facility hygiene requirements and maintain pest control. In the operations of property management, the property management companies engaged by subsidiaries provide regular maintenance of equipment and fixtures in the buildings, safety and security for tenants, and fire and emergency surveillance. For property development, the Group did not have any ongoing property project under development during the Year.

Responsible marketing and customer communication

The Group recognises the importance of responsibly advertising and labelling its products and services to help customer make informed choice. As stated in the Product and Service Responsibility Policy, the Group seeks to protect customer interest by promoting and advertising its products and services in ways that do not mislead customers. Information on products and services disclosed should also be adequate and reliable.

To enhance customer satisfaction, subsidiaries are required to establish appropriate feedback channels and mechanisms to solicit and respond to customer concerns and feedback. Subsidiaries such as Chengdu Lippo conduct visits to their tenants to collect their feedback and identify ways to improve their products and services.

There are no relevant laws and regulations in relation to product responsibility that have a significant impact on the Group. During the Year, the Group did not identify any non-compliance or complaint in relation to product responsibility.

Environmental, Social and Governance Report *(continued)*

OPERATING RESPONSIBLY *(continued)*

Supply Chain Management

The Group is committed to enhance its supply chain management to build a more sustainable supply chain. The Sustainable Supply Chain Policy highlights its commitment and expectations on suppliers. Subsidiaries are expected to implement procurement practices in line with the Group's policy and other procurement policies that governs daily operations.

To manage the social and environmental risks in its supply chain, the Groups defines in its policy the environmental and social factors that should be considered in the supplier selection and monitoring processes. Priority should be given to the supplier with better credentials or merits under the four pillars below, considering potential suppliers meet all other requirements. Subsidiaries are expected to perform on-going monitoring and regular review of the relevant performance of suppliers.

Pillar	Consideration of credentials or merits achieved by suppliers
Business ethics	<ul style="list-style-type: none"> Formulation of business code of conduct, policies related to regulatory compliance and policies related to the protection of employee rights, awards or accreditation obtained Compliance with laws and regulations related to business ethics, environment and social responsibility
Product/service safety and quality	<ul style="list-style-type: none"> Quality management system, assurance function, awards or accreditation obtained
Work health and safety	<ul style="list-style-type: none"> Safe working environment, health and safety management system, policy, training, record of incident rate and awards achieved related to health and safety
Environmental management	<ul style="list-style-type: none"> Environmental management system, policy and awards achieved

To uphold values for social responsibility, the Group encourages subsidiaries to invite local suppliers to participate in the selection process and consider small firms, voluntary, community service and ethnic minority organisations and/or social enterprises as potential suppliers, as far as practicable. Subsidiaries are also suggested to consider purchasing environmentally friendly products and services whenever feasible.

The Group will continue to enforce these standards and explore possibilities in improving the approach to identify and manage potential environmental and social impacts across its supply chain.

Environmental, Social and Governance Report *(continued)*

PROTECTING THE ENVIRONMENT

Adhering to the goal of being environmentally responsible, the Group is committed to reducing its negative environmental impacts in its operations. With the Environmental Policy in place, the Group conducts its business in an environmentally conscious manner and identify its material environmental risks and opportunities. All subsidiaries are expected to make ongoing efforts in the management as well as minimisation of their environmental impacts by establishing applicable procedures and practices. The Group's environmental performance is regularly monitored and reviewed to ensure compliance with regulatory requirements and industry standards.

Emissions Management

Air emissions

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

Greenhouse Gases ("GHG") emissions

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

The total GHG emissions of the Year was 112.6 tonnes CO₂-e. The GHG intensity was 0.30 tonnes CO₂-e/square metre floor area or 1.58 tonnes CO₂-e/million HK\$ revenue.

Scope 2, being the energy indirect GHG emissions, constitutes 51% of the total GHG emissions. Scope 1 and Scope 3, being the direct GHG emissions and other indirect GHG emissions, account for 48% and 1% of the total GHG emissions respectively. The GHG emissions data is set out in the Key Performance Indicators section below.

In an effort to reduce and manage the emissions, preference is given to purchasing office equipment and company vehicles with higher energy efficiency and lower emissions, such as LED lights and electric vehicles. Going forward, the Group will consider the possibility of using the emission data in support of establishing carbon reduction action plan and setting reduction targets.

Environmental, Social and Governance Report *(continued)*

PROTECTING THE ENVIRONMENT *(continued)*

Resources and Waste Management

Mindful of its environmental responsibility, the Group strives to use resources in an efficient and responsible manner. To manage and reduce the consumption of energy, water and other materials, the Group has implemented a series of measures across its operations:

Energy

Practices

- Automatic lighting controls on a set schedule to save energy during non-business hours;
- Set thermostat of air conditioner to optimal temperature that balance employee comfort and energy use;
- Perform regular cleaning and maintenance of air-conditioning systems;
- Give priority to energy efficient electrical appliances and LED lights when there is need for replacement.

Performance

The total energy consumption of the Year was 318.5 MWh-e. The energy intensity was 0.84 MWh-e/square metre floor area or 4.5 MWh-e/million HK\$ revenue.

Water

Practices

- Install water efficient taps with a low flow rate;
- Perform regular maintenance of water supply facilities.

Performance

The total water consumption and the water intensity of the Year was 191.3 cubic metres and 31.9 cubic metres/employee respectively (Note).

The Group sourced water from the municipal supply and faced no issue in sourcing water fit for purpose.

Note: Including Chengdu Lippo and Fairseas only. Other subsidiaries were operated in leased premises with the supply of water controlled by building management and no sub-metering for individual occupants.

Environmental, Social and Governance Report *(continued)*

PROTECTING THE ENVIRONMENT *(continued)*

Resources and Waste Management *(continued)*

Waste

Practices

- Adopt e-communication whenever possible;
- Practise reuse and recycling in office where feasible;
- Print double-sided;
- Reuse one-sided used paper.

Major non-hazardous waste produced across the Group's operations are domestic solid waste from offices. All are disposed of by authorised vendors in accordance with applicable environmental regulations.

Performance

The Group produced 0.51 tonnes non-hazardous waste during the Year (Note 1). Non-hazardous waste intensity was 0.05 tonnes/employee. The Group recorded 0.01 tonnes hazardous waste during the Year (Note 2). Hazardous waste intensity was 0.0003 tonnes/employee.

Notes:

1. Including Beijing Lippo and Chengdu Lippo only.
2. Excluding Chengdu Lippo.

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

Apart from the GHG emissions and resource use disclosed above, the nature of the Group's operation does not have any significant impact on the environment and natural resources. Going forward, the Group will constantly be working to reduce the consumption of energy and other natural resources across its operations and to use environmentally friendly products and services whenever possible.

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 cases of non-compliance in relation to the environment.

Environmental, Social and Governance Report *(continued)*

CARING FOR THE COMMUNITY

The Group aspires to understand and meet the needs of local communities and reducing the impacts of its operations on the surroundings. With guidance from the Donation Policy, the Group aims to promote and support the development of the communities in the form of philanthropic donations. The focus areas of contribution continue to include a wide array of aspects, ranging from education, sickness and disability relief, poverty alleviation, disaster aid to religious pursuit. During the Year, the Group made charitable and other donations of HK\$980,000.

The Group will carry on with its endeavour in community engagement and leverage its network and influence in community investment initiatives to fulfil its corporate social responsibility as a corporate citizen.

KEY PERFORMANCE INDICATORS

Environmental Performance

Air emissions	2019/2020	2018/2019
Nitrogen oxides (kg)	0.83	1.06
Sulphur oxides (kg)	0.26	0.32
Respirable suspended particulates (kg)	0.38	0.64

GHG emissions	2019/2020	2018/2019
Scope 1: Direct emissions (tonnes CO ₂ -e)	53.6	46.8
Scope 2: Energy indirect emissions (tonnes CO ₂ -e)	58.0	92.0
Scope 3: Other indirect emissions (tonnes CO ₂ -e)	1.0	6.0
Total (Scope 1, 2 and 3) (tonnes CO ₂ -e)	112.6	144.8
GHG intensity (tonnes CO ₂ -e/square metre)	0.30	0.20
GHG intensity (tonnes CO ₂ -e/million HK\$ revenue)	1.58	1.75

Waste	2019/2020	2018/2019
Hazardous waste (tonnes)	0.01 <i>(Note 1)</i>	0
Hazardous waste intensity (tonnes/employee)	0.0003	Not applicable
Non-hazardous waste (tonnes)	0.51 <i>(Note 2)</i>	0.98 <i>(Note 3)</i>
Non-hazardous waste intensity (tonnes/employee)	0.05	0.10 <i>(Note 3)</i>

Notes:

1. Excluding Chengdu Lippo.
2. Including Beijing Lippo and Chengdu Lippo only.
3. Including Beijing Lippo and LSHL only. The non-hazardous waste intensity is recalculated using the number of employees of Beijing Lippo and LSHL.

Environmental, Social and Governance Report *(continued)*

KEY PERFORMANCE INDICATORS *(continued)*

Environmental Performance *(continued)*

Energy consumption		2019/2020	2018/2019
Direct energy	Petrol (MWh-e)	31.1	36.4
	Diesel (MWh-e)	156.1	143.3
Indirect energy	Electricity (MWh)	131.3	161.5
Total (MWh-e)		318.5	341.2
Energy intensity (MWh-e/square metre)		0.84	0.46
Energy intensity (MWh-e/million HK\$ revenue)		4.5	4.1

Water consumption <i>(Note)</i>		2019/2020	2018/2019
Total (cubic metre)		191.3	111.5
Water intensity (cubic metre/employee)		31.9	27.9

Note: Including Chengdu Lippo and Fairseas only. Other subsidiaries were operated in leased premises with the supply of water controlled by building management and no sub-metering for individual occupants. The total water consumption and water intensity of the Year were higher than that of 2018/2019. This was mainly due to an increase in water consumption by Chengdu Lippo and Fairseas.

Packaging material used		2019/2020	2018/2019
Total		Not applicable	Not applicable
Intensity		Not applicable	Not applicable

Social Performance

Number of employees										2019/2020		2018/2019		
Region	Gender	Age			Employee category		Employment type		Subtotal	Total (by region)	Total workforce	Male to female ratio	Total workforce	Male to female ratio
		Below 30	30-50	Above 50	Management	Other employees	Full-time	Part-time						
Hong Kong	Male	0	1	6	4	3	7	0	7	16				
	Female	0	5	4	0	9	9	0	9					
Singapore	Male	0	1	2	0	3	3	0	3	7	34	0.79:1	34	0.89:1
	Female	0	2	2	0	4	4	0	4					
Mainland China	Male	0	4	1	3	2	4	1	5	11				
	Female	0	4	2	2	4	6	0	6					

Environmental, Social and Governance Report *(continued)*

KEY PERFORMANCE INDICATORS *(continued)*

Social Performance *(continued)*

Work-related fatality and injury			
	Number and rate of work-related fatalities	Number and rate of work-related injury	Lost days due to work-related injury
2019/2020	0	0	0
2018/2019	0	0	0

Number and percentage of employees trained (Note)								
Region	Gender	Employee category			2019/2020		2018/2019	
		Management	Other employees	Subtotal	Total (by gender)		Total (by gender)	
					Male	Female	Male	Female
Hong Kong	Male	2 (50%)	1 (33%)	3 (43%)				
	Female	–	4 (44%)	4 (44%)				
Singapore	Male	–	0	0	4 (27%)	7 (37%)	6 (38%)	8 (44%)
	Female	–	3 (75%)	3 (75%)				
Mainland China	Male	1 (33%)	0	1 (20%)				
	Female	0	0	0				

Note: Percentage of employees trained = number of employees trained in specified category/number of employees in specified category x 100%.

Breakdown for employees trained for 2019/2020 (Note)				
Employee category			Gender	
Management	Other employees		Male	Female
27%	73%		36%	64%

Note: Breakdown for employees trained = employee trained in specified category/total number of employees trained x 100%.

Average training hours (Note)								
Region	Gender	Employee category			2019/2020		2018/2019	
		Management	Other employees	Subtotal	Total (by gender)		Total (by gender)	
					Male	Female	Male	Female
Hong Kong	Male	8.2	4.8	6.7				
	Female	–	3.1	3.1				
Singapore	Male	–	0	0	3.4	1.6	8.0	7.0
	Female	–	0.8	0.8				
Mainland China	Male	3.5	0	0.7				
	Female	0	0	0				

Note: Average training hours = number of training hours for employees in specified category/number of employees in specified category.

Environmental, Social and Governance Report *(continued)*

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	50, 52
A1.1	The types of emissions and respective emissions data.	53
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	50, 53
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	52-53
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	52-53
A1.5	Description of measures to mitigate emissions and results achieved.	50-53
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	52-53
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	50
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	51, 54
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	51, 54
A2.3	Description of energy use efficiency initiatives and results achieved.	51, 54
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	51, 54
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	54
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	52
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	52

Environmental, Social and Governance Report *(continued)*

ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Material Aspect	Content	Page Index/Remarks
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	45-46
B1.1	Total workforce by gender, employment type, age group and geographical region.	54
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	46
B2.1	Number and rate of work-related fatalities.	55
B2.2	Lost days due to work injury.	55
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	46
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	46
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	55
B3.2	The average training hours completed per employee by gender and employee category.	55
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	45-46
B4.1	Description of measures to review employment practices to avoid child and forced labour.	45
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	49

Environmental, Social and Governance Report *(continued)*

ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Material Aspect	Content	Page Index/Remarks
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	47-48
B6.3	Description of practices relating to observing and protecting intellectual property rights.	47
B6.4	Description of quality assurance process and recall procedures.	48
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	47
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	47
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.	47
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	47
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	53
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	53
B8.2	Resources contributed (e.g. money or time) to the focus area.	53

Independent Auditor's Report



To the shareholders of Hongkong Chinese Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 148, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report *(continued)*

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of interest in a joint venture</i></p> <p>The carrying amount of the Group's interests in joint ventures amounted to HK\$10,319 million as at 31 March 2020. The interests in joint ventures were stated at the Group's share of net assets under the equity method of accounting, less any impairment losses at the end of each reporting period.</p> <p>The carrying amount of the Group's interest in Lippo ASM Asia Property Limited ("LAAPL"), a material joint venture of the Group, amounted to HK\$10,059 million as at 31 March 2020. LAAPL has a controlling interest in OUE Limited, a listed company in Singapore which is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors.</p> <p>The impairment assessment of the Group's interest in LAAPL and its subsidiaries is significant to our audit due to (i) the significance of the carrying amount as at 31 March 2020; and (ii) the determination of the recoverable amount of the interest in LAAPL requires significant management's judgement and estimate.</p> <p>Related disclosures are included in Notes 3 and 19 to the consolidated financial statements.</p>	<p>We assessed management's process for identifying the objective evidence of impairment in respect of the interest in LAAPL. We evaluated and tested the assumptions and methodologies used by management in the determination of the recoverable amount. We assessed the cash flow projection of LAAPL by making reference to its historical financial performance. For the discount rate applied to the cash flow projection, we assessed the inputs used to determine the rate with reference to market data. We involved our internal valuation specialists to assist us in assessing the discount rate adopted in the cash flow projection.</p>
<p><i>Fair value of investment properties</i></p> <p>As at 31 March 2020, investment properties measured at fair values amounted to approximately HK\$138 million, with a corresponding net fair value gain of HK\$4 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 16 to the consolidated financial statements.</p>	<p>We considered the objectivity, independence and competency of the valuers. We assessed the valuation methodologies adopted and assumptions used by the valuers, and performed market value benchmarking against comparable properties. We involved our internal valuation specialists to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group.</p>

Independent Auditor's Report *(continued)*

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report *(continued)*

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

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

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

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

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

Independent Auditor's Report *(continued)*

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

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

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

Ernst & Young

Certified Public Accountants

22/F CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

29 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Revenue	5	71,438	71,155
Cost of sales	6	(1,643)	(2,889)
Gross profit		69,795	68,266
Administrative expenses		(38,183)	(42,044)
Other operating expenses	6	(37,606)	(53,720)
Net fair value gain on investment properties		4,208	6,032
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	6	(6,167)	1,016
Finance costs	9	(19,192)	(17,338)
Share of results of associates		24,520	5,750
Share of results of joint ventures	10	429,138	(101,294)
Profit/(Loss) before tax from continuing operations	6	426,513	(133,332)
Income tax	11	(2,908)	(2,350)
Profit/(Loss) for the year from continuing operations		423,605	(135,682)
Discontinued operation			
Profit for the year from discontinued operation	12	–	145,677
Profit for the year		423,605	9,995
Attributable to:			
Equity holders of the Company		424,838	10,818
Non-controlling interests		(1,233)	(823)
		423,605	9,995
Earnings/(Loss) per share attributable to equity holders of the Company		HK cents	HK cents
Basic and diluted	13		
– For profit for the year		21.3	0.5
– For profit/(loss) from continuing operations		21.3	(6.8)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Profit for the year		423,605	9,995
Other comprehensive income/(loss)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(35,953)	(31,992)
Exchange differences reclassified to profit or loss upon:			
Disposal of subsidiaries	12	–	(2,708)
Liquidation of foreign operations		–	(2,641)
Share of other comprehensive loss of joint ventures:			
Exchange differences on translation of foreign operations		(502,169)	(205,036)
Other reserves		(50,719)	(8,048)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax		(588,841)	(250,425)
Other comprehensive income/(loss) 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		(26)	(6)
Share of changes in fair value of equity instruments at fair value through other comprehensive income of joint ventures		54,920	29,438
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		54,894	29,432
Other comprehensive loss for the year, net of tax		(533,947)	(220,993)
Total comprehensive loss for the year		(110,342)	(210,998)
Attributable to:			
Equity holders of the Company		(107,864)	(207,880)
Non-controlling interests		(2,478)	(3,118)
		(110,342)	(210,998)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company:			
– From continuing operations		(107,864)	(350,425)
– From discontinued operation		–	142,545
		(107,864)	(207,880)

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Fixed assets	15	26,777	32,486
Investment properties	16	138,207	140,112
Interests in associates	18	375,999	374,295
Interests in joint ventures	19	10,319,111	10,533,021
Financial assets at fair value through other comprehensive income	20	69	18
Financial assets at fair value through profit or loss	21	2,900	2,940
Other financial asset	22	46,780	49,087
		10,909,843	11,131,959
Current assets			
Properties held for sale		80,732	85,385
Properties under development	23	30,179	29,566
Loans and advances	24	7,041	8,356
Debtors, prepayments and other assets	25	3,334	7,920
Financial assets at fair value through profit or loss	21	11,121	16,458
Tax recoverable		150	197
Cash and cash equivalents		135,169	506,525
		267,726	654,407
Current liabilities			
Bank and other borrowings	26	–	246,667
Other payables, accruals and other liabilities		33,356	35,638
Tax payable		48,775	54,464
		82,131	336,769
Net current assets		185,595	317,638
Total assets less current liabilities		11,095,438	11,449,597

Consolidated Statement of Financial Position *(continued)*

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Bank and other borrowings	26	491,667	490,000
Deferred tax liabilities	27	15,483	15,379
		507,150	505,379
Net assets			
Equity			
Equity attributable to equity holders of the Company			
Share capital	28	1,998,280	1,998,280
Reserves	29	8,571,617	8,925,069
		10,569,897	10,923,349
Non-controlling interests		18,391	20,869
		10,588,288	10,944,218

Stephen Riady
Director

John Luen Wai Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to equity holders of the Company									
	Share capital	Share premium account	Capital redemption reserve (Note 29(b))	Fair value reserve of financial assets at FVOCI*	Hedging reserve (Note 29(c))	Exchange equalisation reserve	Distributable reserves (Note 29(b))	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2019, as previously reported	1,998,280	92,775	22,144	348,433	(6,546)	477,602	7,990,661	10,923,349	20,869	10,944,218
Impact on initial application of HKFRS 16 (Note 2.2)	-	-	-	-	-	-	(99)	(99)	-	(99)
At 1 April 2019, as adjusted	1,998,280	92,775	22,144	348,433	(6,546)	477,602	7,990,562	10,923,250	20,869	10,944,119
Profit for the year	-	-	-	-	-	-	424,838	424,838	(1,233)	423,605
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(34,708)	-	(34,708)	(1,245)	(35,953)
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	(26)	-	-	-	(26)	-	(26)
Share of other comprehensive income/(loss) of joint ventures	-	-	-	54,721	(50,520)	(502,169)	-	(497,968)	-	(497,968)
Total comprehensive income/(loss) for the year	-	-	-	54,695	(50,520)	(536,877)	424,838	(107,864)	(2,478)	(110,342)
Share of equity movements arising on equity transactions of joint ventures	-	-	-	-	-	-	(205,523)	(205,523)	-	(205,523)
Transfer of reserve of a joint venture	-	-	-	(469,564)	-	-	469,564	-	-	-
2018/2019 final dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	(19,983)	(19,983)	-	(19,983)
2019/2020 interim dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	(19,983)	(19,983)	-	(19,983)
At 31 March 2020	1,998,280	92,775	22,144	(66,436)	(57,066)	(59,275)	8,639,475	10,569,897	18,391	10,588,288
At 1 April 2018	1,998,280	92,775	22,144	319,638	1,419	717,684	8,041,456	11,193,396	32,060	11,225,456
Profit for the year	-	-	-	-	-	-	10,818	10,818	(823)	9,995
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(29,697)	-	(29,697)	(2,295)	(31,992)
Exchange differences reclassified to profit or loss upon:										
Disposal of subsidiaries	-	-	-	-	-	(2,708)	-	(2,708)	-	(2,708)
Liquidation of foreign operations	-	-	-	-	-	(2,641)	-	(2,641)	-	(2,641)
Changes in fair value of equity instrument at fair value through other comprehensive income	-	-	-	(6)	-	-	-	(6)	-	(6)
Share of other comprehensive income/(loss) of joint ventures	-	-	-	29,355	(7,965)	(205,036)	-	(183,646)	-	(183,646)
Total comprehensive income/(loss) for the year	-	-	-	29,349	(7,965)	(240,082)	10,818	(207,880)	(3,118)	(210,998)
Changes in non-controlling interests without change in control	-	-	-	-	-	-	(265)	(265)	(466)	(731)
Share of equity movements arising on equity transactions of joint ventures	-	-	-	-	-	-	(21,936)	(21,936)	-	(21,936)
Transfer of reserve of a joint venture	-	-	-	(554)	-	-	554	-	-	-
2017/2018 final dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	(19,983)	(19,983)	-	(19,983)
2018/2019 interim dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	(19,983)	(19,983)	-	(19,983)
Return of capital to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(7,607)	(7,607)
At 31 March 2019	1,998,280	92,775	22,144	348,433	(6,546)	477,602	7,990,661	10,923,349	20,869	10,944,218

* FVOCI stands for fair value through other comprehensive income.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash used in operations	31(a)	(62,987)	(65,180)
Interest received		1,907	3,994
Dividends received from:			
A joint venture		1,418	2,873
Investments		708	574
Taxes paid:			
Hong Kong		–	(852)
Overseas		(6,207)	(3,024)
Net cash flows used in operating activities		(65,161)	(61,615)
Cash flows from investing activities			
Distribution from financial assets at fair value through profit or loss		894	142
Proceeds from disposal of fixed assets		–	18
Payments to acquire:			
Fixed assets		(1,755)	(20,798)
Financial assets at fair value through other comprehensive income		(76)	–
Financial assets at fair value through profit or loss		(29)	–
Advances to associates		(42)	(45)
Investments in joint ventures		–	(31,058)
Repayment from a joint venture		3,400	–
Advance to a joint venture		–	(140,112)
Disposal of subsidiaries	12	–	164,826
Refund of exclusivity payment		–	(130,000)
Decrease in time deposits with original maturity of more than three months		–	4,632
Net cash flows from/(used in) investing activities		2,392	(152,395)
Cash flows from financing activities			
Drawdown of bank and other borrowings		–	250,000
Repayment of bank and other borrowings		(250,000)	–
Finance costs paid		(14,394)	(12,171)
Acquisition of non-controlling interests		–	(731)
Dividends paid to shareholders of the Company		(39,966)	(39,966)
Return of capital to a non-controlling shareholder of a subsidiary		–	(7,607)
Decrease in restricted cash		–	61
Net cash flows from/(used in) financing activities		(304,360)	189,586
Net decrease in cash and cash equivalents		(367,129)	(24,424)
Cash and cash equivalents at beginning of year		506,525	539,031
Exchange realignments		(4,227)	(8,082)
Cash and cash equivalents at end of year		135,169	506,525

Notes to the Financial Statements

1. CORPORATE AND GROUP INFORMATION

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

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

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

Details of the principal subsidiaries are set out on pages 144 to 146.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020. 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 distributable reserves, 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 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 and Amendments to HKAS 28, the application of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 16

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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of equity at 1 April 2019, and the comparative information for the prior period was not restated and continued to be reported under HKAS 17 and related interpretations.

Notes to the Financial Statements *(continued)*

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

HKFRS 16 *(continued)*

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were either (i) measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019, or (ii) recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Notes to the Financial Statements *(continued)*

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

HKFRS 16 *(continued)*

Nature of the effect of adoption of HKFRS 16 (continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows. The short-term lease exemptions as allowed by the practical expedients were applied to leases of the Group at 1 April 2019, no lease liability was recorded as at 1 April 2019.

	HK\$'000
Operating lease commitments as at 31 March 2019	1,680
Weighted average incremental borrowing rate as at 1 April 2019	3.97%
Discounted operating lease commitments as at 1 April 2019	1,660
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(1,660)
Lease liabilities as at 1 April 2019	–

The Group's joint ventures also adopted HKFRS 16 on 1 April 2019 using the modified retrospective method. The cumulative effect of initial adoption was adjusted to the carrying amount of the interests in joint ventures and the opening balance of equity at 1 April 2019.

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	HK\$'000
Assets	
Decrease in interests in joint ventures and total assets	(99)
Equity	
Decrease in retained profits	(99)

Amendments to HKAS 28

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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 based on the facts and circumstances that exist on that day using the transitional requirements in the amendments. The adoption of the amendments on 1 April 2019 resulted in reclassification of HK\$16,458,000 from share of net liabilities of associates to provision for impairment losses and HK\$5,893,000 from share of net liabilities of joint ventures to provision for impairment losses. There is no impact on the balances of the interests in associates and interests in joint ventures, respectively. The Group applies the relief from restating comparative information for prior periods upon adoption of the amendments.

Notes to the Financial Statements *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> ³

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 June 2020

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective to the Group for annual periods beginning on or after 1 April 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due to or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

(b) Business combinations and goodwill

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

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

(b) 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.

(c) Fair value measurement

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

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

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

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Fair value measurement *(continued)*

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(d) Impairment of non-financial assets

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

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

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

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Related parties

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

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

or

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

(f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. When an item of fixed assets is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Fixed assets and depreciation *(continued)*

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

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

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

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

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (For the year ended 31 March 2019: leasehold property under an operating lease) 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" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset 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 assets revaluation reserve. On disposal of the asset, the relevant portion of the other assets revaluation reserve realised in respect of previous valuations is transferred to the distributable reserves as a movement in reserves.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases (applicable from 1 April 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases (applicable from 1 April 2019) *(continued)*

Group as a lessee (continued)

(ii) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and other equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leases (applicable before 1 April 2019)

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.

(j) Investments and other financial assets

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" 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. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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)

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.

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 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)*

(k) Derecognition of financial assets

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

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

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

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.

(l) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

General approach (continued)

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.

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)*

(m) Financial liabilities

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 other payables, accruals and other liabilities and bank and other borrowings.

Subsequent measurement

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

Financial liabilities at FVPL

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 amortised cost (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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Derecognition of financial liabilities

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

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

(o) Offsetting of financial instruments

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

(p) Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Current versus non-current classification

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

(q) Properties held for sale

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

(r) Properties under development

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

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) 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.

(t) 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 policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

(u) 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)*

(u) Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences and 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 and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with 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.

(v) Revenue recognition

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)*

(v) Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with 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 with 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 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.

(ii) Provision of project management services

Revenue from the provision of project 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.

(iii) Commission income

Commission income on dealing in securities and commodities is recognised at a point in time on the transaction date when the relevant contract notes are exchanged.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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.

(w) 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Employee benefits *(continued)*

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.

(x) 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.

(y) Dividends and distributions

Final dividends and distributions are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) 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.

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

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

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

Notes to the Financial Statements *(continued)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Judgements

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

Property lease classification — 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, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as 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 2020 was HK\$138,207,000 (2019 — HK\$140,112,000). Further details are disclosed in Note 16 to the financial statements.

Impairment of non-financial assets

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

After applying the equity method, the Group assesses whether there is any objective evidence of impairment for the interests in joint ventures. The interests in joint ventures are tested for impairment when there is objective evidence of impairment. The carrying amount of interests in joint ventures as at 31 March 2020 was HK\$10,319,111,000 (2019 — HK\$10,533,021,000). Further details are disclosed in Note 19 to the financial statements.

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 the letting and resale of properties;
- (b) the property development segment includes the 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 purposes;
- (e) the banking business segment engages in the provision of commercial and retail banking services; and
- (f) the “other” segment comprises principally money lending and the provision of project management services.

The corporate finance and securities broking segment which provides securities and futures brokerage, investment banking, underwriting and other related advisory services was classified as discontinued operation during the prior year (Note 12).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource 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 2020

	Continuing operations							Discontinued operation			
	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000	Corporate finance and securities broking HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue											
External	68,243	-	1,048	708	-	1,439	-	71,438	-	-	71,438
Inter-segment	-	-	-	-	-	-	-	-	-	-	-
Total	68,243	-	1,048	708	-	1,439	-	71,438	-	-	71,438
Segment results	47,571	(3,871)	1,048	(3,255)	(2,307)	(2,138)	-	37,048	-	-	37,048
Unallocated corporate expenses								(64,193)			(64,193)
Share of results of associates	-	24,520	-	-	-	-	-	24,520	-	-	24,520
Share of results of joint ventures	433,874	(22)	-	-	(4,714)	-	-	429,138	-	-	429,138
Profit before tax								426,513			426,513
Segment assets	174,709	99,930	112,951	14,090	46,780	7,085	-	455,545	-	-	455,545
Interests in associates	6,290	369,646	-	-	-	63	-	375,999	-	-	375,999
Interests in joint ventures	10,189,628	190	-	-	129,293	-	-	10,319,111	-	-	10,319,111
Unallocated assets								26,914	-	-	26,914
Total assets								11,177,569	-	-	11,177,569
Segment liabilities	494,685	9,177	-	-	-	-	-	503,862	-	-	503,862
Unallocated liabilities								85,419	-	-	85,419
Total liabilities								589,281	-	-	589,281
Other segment information:											
Capital expenditure (Note)	171	-	-	-	-	-	-	171	-	-	171
Depreciation	(24)	(2)	-	-	-	-	-	(26)	-	-	(26)
Interest income	61,254	-	1,048	-	-	246	-	62,548	-	-	62,548
Finance costs	(19,192)	-	-	-	-	-	-	(19,192)	-	-	(19,192)
Write-back of provisions/(Provisions) for impairment losses on:											
An associate	-	-	-	-	-	(41)	-	(41)	-	-	(41)
A joint venture	-	3,400	-	-	-	-	-	3,400	-	-	3,400
Properties under development	-	(140)	-	-	-	-	-	(140)	-	-	(140)
Net fair value loss on financial instruments at fair value through profit or loss	-	-	-	(3,860)	(2,307)	-	-	(6,167)	-	-	(6,167)
Net fair value gain on investment properties	4,208	-	-	-	-	-	-	4,208	-	-	4,208
Unallocated:											
Capital expenditure (Note)								1,584			1,584
Depreciation								(5,920)			(5,920)

Notes to the Financial Statements (continued)

4. SEGMENT INFORMATION (continued)

Year ended 31 March 2019

	Continuing operations							Discontinued operation			
	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000	Corporate finance and securities broking HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue											
External	58,959	6,083	4,062	574	-	1,477	-	71,155	11,504	-	82,659
Inter-segment	-	-	-	-	-	-	-	-	73	(73)	-
Total	58,959	6,083	4,062	574	-	1,477	-	71,155	11,577	(73)	82,659
Segment results	42,218	1,651	4,062	1,002	261	(2,593)	73	46,674	145,750	(73)	192,351
Unallocated corporate expenses	-	-	-	-	-	-	-	(84,462)	-	-	(84,462)
Share of results of associates	-	5,782	-	-	-	(32)	-	5,750	-	-	5,750
Share of results of joint ventures	(111,827)	2,852	-	-	7,681	-	-	(101,294)	-	-	(101,294)
Profit/(Loss) before tax								(133,332)			12,345
Segment assets	178,318	110,883	476,879	19,416	49,087	8,377	-	842,960	-	-	842,960
Interests in associates	6,476	367,761	-	-	-	58	-	374,295	-	-	374,295
Interests in joint ventures	10,397,143	1,671	-	-	134,207	-	-	10,533,021	-	-	10,533,021
Unallocated assets	-	-	-	-	-	-	-	36,090	-	-	36,090
Total assets								11,786,366	-	-	11,786,366
Segment liabilities	744,915	7,456	-	82	-	148	-	752,601	-	-	752,601
Unallocated liabilities	-	-	-	-	-	-	-	89,547	-	-	89,547
Total liabilities								842,148	-	-	842,148
Other segment information:											
Capital expenditure (Note)	20,785	-	-	-	-	-	-	20,785	3	-	20,788
Depreciation	(449)	(11)	-	-	-	(27)	-	(487)	(50)	-	(537)
Interest income	52,283	-	4,062	-	-	282	-	56,627	-	-	56,627
Finance costs	(17,338)	-	-	-	-	-	-	(17,338)	-	-	(17,338)
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	153,255	-	153,255
Write-back of provisions/(Provisions) for impairment losses on:											
Fixed assets	(1,782)	-	-	-	-	-	-	(1,782)	-	-	(1,782)
Properties under development	-	(138)	-	-	-	-	-	(138)	-	-	(138)
Properties held for sale	196	-	-	-	-	-	-	196	-	-	196
Loans and receivables	-	-	-	-	-	(3,332)	-	(3,332)	(238)	-	(3,570)
Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations	-	2,093	-	-	-	548	-	2,641	-	-	2,641
Net fair value gain on financial instruments at fair value through profit or loss	-	-	-	755	261	-	-	1,016	-	-	1,016
Fair value gain on investment properties	6,032	-	-	-	-	-	-	6,032	-	-	6,032
Unallocated:											
Capital expenditure (Note)	-	-	-	-	-	-	-	10	-	-	10
Depreciation	-	-	-	-	-	-	-	(6,002)	-	-	(6,002)

Note: Capital expenditure includes additions to fixed assets.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Hong Kong	857	3,317
Macau	81	5,908
Mainland China	4,052	5,773
Republic of Singapore	53,786	53,180
Indonesia	9,670	161
Other	2,992	2,816
Revenue from continuing operations	71,438	71,155
Revenue from discontinued operation — Hong Kong	—	11,504
	71,438	82,659

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

(b) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	2,002	673
Macau	129,293	134,207
Mainland China	75,602	81,694
Republic of Singapore	10,467,699	10,673,927
Indonesia	130,704	139,538
Other	54,794	49,875
	10,860,094	11,079,914

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

Information about major customers

For the year ended 31 March 2020, revenue of approximately HK\$51,584,000 (2019 — HK\$52,122,000) and HK\$9,670,000 (2019 — HK\$161,000) were derived from interest income from two major customers in the property investment segment.

Notes to the Financial Statements *(continued)*

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers:		
Sale of properties	–	6,083
Provision of project management services	1,110	450
Revenue from other sources:		
Property rental income from operating leases	6,989	6,676
Interest income	62,548	56,627
Dividend income	708	574
Other	83	745
	71,438	71,155

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	2020		2019	
	Other HK\$'000	Property development HK\$'000	Other HK\$'000	Total HK\$'000
Types of goods or services:				
Sale of properties	–	6,083	–	6,083
Provision of project management services	1,110	–	450	450
Total revenue from contracts with customers	1,110	6,083	450	6,533
Geographical markets:				
Macau	–	5,906	–	5,906
Mainland China	–	177	–	177
Republic of Singapore	1,110	–	450	450
Total revenue from contracts with customers	1,110	6,083	450	6,533
Timing of revenue recognition:				
Goods transferred at a point in time	–	6,083	–	6,083
Services transferred over time	1,110	–	450	450
Total revenue from contracts with customers	1,110	6,083	450	6,533

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:

Segments	2020		2019	
	Other HK\$'000	Property development HK\$'000	Other HK\$'000	Total HK\$'000
Revenue from contracts with external customers	1,110	6,083	450	6,533
Revenue from other sources — external	329	–	1,027	1,027
Total segment revenue	1,439	6,083	1,477	7,560

(b) Performance obligations

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

- (i) 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.
- (ii) Provision of project management services
The performance obligation is satisfied over time as services are rendered. Accordingly, the project management fee income is recognised as the service is performed over time.

Notes to the Financial Statements *(continued)*

6. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	2020 HK\$'000	2019 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	(4,026)	1,239
Investment funds	186	(551)
Other financial assets mandatorily classified at fair value through profit or loss:		
Debt securities	(40)	60
Investment funds	20	7
Derivative financial instrument	(2,307)	261
	(6,167)	1,016
Cost of sales:		
Cost of properties sold	–	(849)
Other	(1,643)	(2,040)
	(1,643)	(2,889)
Employee benefit expense <i>(Note (a))</i> :		
Wages and salaries	(23,075)	(26,859)
Retirement benefit costs <i>(Note (b))</i>	(793)	(787)
Total staff costs	(23,868)	(27,646)
Interest income:		
Loans and advances	61,500	52,565
Other	1,048	4,062
Write-back of provisions/(Provisions) for impairment losses on <i>(Note (c))</i> :		
Fixed assets	–	(1,782)
An associate	(41)	–
A joint venture	3,400	–
Properties under development	(140)	(138)
Properties held for sale	–	196
Loans and receivables	–	(3,332)
Depreciation	(5,946)	(6,489)
Auditors' remuneration	(5,340)	(4,844)
Minimum lease payments under operating leases	–	(3,472)
Lease payments not included in the measurement of lease liabilities <i>(Note 17)</i>	(2,800)	–
Direct operating expenses arising on rental-earning investment properties	(1,643)	(2,040)
Legal and professional fees <i>(Note (c))</i>	(7,695)	(6,742)
Consultancy and service fees <i>(Note (c))</i>	(19,840)	(19,557)
Donations <i>(Note (c))</i>	(980)	(5,882)
Foreign exchange losses — net <i>(Note (c))</i>	(2,714)	(11,811)
Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations <i>(Note (c))</i>	–	2,641

Note:

- (a) The amounts include Directors' emoluments disclosed in Note 7 to the financial statements.
- (b) The Group had no forfeited voluntary contributions available to offset future employer contributions against the pension schemes at the year end.
- (c) The amounts are included in "Other operating expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements *(continued)*

7. DIRECTORS' EMOLUMENTS

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

	2020 HK\$'000	2019 HK\$'000
Directors' fees	2,195	2,196
Basic salaries, allowances and benefits in kind	1,666	2,254
Retirement benefit costs	36	36
	3,897	4,486

The emoluments paid to each of the Directors during the year ended 31 March 2020 are as follows:

2020	Directors' fees HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:				
Stephen Riady	246	1,085	18	1,349
John Luen Wai Lee	246	581	18	845
	492	1,666	36	2,194
Non-executive director:				
Leon Nim Leung Chan	404	–	–	404
Independent non-executive directors:				
Victor Ha Kuk Yung	404	–	–	404
King Fai Tsui	491	–	–	491
Edwin Neo	404	–	–	404
	1,299	–	–	1,299
	2,195	1,666	36	3,897

Notes to the Financial Statements *(continued)*

7. DIRECTORS' EMOLUMENTS *(continued)*

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

2019	Directors' fees HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:				
Stephen Riady	239	1,085	18	1,342
John Luen Wai Lee	269	1,169	18	1,456
	508	2,254	36	2,798
Non-executive director:				
Leon Nim Leung Chan	424	–	–	424
Independent non-executive directors:				
Victor Ha Kuk Yung	394	–	–	394
King Fai Tsui	476	–	–	476
Edwin Neo	394	–	–	394
	1,264	–	–	1,264
	2,196	2,254	36	4,486

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

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

Notes to the Financial Statements *(continued)*

8. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included one (2019 — Nil) Director, details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the remaining four (2019 — five) non-director, highest paid employees for the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Basic salaries, allowances and benefits in kind	5,543	6,407
Discretionary bonuses paid and payable	1,380	6,586
Retirement benefit costs	115	192
	7,038	13,185

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

Emoluments bands (HK\$):	2020 Number of employees	2019 Number of employees
1,000,001 — 1,500,000	1	—
1,500,001 — 2,000,000	2	1
2,000,001 — 2,500,000	1	2
3,000,001 — 3,500,000	—	1
3,500,001 — 4,000,000	—	1
	4	5

9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank and other borrowings	19,192	17,338

Notes to the Financial Statements *(continued)*

10. SHARE OF RESULTS OF JOINT VENTURES

Lippo ASM Asia Property Limited (“LAAPL”) is a material joint venture of the Group, further details are given in Note 19 to the financial statements. For the year ended 31 March 2020, the Group’s share of profit in LAAPL amounted to approximately HK\$439,522,000 (2019 — share of loss of HK\$111,741,000). The change mainly resulted from the gain on disposal of interests in an associate, higher contribution from equity-accounted investees and partial offset by the fair value loss on investment properties during the year.

11. INCOME TAX

	2020 HK\$'000	2019 HK\$'000
Hong Kong:		
Charge for the year	2,243	24
Overprovision in prior years	(2)	–
Deferred (<i>Note 27</i>)	219	–
	2,460	24
Overseas:		
Charge for the year	213	1,506
Overprovision in prior years	(163)	–
Deferred (<i>Note 27</i>)	398	820
	448	2,326
Total charge for the year from continuing operations	2,908	2,350

Hong Kong profits tax has been provided at the rate of 8.25% or 16.5% (2019 — 8.25% or 16.5%), as appropriate. For the companies operating in mainland China, the Republic of Singapore and Macau, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 25%, 17% and 12% (2019 — 25%, 17% and 12%), respectively. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Notes to the Financial Statements *(continued)*

11. INCOME TAX *(continued)*

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:

	2020 HK\$'000	2019 HK\$'000
Profit/(Loss) before tax from continuing operations	426,513	(133,332)
Profit before tax from discontinued operation	–	145,677
	426,513	12,345
Tax at the statutory tax rate of 16.5% (2019 — 16.5%)	70,375	2,037
Effect of different tax rates in other jurisdictions	(15)	158
Adjustments in respect of current tax of previous years	(165)	–
Losses/(Profits) attributable to joint ventures and associates	(74,854)	15,765
Income not subject to tax	(3,490)	(28,653)
Expenses not deductible for tax	9,629	10,894
Effect of partial tax exemption and tax relief	(205)	(68)
Effect of withholding tax on the distributable profits of the Group's subsidiary in mainland China	(420)	(634)
Tax losses utilised from previous years	(1)	–
Tax losses not recognised	2,054	2,826
Land appreciation tax	–	33
Tax effect of land appreciation tax	–	(8)
Tax charge from continuing operations at the Group's effective rate	2,908	2,350

The share of tax charge attributable to associates and joint ventures amounting to HK\$5,010,000 (2019 — HK\$1,022,000) and HK\$102,906,000 (2019 — HK\$162,407,000), respectively, is included in "Share of results of associates" and "Share of results of joint ventures" on the face of the consolidated statement of profit or loss.

Notes to the Financial Statements *(continued)*

12. DISCONTINUED OPERATION

In July 2018, the Group entered into a sale and purchase agreement for the sale of the entire issued shares in Lippo Securities Holdings Limited (“LSH”, the wholly-owned securities arm of the Company). The disposal was completed on 11 December 2018 and the Group has ceased the corporate finance and securities broking business.

The results of LSH and its subsidiaries (the “LSH Group”) included in the Group’s consolidated statement of profit or loss for the year ended 31 March 2019 as a discontinued operation are presented below:

	Note	2019 HK\$'000
Revenue <i>(Note)</i>		11,504
Cost of sales		(5,305)
Gross profit		6,199
Administrative expenses		(10,859)
Other operating expenses		(2,918)
Loss before tax		(7,578)
Income tax		–
Loss after tax of discontinued operation		(7,578)
Gain on disposal of discontinued operation		153,255
Profit for the year from discontinued operation		145,677
Other comprehensive loss		
Exchange differences on translation of discontinued operation		(424)
Release of cumulative exchange differences on translation of discontinued operation upon disposal		(2,708)
Other comprehensive loss from discontinued operation		(3,132)
Total comprehensive income for the year from discontinued operation		142,545
		HK cents
Earnings per share attributable to equity holders of the Company	13	
Basic and diluted		
— For profit from discontinued operation		7.3

Note: Revenue represents income from securities and futures brokerage, investment banking, underwriting and other related advisory services under the corporate finance and securities broking segment. The revenue is recognised at a point in time when the services are rendered and generated from customers located in Hong Kong.

Notes to the Financial Statements *(continued)*

12. DISCONTINUED OPERATION *(continued)*

The net cash flows incurred by the LSH Group are as follows:

	2019 HK\$'000
Operating activities	56,945
Investing activities	(3)
Financing activities	(5)
Net cash inflow	56,937

The net assets of the LSH Group disposed of were as follows:

	2019 HK\$'000
Net assets disposed of:	
Fixed assets	88
Loans and advances	7,861
Debtors, prepayments and deposits	14,451
Client trust bank balances	217,350
Restricted cash	1,010
Cash and cash equivalents	182,751
Creditors, accruals and deposits received	(226,481)
	197,030
Release of cumulative exchange differences on translation of foreign operations	(2,708)
	194,322
Gain on disposal of subsidiaries	153,255
	347,577
Satisfied by:	
Cash	347,577

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

	2019 HK\$'000
Cash consideration	347,577
Cash and cash equivalents disposed of	(182,751)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	164,826

Notes to the Financial Statements *(continued)*

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the year attributable to equity holders of the Company; and (ii) the weighted average number of approximately 1,998,280,000 ordinary shares (2019 — approximately 1,998,280,000 ordinary shares) in issue during the year.

	2020 HK\$'000	2019 HK\$'000
Consolidated profit/(loss) attributable to equity holders of the Company:		
From continuing operations	424,838	(134,859)
From discontinued operation	–	145,677
	424,838	10,818

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

14. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Interim dividend, declared, of HK1 cent (2019 — HK1 cent) per ordinary share	19,983	19,983
Final dividend, proposed, of HK1 cent (2019 — HK1 cent) per ordinary share	19,983	19,983
Special dividend, proposed, of HK1 cent (2019 — Nil) per ordinary share	19,983	–
	59,949	39,966

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

Notes to the Financial Statements *(continued)*

15. FIXED ASSETS

	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK\$'000	Yacht HK\$'000	Total HK\$'000
2020			
At 31 March 2019 and 1 April 2019			
Cost	17,014	53,711	70,725
Accumulated depreciation	(13,597)	(24,642)	(38,239)
Net carrying amount	3,417	29,069	32,486
At 1 April 2019, net of accumulated depreciation	3,417	29,069	32,486
Additions during the year	1,755	–	1,755
Depreciation provided for the year	(660)	(5,286)	(5,946)
Exchange adjustments	(42)	(1,476)	(1,518)
At 31 March 2020, net of accumulated depreciation	4,470	22,307	26,777
At 31 March 2020			
Cost	12,002	50,561	62,563
Accumulated depreciation	(7,532)	(28,254)	(35,786)
Net carrying amount	4,470	22,307	26,777

Notes to the Financial Statements *(continued)*

15. FIXED ASSETS *(continued)*

	Leasehold land and building HK\$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK\$'000	Yacht HK\$'000	Total HK\$'000
2019				
At 1 April 2018				
Cost	–	21,636	55,485	77,121
Accumulated depreciation	–	(18,543)	(19,908)	(38,451)
Net carrying amount	–	3,093	35,577	38,670
At 1 April 2018, net of accumulated depreciation	–	3,093	35,577	38,670
Additions during the year	19,483	1,315	–	20,798
Reclassification to investment properties (<i>Note 16</i>)	(17,371)	–	–	(17,371)
Disposals during the year	–	(14)	–	(14)
Disposal of subsidiaries (<i>Note 12</i>)	–	(88)	–	(88)
Depreciation provided for the year	(324)	(860)	(5,355)	(6,539)
Impairment provided during the year	(1,782)	–	–	(1,782)
Exchange adjustments	(6)	(29)	(1,153)	(1,188)
At 31 March 2019, net of accumulated depreciation	–	3,417	29,069	32,486
At 31 March 2019				
Cost	–	17,014	53,711	70,725
Accumulated depreciation	–	(13,597)	(24,642)	(38,239)
Net carrying amount	–	3,417	29,069	32,486

Notes to the Financial Statements *(continued)*

16. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
Carrying amount at beginning of year	140,112	122,328
Reclassification from fixed assets (Note 15)	–	17,371
Fair value adjustments	4,208	6,032
Exchange adjustments	(6,113)	(5,619)
Carrying amount at end of year	138,207	140,112

The Group engages external, independent and professionally qualified valuers to perform valuations for determining 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 2020 made by Asian Appraisal Company, Inc., CBRE, Inc., RHL Appraisal Limited and Savills Valuation And Professional Services (S) Pte Ltd, independent qualified valuers, the investment properties were revalued on an open market, existing use basis at HK\$138,207,000 (2019 — HK\$140,112,000).

Fair value hierarchy

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31 March 2020				
Recurring fair value measurement for:				
Completed investment properties in:				
Mainland China	–	–	75,517	75,517
Republic of Singapore	–	–	16,352	16,352
Overseas	–	–	46,338	46,338
	–	–	138,207	138,207
At 31 March 2019				
Recurring fair value measurement for:				
Completed investment properties in:				
Mainland China	–	–	81,606	81,606
Republic of Singapore	–	–	17,371	17,371
Overseas	–	–	41,135	41,135
	–	–	140,112	140,112

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 (2019 — Nil).

Notes to the Financial Statements *(continued)*

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

Class of property	Valuation techniques	Significant unobservable inputs	Range
Completed investment properties in:			
Mainland China	Market approach	Price per square metre	HK\$11,500 to HK\$14,500 (2019 — HK\$12,000 to HK\$16,500)
Republic of Singapore	Market approach	Price per square metre	HK\$142,000 to HK\$153,500 (2019 — HK\$162,000 to HK\$179,000)
Overseas	Market approach	Price per square metre	HK\$35,000 to HK\$56,000 (2019 — HK\$36,500 to HK\$51,000)
	Income approach	Rental per square metre per month	HK\$84 to HK\$4,000 (2019 — HK\$82 to HK\$4,000)
		Capitalisation rate	4.7% to 8.3% (2019 — 4.7% to 8.7%)

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 in isolation would result in a significant increase/decrease in the fair value of the investment properties.

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

Notes to the Financial Statements *(continued)*

17. LEASES

The Group as a lessee

The Group leases certain properties with a lease term of 1 year. The Group has elected not to recognise right-of-use assets and lease liabilities for such leases. The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK\$'000
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020 (included in administrative expenses)	2,800

The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Notes 31(c) and 33(c) to the financial statements, respectively.

The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. Rental income recognised by the Group during the year was HK\$6,989,000 (2019 — HK\$6,676,000), details of which were included in Note 5 to the financial statements.

As at 31 March 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	2,807	5,785
After one year but within two years	979	2,876
After two years but within three years	441	509
After three years but within four years	37	470
After four years but within five years	–	39
	4,264	9,679

Notes to the Financial Statements *(continued)*

18. INTERESTS IN ASSOCIATES

	2020 HK\$'000	2019 HK\$'000
Share of net assets	381,857	363,514
Due from associates	29,834	29,978
Provisions for impairment losses	(35,692)	(19,197)
	375,999	374,295

The amounts due from associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these balances are considered as part of the Group's net investments in the associates. On 1 April 2019, the Group adopted Amendments to HKAS 28 and applied HKFRS 9, rather than HKAS 28, in accounting for the amounts due from associates and the related impairment. As at 1 April 2019, loss allowance for impairment of amounts due from associates amounted to HK\$23,444,000 which represented lifetime ECLs made for credit-impaired balances. Loss allowance of HK\$41,000 was provided for the year ended 31 March 2020 for credit-impaired receivables with a gross carrying amount of HK\$41,000. The loss allowance for impairment of amounts due from associates amounted to HK\$23,481,000 as at 31 March 2020. Except for the credit-impaired balances, there has been no significant increase in credit risk of the remaining balances. As at 1 April 2019 and 31 March 2020, the loss allowance for such remaining balances was assessed to be minimal.

During the year, the Directors reviewed the carrying amount of the associates with reference to their business performances prepared by the investees' management. Except for the abovementioned loss allowance for expected credit losses, no impairment loss (2019 — Nil) has been charged to the consolidated statement of profit or loss for the year.

Details of the principal associates are set out on page 147.

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

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

	2020 HK\$'000	2019 HK\$'000
Current assets	797,000	835,053
Current liabilities	(57,709)	(99,532)
Net assets	739,291	735,521
Reconciliation to the Group's interest in the associate: Group's share of net assets of the associate and carrying amount of the investment	369,646	367,761
Revenue for the year	204,211	71,177
Profit and total comprehensive income for the year	49,039	11,564

Notes to the Financial Statements *(continued)*

18. INTERESTS IN ASSOCIATES *(continued)*

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

	2020 HK\$'000	2019 HK\$'000
Share of the associates' loss and total comprehensive loss for the year	–	(32)
Aggregate carrying amount of the Group's interests in the associates	6,353	6,534

19. INTERESTS IN JOINT VENTURES

	2020 HK\$'000	2019 HK\$'000
Share of net assets	7,836,739	7,952,993
Due from joint ventures	2,500,495	2,596,675
Due to a joint venture	(4,278)	(5,295)
Provisions for impairment losses	(13,845)	(11,352)
	10,319,111	10,533,021

As at 31 March 2020, the amounts due from joint ventures included balances of HK\$2,346,523,000 (2019 — HK\$2,440,301,000), which are unsecured, bear interest at rates ranging from nil to 2.25% per annum (2019 — nil to 2.25% per annum) and are repayable on demand. The amounts due from joint ventures also included balances of HK\$140,127,000 (2019 — HK\$139,129,000), which are unsecured, bear interest at rates ranging from nil to 7% per annum (2019 — nil to 7% per annum) and are repayable when the resources of the joint venture permit. The remaining balances with the joint ventures are unsecured, interest-free and repayable on demand. In the opinion of the Directors, the balances with joint ventures are considered as part of the Group's net investments in the joint ventures. On 1 April 2019, the Group adopted Amendments to HKAS 28 and applied HKFRS 9, rather than HKAS 28, in accounting for the amounts due from joint ventures and the related impairment. As at 1 April 2019, loss allowance for impairment of amounts due from joint ventures amounted to HK\$17,245,000, which represented lifetime ECLs made for credit-impaired balances. For the year ended 31 March 2020, reversal of loss allowance of HK\$3,400,000 was credited to the consolidated statement of profit or loss because the repayment was received. The loss allowance for impairment of amounts due from joint ventures amounted to HK\$13,845,000 as at 31 March 2020. Except for the credit-impaired balances which were fully impaired in prior years, there has been no significant increase in credit risk of the remaining balances. As at 1 April 2019 and 31 March 2020, the loss allowance for such remaining balances was assessed to be minimal.

Details of the principal joint ventures are set out on page 148.

LAAPL is considered a material joint venture of the Group and is accounted for using the equity method. LAAPL is a joint venture set up to hold the controlling stake in OUE Limited ("OUE", together with its subsidiaries, the "OUE Group"), a listed company in Singapore. OUE is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. Certain bank facilities under LAAPL were secured by certain listed shares held under it. The Directors assessed whether there is any indication that the carrying amount of interest in the joint venture may be impaired and the recoverable amount of the joint venture is estimated based on a value in use calculation. The Directors considered no impairment loss was necessary for the year ended 31 March 2020 (2019 — Nil).

Notes to the Financial Statements *(continued)*

19. INTERESTS IN JOINT VENTURES *(continued)*

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

	2020 HK\$'000	2019 HK\$'000
Non-current assets	47,760,390	50,767,032
Cash and cash equivalents	3,260,070	2,898,126
Other current assets	3,098,905	6,178,188
Current assets	6,358,975	9,076,314
Financial liabilities, excluding trade and other payables	(10,303,498)	(5,865,954)
Other current liabilities	(1,623,484)	(2,129,621)
Current liabilities	(11,926,982)	(7,995,575)
Non-current financial liabilities, excluding trade and other payables and provisions	(16,531,662)	(24,928,839)
Other non-current liabilities	(1,295,047)	(1,281,898)
Non-current liabilities	(17,826,709)	(26,210,737)
Net assets	24,365,674	25,637,034
Reconciliation to the Group's interest in the joint venture:		
Net assets	24,365,674	25,637,034
Less: Non-controlling interests	(16,184,967)	(17,345,127)
Net assets attributable to equity holders of the joint venture	8,180,707	8,291,907
Group's share of net assets of the joint venture	7,712,401	7,817,304
Due from the joint venture	2,346,523	2,440,301
Carrying amount of the investment	10,058,924	10,257,605
Revenue	5,596,809	3,894,491
Interest income	30,350	44,779
Depreciation and amortisation	(173,796)	(168,869)
Interest expenses	(926,457)	(988,516)
Tax	(176,695)	(270,247)
Profit/(Loss) for the year attributable to equity holders of the joint venture	466,296	(118,548)
Other comprehensive loss for the year attributable to equity holders of the joint venture	(513,648)	(194,742)
Total comprehensive loss for the year attributable to equity holders of the joint venture	(47,352)	(313,290)

Notes to the Financial Statements *(continued)*

19. INTERESTS IN JOINT VENTURES *(continued)*

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

	2020 HK\$'000	2019 HK\$'000
Share of the joint ventures' profit/(loss) for the year	(10,384)	10,447
Share of the joint ventures' other comprehensive loss for the year	(13,803)	(83)
Share of the joint ventures' total comprehensive income/(loss) for the year	(24,187)	10,364
Aggregate carrying amount of the Group's interests in the joint ventures	260,187	275,416

As at 31 March 2020, the Group's share of joint ventures' own capital commitments amounted to HK\$32,322,000 (2019 — HK\$107,645,000).

Under the terms of Macau banking legislation, The Macau Chinese Bank Limited ("MCB", a joint venture of the Company) is required to transfer to a legal reserve an amount equal to a minimum of 20% of its annual profit after tax until the amount of the reserve is equal to 50% of its issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10% of its annual profit after tax until the reserve is equal to MCB's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. As at 31 March 2020, the balance of interests in joint ventures included the share of such legal reserve of HK\$8,455,000 (2019 — HK\$6,620,000). Besides, in order to comply with the requirements of the Monetary Authority of Macao ("AMCM") to maintain impairment allowances in excess of MCB's collective impairment allowances, a portion of the retained profits is earmarked as a regulatory reserve, which is not distributable to MCB's shareholders under the AMCM's requirements. As at 31 March 2020, the balance of interests in joint ventures did not include the share of such regulatory reserve (2019 — Nil).

As at 31 March 2020, the Group's share of contingent liabilities relating to MCB amounted to HK\$107,155,000 (2019 — HK\$47,937,000), comprising share of guarantees and other endorsements of HK\$106,418,000 (2019 — HK\$47,727,000) and share of liabilities under letters of credit on behalf of customers of HK\$737,000 (2019 — HK\$210,000).

Notes to the Financial Statements *(continued)*

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK\$'000	2019 HK\$'000
Financial assets at fair value through other comprehensive income:		
Equity securities	69	18

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Held for trading:		
Equity securities	7,757	12,428
Investment funds	3,305	3,894
	11,062	16,322
Other financial assets mandatorily classified at fair value through profit or loss:		
Debt securities	2,900	2,940
Investment funds	59	136
	2,959	3,076
	14,021	19,398
Analysed for reporting purposes as:		
Current assets	11,121	16,458
Non-current assets	2,900	2,940
	14,021	19,398

22. OTHER FINANCIAL ASSET

	2020 HK\$'000	2019 HK\$'000
Put Option <i>(Note)</i>	46,780	49,087

Note: Pursuant to the amended and restated shareholders agreement for the joint arrangement for investment in MCB, the Group has a put option to sell its remaining 20% interest to the majority shareholder of MCB at any time during the 5 years from 3 November 2017 (the "Put Option"). The right to exercise the Put Option survives any termination or expiry of the shareholders agreement.

Notes to the Financial Statements *(continued)*

23. PROPERTIES UNDER DEVELOPMENT

	2020 HK\$'000	2019 HK\$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	41,247	42,547
Additions during the year	207	213
Exchange adjustments	760	(1,513)
Balance at end of year	42,214	41,247
Provisions for impairment losses:		
Balance at beginning of year	(11,681)	(11,967)
Impairment during the year	(140)	(138)
Exchange adjustments	(214)	424
Balance at end of year	(12,035)	(11,681)
	30,179	29,566

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

24. LOANS AND ADVANCES

The loans and advances to customers of the Group bear interest at a rate of 3.0% per annum (2019 — 3.0% per annum). Certain loans and advances are secured by client's assets being held as collateral with a carrying amount of HK\$29,973,000 (2019 — HK\$34,679,000).

The movements in the loss allowance for impairment of loans and advances are as follows:

	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	771	978
Disposal of subsidiaries	–	(207)
Exchange adjustments	(10)	–
Balance at end of year	761	771

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 represented lifetime ECLs made for credit-impaired balances. Except for such credit-impaired balances, loans and advances are secured by client's asset being held as collateral with no significant changes in the quality of the collateral. Loss allowance for such loans and advances is considered to be minimal.

Notes to the Financial Statements *(continued)*

25. DEBTORS, PREPAYMENTS AND OTHER ASSETS

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

	2020 HK\$'000	2019 HK\$'000
Outstanding balances with ages:		
Within 30 days	36	–

As at 31 March 2020, the 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:

	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	–	3,215
Impairment losses recognised	–	238
Disposal of subsidiaries	–	(3,453)
Balance at end of year	–	–

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 2020, no loss allowance (2019 — HK\$238,000) was charged to the consolidated statement of profit or loss.

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

	Expected credit loss rate	Gross carrying amount HK\$'000	Expected credit losses HK\$'000
As at 31 March 2020			
Past due:			
Within 30 days	0%	36	–

Notes to the Financial Statements *(continued)*

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

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

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

	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	3,491	16,977
Impairment losses recognised	–	3,332
Write-off	–	(16,818)
Balance at end of year	3,491	3,491

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 represented lifetime ECLs made for credit-impaired balances. There has been no significant increase in credit risk of other financial assets included in debtors, prepayments and other assets, additional ECLs required for the year ended 31 March 2020 are minimal. For the year ended 31 March 2019, loss allowance was provided for credit-impaired receivables with a gross carrying amount of HK\$3,332,000.

26. BANK AND OTHER BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Current portion:		
Unsecured bank loan	–	246,667
Non-current portion:		
Unsecured bank loan	491,667	490,000
	491,667	736,667
Bank loans repayable:		
Within one year	–	246,667
In the second year	491,667	–
In the third to fifth years, inclusive	–	490,000
	491,667	736,667

The Group's bank loans were denominated in Hong Kong dollars and bore interest at floating rate. The Company has provided corporate guarantee for the bank loans granted to a subsidiary of the Company.

Notes to the Financial Statements *(continued)*

27. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
2020				
At 1 April 2019	2,327	12,616	436	15,379
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>Note 11</i>)	219	818	(420)	617
Exchange adjustments	46	(543)	(16)	(513)
At 31 March 2020	2,592	12,891	–	15,483
2019				
At 1 April 2018	2,335	11,754	1,145	15,234
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>Note 11</i>)	–	1,454	(634)	820
Exchange adjustments	(8)	(592)	(75)	(675)
At 31 March 2019	2,327	12,616	436	15,379

The Group has tax losses of HK\$69,198,000 (2019 — HK\$54,818,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

As at 31 March 2020, there were no significant unrecognised deferred tax liabilities (2019 — Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

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

Notes to the Financial Statements *(continued)*

28. SHARE CAPITAL

	2020 HK\$'000	2019 HK\$'000
Authorised:		
4,000,000,000 (2019 — 4,000,000,000) ordinary shares of HK\$1.00 each	4,000,000	4,000,000
Issued and fully paid:		
1,998,280,097 (2019 — 1,998,280,097) ordinary shares of HK\$1.00 each	1,998,280	1,998,280

There was no movement in share capital during the years ended 31 March 2020 and 2019.

29. RESERVES

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 68.

Note:

- (a) Cancellation of the share premium account and transfer to distributable reserves:
Pursuant to a special resolution passed at a special general meeting of the Company on 2 December 1997, the entire amount standing to the credit of the share premium account of HK\$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.
- (b) Distributable reserves of the Group as at 31 March 2020 comprised retained profits of HK\$7,894,500,000 (2019 — HK\$7,245,686,000) and the remaining balance arising from the Cancellation of HK\$744,975,000 (2019 — HK\$744,975,000). The distributable reserves and the capital redemption reserve are available for distribution to shareholders. Included in the distributable reserves of the Group as at 31 March 2020 were amounts of final dividend and special dividend for the year then ended of HK\$19,983,000 (2019 — HK\$19,983,000) and HK\$19,983,000 (2019 — Nil), respectively proposed after the end of the reporting period.
- (c) The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

Notes to the Financial Statements *(continued)*

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

Beijing Lippo Century Realty Co., Ltd. is considered a subsidiary that has material non-controlling interests. The percentage of equity interest held by its non-controlling shareholder as at 31 March 2020 was 20% (2019 — 20%). Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2020 HK\$'000	2019 HK\$'000
Loss for the year allocated to non-controlling interests	(1,233)	(812)
Return of capital to non-controlling interests	–	7,607
Accumulated balances of non-controlling interests at the end of the reporting period	18,391	20,869

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

	2020 HK\$'000	2019 HK\$'000
Current assets	126,234	140,903
Non-current assets	83	89
Current liabilities	(33,834)	(36,083)
Revenue	87	1,666
Total expenses	(6,254)	(5,724)
Loss for the year	(6,167)	(4,058)
Total comprehensive loss for the year	(12,409)	(13,688)
Net cash flows used in operating activities	(8,267)	(16,346)
Net cash flows from investing activities	–	18
Net cash flows used in financing activities	–	(39,018)
Net decrease in cash and cash equivalents	(8,267)	(55,346)

Notes to the Financial Statements *(continued)*

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2020 HK\$'000	2019 HK\$'000
Profit/(Loss) before tax:			
From continuing operations		426,513	(133,332)
From discontinued operation		–	145,677
Adjustments for:			
Share of results of associates		(24,520)	(5,750)
Share of results of joint ventures		(429,138)	101,294
Gain on disposal of:			
Fixed assets		–	(4)
Subsidiaries	12	–	(153,255)
Provisions/(Write-back of provisions) for impairment losses on:			
Fixed assets	6	–	1,782
An associate	6	41	–
A joint venture	6	(3,400)	–
Properties under development	6	140	138
Properties held for sale	6	–	(196)
Loans and receivables		–	3,570
Net fair value loss/(gain) on financial instruments at fair value through profit or loss		6,167	(1,016)
Net fair value gain on investment properties		(4,208)	(6,032)
Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations	6	–	(2,641)
Finance costs		19,192	17,338
Interest income	5	(62,548)	(56,627)
Dividend income	5	(708)	(574)
Depreciation	15	5,946	6,539
		(66,523)	(83,089)
Decrease in properties held for sale		–	1,265
Increase in properties under development		(207)	(213)
Decrease in loans and advances		1,315	4,616
Decrease in debtors, prepayments and other assets		3,863	10,400
Decrease/(Increase) in financial instruments at fair value through profit or loss		652	(8,116)
Decrease in client trust bank balances		–	83,663
Decrease in other payables, accruals and other liabilities		(2,087)	(73,706)
Cash used in operations		(62,987)	(65,180)

Notes to the Financial Statements *(continued)*

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

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings HK\$'000	Interest payable HK\$'000	Total HK\$'000
At 1 April 2019	736,667	245	736,912
Changes from financing cash flows:			
Repayment of bank and other borrowings	(250,000)	–	(250,000)
Finances costs paid	–	(14,394)	(14,394)
Total changes from financing cash flows	(250,000)	(14,394)	(264,394)
Finance costs charged to the statement of profit or loss	5,000	14,192	19,192
At 31 March 2020	491,667	43	491,710
At 1 April 2018	481,667	78	481,745
Changes from financing cash flows:			
Drawdown of bank and other borrowings	250,000	–	250,000
Finances costs paid	–	(12,171)	(12,171)
Total changes from financing cash flows	250,000	(12,171)	237,829
Finance costs charged to the statement of profit or loss	5,000	12,338	17,338
At 31 March 2019	736,667	245	736,912

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020 HK\$'000
Within operating activities	2,800

32. CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities (2019 — Nil).

Notes to the Financial Statements *(continued)*

33. COMMITMENTS

- (a) The Group had the following commitments at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Other commitments:		
Contracted, but not provided for	574	581

- (b) Operating lease commitments as at 31 March 2019
The Group leased certain properties under operating lease agreements which were non-cancellable. The leases were negotiated for terms ranging from one to two years. The leases for properties contained the provision for rental adjustments. As at 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2019 HK\$'000
Within one year	1,680

- (c) The Group has a lease contract that has not yet commenced as at 31 March 2020. The future lease payments for this non-cancellable lease contract are HK\$1,055,000 due within one year.

34. RELATED PARTY TRANSACTIONS

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

- (a) During the year, the Company paid rental expenses (including service charges) of HK\$1,622,000 (2019 — HK\$1,552,000) to a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31 July 2020. The Company expects the total future minimum lease payables for the year ending 31 March 2021 to be approximately HK\$503,000.
- (b) During the year, the Group received interest income of HK\$61,254,000 (2019 — HK\$52,283,000) from joint ventures of the Group.
- (c) During the year, the Group received revenue from the provision of project management services of HK\$837,000 (2019 — HK\$208,000) from an associate of the Group.
- (d) As at 31 March 2020, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 18 and 19 to the financial statements.
- (e) The key management personnel of the Group are its Directors. Details of the Directors' emoluments are disclosed in Note 7 to the financial statements.

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

Notes to the Financial Statements *(continued)*

35. 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		Derivative financial instrument HK\$'000	Total HK\$'000
	Held for trading HK\$'000	Mandatorily classified at fair value through profit or loss HK\$'000	Equity securities HK\$'000	Financial assets at amortised cost HK\$'000		
At 31 March 2020						
Financial assets at fair value through other comprehensive income	-	-	69	-	-	69
Financial assets at fair value through profit or loss	11,062	2,959	-	-	-	14,021
Other financial asset	-	-	-	-	46,780	46,780
Amounts due from associates	-	-	-	6,353	-	6,353
Amounts due from joint ventures	-	-	-	2,486,650	-	2,486,650
Loans and advances	-	-	-	7,041	-	7,041
Financial assets included in debtors, prepayments and other assets	-	-	-	2,378	-	2,378
Cash and cash equivalents	-	-	-	135,169	-	135,169
	11,062	2,959	69	2,637,591	46,780	2,698,461
At 31 March 2019						
Financial assets at fair value through other comprehensive income	-	-	18	-	-	18
Financial assets at fair value through profit or loss	16,322	3,076	-	-	-	19,398
Other financial asset	-	-	-	-	49,087	49,087
Loans and advances	-	-	-	8,356	-	8,356
Financial assets included in debtors, prepayments and other assets	-	-	-	3,243	-	3,243
Cash and cash equivalents	-	-	-	506,525	-	506,525
	16,322	3,076	18	518,124	49,087	586,627

Notes to the Financial Statements *(continued)*

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Financial liabilities

	Financial liabilities at amortised cost	
	2020	2019
	HK\$'000	HK\$'000
Bank and other borrowings	491,667	736,667
Financial liabilities included in other payables, accruals and other liabilities	28,802	29,204
Amount due to a joint venture	4,278	5,295
	524,747	771,166

36. 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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Financial assets at fair value through other comprehensive income	69	18	69	18
Financial assets at fair value through profit or loss	14,021	19,398	14,021	19,398
Other financial asset: Put Option	46,780	49,087	46,780	49,087
	60,870	68,503	60,870	68,503

Management has assessed that the fair values of cash and cash equivalents, financial assets included in debtors, prepayments and other assets, loans and advances, amounts due from associates and joint ventures, financial liabilities included in other payables, 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 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 changes in fair value as a result of the Group's non-performance risk were considered to be minimal.

Notes to the Financial Statements *(continued)*

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

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

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

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

The fair values of listed equity securities 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 a valuation technique with market observable inputs.

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 by 3% (2019 — 3%), the fair value will be increased/decreased by HK\$101,000 (2019 — HK\$118,000).

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

Below is a summary of significant unobservable input to the valuation of the Put Option used in Level 3 fair value measurements as at 31 March 2020 and 2019:

	Valuation technique	Significant unobservable input	Rate	Sensitivity of fair value to the input
Other financial asset:				
Put Option	Monte-Carlo simulation method	Volatility of underlying shares	20.9% (2019 — 20.4%)	When the volatility of the underlying shares increases/decreases by 5% (2019 — 5%), the fair value will be increased/decreased by HK\$343,000 and HK\$75,000 (2019 — HK\$212,000 and HK\$91,000), respectively.

Notes to the Financial Statements *(continued)*

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

Fair value hierarchy

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31 March 2020				
Financial assets at fair value through other comprehensive income:				
Equity securities	69	–	–	69
Held for trading financial assets at fair value through profit or loss:				
Equity securities	7,757	–	–	7,757
Investment funds	–	–	3,305	3,305
Other financial assets mandatorily classified at fair value through profit or loss:				
Debt securities	–	2,900	–	2,900
Investment funds	–	–	59	59
Other financial asset:				
Derivative financial instrument	–	–	46,780	46,780
	7,826	2,900	50,144	60,870
At 31 March 2019				
Financial assets at fair value through other comprehensive income:				
Equity securities	18	–	–	18
Held for trading financial assets at fair value through profit or loss:				
Equity securities	12,428	–	–	12,428
Investment funds	–	98	3,796	3,894
Other financial assets mandatorily classified at fair value through profit or loss:				
Debt securities	–	2,940	–	2,940
Investment funds	–	–	136	136
Other financial asset:				
Derivative financial instrument	–	–	49,087	49,087
	12,446	3,038	53,019	68,503

Notes to the Financial Statements *(continued)*

36. 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:

	Held for trading investment funds at fair value through profit or loss HK\$'000	Investment funds mandatorily classified at fair value through profit or loss HK\$'000	Other financial asset HK\$'000
At 1 April 2019	3,796	136	49,087
Total gains/(losses) recognised in the statement of profit or loss	277	20	(2,307)
Additions	–	29	–
Distributions	(768)	(126)	–
At 31 March 2020	3,305	59	46,780
At 1 April 2018	7,074	271	48,826
Total gains/(losses) recognised in the statement of profit or loss	(558)	7	261
Disposals	(806)	–	–
Distributions	(1,914)	(142)	–
At 31 March 2019	3,796	136	49,087

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 (2019 — 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.

37. 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.

Notes to the Financial Statements *(continued)*

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

(a) Credit risk

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

The 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

The tables below show 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. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
As at 31 March 2020					
Amounts due from associates*	6,353	-	23,481	-	29,834
Amounts due from joint ventures*	2,486,650	-	13,845	-	2,500,495
Loans and advances*	7,041	-	761	-	7,802
Financial assets included in debtors, prepayments and other assets					
Trade debtors**	-	-	-	36	36
Others*	2,342	-	3,491	-	5,833
Cash and cash equivalents***	135,169	-	-	-	135,169
	2,637,555	-	41,578	36	2,679,169
As at 31 March 2019					
Loans and advances*	8,356	-	771	-	9,127
Financial assets included in debtors, prepayments and other assets*	3,243	-	3,491	-	6,734
Cash and cash equivalents***	506,525	-	-	-	506,525
	518,124	-	4,262	-	522,386

* Further details in respect of the Group's loss allowance for impairment of amounts due from associates, amounts due from joint ventures, loans and advances and other financial assets included in debtors, prepayments and other assets are disclosed in Notes 18, 19, 24 and 25 to the financial statements, respectively.

** 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.

*** The bank balances are deposited with creditworthy financial institutions with no recent history of default. The Group considers these balances to have low credit risk and the amount of the loss allowance for impairment was negligible.

Notes to the Financial Statements *(continued)*

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

(a) Credit risk *(continued)*

Concentration of credit risk

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

	2020 HK\$'000	2019 HK\$'000
By geographical area:		
Mainland China	36	–
Others	7,041	8,356
	7,077	8,356

(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 2020, none (2019 — approximately 33%) 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 on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	Total HK\$'000
At 31 March 2020					
Bank and other borrowings	–	3,927	11,823	511,176	526,926
Financial liabilities included in other payables, accruals and other liabilities	–	20,855	7,947	–	28,802
Amount due to a joint venture	4,278	–	–	–	4,278
	4,278	24,782	19,770	511,176	560,006
At 31 March 2019					
Bank and other borrowings	–	255,171	14,969	533,585	803,725
Financial liabilities included in other payables, accruals and other liabilities	–	21,055	8,149	–	29,204
Amount due to a joint venture	5,295	–	–	–	5,295
	5,295	276,226	23,118	533,585	838,224

Notes to the Financial Statements *(continued)*

37. 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 the 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 and equity (through the impact on interest-bearing monetary assets and liabilities).

	Increase/ (Decrease) in basis points	2020 Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity HK\$'000	Increase/ (Decrease) in basis points	2019 Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity HK\$'000
Hong Kong dollar	+50	(2,443)	(2,443)	+50	(3,209)	(3,209)
United States dollar	+50	77	77	+50	354	354
Singapore dollar	+50	222	222	+50	19	19
Renminbi	+50	293	293	+50	329	329
Hong Kong dollar	-50	2,443	2,443	-50	3,209	3,209
United States dollar	-50	(77)	(77)	-50	(354)	(354)
Singapore dollar	-50	(222)	(222)	-50	(19)	(19)
Renminbi	-50	(293)	(293)	-50	(329)	(329)

Notes to the Financial Statements *(continued)*

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

(d) Foreign currency risk

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

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

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

	Increase/(Decrease) in profit before tax	
	2020 HK\$'000	2019 HK\$'000
United States dollar against Hong Kong dollar		
– strengthened by 3% (2019 — 3%)	430	2,149
– weakened by 3% (2019 — 3%)	(430)	(2,149)
Singapore dollar against Hong Kong dollar		
– strengthened by 3% (2019 — 3%)	1,107	124
– weakened by 3% (2019 — 3%)	(1,107)	(124)
Renminbi against Hong Kong dollar		
– strengthened by 3% (2019 — 3%)	194	240
– weakened by 3% (2019 — 3%)	(194)	(240)

At the end of the reporting period, the cash and cash equivalents of the Group's subsidiaries in mainland China denominated in Renminbi amounted to HK\$58,460,000 (2019 — HK\$64,609,000). The conversion of these Renminbi balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government in mainland China.

Notes to the Financial Statements *(continued)*

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

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk mainly arising from individual financial assets included in financial assets at fair value through other comprehensive income (Note 20) and financial assets at fair value through profit or loss (Note 21) as at 31 March 2020. The Group's listed financial assets are mainly listed on stock exchanges in Hong Kong and the Republic of Singapore 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 2020	High/Low 2020	31 March 2019	High/Low 2019
Hong Kong — Hang Seng Index	23,603	30,281/21,139	29,051	31,593/24,540
Republic of Singapore — Straits Times Index	2,481	3,416/2,208	3,213	3,642/2,955

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 impact is deemed to be on the fair value reserve of financial assets at FVOCI.

	2020		2019	
	Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity* HK\$'000	Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity* HK\$'000
Financial assets at fair value through other comprehensive income Global and others	–	2	–	1
Financial assets at fair value through profit or loss				
Hong Kong	6	–	5	–
Republic of Singapore	227	–	368	–
Global and others	101	–	121	–
	334	–	494	–

* Excluding retained profits

Notes to the Financial Statements *(continued)*

37. 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 2020 and 2019.

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

	2020 HK\$'000	2019 HK\$'000
Bank and other borrowings <i>(Note 26)</i>	491,667	736,667
Equity attributable to equity holders of the Company	10,569,897	10,923,349
Gearing ratio	4.7%	6.7%

38. EVENTS AFTER THE REPORTING PERIOD

- (a) The Group provided a loan facility of US\$35 million (approximately HK\$271 million) to a subsidiary of LAAPL for investment opportunities of strategic assets and general working capital purposes. Interest is charged at 2.2% over 1 week US\$ London Inter-Bank Offered Rate.
- (b) The COVID-19 coronavirus pandemic (the "Pandemic") since early 2020 has impacted the global business and economic environment. The overall financial effect on the Group in the coming financial year cannot be reasonably estimated for the time being as the Pandemic is still continuing. The Group will be watchful of the Pandemic's development and continue to evaluate its impacts on the business, financial position, cash flows and financial performance of the Group.

39. COMPARATIVE AMOUNTS

- (a) As further explained in Note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 April 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.
- (b) Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

Notes to the Financial Statements *(continued)*

40. 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:

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Fixed assets	2,002	669
Interests in subsidiaries	3,087,064	3,003,125
Financial assets at fair value through profit or loss	2,900	2,940
	3,091,966	3,006,734
Current assets		
Debtors, prepayments and other assets	1,089	1,292
Financial assets at fair value through profit or loss	7,570	12,250
Tax recoverable	–	114
Cash and cash equivalents	51,732	157,988
	60,391	171,644
Current liabilities		
Other payables, accruals and other liabilities	8,939	9,938
Amount due to a joint venture	4,278	5,295
Tax payable	1,526	–
	14,743	15,233
Net current assets	45,648	156,411
Total assets less current liabilities	3,137,614	3,163,145
Non-current liabilities		
Deferred tax liabilities	219	–
Net assets	3,137,395	3,163,145
Equity		
Share capital	1,998,280	1,998,280
Reserves (<i>Note</i>)	1,139,115	1,164,865
	3,137,395	3,163,145

Notes to the Financial Statements *(continued)*

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

Note:

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

	Share premium account	Capital redemption reserve <i>(Note 29(b))</i>	Distributable reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2020				
At 1 April 2019	92,275	22,144	1,050,446	1,164,865
Profit and total comprehensive income for the year	–	–	14,216	14,216
2018/2019 final dividend declared and paid to shareholders of the Company	–	–	(19,983)	(19,983)
2019/2020 interim dividend declared and paid to shareholders of the Company	–	–	(19,983)	(19,983)
At 31 March 2020	92,275	22,144	1,024,696	1,139,115
2019				
At 1 April 2018	92,275	22,144	1,077,518	1,191,937
Profit and total comprehensive income for the year	–	–	12,894	12,894
2017/2018 final dividend declared and paid to shareholders of the Company	–	–	(19,983)	(19,983)
2018/2019 interim dividend declared and paid to shareholders of the Company	–	–	(19,983)	(19,983)
At 31 March 2019	92,275	22,144	1,050,446	1,164,865

Distributable reserves of the Company as at 31 March 2020 comprised contributed surplus of HK\$134,329,000 (2019 — HK\$134,329,000), retained earnings of HK\$145,392,000 (2019 — HK\$171,142,000) and the remaining balance arising from the Cancellation of HK\$744,975,000 (2019 — HK\$744,975,000). The distributable reserves and the capital redemption reserve are available for distributions to the shareholders of the Company.

Included in the distributable reserves of the Company as at 31 March 2020 were amounts of final dividend and special dividend for the year then ended of HK\$19,983,000 (2019 — HK\$19,983,000) and HK\$19,983,000 (2019 — Nil), respectively proposed after the end of the reporting period.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2020.

Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 March 2020 are set out below:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield Limited	British Virgin Islands	US\$1	–	100	Investment holding
Beaming Empire Limited	British Virgin Islands	US\$1	–	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US\$50,000	–	100	Property investment
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US\$3,000,000*	–	100	Property investment and management
Conrich Inc.	British Virgin Islands	US\$1	–	100	Investment holding
Cyberspot Limited	British Virgin Islands	US\$1	–	100	Investment holding
Everwin Pacific Ltd.	British Virgin Islands	US\$1	–	100	Property investment
Fairseas 1 Pte. Ltd.**	Republic of Singapore	S\$1	–	100	Owner of a motor yacht
Fiatsco Limited	British Virgin Islands	US\$1	–	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	–	100	Property development
Golden Stellar Limited	British Virgin Islands	US\$1	100	100	Investment holding
HCL Management Limited	Hong Kong	HK\$1	–	100	Management services

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
HKC Property Investment Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
HKC Realty LLC	United States of America	US\$2,250,000*	–	100	Property investment
Hong Kong Housing Loan Limited	Hong Kong	HK\$40,000,000	–	100	Money lending
Lippo Asia Limited	Hong Kong	HK\$120,000,000	–	100	Investment holding
Lippo Cybergroup Limited	Hong Kong	HK\$2	–	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	–	100	Investment holding
Mass Empire Limited	Hong Kong	HK\$1	–	100	Investment
MGS Ltd.	British Virgin Islands	US\$1	–	100	Investment holding
Norfyork International Limited	Hong Kong	HK\$25,000,000	–	100	Investment holding
One Realty Pte. Limited**	Republic of Singapore	S\$2	–	100	Investment holding and provision of project and management services
Pacific Bond Limited	British Virgin Islands	US\$1	–	100	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US\$1	–	100	Investment
Polar Step Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment
Sinogain Asia Limited	British Virgin Islands	US\$1	–	100	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Percentage of equity attributable to the Company/Group (unless otherwise stated) [#]		Principal activities
Stargala Limited	British Virgin Islands	US\$1	–	100	Property investment
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment
Uchida Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Wealtop Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Winluck Asia Limited	British Virgin Islands	US\$1	–	100	Property investment
Winluck Pacific Limited	British Virgin Islands	US\$1	–	100	Property investment
Winrider Limited	British Virgin Islands	US\$1	–	100	Investment holding
Yield Point Limited	British Virgin Islands	US\$1	–	100	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)**	People's Republic of China	US\$14,000,000*	–	80 [@]	Property development

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

[@] profit sharing ratio

* paid up registered capital

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

Note:

MOP — Macau patacas

Pesos — Philippines pesos

S\$ — Singapore dollars

US\$ — United States dollars

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

Particulars of Principal Associates

Particulars of the principal associates as at 31 March 2020 are set out below:

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group (unless otherwise stated) [#]	Principal activities
Greenix Limited	Corporate	British Virgin Islands	US\$100,000	50	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S\$1,000,000	50	Property development
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US\$16,286.6	36.84	Investment holding
Rebound Power Limited	Corporate	British Virgin Islands	US\$300	Note (b)	Investment holding
Proton Power Asia Limited	Corporate	Hong Kong	HK\$90	Note (c)	Investment holding
Proton Power Pte. Ltd.	Corporate	Republic of Singapore	S\$1	Note (c)	Green energy development

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

Note:

(a) S\$ — Singapore dollars
US\$ — United States dollars

(b) Its issued share capital comprised of (i) 100 voting, non-participating class "A" shares of US\$1.00 each; (ii) 100 non-voting, participating class "B" shares of US\$1.00 each; (iii) 50 non-voting, participating class "C" shares of US\$1.00 each; and (iv) 50 non-voting, participating class "D" shares of US\$1.00 each. The Group was interested in 50% of all the class "A" shares in issue, 100% of all the class "B" shares in issue and approximately 36.32% of all the class "C" shares in issue which entitled the Group to 50% of the voting rights and approximately 75.45% of the profit sharing of this company.

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

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

Particulars of Principal Joint Ventures

Particulars of the principal joint ventures as at 31 March 2020 are set out below:

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group (unless otherwise stated) [#]	Principal activities
Bell Eastern Limited	Corporate	British Virgin Islands/ Hong Kong	S\$2,000,000	50	Property investment
Sunning Asia Limited	Corporate	British Virgin Islands	US\$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S\$2	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US\$2	50	Investment holding
The Macau Chinese Bank Limited	Corporate	Macau	MOP390,000,000	20	Banking
Lippo ASM Asia Property Limited	Corporate	Cayman Islands	US\$1,200	Note (b)	Investment holding

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

Note:

(a) MOP — Macau patacas

S\$ — Singapore dollars

US\$ — United States dollars

(b) Its issued share capital comprised of (i) 800 voting, non-participating class "A" shares of US\$1.00 each; (ii) 200 non-voting, participating class "B" shares of US\$1.00 each; and (iii) 200 non-voting, participating class "C" shares of US\$1.00 each. The Group was interested in 50% of all the class "A" shares in issue and 100% of all the class "B" shares in issue which entitled the Group to 50% of the voting rights and approximately 94.26% of the profit sharing of this company.

Schedule of Major Properties

(1) PROPERTIES HELD FOR INVESTMENT AS AT 31 MARCH 2020

Description	Use	Approximate gross floor area (square metres)	Status	Percentage of the Group's interest
People's Republic of China				
5 floors of Unit 1 Building 1, Lippo Tower No. 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	100
<i>The above property is held under medium term lease.</i>				
Overseas				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	100
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	100
<i>The above properties are freehold.</i>				
21 Marina Way #26-16 Marina One Residences Singapore 018978	Residential	104	Rental	100
<i>The above property is held under long term lease.</i>				

Schedule of Major Properties *(continued)*

(2) PROPERTY HELD FOR DEVELOPMENT AS AT 31 MARCH 2020

Description	Use	Approximate site area <i>(square metres)</i>	Approximate gross floor area <i>(square metres)</i>	Percentage of the Group's interest	Estimated completion date	Stage of development at 31 March 2020
-------------	-----	---	--	------------------------------------	---------------------------	---------------------------------------

Overseas

3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land
---	-------------	--------	-----	-----	-----	-------------

(3) PROPERTIES HELD FOR SALE AS AT 31 MARCH 2020

Description	Use	Approximate gross floor area <i>(square metres)</i>	Percentage of the Group's interest
-------------	-----	--	------------------------------------

People's Republic of China

Certain units and car parking spaces at No. 8 Ronghua Middle Road Yizhuang Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Commercial/ Residential	16,406	80
--	----------------------------	--------	----

Overseas

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

Summary of Financial Information

	Year ended 31 March 2020 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2016 HK\$'000 (Restated)
Profit attributable to equity holders of the Company	424,838	10,818	326,840	44,996	229,455
Total assets	11,177,569	11,786,366	12,258,404	11,915,519	11,443,035
Total liabilities	(589,281)	(842,148)	(1,027,392)	(1,860,101)	(836,343)
Net assets	10,588,288	10,944,218	11,231,012	10,055,418	10,606,692
Non-controlling interests	(18,391)	(20,869)	(32,060)	(43,226)	(79,581)
Equity attributable to equity holders of the Company	10,569,897	10,923,349	11,198,952	10,012,192	10,527,111

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

Supplementary Financial Information

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

Set out below is a pro forma combined statement of financial position of the Group's affiliates as at 31 March 2020 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Listing Rules:

	HK\$'000
Pro forma combined statement of financial position	
Intangible assets	1,125,727
Fixed assets	4,046,222
Right-of-use assets	307,456
Investment properties	36,248,358
Interests in equity-accounted investees	5,845,120
Properties held for sale	1,022,717
Financial assets at fair value through other comprehensive income	545,670
Financial assets at fair value through profit or loss	615,382
Loans and advances	5,414,410
Debtors, prepayments and other assets	2,159,925
Treasury bills	727,491
Cash and cash equivalents	7,811,487
Other assets	375,743
Bank and other borrowings	(23,986,040)
Lease liabilities	(158,644)
Creditors, accruals and other liabilities	(1,833,544)
Current, fixed, savings and other deposits of customers	(10,087,113)
Tax payable	(223,257)
Shareholders' advance	(2,927,788)
Deferred tax liabilities	(1,167,459)
Other financial liabilities	(207,212)
Non-controlling interests	(16,180,490)
	9,474,161
Group's attributable interest (<i>Note</i>)	10,695,110

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