

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, other licensed corporation, bank manager, solicitor, professional accountant or professional adviser.

**If you have sold or transferred all** your shares in Lippo China Resources Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**LIPPO CHINA RESOURCES LIMITED**

**力寶華潤有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 156)**

**VERY SUBSTANTIAL DISPOSAL**

**DISPOSAL OF SUBSIDIARIES**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A letter from the Board is set out on pages 7 to 23 of this circular.

A notice convening the EGM to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 14 February 2019 at 11:00 a.m. or any adjourned meeting thereof to approve matters referred to in this circular is set out on pages N-1 and N-2 of this circular. Whether or not you are able or intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof should Shareholders so desire.

25 January 2019

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## DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following terms and expressions shall have the following meanings:

“Associated Corporation(s)”	has the same meaning ascribed to such term under Part XV of the SFO;
“APFP”	Auric Pacific Food Processing Sdn. Bhd., a company incorporated in Malaysia and a direct wholly-owned subsidiary of APMSB;
“APGL”	Auric Pacific Group Limited, a company incorporated in Singapore and an approximately 50.3% indirect subsidiary of the Company;
“APGL Group”	APGL and its subsidiaries;
“APM”	Auric Pacific Marketing Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of APGL;
“APMSB”	Auric Pacific (M) Sdn. Bhd., a company incorporated in Malaysia and a direct wholly-owned subsidiary of APGL;
“APMSB Consideration”	the consideration paid and payable by DKSH Malaysia to APGL for the sale and purchase of the APMSB Sale Shares;
“APMSB Disposal Agreement”	the agreement dated 21 December 2018 entered into by APGL and DKSH Malaysia in respect of the sale and purchase of the APMSB Sale Shares;
“APMSB Group”	APMSB and its subsidiaries;
“APMSB Sale Shares”	1,000,000 ordinary shares in, representing the entire issued shares of, APMSB;
“Board”	the board of Directors of the Company;
“Business Day”	a day on which banks are open for business in Hong Kong, Malaysia and Singapore excluding Saturdays, Sundays and public holidays in Hong Kong, Malaysia and Singapore (as applicable);

## DEFINITIONS

“close associates”	has the same meaning ascribed to such term under the Listing Rules;
“CM”	Centurion Marketing Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of APGL;
“Company”	Lippo China Resources Limited 力寶華潤有限公司, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange and an approximately 74.99% indirect subsidiary of Lippo;
“Completion”	completion of the Disposal Agreements subject to and pursuant to the terms and conditions of the Disposal Agreements;
“Completion Date”	the date, being a Business Day, on which Completion actually takes place;
“Conditions Precedent”	the conditions precedent to the completion of the Disposal Agreements as set out in the paragraphs headed “Conditions Precedent of the Singapore Disposal Agreement” and “Conditions Precedent of the APMSB Disposal Agreement” in this circular;
“Connected Persons”	has the same meaning ascribed to such term under the Listing Rules;
“Consideration”	the total consideration for the sale and purchase of the Disposal Group Sale Shares;
“Controlling Shareholder”	has the same meaning ascribed to such term under the Listing Rules;
“Directors”	directors of the Company;
“Disposal”	the disposal of the Disposal Group Sale Shares, representing the entire issued shares of each Disposal Company pursuant to the Disposal Agreements;
“Disposal Agreements”	the Singapore Disposal Agreement and the APMSB Disposal Agreement;

## DEFINITIONS

“Disposal Companies”	APM, CM and APMSB (each a “Disposal Company”);
“Disposal Group Sale Shares”	the Singapore Subsidiaries Sale Shares and the APMSB Sale Shares;
“DKSH Holding”	DKSH Holding Ltd., a company incorporated in Zurich, Switzerland whose shares are listed on the SIX Swiss Exchange, and the holding company of DKSH Singapore and DKSH Malaysia;
“DKSH Malaysia”	DKSH Holdings (Malaysia) Berhad, a company incorporated in Malaysia whose shares are listed on the Bursa Malaysia Securities Berhad;
“DKSH Singapore”	DKSH Holding (S) Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of DKSH Holding;
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Disposal Agreements and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HKC”	Hongkong Chinese Limited (香港華人有限公司*), a company incorporated in Bermuda with limited liability whose shares are listed in the Main Board of the Stock Exchange and an approximately 71.63% indirect subsidiary of Lippo;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“IP Rights”	certain trademarks which have been registered (either pending or fully registered) by APGL, some of which are being used in the business of the Disposal Companies and their subsidiaries and some of which are not currently being used in the business of the Disposal Companies and their subsidiaries;
“IP Rights Assignment”	an intellectual property rights assignment agreement dated 21 December 2018 as set out in the paragraph headed “Assignment of IP Rights” in this circular;

## DEFINITIONS

“Latest Practicable Date”	18 January 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Lippo”	Lippo Limited 力寶有限公司, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange;
“Lippo Capital”	Lippo Capital Limited, a company incorporated in Cayman Islands with limited liability and a Controlling Shareholder of Lippo;
“Lippo Capital Group”	Lippo Capital Group Limited, a company incorporated in Hong Kong with limited liability;
“Lippo Capital Holdings”	Lippo Capital Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability;
“Lippo Group”	Lippo and its subsidiaries, which includes the Group;
“Lippo Shareholders”	shareholders of Lippo;
“Listing Rules” or “Rule”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	5:00 p.m. on the date falling three months after the date of the Disposal Agreements, which will be automatically extended to four months after the date of the Disposal Agreements upon fulfilment of certain conditions or otherwise extended in accordance with the Disposal Agreements;
“Malaysia”	the Federation of Malaysia;
“Manufacturing Licence”	a licence to engage in a manufacturing activity under the laws of Malaysia;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;

## DEFINITIONS

“NAV”	net asset value, computed based on total assets less total liabilities, which shall exclude any amount due from/to the immediate holding company;
“PRC”	the People’s Republic of China;
“Purchasers”	DKSH Singapore and DKSH Malaysia;
“Remaining Group”	the Group, other than APM, CM and the APMSB Group;
“Restricted Countries”	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, Philippines, Vietnam and any other territory in which the IP Rights has been registered or in respect of which an application for registration has been made and each such registration or application is valid as at the date of the Disposal Agreements;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGX-ST”	Singapore Exchange Securities Trading Limited;
“Share(s)”	share(s) in the Company;
“Shareholder(s)”	holder(s) of Shares;
“Singapore”	the Republic of Singapore;
“Singapore Disposal Agreement”	the agreement dated 21 December 2018 entered into by APGL and DKSH Singapore in respect of the sale and purchase of the Singapore Subsidiaries Sale Shares;
“Singapore Disposal Deposit”	the deposit in the amount of S\$10,000,000 (equivalent to approximately HK\$57,131,000);
“Singapore Subsidiaries”	APM and CM;
“Singapore Subsidiaries Consideration”	the consideration paid and payable by DKSH Singapore to APGL for the sale and purchase of the Singapore Subsidiaries Sale Shares;

## DEFINITIONS

“Singapore Subsidiaries Sale Shares”	10,000,000 ordinary shares in, representing the entire issued shares of, APM and 500,000 ordinary shares in, representing the entire issued shares of, CM;
“Skyscraper”	Skyscraper Realty Limited, a company incorporated in the British Virgin Islands with limited liability and a Controlling Shareholder of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“U.S.” or “United States”	the United States of America;
“Warehouse”	a warehouse located in Singapore which is owned by APM;
“Warehouse Letters”	the letters in relation to the transfer of the Warehouse each signed by APM and a wholly-owned subsidiary of APGL prior to the entering of the Disposal Agreements;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RM”	Malaysian Ringgit, the lawful currency of Malaysia;
“RMB”	Renminbi, the lawful currency of the PRC;
“S\$”	Singapore dollars, the lawful currency of Singapore;
“THB”	Thai Bahts, the lawful currency of Thailand;
“US\$”	United States dollars, the lawful currency of the United States; and
“%”	per cent.

\* *For identification purpose only*

*Note:*

- (1) For the purpose of illustration only and unless otherwise stated, conversion of S\$ into HK\$ in this circular is based on the exchange rate of S\$1.00 to HK\$5.7131 and conversion of RM into HK\$ in this circular is based on the exchange rate of RM1.00 to HK\$1.8878. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at these or any other rates.
- (2) Certain English translation of Chinese names used in this circular are included for information purpose only and should not be relied upon as the official translation of such Chinese names.



**LIPPO CHINA RESOURCES LIMITED**

**力寶華潤有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 156)**

*Executive Directors:*

Dr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee, BBS, JP

*(Chief Executive Officer)*

Mr. James Siu Lung Lee

*Non-executive Director:*

Mr. Leon Nim Leung Chan

*Independent Non-executive Directors:*

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

*Registered Office:*

40th Floor

Tower Two

Lippo Centre

89 Queensway

Hong Kong

25 January 2019

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL**

**DISPOSAL OF SUBSIDIARIES  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference was made to the joint announcement made by the Company and Lippo on 21 December 2018 relating to the Disposal.

The purpose of this circular is (a) to provide you with further information in relation to the Disposal and the transactions contemplated under the Disposal Agreements, and (b) to give you notice of the EGM at which an ordinary resolution will be proposed to approve the Disposal Agreements and the transactions contemplated thereunder.

## LETTER FROM THE BOARD

### DISPOSAL AGREEMENTS

On 21 December 2018, APGL, an indirect non-wholly owned subsidiary of the Company and the Purchasers entered into the Disposal Agreements, pursuant to which, APGL conditionally agreed to sell or procure the sale of, and the Purchasers conditionally agreed to purchase, the Disposal Group Sale Shares, representing the entire issued shares of each of the Disposal Companies for the aggregate initial consideration of approximately S\$218,400,000 (equivalent to approximately HK\$1,247,741,000), subject to adjustments as stated below.

Summarised below are the principal terms of the Disposal Agreements:

#### THE SINGAPORE DISPOSAL AGREEMENT

**Date:** 21 December 2018

**Parties:** (1) APGL, as the seller; and  
(2) DKSH Singapore, as the purchaser.

#### Assets to be disposed

Subject to the terms and conditions of the Singapore Disposal Agreement, APGL has conditionally agreed to procure the sale of, and DKSH Singapore has conditionally agreed to acquire, the Singapore Subsidiaries Sale Shares, representing the entire issued shares of each of APM and CM, free from all encumbrances and together with all rights attaching thereto as at the Completion Date.

The assets of APM consist of, among other things, the Warehouse, which has a net book value in the amount of approximately S\$1,661,000 (equivalent to approximately HK\$9,489,000). However, as APGL and DKSH Singapore have agreed to exclude the Warehouse from the Disposal, prior to the entering of the Disposal Agreements, a wholly-owned subsidiary of APGL and APM have signed the Warehouse Letters with the effect that the Warehouse may be transferred to a company in the APGL Group or, at the election of APGL, a third party buyer, in the future for the consideration payable to APM equivalent to the net book value of the Warehouse of approximately S\$1,661,000 (equivalent to approximately HK\$9,489,000). Under the terms of the Singapore Disposal Agreement, subject to the Completion and upon the completion of the transfer of the Warehouse in accordance with the Warehouse Letters, DKSH Singapore will pay APGL an amount equivalent to the consideration of the Warehouse of approximately S\$1,661,000 (equivalent to approximately HK\$9,489,000) less other costs and deductions as set out in the Singapore Disposal Agreement.

## LETTER FROM THE BOARD

The Warehouse Letters are not inter-conditional with the Disposal Agreements and as the Warehouse Letters are between companies within the APGL Group, the transactions contemplated therein do not constitute a notifiable transaction for the Company.

### **Singapore Subsidiaries Consideration**

The consideration for the Singapore Subsidiaries Sale Shares shall be the Singapore Subsidiaries Consideration which shall be payable by DKSH Singapore to APGL in cash in the following manner:

- (a) the Singapore Disposal Deposit, which shall be paid into an escrow account not later than one month after the date of the Singapore Disposal Agreement; and
- (b) an amount calculated as follows:
  - (i) the initial consideration of S\$60,726,000 (equivalent to approximately HK\$346,934,000); less
  - (ii) the estimated net debt of the Singapore Subsidiaries to be calculated based on total debt and debt-like items less total cash and cash equivalents by reference to a certain set of monthly management accounts prior to Completion (and if the estimated net debt is a negative figure, the difference will be added to the initial consideration as set out above); plus
  - (iii) the estimated net working capital of the Singapore Subsidiaries to be calculated based on total current assets less total current liabilities (both excluding any item which has been included in (ii) above) by reference to a certain set of monthly management accounts prior to Completion (and if the estimated net working capital is a negative figure, the difference will be deducted from the initial consideration); less
  - (iv) the Singapore Subsidiaries reference of net working capital of approximately S\$23,512,000 (equivalent to approximately HK\$134,326,000); less
  - (v) any adjustments in relation to consents, waivers and regulatory approvals which shall not exceed approximately S\$17,287,000 (equivalent to approximately HK\$98,762,000); less
  - (vi) the Singapore Disposal Deposit (which shall be released to APGL from the escrow account subject to any adjustments under the Singapore Disposal Agreement);

shall be payable on the Completion Date.

## LETTER FROM THE BOARD

The net debt of the Singapore Subsidiaries as at 30 September 2018 was approximately S\$4,827,000 (equivalent to approximately HK\$27,577,000).

The net working capital of the Singapore Subsidiaries as at 30 September 2018 calculated in accordance with the Singapore Disposal Agreement was approximately S\$23,512,000 (equivalent to approximately HK\$134,326,000).

The Company does not expect that there will be any material change to the amount of net debt and the net working capital balance of the Singapore Subsidiaries as at Completion.

The Singapore Subsidiaries Consideration shall be adjusted so that the final consideration to be paid for the Singapore Subsidiaries Sale Shares shall be adjusted based on the actual net debt and actual working capital of the Singapore Subsidiaries as at Completion.

Any adjustment in the Singapore Subsidiaries Consideration upwards or downwards post-Completion shall be calculated within 45 days after the Completion Date and settled by DKSH Singapore or APGL (as the case may be) in cash within five Business Days thereafter.

The Singapore Subsidiaries Consideration was determined after arm's length negotiations between APGL and DKSH Singapore with reference to the earnings before interest, taxes, depreciation and amortization of the Singapore Subsidiaries and adjusted by the net debt and normalized working capital.

### **Conditions Precedent of the Singapore Disposal Agreement**

Completion of the Singapore Disposal Agreement shall be conditional upon, among others:

- (i) the approvals of the Shareholders and the Lippo Shareholders for the entering into by APGL of the Singapore Disposal Agreement and the transactions contemplated therein having been obtained and remaining in full force and effect as at Completion;
- (ii) all necessary consents or waivers as required from the parties with whom the Singapore Subsidiaries have entered into certain key distributions agreement in relation to the change of control of the Singapore Subsidiaries and the entering into of the Singapore Disposal Agreement;
- (iii) there shall not have occurred and be continuing any material adverse event since the date of the Singapore Disposal Agreement;

## LETTER FROM THE BOARD

- (iv) there having been no decree, determination, injunction, judgment or other order (which is final and non-appealable) issued by any court or governmental authority of competent jurisdiction which has the effect of restraining or otherwise prohibiting consummation of the transactions contemplated in the Singapore Disposal Agreement and which remains in force and effect as at the Completion Date;
- (v) there shall not have occurred and be continuing any breach of certain warranties in any material respect; and
- (vi) obtaining certain regulatory approvals in relation to, among others, the change of control of the Singapore Subsidiaries.

If on or prior to the Long Stop Date, any of the above Conditions Precedent is not satisfied or is incapable of satisfaction and such condition has not been waived in accordance with the Singapore Disposal Agreement, the party (in case of non-compliance of the other party) shall be entitled to terminate the Singapore Disposal Agreement.

### **THE APMSB DISPOSAL AGREEMENT**

**Date:** 21 December 2018

**Parties:** (1) APGL, as the seller; and  
(2) DKSH Malaysia, as the purchaser.

### **Assets to be disposed**

Subject to the terms and conditions of the APMSB Disposal Agreement, APGL has conditionally agreed to sell, and DKSH Malaysia has conditionally agreed to acquire, the APMSB Sale Shares, representing the entire issued shares of APMSB, free from all encumbrances and together with all rights attaching thereto as at the Completion Date.

### **APMSB Consideration**

The consideration for the APMSB Sale Shares shall be the APMSB Consideration which shall be payable by DKSH Malaysia to APGL in cash on the Completion Date in an amount calculated as follows:

- (i) the initial consideration of S\$157,674,000 (equivalent to approximately HK\$900,807,000); less

## LETTER FROM THE BOARD

- (ii) the estimated net debt of APMSB to be calculated based on total debt and debt-like items less total cash and cash equivalents by reference to a certain set of monthly management accounts prior to Completion (and if the estimated net debt is a negative figure, the difference will be added to the initial consideration as set out above); plus
- (iii) the estimated net working capital of APMSB to be calculated based on total current assets less total current liabilities (both excluding any item which has been included in (ii) above) by reference to a certain set of monthly management accounts prior to Completion (and if the estimated net working capital is a negative figure, the difference will be deducted from the initial consideration); less
- (iv) the APMSB reference of net working capital of approximately S\$26,062,000 (equivalent to approximately HK\$148,895,000); less
- (v) any adjustments in relation to consents and waivers which shall not exceed approximately S\$15,767,000 (equivalent to approximately HK\$90,078,000).

The net debt of APMSB as at 30 September 2018 was approximately S\$400,000 (equivalent to approximately HK\$2,285,000).

The net working capital of APMSB as at 30 September 2018 calculated in accordance with the APMSB Disposal Agreement was approximately S\$26,062,000 (equivalent to approximately HK\$148,895,000).

The Company does not expect that there will be any material change to the amount of net debt and the net working capital balance of APMSB as at Completion.

The APMSB Consideration shall be adjusted so that the final consideration to be paid for the APMSB Sale Shares shall be adjusted based on the actual net debt and actual working capital of APMSB as at Completion.

Any adjustment in the APMSB Consideration upwards or downwards post-Completion shall be calculated within 45 days after the Completion Date and settled by DKSH Malaysia or APGL (as the case may be) in cash within five Business Days thereafter.

## LETTER FROM THE BOARD

The APMSB Consideration was determined after arm's length negotiations between APGL and DKSH Malaysia with reference to the earnings before interest, taxes, depreciation and amortization of APMSB and adjusted by the net debt and normalized working capital.

### **Conditions Precedent of the APMSB Disposal Agreement**

Completion of the APMSB Disposal Agreement shall be conditional upon, among others:

- (i) the approvals of the Shareholders, the Lippo Shareholders and the shareholders of DKSH Malaysia for the entering into by APGL or DKSH Malaysia (as the case may be) of the APMSB Disposal Agreement and the transactions contemplated therein having been obtained and remaining in full force and effect as at Completion;
- (ii) the issue of the Manufacturing Licence to APFP;
- (iii) all necessary consents or waivers as required from the parties with whom APMSB has entered into certain key distributions agreement in relation to the change of control of APMSB and the entering into of the APMSB Disposal Agreement;
- (iv) there shall not have occurred and be continuing any material adverse event since the date of the APMSB Disposal Agreement;
- (v) there having been no decree, determination, injunction, judgment or other order (which is final and non-appealable) issued by any court or governmental authority of competent jurisdiction which has the effect of restraining or otherwise prohibiting consummation of the transactions contemplated in the APMSB Disposal Agreement and which remains in force and effect as at the Completion Date; and
- (vi) there shall not have occurred and be continuing any breach of certain warranties in any material respect.

If on or prior to the Long Stop Date, any of the above Conditions Precedent is not satisfied or is incapable of satisfaction and such condition has not been waived in accordance with the APMSB Disposal Agreement, the party (in case of non-compliance of the other party) shall be entitled to terminate the APMSB Disposal Agreement.

## **OTHER TERMS OF THE DISPOSAL AGREEMENTS**

### **Completion of the Disposal Agreements**

Completion shall take place within five Business Days of the satisfaction of the Conditions Precedent and other terms and conditions of the Disposal Agreements. Completion of the Singapore Disposal Agreement and the APMSB Disposal Agreement shall occur simultaneously and are inter-conditional with each other.

### **Restrictive Covenants in the Disposal Agreements**

Under the Disposal Agreements, APGL has agreed to the usual and customary restrictive covenants in relation to non-competition. For a period of three years from the Completion Date and subject to permitted exceptions set out in the Disposal Agreements, APGL shall not, and shall cause its affiliates (which includes the Lippo Group and the Group) not to, own, invest, control, acquire, operate, manage, participate, be concerned in, undertake or engage in, directly or indirectly, the following competing businesses:

- (a) the manufacturing or production of butter or melange for distribution under the IP Rights and, in other cases, in the Restricted Countries; and
- (b) the distribution of certain products including beverages, snacks, confectionary, noodles, toiletries, consumer health products, infant milk formula, canned food, pet food, writing utensils, hair care and cosmetics, but excluding electronics and pharmaceuticals under the IP Rights in the Restricted Countries or, in other cases, in Singapore and Malaysia.

The Group is currently engaged in the businesses that are subject to the restrictive covenants under the Disposal Agreements via the Disposal Companies and under the IP Rights. The Group will cease such businesses upon Completion when the Disposal Companies are disposed of to the Purchasers and the IP Rights are assigned to DKSH Singapore and there will not be any effect on the remaining businesses of the Group arising from such restrictive covenants.

### **Change of name of the Disposal Companies**

Within three months after the Completion Date, the Purchasers shall procure the Disposal Companies to take such action as may be necessary to remove any words or any other letters, words or expressions which might express or imply any association with the “Auric” or “Sunshine” brand and including the removal of any reference to “Auric”, “Auric Pacific” or “Sunshine” in any names, domains or branding used by the Disposal Companies.

## LETTER FROM THE BOARD

### **Indemnities**

Under the Disposal Agreements, APGL has agreed to provide the usual customary indemnities in relation to tax, intellectual property, regulatory matters and change of control which are subject to limitations of liability to be calculated in accordance with the Disposal Agreements.

Under the APMSB Disposal Agreement, APGL shall indemnify, hold harmless and keep the DKSH Malaysia fully indemnified in relation to any losses suffered by DKSH Malaysia (or its group companies) if APFP does not obtain the Manufacturing Licence prior to Completion and such condition has been waived by DKSH Malaysia.

### **ASSIGNMENT OF IP RIGHTS**

As part of the transactions contemplated under the Disposal Agreements, on 21 December 2018, APGL and DKSH Singapore entered into the IP Rights Assignment, pursuant to which APGL agreed to sell and assign to, and DKSH Singapore agreed to purchase, the IP Rights and certain domain names owned by APGL.

### **TRANSITIONAL SERVICES**

As part of the transactions contemplated under the Disposal Agreements, APGL and the Purchasers have agreed to negotiate and finalise a transitional services agreement in relation to certain transitional services to be provided by the APGL Group to the Disposal Companies after Completion.

### **INFORMATION ON THE DISPOSAL COMPANIES**

The Disposal Companies are principally engaged in the wholesale distribution and manufacture of food and allied fast-moving consumer products in Singapore and Malaysia.

APGL is a company incorporated in Singapore with limited liability and is an indirect non-wholly owned subsidiary of the Company. APGL and its subsidiaries are principally engaged in wholesale and distribution of fast moving consumer goods, food manufacturing and food retail operations in chains of bakeries, cafés and bistros. The Group, through wholly-owned subsidiaries and non-wholly owned subsidiaries, is interested in approximately 50.3% of the shares in APGL. The remaining interest in the shares of APGL are held by Dr. Stephen Riady, the chairman and executive director of the Company, and his son-in-law, Dr. Andy Adhiwana, through companies owned by each of them respectively.

<b>LETTER FROM THE BOARD</b>
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Set out below is the unaudited net profit of APM, unaudited net profit of CM and unaudited consolidated net profit of APMSB prepared in accordance with generally accepted accounting principles in Hong Kong for the twelve months ended 31 March 2017 and 31 March 2018 respectively:

**APM**

	<b>For the twelve months ended 31 March 2017</b>		<b>For the twelve months ended 31 March 2018</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Net profit before taxation	892	5,096	2,656	15,174
Net profit after taxation	766	4,376	2,442	13,951

**CM**

	<b>For the twelve months ended 31 March 2017</b>		<b>For the twelve months ended 31 March 2018</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Net profit before taxation	386	2,205	1,227	7,010
Net profit after taxation	443	2,531	1,086	6,204

**APMSB**

	<b>For the twelve months ended 31 March 2017</b>		<b>For the twelve months ended 31 March 2018</b>	
	<i>RM'000</i>	<i>HK\$'000</i>	<i>RM'000</i>	<i>HK\$'000</i>
Net profit before taxation	29,897	56,440	30,737	58,025
Net profit after taxation	20,867	39,393	23,399	44,173

As at 30 September 2018, the unaudited net asset value of APM was approximately S\$17,503,000 (equivalent to approximately HK\$99,996,000), the unaudited net asset value of CM was approximately S\$3,990,000 (equivalent to approximately HK\$22,795,000); and the unaudited consolidated net asset value of APMSB attributable to its equity holders was approximately RM79,749,000 (equivalent to approximately HK\$150,550,000).

## LETTER FROM THE BOARD

### INFORMATION ON THE PURCHASERS

DKSH Malaysia is listed on the Bursa Malaysia Securities Berhad and is a subsidiary of DKSH Holding. DKSH Singapore is an indirect wholly-owned subsidiary of DKSH Holding.

DKSH Holding is a leading market expansion services provider with a focus on Asia and its shares are listed on the SIX Swiss Exchange since 2012.

The Board confirms that, to the best of its knowledge, information and belief, having made all reasonable enquiries, the Purchasers and their ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

### REASON FOR AND BENEFIT OF THE DISPOSAL

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

The Board undertakes strategic reviews of its assets from time to time with a view to maximising returns to the Shareholders.

The Disposal Companies are principally engaged in the wholesale distribution and manufacture of food and allied fast-moving consumer products such as butter, margarine and related confectionary products in Singapore and Malaysia under house brands such as “SCS” and “Buttercup”. In the past few years, the Disposal Companies have experienced robust financial growth, and now cover nearly 10,000 distribution points and manage over 150 international consumer food brands in the markets of Singapore and Malaysia.

The financial and market performance of the Disposal Companies have been recognised by market participants, generating interest from strategic players that value their market leading positions in the retail and food service channels as well as the strength of market leading brands such as “SCS” and “Buttercup”. However, in view of the Group’s available resources and its business plans going forward to utilise such resources to maximise returns, despite the generally positive prospects of the Disposal Companies, the Board is of the view that committing significant further resources into the Disposal Companies would not be in line with its business plans and strategies since further growth in the Disposal Companies would, for example, involve the allocation of significant resources to enter into new markets which is not in line with the Group’s business strategy of investing in businesses which generate better returns from investments and therefore the next level of growth of the Disposal Companies that may be achieved is not commensurate with the amount of resources that would have to be committed.

## LETTER FROM THE BOARD

In addition, the Disposal Companies, that largely serve the roles of intermediaries between brand owners and retailers, are threatened by disintermediation, which in turn affects the profit margins and returns from investments. Furthermore, the majority of the Disposal Companies' business lacks strong consumer-facing brands that can command a premium from consumers, which hinders the level of growth that can be achieved and the level of return from investments.

In response to active approaches from various parties for a strategic stake in the Disposal Companies, APGL ran a formal process to solicit interest from potential purchasers and received numerous offers in relation to the Disposal Companies. The offer received from DKSH Holding is attractive and reflects a premium for the business' growth potential as well as the synergies that can be derived from a single platform with increased economies of scale. Additionally, DKSH Holding's track record, resources, footprint and investment commitment position the Disposal Companies well for the next level of growth which APGL is not able to match, given a lack of comparable regional scale, without committing considerable resources (as discussed above).

The Consideration payable by the Purchasers is attractive with a price-earning ratio of approximately 16 based on the latest unaudited monthly management accounts of the Disposal Companies.

In view of the above and the basis of determination of the Consideration (including the expected gain from the Disposal as stated below), the Board considers that the terms of the Disposal Agreements (including the Consideration) are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Upon Completion, the Disposal Companies will cease to be subsidiaries of the Company and the results, assets and liabilities of the Disposal Companies will cease to be consolidated into the accounts of the Company.

### **REMAINING BUSINESSES OF THE GROUP**

Upon Completion, the remaining food businesses in the Group will mainly comprise manufacturing of bakery products, operation of food courts in Singapore and Malaysia and food retail in chains of bakeries, cafés and bistros in Singapore and Hong Kong.

The manufacturing of bakery products operates under the "Sunshine" bakery business ("Sunshine Bakery Business"), the key brands of which are "Sunshine" and "Top-One" which are sold in over 3,000 distribution points and outlets from its manufacturing facility in Singapore. The Sunshine Bakery Business has a well-recognized consumer brand in Singapore, a strong market position and a reputation for healthy products. This brand positioning can be extended to other markets with a growing middle class and increased consumption of healthy baked goods, providing further growth opportunities.

## LETTER FROM THE BOARD

The food retail business operates under the brand of “Food Junction” (“Food Junction Business”). Food Junction is a leading modern-themed food court operator offering affordable dining experience with diverse dining options set in chic and relaxing interiors. The increased out-of-home dining and convenience trends serve as drivers for growth for the Food Junction Business. The Food Junction Business consists of the following key segments:

- (a) food courts – there are currently 12 food courts in Singapore and 3 food courts in Malaysia;
- (b) self-run stores – drinks stalls and 8 food stalls at its food courts in Singapore and Malaysia as well as a standalone “Toast Junction” outlet in Singapore; and
- (c) a restaurant in Hong Kong under the “Lippo Chiuchow” brand.

The Group also operates the “Delifrance” business, a network of 36 casual French Parisian style cafés, bakery and retail outlets in Hong Kong and Singapore under a franchise agreement with Delifrance S.A and three other casual dining outlets under its own “Alfafa” brand in Hong Kong.

Unlike the Disposal Companies, the remaining food businesses leverage well-recognized consumer facing brands and do not play the roles of intermediaries. As such, threats of disintermediation, which is a factor that affects profits margins and returns on investments, are less likely to affect the remaining food businesses. It is expected that the remaining food businesses will continue to provide a recurring revenue to the Group as well as give higher returns to the Shareholders from investments, which is the business plan and strategy of the Group.

As part of the continuous review of the Group’s business plans and strategy, the Group’s current intention, which is yet to be finalised, is that APGL will likely declare a dividend *in specie* and distribute the interest in the “Delifrance” business and the “Alfafa” business owned by APGL to APGL’s shareholders. The interest of the Group in such businesses will remain the same after such proposed distribution. Save as disclosed herein, there is currently no intention to scale down or dispose of the remaining food businesses but the Group will review its business plans and strategy from time to time.

The Board is of the view that there will be no material impact on the remaining businesses of the Group as they have separate management and operational teams.

Apart from the remaining food businesses, the Remaining Group will continue its existing businesses after Completion such as healthcare investment, property investment, securities investment and treasury investment. The Group is interested in approximately 40.8% of the issued shares in Healthway Medical Corporation Limited, a company listed on the sponsor-supervised listing platform of the SGX-ST, which has been operating and

## LETTER FROM THE BOARD

managing close to 100 medical centres and clinics in Singapore. The Group is also interested in 39.9% of the issued shares in TIH Limited, a company listed on the Main Board of SGX-ST with a focus on investment in various sectors in Asia such as consumer and industrial products, healthcare, technology, media and telecommunications, food, manufacturing and chemicals. The Group is holding various properties for rental and investment purposes, which are mainly located in Hong Kong and the PRC.

### FINANCIAL EFFECT OF THE DISPOSAL

The Disposal is expected to give rise to a non-recurring gain attributable to the Group of approximately HK\$344 million (subject to adjustment and audit, and before expenses and taxes), which is calculated based on the effective share of APGL's expected non-recurring gain on disposal of subsidiaries, being the difference between the initial consideration and the unaudited net asset value of the Disposal Companies as at 30 September 2018, after taking into account the release of exchange equalisation reserve.

The exact amount of the gain on the Disposal to be recorded in the consolidated statement of profit or loss of the Group upon Completion is subject to adjustments as stated above and audit, and will be calculated based on the carrying value of the Disposal Companies as at the Completion Date and the adjusted Consideration net of any incidental expenses and taxes and therefore may be varied from the figure provided above.

As at 30 September 2018, the unaudited consolidated total assets and total liabilities of the Group were approximately HK\$6,500 million and HK\$2,396 million, respectively. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III of this circular, assuming the Disposal had been completed on 30 September 2018, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK\$7,127 million and HK\$2,120 million, respectively.

For the year ended 31 March 2018, the Group recorded an audited loss attributable to equity holders of the Company of approximately HK\$117 million. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III of this circular, assuming the Disposal had been completed on 1 April 2017, the unaudited pro forma consolidated profit of the Remaining Group attributable to the equity holders of the Company for the year ended 31 March 2018 would be approximately HK\$161 million.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position and performance of the Remaining Group will be upon Completion.

## LETTER FROM THE BOARD

### USE OF PROCEEDS

It is currently intended that all the net proceeds from the Disposal will be applied to general corporate purposes of the Group, in particular, APGL intends to redeploy the proceeds from the divestment to grow and expand its remaining businesses as well as pursue investment and acquisition activities that are better aligned with its strategy to pursue opportunities in high growth sectors and businesses with strong brands.

The APGL Group intends to focus on the parts of its remaining businesses and development of house brands which can generate better returns from investments for APGL's shareholders while looking for and exploring potential investments in businesses which generate higher returns and larger market coverage. It is intended that part of the net proceeds from the Disposal will be redeployed for investment in the expansion of the bakery products manufacturing activities of the APGL Group as well as the food retail activities of the APGL Group which will involve the construction of a food factory in Malaysia and development/enhancements to the food courts and self-operated stalls operated by the APGL Group including the opening of an additional food court in each of Singapore and Malaysia.

It is currently intended that the net proceeds of the Disposal will be used as follows:

<b>Intended use</b>	<b>Allocation of net proceeds (approximately)</b>
Construction of a food factory in Malaysia	S\$35 million (equivalent to approximately HK\$200 million)
Development/enhancements to the food courts and self-operating stalls in Singapore and Malaysia	S\$6 million (equivalent to approximately HK\$34 million)
General working capital of the APGL Group	S\$10 million (equivalent to approximately HK\$57 million)
Capital for potential acquisitions of businesses in line with the APGL Group's business plans	S\$160 million (equivalent to approximately HK\$914 million)

### LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

## **LETTER FROM THE BOARD**

The Purchasers are independent third parties of the Company. None of the Directors has a material interest in the Disposal Agreements and the transactions contemplated thereunder. None of them would be required to abstain from voting on the relevant Board resolution of the Company in respect of the resolution approving the Disposal Agreements and the transactions contemplated thereunder.

### **EGM**

The notice of the EGM is set out on pages N-1 and N-2 of this circular. The form of proxy for use at the EGM is enclosed. Irrespective of whether you are able to attend the meeting, please complete the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong no less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

All Shareholders who have a material interest (which is different from that of all other Shareholders) in the Disposal Agreements and the transactions contemplated thereunder, and their close associates, will be required to abstain from voting on the resolution to approve the Disposal Agreements and the transactions contemplated thereunder at the EGM. As far as the Board is aware, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution referred to above at the EGM.

### **VOTING UNDERTAKING**

Skyscraper has undertaken to procure that the voting rights attaching to the Shares held by it will be voted in favour of the resolution referred to above at the EGM.

### **RECOMMENDATION**

The Directors are of the opinion that the Disposal Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

### **GENERAL**

Shareholders and potential investors of the Company should note that the Disposal is subject to the approval of the Shareholders and the Disposal Agreements may be terminated in certain circumstances. Accordingly, there is no assurance that the Disposal will be completed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
By Order of the Board  
**LIPPO CHINA RESOURCES LIMITED**  
**John Luen Wai Lee**  
*Chief Executive Officer*

**1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2016, 2017 AND 2018 AND SIX MONTHS ENDED 30 SEPTEMBER 2018**

Financial information of the Group for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2018 is disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.lcr.com.hk](http://www.lcr.com.hk)) and can be accessed at the website addresses below:

For the annual report of the Company for the year ended 31 March 2016, please see: [www.lcr.com.hk/file/financial\\_report/eng/E\\_AR\\_2015.pdf](http://www.lcr.com.hk/file/financial_report/eng/E_AR_2015.pdf)

For the annual report of the Company for the year ended 31 March 2017, please see: [www.lcr.com.hk/file/financial\\_report/eng/E\\_AR\\_2016.pdf](http://www.lcr.com.hk/file/financial_report/eng/E_AR_2016.pdf)

For the annual report of the Company for the year ended 31 March 2018, please see: [www.lcr.com.hk/file/financial\\_report/eng/E\\_AR\\_2018.pdf](http://www.lcr.com.hk/file/financial_report/eng/E_AR_2018.pdf)

For the interim report of the Company for the six months ended 30 September 2018, please see: [www.lcr.com.hk/file/financial\\_report/eng/E\\_00156\\_IR\\_2018.pdf](http://www.lcr.com.hk/file/financial_report/eng/E_00156_IR_2018.pdf)

**2. INDEBTEDNESS STATEMENT**

As at 31 December 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness of approximately HK\$1,620 million, comprising secured bank loans of approximately HK\$1,123 million, unsecured bank loans of approximately HK\$168 million, unsecured notes of approximately HK\$282 million, secured obligations under finance leases for certain fixed assets of approximately HK\$1 million, secured bankers' guarantees of approximately HK\$19 million and unsecured bankers' guarantees of approximately HK\$27 million.

The bank loans were secured by certain investments properties, land and buildings, bank deposits, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income of the Group. The obligation under finance leases were secured by the rights to certain leased fixed assets. The bankers' guarantees were secured by certain bank deposits of the Group.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 December 2018, have any outstanding debt securities, whether issued and outstanding, authorised or otherwise created but unissued, term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) or unsecured, other borrowings or indebtedness in the nature of borrowing including bank

overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured borrowings or debt, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirm that there are no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2018.

### **3. WORKING CAPITAL**

Taking into account the financial resources available to the Group, including internally generated funds, available facilities from banks and the net proceeds from the Disposal, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular.

### **4. FINANCIAL AND TRADING PROSPECTS**

The global economy maintained a moderate pace of growth but multiple headwinds such as worsening trade disputes between the U.S. and mainland China, rising interest rates and depreciation in emerging market currencies loomed. The performance of the investment markets were adversely affected. The offer received from DKSH Holding for the Disposal is attractive and reflects a premium for the business' growth potential as well as the synergies that can be derived from a single platform with increased economies of scale. The Disposal will enable the Group to realise the value of its investments at an opportune time. It is currently intended that all the net proceeds from the Disposal will be applied to general corporate purposes of the Group to finance the investment and capital expenditure required by the Group's existing principal businesses. Upon Completion, the remaining food businesses of the Group, run by the APGL Group, will mainly comprise manufacturing of bakery products, operation of food courts in Singapore and Malaysia and food retail in chains of bakeries, cafés and bistros in Singapore and Hong Kong. The APGL Group intends to focus on the parts of its remaining businesses and development of house brands which can generate better returns from investments. It is intended that part of the net proceeds from the Disposal will be redeployed for investment in the expansion of the bakery products manufacturing activities of the APGL Group as well as the food retail activities of the APGL Group which will involve the construction of a food factory in Malaysia and development/enhancements to the food courts and self-operated stalls operated by the APGL Group. The property investment portfolio is located mainly in Hong Kong and mainland China and provides a stable recurring income to the Group. In relation to the "securities and treasury investment" segment, the Group will continue to manage its investment portfolio in accordance with the investment committee's terms of reference and look for opportunities to enhance yields and seek gains. The Group will maintain a diversified investment portfolio including listed and unlisted equity securities, debt securities, investment funds and other structural products. The current volatility in the financial markets is expected to present opportunities for the Group's investment in a listed closed-ended fund in Singapore to identify special situations, corporates

deleveraging and non-core secondary assets at attractive valuations. The Group is optimistic about the prospects in the healthcare industry in Singapore, and has established its presence in this field in 2017 through the investment in Healthway Medical Corporation Limited (“Healthway”). The ongoing business optimisation measures of Healthway and the rebranding initiatives will continue to anchor its transformation efforts going forward. The Group is watchful of market developments. It will cautiously monitor its investments and assess new business opportunities with a view to delivering sustainable long term shareholder return.

## **5. NO MATERIAL ADVERSE CHANGE**

Save as disclosed herein, the Directors confirm that there are no material adverse changes in the financial or trading position of the Group since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

## **6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP**

Following the Disposal, the Remaining Group will comprise the Company and its subsidiaries but excluding APM, CM and the APMSB Group. There will be no change to the existing business of the Remaining Group. The management discussion and analysis of the Remaining Group for the three years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 are set out as follows:

### **(a) For the year ended 31 March 2016**

#### *Operating results*

The Remaining Group recorded a consolidated loss attributable to shareholders of approximately HK\$324 million for the year ended 31 March 2016 (“2016”). The loss was mainly attributable to provisions for impairment losses on investments related to a mining project and intangible assets and the net fair value loss on financial instruments at fair value through profit or loss. Revenue for 2016 totalled HK\$1,170 million.

*Business review, significant investments, material acquisitions and disposals*

For the year ended 31 March 2016, the Remaining Group and its associates, joint ventures and joint operations were principally engaged in investment holding, property investment, property development, food businesses, property management, mineral exploration, extraction and processing, securities investment, treasury investment and money lending. The performance analysis, significant investments, material acquisitions and disposals of these business segments are shown as follows:

*Food businesses*

The Remaining Group's food businesses are mainly operated by the APGL Group. As at 31 March 2016, the shares of APGL were listed on the Main Board of the SGX-ST and the Remaining Group was interested in approximately 49.3% of its issued share capital. The segment recorded a revenue of HK\$1,072 million, mainly from the food retail operations in chains of bakeries, cafes and bistros. The APGL Group continued its businesses and operations review exercise to rationalise the non-performers in the restaurant and food retail businesses with the objective of building sustainable growth in revenue and profits. During 2016, the market's response to the brand revitalisation program for food retail business fell well below expectations. The increasing presence and intense competition from new brands with similar product offerings, lower demand as well as rising operating costs negatively affected the performance. Consequently, management performed a business and operations review to rationalise operations including closure of non-performing stores in Singapore, Malaysia, Hong Kong and mainland China which resulted in significant deterioration in operating results. The rationalisation also resulted in a halt in new store expansion. This had resulted in some exceptional items being undertaken during 2016, mainly the impairment of intangible assets of HK\$208 million. As a result, the segment recorded a loss of HK\$271 million for 2016. Reinforcing its capabilities, the APGL Group would refocus its energies, time and resources on its core strengths to build up its brands and strengthen its performing businesses in manufacturing and the operation of food courts. The Remaining Group would further strengthen its core house brands by exploring new channels of communication to consumers and by expanding its range of product offerings. With the rationalisation of its non-profitable food retail courts, the APGL Group would further develop its core expertise in food court management.

*Property investment*

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

segment revenue from the property investment business for 2016 decreased to HK\$51 million. Coupled with the net fair value gain on investment properties, the segment profit amounted to HK\$56 million for 2016. In March 2016, the Remaining Group entered into an agreement for the disposal of an office floor in Hong Kong. The above disposal was completed in May 2016 and the total consideration of approximately HK\$372 million was received and a gain of disposal of approximately HK\$332 million was recorded in the accounts for 2017.

#### *Property development*

The Remaining Group primarily focused on property development projects in mainland China during 2016.

In September 2015, the Remaining Group entered into an agreement for the disposal of its entire equity interest in a subsidiary, 福建大地湄洲工業區開發有限公司 (Fujian Tati Meizhou Industrial Park Development Co., Ltd.) (“Fujian Tati”), for a consideration of approximately RMB235.8 million (subject to adjustments). The Remaining Group also entered into an agreement to assign the debt due from Fujian Tati to the Remaining Group in an amount of RMB131.6 million (the “Debt”) to the buyer of Fujian Tati at a consideration equal to the amount of the Debt. The principal assets of Fujian Tati are the property interests situated at Shanting Township, Xiuyu District, Putian City, Fujian Province, the PRC. The disposal of Fujian Tati was subsequently completed in December 2015. The above disposal gave rise to a non-recurring gain on disposal of subsidiary of approximately HK\$422 million. The above disposal provided a good opportunity for the Remaining Group to realise its investments in Fujian Tati at a profit and furthermore, the above disposal would enable the Remaining Group to free up capital for its operations and investment purposes when such opportunities arise.

In November 2015, the Remaining Group entered into an agreement for the disposal of its entire interest in Bestbeat Limited (“Bestbeat”) for a consideration of approximately HK\$277.9 million which was settled by the allotment and issue of 646,366,795 new shares in Gemdale Properties and Investment Corporation Limited (“Gemdale”) at an issue price of HK\$0.43 per share (the “Consideration Shares”). All the Consideration Shares were disposed of in March 2016. 力寶置業(江蘇)有限公司 (Lippo Realty (Jiangsu) Limited), a wholly-owned subsidiary of Bestbeat, had been granted the land use rights of a piece of land located in Huai’an City, Jiangsu Province, the PRC with a site area of approximately 41,000 square metres. Gemdale is a company listed on the Main Board of the Stock Exchange. The above disposals would provide a good chance for the Remaining Group to realise its direct investment in the property development project in Huai’an

City of the PRC in return of cash, thereby enhancing the liquidity of the Remaining Group. As a result of the above disposals, the Remaining Group recognised a net loss of HK\$59 million during 2016, comprising a gain on disposal of subsidiaries of approximately HK\$6 million and fair value loss on financial assets at fair value through profit or loss of HK\$65 million.

Construction work planning for the development project located in China Medical City (中國醫藥城), Taizhou City, Jiangsu Province, the PRC (the “Taizhou Project”) was completed. The Taizhou Project, with a site area of approximately 81,000 square metres and a total gross floor area of approximately 220,000 square metres, was a residential development comprising townhouses and residential apartments. In view of the poor market conditions in the region, the Remaining Group intended to slow down the development of the Taizhou Project.

With the contribution from the disposal of certain property development projects during 2016, the segment profit increased to HK\$344 million and the segment asset decreased to HK\$233 million.

#### *Treasury and securities investments*

Treasury and securities investments businesses recorded a total revenue of HK\$34 million during 2016, mainly attributable to the interest and dividend income received from the investment portfolio.

Following the disposal of various property interests, the Remaining Group had surplus cash on hand. In order to maximise the return on such surplus funds which were retained for the Remaining Group’s business and for future investment opportunities, the Remaining Group increased its treasury and securities investments during 2016 through the investment of such surplus fund in various securities and investment funds. The segment assets of the securities investment business increased to HK\$1.9 billion as at 31 March 2016.

The Remaining Group managed its investment portfolio in accordance with the investment committee’s terms of reference and looked for opportunities to enhance yields and seek gains. However, due to the substantial downturn of the global stock market in the third quarter of the year 2015, the Remaining Group recorded net fair value loss on its investment portfolio. The net fair value loss of the securities investment segment included HK\$60 million loss on listed equity securities, HK\$9 million gain on bonds, HK\$74 million loss on investment funds and HK\$4 million gain on other financial instruments. As a result, the treasury and securities investments businesses recorded a net loss of HK\$106 million for 2016.

Details of the top 4 financial assets that made up the net fair value loss of the Remaining Group's financial assets at fair value through profit or loss for 2016 were as follows:

	Year ended 31 March 2016		As at 31 March 2016		
	Net fair value loss <i>HK\$'000</i>	Approximate percentage of net fair value loss on financial assets at fair value through profit or loss	Fair value <i>HK\$'000</i>	Approximate percentage of financial assets at fair value through profit or loss	Approximate percentage to the net assets
GSH Corporation Limited ("GSH")	(54,939)	29%	107,167	15%	3%
iShares MSCI Emerging Market ETF ("EEM US")	(20,819)	11%	—	0%	0%
iShares MSCI Emerging Markets UCITS ETF ("IEEM LN")	(15,391)	8%	6,213	1%	0%
iShares MSCI World UCITS ETF ("IWDA LN")	(14,160)	7%	32,615	5%	1%
Others ( <i>Note</i> )	(87,068)	45%	567,533	79%	14%
	<u>(192,377)</u>	<u>100%</u>	<u>713,528</u>	<u>100%</u>	<u>18%</u>

*Note:* Others included fair value loss of HK\$65 million for the Consideration Shares in relation to the disposal of Bestbeat, which was managed under the property development business segment. Save as aforesaid, others comprised of more than 100 securities, none of which accounted for more than 5% of the net fair value loss for 2016.

The shares of GSH are listed in Singapore. GSH is a property developer in Southeast Asia with certain properties under development in Kuala Lumpur and Kota Kinabalu, Malaysia. GSH also owns the Sutera Harbour Resort in Kota Kinabalu and GSH Plaza in Singapore. This investment was made for asset diversification purpose. The share price performance of GSH was not satisfactory during 2016. Given the volatility in the stock and property markets, it is expected the share price of GSH may remain low until the property market recovers.

EEM US is listed in New York and IEEM LN is listed in London, both of which track on index composed of companies from emerging markets. As reported by the Remaining Group's investment advisor, sentiment around emerging market equities took a further downturn when the PRC announced a small but sudden RMB depreciation and this unexpected development fed investors' worst fears that the PRC might devalue its currency as a means of speeding up economic growth and hence returns from EEM US and IEEM LN during 2016 was not satisfactory. While a weaker US dollar and rebound in commodities were supportive of emerging market equities recently (especially the commodities exporters), the macro environment was still challenging. Concern about capital outflow and RMB depreciation might well keep investors on the side-line for now. Unless there was a turnaround in these fundamentals, emerging market equities would likely remain challenging.

IWDA LN is a listed ETF in London that tracks the developed market equity portfolio benchmark. As reported by the Remaining Group's investment advisor, the loss during 2016 was due to the negative sentiment surrounding emerging markets and the PRC spilled over in the midst of lacklustre corporate earnings and general investor caution ahead of the Federal Open Market Committee meeting during the first half of 2016. Although slower global growth and political concerns kept developed market central bank monetary policy very accommodative, rich valuations and weak corporate profits capped the upside for developed market equities. Historically, multiple contraction is expected after the first Fed rate hike. It was expected that developed market equities to remain range bound, stuck between the forces of plentiful liquidity and a poor corporate earnings outlook.

In view of the uncertain prospects of EEM US, IEEM LN and IWDA LN, the Remaining Group had divested a substantial part of these investments during 2016.

Given the importance of technology on the global economy and the prospects for such section, the Remaining Group made a number of small investments in technology related companies and private investment funds which invest in such section.

#### *Mineral exploration and extraction*

Asia Now Resources Corp. ("Asia Now"), in which the Remaining Group was interested in approximately 52.2% of its issued share capital as at 31 March 2016, was primarily engaged in the business of exploration of mineral deposits in Yunnan Province, mainland China. In June 2015, the special resolution for approving the arrangement agreement in respect of the

proposed acquisition for all of the issued and outstanding common shares of Asia Now not already owned by China Gold Pte. Ltd. (“China Gold”), a subsidiary of the Company, was not approved by the requisite shareholder approval. In connection with the proposed acquisition, China Gold had provided a secured loan to Asia Now of approximately \$1.1 million Canadian dollars (C\$) which was subsequently in default. In August 2015, China Gold filed an application to appoint a receiver over all of the assets of Asia Now so as to enforce its security against Asia Now. Following the entering of the receivership, in September 2015, the listing of Asia Now was transferred from TSX Venture Exchange of Canada (“TSXVE”) to NEX, a separate board of TSXVE which provides a trading forum for listed companies in Canada that have fallen below TSXVE’s ongoing financial listing standards. Shares of Asia Now were suspended from trading. Subsequently, China Gold had acquired all the assets of Asia Now on 31 December 2015 for a consideration of C\$2.2 million. The receivership of Asia Now was completed in April 2016.

CS Mining, LLC (“CS Mining”), a majority owned subsidiary of Skye Mineral Partners, LLC (“Skye”), owned and controlled a number of copper ore deposits located in the State of Utah in the U.S., and was engaged in the business of mining and processing primarily copper. As at 31 March 2016, the Remaining Group was directly and indirectly interested in approximately 28% of all issued and outstanding class A units in Skye and approximately 27% of the total issued and outstanding units in Skye. During 2016, the Remaining Group acquired the entire issued share capital of, and the shareholder’s loan to, Waterloo Street Limited (“Waterloo”) for an aggregate cash consideration of approximately US\$23 million. As at the date of the above acquisition, the sole investments of Waterloo was the secured loans due from CS Mining in an aggregate principal amount of US\$29.75 million together with accrued interest of approximately US\$3.4 million (the “Secured Loans”). Interest on the Secured Loans accrued at a rate based on US\$ London Interbank Offered Rate plus a margin varying from 6% to 10% and the Secured Loans were secured by, inter alia, certain properties and assets and mining deposits owned by CS Mining. Due to the deadlock among the investors of Skye, CS Mining was unable to secure further funding for its operation. In early June 2016, a bankruptcy petition was filed by certain creditors against CS Mining pursuant to Chapter 11 of the United States Bankruptcy Code (the “Involuntary Petition”). Such Involuntary Petition triggered an automatic stay to protect against any enforcement or collection actions against CS Mining. CS Mining shall consider whether to accept the Involuntary Petition and proceed with the bankruptcy case or to contest its validity. Also, in early June 2016, a complaint was filed by certain investors of Skye in a court in the United States for, among others, damages allegedly suffered by CS Mining in relation to the acquisition by Waterloo (an indirect wholly-owned subsidiary of the Company) of the Secured Loans (the “2016 Complaint”). The 2016 Complaint had not been served on the entities of the

Remaining Group. As advised by the U.S. counsel of the Remaining Group, it was believed that there were valid grounds for dismissal of the 2016 Complaint. The Remaining Group was considering further actions to be taken in respect of the Involuntary Petition and the 2016 Complaint.

In view of the predicament of CS Mining, the risk of it going into bankruptcy or receivership in the near future and the decline in copper prices, the Remaining Group recorded impairment losses of HK\$312 million in the consolidated statement of profit or loss for 2016, comprising impairment for interests in associates, available-for-sale financial assets, and loans and receivables of HK\$28 million, HK\$125 million, and HK\$159 million, respectively.

***Liquidity, financial resources and charge on assets***

The Remaining Group financed its liquidity requirements through a combination of cash flow generated from operations and bank borrowings. The Remaining Group had total cash and bank balances of HK\$1.9 billion as at 31 March 2016. As at 31 March 2016, bank and other borrowings of the Remaining Group amounted to HK\$557 million. Bank loans amounted to HK\$555 million as at 31 March 2016, which comprised secured bank loans of HK\$550 million and unsecured bank loans of HK\$5 million and were denominated mainly in Hong Kong dollars. The bank loans were secured by certain properties and certain bank deposits of the Remaining Group. All of the bank borrowings carried interest at floating rates. The Remaining Group had obligations under finance leases for certain fixed assets which amounted to HK\$2 million as at 31 March 2016. These obligations were secured by the rights to the leased fixed assets. As at 31 March 2016, approximately 8% of the bank and other borrowings were repayable within one year. As at 31 March 2016, the gearing ratio (measured as total borrowings, net of non-controlling interests, to equity attributable to equity holders of the Company from the Remaining Group) was 15.1%.

***Capital structure and foreign exchange risk***

There was no change in the Remaining Group's capital structure.

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

*Contingent liabilities and capital commitment*

The Remaining Group had bankers' guarantees of approximately HK\$42 million as at 31 March 2016 issued in lieu of rental and utility deposits for the premises used for operation of food businesses. Approximately 68% of the bankers' guarantees were secured by certain bank deposits of the Remaining Group.

As at 31 March 2016, the Remaining Group's commitment amounted to HK\$131 million, mainly related to the property development projects and securities investments of the Remaining Group. The investments or capital assets would be financed by the Remaining Group's internal resources and/or external bank financing, as appropriate.

*Employee and remuneration policies*

The Remaining Group had 1,803 employees as at 31 March 2016. Staff costs (including directors' emoluments) of the Remaining Group charged to the statement of profit or loss during 2016 amounted to HK\$416 million. The Remaining Group ensured that its employees were offered competitive remuneration packages. The Remaining Group also provided benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Remaining Group.

*Future plans for material investments and acquisition of capital assets*

Save for disclosed elsewhere in this section, there was no specific plan for material investments and acquisition of capital assets as at 31 March 2016.

**(b) For the year ended 31 March 2017***Operating results*

The Remaining Group recorded a consolidated profit attributable to shareholders of approximately HK\$370 million for the year ended 31 March 2017 ("2017"), as compared to a consolidated loss of approximately HK\$324 million for the year ended 31 March 2016 ("2016"). Such profit was mainly attributable to gain on disposal of subsidiaries of approximately HK\$334 million and fair value gain of approximately HK\$190 million on its investments following the recovery of the stock markets. Revenue for 2017 totalled HK\$1,081 million (2016 — HK\$1,170 million). Food businesses were the principal sources of revenue of the Remaining Group, representing 93% (2016 — 92%) of total revenue.

*Business review, significant investments, material acquisitions and disposals*

For the year ended 31 March 2017, the Remaining Group and its associates, joint ventures and joint operations were principally engaged in investment holding, property investment, property development, food businesses, property management, mineral exploration and extraction, securities investment, treasury investment and money lending. The performance analysis, significant investments, material acquisitions and disposals of these business segments are shown as follows:

*Food businesses*

The Remaining Group's food businesses are mainly operated by APGL, a subsidiary of the Company. As at 31 March 2017, the Remaining Group was interested in approximately 49.3% of the issued shares in APGL. The segment recorded a revenue of HK\$1,003 million (2016 — HK\$1,072 million), mainly from the food retail operations in chains of bakeries, cafes and bistros. In 2016, management of the APGL Group performed a business and operations review to rationalise operations including closure of non-performing stores in Singapore, Malaysia, Hong Kong and mainland China which resulted in significant deterioration in operating results. As a result, some exceptional items, including but not limited to an impairment of intangible assets of HK\$239 million were incurred during 2016. The drive for business growth and rationalisation yielded results with a stronger landing for 2017. The segment recorded a profit of HK\$39 million for 2017 as compared to a loss of HK\$271 million for 2016. However, in view of the challenges and uncertainties in the year ahead, APGL continued to focus building stronger foundation for its core businesses and to seek new avenues and opportunities for business growth.

In February 2017, it was announced that Silver Creek Capital Pte. Ltd. ("Silver Creek", of which Dr. Stephen Riady, an executive Director of the Company, is the majority shareholder) made a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of APGL, other than those which were owned, controlled or agreed to be acquired by Silver Creek or by parties acting in concert or deemed to be acting in concert with Silver Creek (the "APGL Offer"), with a view to delist APGL from the Main Board of the SGX-ST. The APGL Offer did not extend to the Remaining Group. The APGL Offer closed on 7 April 2017. Trading of the shares in APGL was suspended on 10 April 2017 and APGL was subsequently delisted on 17 April 2017. In order to allow the Company to remain as the holding company (as defined in the Listing Rules) of APGL, Silver Creek and the Company entered into a letter of undertaking on 13 April 2017 pursuant to which Silver Creek undertook with the Company that Silver Creek shall,

among other things, exercise or refrain from exercising the voting rights attached to a certain number of ordinary shares in the capital of APGL in accordance with the written directions as the Company may from time to time issue and deliver to Silver Creek.

#### *Property investment*

The Remaining Group's investment properties are located mainly in Hong Kong and mainland China and provide a recurring income. Total segment revenue from the property investment business for 2017 amounted to HK\$44 million (2016 — HK\$51 million). The Remaining Group undertakes strategic review of its assets from time to time for maximising return to its shareholders which may include possible sale of certain properties held for investment purposes. In May 2016, the Remaining Group completed the disposal of its interest in a subsidiary which was holding an office floor in Hong Kong for an aggregate consideration of HK\$372 million. Such disposal provided a good opportunity for the Remaining Group to realise its investments at a profit. Accordingly, the Remaining Group recognised a gain on disposal of a subsidiary of HK\$332 million. Coupled with the segment revenue and net fair value gain on investment properties, the segment profit increased to HK\$415 million (2016 — HK\$56 million) for 2017.

#### *Property development*

Given the market conditions in the region and the time required to complete and sell the Taizhou Project, the Remaining Group entered into an agreement for the disposal of its entire equity interest in 力寶置業(泰州)有限公司 (Lippo Realty (Taizhou) Limited) (“Lippo Realty”) and an agreement for the assignment of all its rights to the advance due and owing by Lippo Realty to the Remaining Group in May 2017. The aggregate consideration received and receivable by the Remaining Group from the above disposal shall amount to RMB175 million. By reference to the consideration for the disposal of the equity interest, the Remaining Group recorded a provision for impairment loss on properties under development for this development project of approximately HK\$23 million during 2017 (2016 — Nil) and reported a loss of HK\$27 million (2016 — loss of HK\$19 million, which excluded the non-recurring net gain in relation to disposal of subsidiaries in 2016). Such disposal was completed during the year ended 31 March 2018.

#### *Treasury and securities investments*

Treasury and securities investments businesses recorded a total revenue of HK\$24 million during 2017 (2016 — HK\$34 million), mainly attributable to the interest and dividend income received from the investment portfolio.

The Remaining Group managed its investment portfolio in accordance with the investment committee's terms of reference and looked for opportunities to enhance yields and seek gains. As of 31 March 2017, the Remaining Group's financial assets at fair value through profit or loss amounted to HK\$1,028 million (2016 — HK\$714 million), comprising equity securities of HK\$434 million (2016 — HK\$242 million), debt securities of HK\$206 million (2016 — HK\$193 million) and investment funds of HK\$388 million (2016 — HK\$279 million). Following the improvement in the global stock market in the third quarter of the year 2016, the Remaining Group recorded net fair value gain on its investments under the securities investment segment of HK\$182 million for 2017 as compared to net fair value loss of HK\$121 million for 2016. The net fair value gain of the securities investment segment for 2017 included HK\$149 million gain on listed equity securities, HK\$10 million gain on investment funds and HK\$26 million gain on other financial instruments, net-off with HK\$3 million loss on bonds. As a result, the treasury and securities investments businesses recorded a net profit of HK\$187 million for 2017 (2016 — loss of HK\$106 million).

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

	As at 31 March 2017		As at 31 March 2016		For the year ended 31 March 2017	
	Fair value HK\$'000	Approximate percentage of financial assets at fair value through profit or loss	Approximate percentage to the net assets	Fair value HK\$'000	Net fair value gain/(loss) HK\$'000	Approximate percentage of net fair value gain on financial assets at fair value through profit or loss
GSH Corporation Limited ("GSH")	235,501	23%	6%	107,167	128,334	78%
US Treasury N/B 2.000% 11/15/26	63,192	6%	2%	—	819	0%
TSY INFL IX N/B 0.125% 07/15/26	55,294	5%	1%	—	(699)	n.m.
iShares EM Local Govt Bond UCITS ETF ("IEML")	52,231	5%	1%	15,036	(914)	n.m.
Others ( <i>Note</i> )	621,939	61%	15%	591,325	36,439	22%
	<u>1,028,157</u>	<u>100%</u>	<u>25%</u>	<u>713,528</u>	<u>163,979</u>	<u>100%</u>

n.m.: not meaningful

*Note:* Others included listed shares in Healthway with carrying amount of HK\$37 million as of 31 March 2017, which was managed separately under healthcare services as disclosed below. Save as aforesaid, the remaining came from more than 100 securities, none of which accounted for more than 5% of the financial assets at fair value through profit or loss as at 31 March 2017 or 7% of the net fair value gain for 2017.

As at 31 March 2017, the fair value of the Remaining Group's equity securities in GSH amounted to HK\$236 million, representing approximately 23% of the Remaining Group's total financial assets at fair value through profit or loss. This investment was made for asset diversification purpose. GSH is a Singapore listed property developer in Southeast Asia with certain properties under development in Kuala Lumpur and Kota Kinabalu, Malaysia. GSH also owns the Sutera Harbour Resort in Kota Kinabalu which comprises two five-star hotels and a golf course. In March 2017, GSH entered into a conditional sale and purchase agreement for the disposal of a subsidiary which owns GSH Plaza, its flagship commercial property in Singapore. The completion date of the disposal was extended to July 2017. Such disposal was a good opportunity for GSH to realise cash flow for its other businesses, including increasing its presence in overseas markets such as mainland China. In line with the global stock market improvement since the third quarter of the year 2016, the share price performance of GSH was satisfactory during 2017, resulting in a fair value gain of HK\$128 million, which accounted for approximately 78% of the total net fair value gain. It was expected that its performance would be largely affected by the global stock market conditions.

US Treasury N/B 2.000% 11/15/26 is one of the proxies to represent Treasuries in the Remaining Group's bond portfolio. In addition to the capital gains, it also returned coupon interests to the Remaining Group. Since the issue of the bond in November 2016, the price came down a bit and then recovered. As advised by the Remaining Group's investment advisor, the outlook for sovereign bonds was not very optimistic. Accordingly, the Remaining Group pared its exposure in its portfolio.

TSY INFL IX N/B 0.125% 07/15/26 is a treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation. The price of this security had declined in December 2016 and then recovered. In addition to the price movements, the security also returned a coupon of 0.125% over inflation rate measured by consumer price index. The Remaining Group's investment advisor advised that the outlook for Treasury inflation protected securities ("TIPs") was not as rosy as well but a bit better than Treasuries as U.S. interest rate started hiking in the short term, and TIPs yields could be pressured higher. As a result, the Remaining Group had started reducing some exposure in the portfolio.

IEML is a proxy for Emerging Market (“EM”) local currency bonds in the Remaining Group’s EM bond portfolio. Since April 2016, the ETF was up 8% including a sizable drawdown of 9% due to events surrounding U.S. presidential election in November 2016. We were underweight exposure in the EM strategy, and had post November built the strategy up to neutral weight. The outlook for EM Bonds was neutral as there were some cross currents from the view that sovereign bonds in the G-10 space was set to move higher (such as the Treasuries above) which would be a headwind for EM Bonds offset by the still solid global growth and investors search for yield. The Remaining Group’s investment advisor’s view on EM bonds (and IEML) was cautiously optimistic.

The Remaining Group also made a number of small investments in the technology sector and through private investment funds to participate in the growing New Economy which included technology companies and communication industry, etc.

#### *Mineral exploration and extraction*

In early June 2016, the Involuntary Petition was filed by certain creditors against CS Mining, a subsidiary of Skye, in the United States Bankruptcy Court for the District of Utah (the “U.S. Bankruptcy Court”). The Remaining Group is directly and indirectly interested in approximately 28% of all issued and outstanding class A units in Skye and approximately 27% of the total issued and outstanding units in Skye. In August 2016, CS Mining consented to the Involuntary Petition, and the U.S. Bankruptcy Court granted an order for relief in respect of CS Mining. CS Mining continued to operate its business and manage its affairs as a debtor-in-possession. Debtor-in-possession loan facilities (the “DIP Loan”) were provided to CS Mining. The DIP Loan was approved by the U.S. Bankruptcy Court. The DIP Loan was secured by a lien on all assets of CS Mining, which ranked senior to liens previously granted to Waterloo, a subsidiary of the Company, and certain other secured creditors. Pursuant to the terms of the DIP Loan, CS Mining had commenced a process to sell its business which was expected to complete in the third quarter of 2017. In early June 2016, a complaint was filed by certain investors of Skye against Waterloo and certain investors of Skye, in which the Remaining Group has equity interests (the “Group Entities”) and others, claiming, among other things, damages allegedly suffered by CS Mining. The action was removed to the U.S. Bankruptcy Court. This litigation remains ongoing. In July 2016, Waterloo and the Remaining Group Entities commenced an adversary proceeding in the U.S. Bankruptcy Court against CS Mining’s other significant secured creditor and various members and managers of CS Mining, asserting claims for equitable subordination, recharacterisation of certain claims, and damages due to tortious interference (the “Waterloo Complaint”). Certain defendants asserted

counterclaims against Waterloo and the Remaining Group Entities. This litigation is ongoing. In February 2017, CS Mining filed several lawsuits in the U.S. Bankruptcy Court against some of its creditors, including, inter alia, a complaint filed against, inter alia, Waterloo with respect to the secured loan owed by CS Mining to Waterloo (the “Waterloo Loan”). In the lawsuit, CS Mining seeks several forms of relief with respect to the Waterloo Loan. Waterloo denied all claims made in the complaint. Discovery has commenced in this litigation and trial was scheduled for August 2017.

Having considered the potential recoverable amount from the sale of the business and the amount of the DIP Loan and other loan and expenditure which ranked senior to the Waterloo Loan with carrying value of HK\$58 million, it was expected that the recoverable value of the Remaining Group’s remaining secured loan was highly likely to be minimal and hence should therefore be fully impaired for 2017. In 2016, impairment losses in a total of HK\$312 million were made for the interests in associates, available-for-sale financial assets and loans and receivables in relation to the Remaining Group’s interests in CS Mining.

Notwithstanding the difficulties in the mining business, the Remaining Group is generally positive concerning the long term prospects for resource business. The Remaining Group may consider participating in investment in such business should the opportunity arise.

#### *Other business*

The Remaining Group saw the business potentials in the healthcare industry in Singapore, and would therefore like to establish their presence in this field. In February 2017, Gentle Care Pte. Ltd. (“Gentle Care”), a subsidiary of the Company, had made a voluntary conditional cash offer for all the issued and paid-up ordinary shares (the “Healthway Shares”) in Healthway at an offer price of S\$0.042 per share (the “Healthway Offer”). The Healthway Offer was also extended to the convertible notes in the total principal amount of S\$70 million issued by Healthway (the “CN”) to a third party during the offer period. The CN could be convertible into shares in Healthway at a conversion price of S\$0.03384 per share.

As at 31 March 2017, the Remaining Group was interested in approximately 22% of the then issued shares in Healthway and the consideration paid for such Healthway Shares amounted to approximately S\$20 million. On 23 April 2017, an agreement was entered into between Gentle Care and the noteholder pursuant to which Gentle Care acquired S\$15 million CN for a consideration of approximately S\$18.6 million and such CN were subsequently converted into Healthway Shares. The Healthway Offer closed on 12 May 2017. Immediately after the completion of settlement

of the offer price on 23 May 2017, the Remaining Group was interested in approximately 55.02% of Healthway Shares and approximately 38.86% of the maximum potential issued share capital of Healthway assuming all outstanding CN issued were fully converted into Healthway Shares. Accordingly, Healthway was now regarded as a subsidiary of the Company under the Hong Kong Companies Ordinance and the Listing Rules. However, Healthway would be accounted for as an associate under the Hong Kong Financial Reporting Standards and accordingly, the earnings, assets and liabilities of Healthway would not be consolidated into the financial statements of the Company. The aggregate cash consideration paid for the above acquisition amounted to approximately S\$71.4 million, which included acquisition of Healthway Shares before the Healthway Offer. Healthway is a company listed on the sponsor-supervised listing platform of the SGX-ST. Healthway, together with its subsidiaries (the “HMC Group”), owns, operates and manages medical centres and clinics. Healthway, as a well-established private healthcare provider in Singapore, matches the Remaining Group’s strategy to establish its presence in the healthcare industry in Singapore and to acquire quality healthcare management capability.

*Liquidity, financial resources and charge on assets*

The Remaining Group financed its liquidity requirements through a combination of cash flow generated from operations and bank borrowings. As at 31 March 2017, the Remaining Group’s total cash and bank balances (consisted of cash and cash equivalents, time deposits with original maturity of more than three months and restricted cash) amounted to HK\$2.4 billion (31 March 2016 — HK\$1.9 billion). In connection with the Healthway Offer, certain cash and bank balances, financial assets at fair value through profit or loss and available-for-sale financial assets were pledged to a bank as security for the bankers’ guarantees issued to Gentle Care in a total amount of S\$228 million. Such cash and bank balances with a carrying amount of HK\$0.9 billion was reclassified to restricted cash as at 31 March 2017. The bankers’ guarantees had not been utilised and were expired in June 2017 and the charges of the aforesaid assets had been fully released.

As at 31 March 2017, bank and other borrowings of the Remaining Group increased to HK\$1,067 million (31 March 2016 — HK\$557 million). As at 31 March 2017, bank loans amounted to HK\$475 million and were secured by certain properties of the Remaining Group. Bank loans as at 31 March 2016 amounted to HK\$555 million, comprised secured bank loans of HK\$550 million and unsecured bank loans of HK\$5 million. The bank loans were mainly denominated in Hong Kong dollars. All of the bank borrowings carried interest at floating rate. The Remaining Group’s other borrowings comprised of an unsecured loan from the holding company granted during 2017 and obligations under finance leases. During 2017, a

fixed rate loan of HK\$590 million was provided to the Remaining Group by the holding company. The Remaining Group had obligations under finance leases for certain fixed assets which amounted to HK\$2 million as at 31 March 2017 (31 March 2016 — HK\$2 million). These obligations were secured by the rights to the leased fixed assets. As at 31 March 2017, approximately 99.9% (31 March 2016 — 8%) of the bank and other borrowings were repayable within one year. As at 31 March 2017, the gearing ratio (measured as total borrowings, net of non-controlling interests, to equity attributable to equity holders of the Company from the Remaining Group) was 27.0% (31 March 2016 — 15.1%).

#### ***Capital structure and foreign exchange risk***

There was no change in the Remaining Group's capital structure.

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

#### ***Contingent liabilities and capital commitment***

The Remaining Group had bankers' guarantees of approximately HK\$32 million as at 31 March 2017 (31 March 2016 — HK\$42 million) issued in lieu of rental and utility deposits for the premises used for operation of food businesses. Approximately 59% (31 March 2016 — 68%) of the bankers' guarantees were secured by certain bank deposits of the Remaining Group.

The Remaining Group's commitments as at 31 March 2017 included HK\$506 million commitment in relation to the Healthway Offer. As a result, the total commitment as at 31 March 2017 increased to HK\$629 million (31 March 2016 — HK\$131 million). The investments or capital assets would be financed by the Remaining Group's internal resources and/or external bank financing, as appropriate.

#### ***Employee and remuneration policies***

The Remaining Group had 1,454 employees as at 31 March 2017 (31 March 2016 — 1,803 employees). Staff costs (including directors' emoluments) of the Remaining Group charged to the statement of profit or loss during 2017 amounted to HK\$362 million (2016 — HK\$416 million). The Remaining Group ensured that its employees were offered competitive remuneration packages. The Remaining Group also provided benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Remaining Group.

*Future plans for material investments and acquisition of capital assets*

Save for disclosed elsewhere in this section, there was no specific plan for material investments and acquisition of capital assets as at 31 March 2017.

**(c) For the year ended 31 March 2018***Operating results*

The Remaining Group recorded a consolidated loss attributable to shareholders of approximately HK\$143 million for the year ended 31 March 2018 (“2018”), as compared to a consolidated profit of approximately HK\$370 million for the year ended 31 March 2017 (“2017”) which included non-recurring gains on disposal of subsidiaries of approximately HK\$334 million. The loss for 2018 incurred by the Remaining Group was mainly attributable to the share of losses of its associates and joint ventures and net fair value loss on financial instruments at fair value through profit or loss due to the volatile stock markets during 2018. Revenue for 2018 totalled HK\$1,009 million (2017 — HK\$1,081 million). Food businesses were the principal sources of revenue of the Remaining Group, representing 92% (2017 — 93%) of total revenue.

*Business review, significant investments, material acquisitions and disposals*

For the year ended 31 March 2018, the Remaining Group and its associates, joint ventures and joint operation were principally engaged in investment holding, property investment, property development, food businesses, healthcare services, property management, mineral exploration, extraction and processing, securities investment, treasury investment and money lending. The performance analysis, significant investments, material acquisitions and disposals of these business segments are shown as follows:

*Food businesses*

The Remaining Group’s food businesses are mainly operated by APGL, a 50.30% subsidiary of the Company. The segment recorded a revenue of HK\$924 million (2017 — HK\$1,003 million), mainly from food manufacturing and the food retail operations in chains of bakeries, cafes and bistros. The segment showed an improvement of the results and recorded a profit of HK\$79 million for 2018 (2017 — HK\$39 million). The profit for 2018 included a gain of HK\$15 million from the sale of a joint venture; and a gain on disposal of fixed assets and write-back of provision for impairment losses from fixed assets in a total of HK\$35 million, mainly resulted from the disposal of a factory during 2018. APGL continues to focus on building a

strong foundation for its core businesses and seeks new avenues and opportunities for business growth. APGL has taken steps to increase its manufacturing capacity of housebrands, which is planned to be operational in 2019. In its pursuit of providing consumers with a wide range of healthier options, APGL launched a range of new products in the wholemeal bread and bun categories.

The APGL Offer closed on 7 April 2017. APGL was subsequently delisted from the Main Board of the SGX-ST on 17 April 2017. The APGL Offer did not extend to the Remaining Group. In July 2017, APGL announced that it proposed to cancel all the shares in APGL held by its minority shareholders, representing approximately 2% of all the then outstanding APGL's shares in issue, by way of a selective capital reduction exercise in consideration of S\$1.65 per share (the "Selective Capital Reduction"). The Selective Capital Reduction became effective on 16 November 2017, and APGL's outstanding shares in issue were reduced from 125,667,324 shares to 123,116,883 shares. Accordingly, the Remaining Group's equity interest in APGL was increased from 49.28% to 50.30%.

#### *Property investment*

The Remaining Group's investment properties are located mainly in Hong Kong and mainland China and provide a stable recurring income to the Remaining Group. The total segment revenue for 2018 decreased to HK\$42 million (2017 — HK\$44 million). Coupled with the increase in net fair value gain on investment properties to HK\$87 million (2017 — HK\$64 million), the segment reported a profit of HK\$99 million for 2018 (2017 — HK\$415 million, which included a non-recurring gain on disposal of a subsidiary of approximately HK\$332 million).

#### *Property development*

Given the market conditions in the region and the time required to complete and sell the Taizhou Project, the Remaining Group entered into agreements for the disposal of its entire interests in Lippo Realty in May 2017 for an aggregate consideration of RMB175 million. Such disposal was completed during 2018 giving rise to a non-recurring loss on disposal of subsidiary of approximately HK\$15 million which was mainly due to the release of cumulated exchange loss on translation of the subsidiary upon disposal. As a result, the segment reported a loss of HK\$16 million for 2018 (2017 — HK\$27 million) and the segment asset decreased to HK\$22 million as at 31 March 2018 (31 March 2017 — HK\$198 million).

*Treasury and securities investments*

Treasury and securities investments businesses recorded a total revenue of HK\$35 million during 2018 (2017 — HK\$24 million), mainly attributable to the interest and dividend income received from the investment portfolio. The Remaining Group managed its investment portfolio in accordance with the investment committee's terms of reference and looked for opportunities to enhance yields and seek gains. As of 31 March 2018, the Remaining Group's financial assets at fair value through profit or loss amounted to HK\$1,738 million (31 March 2017 — HK\$1,028 million), comprising equity securities of HK\$808 million (31 March 2017 — HK\$434 million), debt securities of HK\$196 million (31 March 2017 — HK\$206 million), investment funds of HK\$358 million (31 March 2017 — HK\$388 million) and equity linked notes of HK\$376 million (31 March 2017 — Nil). The stock markets were volatile during 2018 and the Remaining Group recorded net fair value loss on its investments under the securities investment segment of HK\$38 million for 2018 (2017 — gain of HK\$182 million).

Besides, the Remaining Group also made a number of small investments in the Technology, Media and Telecommunication (TMT) sector and Biotech sector through direct investment and private investment funds in order to expand its investment portfolio in the growing New Economy. The Remaining Group recorded a gain on disposal of available-for-sale financial assets of HK\$8 million but an impairment loss of HK\$11 million (2017 — HK\$8 million) from these investments was recorded during 2018. As a result, the treasury and securities investments businesses recorded a loss of HK\$18 million for 2018 (2017 — profit of HK\$187 million).

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

	As at 31 March 2018		As at 31 March 2017		For the year ended 31 March 2018
	Fair value HK\$'000	Approximate percentage of financial assets at fair value through profit or loss	Fair value HK\$'000	Approximate percentage to the net assets	Net fair value gain/(loss) HK\$'000
Equity linked notes ("ELN")	376,407	22%	—	9%	(5,520)
GSH Corporation Limited ("GSH")	220,941	13%	235,501	5%	(14,561)
PPDAI Group Inc. ("PPDAI")	114,326	7%	—	3%	(70,784)
Tencent Holdings Limited ("Tencent")	69,930	4%	—	2%	(465)
Others ( <i>Note</i> )	956,506	54%	792,656	22%	74,786
	<u>1,738,110</u>	<u>100%</u>	<u>1,028,157</u>	<u>41%</u>	<u>(16,544)</u>

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

#### ELN and Tencent Shares

On 28 March 2018, the Remaining Group subscribed for the ELN which was linked to shares in Tencent (the "Tencent Shares") with an aggregate nominal value of HK\$390 million at a consideration of approximately HK\$382 million. As at 31 March 2018, the fair value of the ELN was HK\$376 million, representing approximately 22% of the Remaining Group's total financial assets at fair value through profit or loss. Unrealised fair value loss of HK\$6 million was recorded by the Remaining Group for 2018. The ELN matured on 11 May 2018 and the final share price of Tencent Shares was above the strike price. Accordingly, the Remaining Group received the full face value of the ELN which generated a satisfactory return of approximately 2.11% for the tenor of the ELN to the Remaining Group.

During 2018, the Remaining Group also acquired Tencent Shares on the open market as the fundamentals of Tencent are stable and its potential future expansion globally is robust. As at 31 March 2018, the fair value of the Remaining Group's equity securities in Tencent Shares amounted to HK\$70 million, representing approximately 4% of the Remaining Group's

total financial assets at fair value through profit or loss, with a fair value loss of HK\$0.5 million recognised for 2018.

#### GSH

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

#### PPDAI

In November 2017, the Remaining Group had acquired 1,538,000 American Depository Shares ("ADSs") of PPDAI for an aggregate consideration of approximately US\$20 million in the initial public offering of PPDAI's ADSs which are listed on the New York Stock Exchange. PPDAI is one of the leading online consumer finance marketplace in the PRC with strong brand recognition. Launched in 2007, PPDAI is one of the first entrants in online financing service in the PRC connecting borrowers and investors, whose needs have not been met by traditional financial institutions. PPDAI generates revenues primarily from fees charged to borrowers for PPDAI's services in matching them with investors and for other related services. PPDAI is of the view that with the growing wealth of the PRC's large consumer base, the increasing willingness of the PRC's young generation to spend, as well as new internet-based business models, the PRC's household consumption shows favourable growth prospects. This is an opportunity allowing the Remaining Group to participate in the growing online consumer lending market in the PRC through its investment in the listed ADSs of PPDAI.

As at 31 March 2018, the Remaining Group held approximately 2 million ADSs of PPDAI with a carrying amount of HK\$114 million,

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

#### *Healthcare services*

The Remaining Group is optimistic about the prospects in the healthcare industry in Singapore, and has established its presence in this field. In February 2017, Gentle Care, a subsidiary of the Company, made the Healthway Offer. Healthway, together with its subsidiaries, owns, operates and manages close to 100 medical centres and clinics. Healthway, as a well-established private healthcare provider in Singapore, matches the Remaining Group's strategy to establish its presence in the healthcare industry in Singapore and to acquire quality healthcare management capability. The Healthway Offer was also extended to the convertible notes in the total principal amount of S\$70 million issued by Healthway (the "CNs") to GW Active Limited ("GW", an independent third party) during the offer period. The CNs were convertible into Healthway Shares at a conversion price of S\$0.03384 per share. On 23 April 2017, an agreement was entered into between Gentle Care and GW for the acquisition of S\$15 million CNs for a consideration of approximately S\$18.6 million and such CNs were subsequently converted into Healthway Shares. The Healthway Offer closed on 12 May 2017. Following the completion of the Healthway Offer, the Remaining Group was interested in approximately 55.02% of the total number of issued Healthway Shares and approximately 38.86% of the maximum potential issued share capital of Healthway assuming all the then outstanding CNs issued were fully converted into Healthway Shares. Healthway is accounted for as an associate of the Remaining Group and the purchase price allocation was completed. Upon the completion of the Healthway Offer, the investments in Healthway previously held by the Remaining Group were reclassified from available-for-sale financial assets and financial assets at fair value through profit of loss to interests in associates. Accordingly, the cumulated fair value gain of HK\$13 million in relation to the available-for-sale financial assets were reclassified from other comprehensive income to statement of profit or loss for 2018.

After the completion of the Healthway Offer, the Remaining Group had acquired S\$3 million CNs which were convertible into 88,652,482 Healthway

Shares. On 30 October 2017, the Remaining Group had exercised its conversion rights to the S\$3 million CNs and subsequently, on the same date, GW had also exercised its conversion rights to all its S\$42 million CNs which were convertible into 1,241,134,751 Healthway Shares (together, the “CNs Conversion”). Following the CNs Conversion, there are no outstanding CNs in Healthway. The Remaining Group is now interested in an aggregate of 1,848,641,265 Healthway Shares. The Remaining Group’s interest in Healthway was diluted from approximately 55.02% to approximately 40.82% of the enlarged issued share capital of Healthway. After the CNs Conversion, Healthway ceased to be a subsidiary of the Company under the Hong Kong Companies Ordinance and the Listing Rules. However, Healthway continues to be treated as an associate of the Company under the Hong Kong Financial Reporting Standards. The Remaining Group recorded a gain on deemed disposal from the CNs Conversion of HK\$5 million for 2018 after taking into account the impact of the purchase price allocation. Coupled with the fair value gain released as mentioned above and various legal and profession fees incurred, the segment reported a profit of HK\$12 million (2017 — HK\$7 million, mainly attributable from the fair value gain on Healthway Shares previously held under financial assets at fair value through profit or loss) before accounting for the results of associates for 2018.

Review on Healthway’s operational process was conducted in the fourth quarter of 2017. A new clinical management system, which includes the enhanced work flow and control mechanism in its design, will be used to replace the existing system for greater efficiency and effectiveness in areas such as clinic operations, inventory and pricing control. It is anticipated that the pilot test of the new system will be conducted in July 2018 and the whole system will be implemented in the first quarter of 2019. To offer cross-regional healthcare services for its customers, Healthway entered into a non-binding memorandum of understanding with UMP Healthcare Holdings Limited (“UMP”) in April 2018 to develop the Care Alliance Network for selected corporate and individual customers in Hong Kong, Singapore, Beijing and Shanghai. UMP is an established healthcare service provider in Hong Kong.

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

#### *Mineral exploration and extraction*

As previously announced, the Remaining Group holds a minority ownership interest in Skye whose major asset is substantially all of the equity

interests in CS Mining, a company that owned a number of copper ore deposits in the Milford Mineral Belt in Beaver County, State of Utah in the U.S. and had engaged in the business of mining and processing copper and other minerals. The Remaining Group, in response to the majority investors' failure to properly manage the business of CS Mining, commenced a series of actions aimed at permitting CS Mining to obtain additional capital needed to turnaround its business, including a petition filed in Delaware Chancery Court asking for the appointment of a receiver. In response to those actions, an involuntary bankruptcy petition was filed by certain creditors of CS Mining pursuant to Chapter 11 of the United States Bankruptcy Code in June 2016 in the Utah Bankruptcy Court. In the course of its bankruptcy case, CS Mining commenced a process to sell (the "Sale Process") all or substantially all of its assets (the "Assets"), and which assets included certain claims or causes of action that CS Mining had or may have against the Remaining Group (the "Claims"). Notwithstanding the difficulties faced by CS Mining, the Remaining Group remained generally positive about the long term prospects of the underlying business of CS Mining. Accordingly, the Remaining Group made an investment in a joint venture consortium (the "JV Company") for the purpose of participating in the Sale Process and bidding on the Assets in August 2017. Following a competitive auction that culminated the Sale Process, the JV Company's bid of US\$35 million (together with the assumption of certain liabilities of CS Mining) was declared the winning bid for the Assets, and the Utah Bankruptcy Court entered an order approving and authorising the sale of the Assets, including the Claims, to the JV Company. The acquisition of the Assets, including all of the Claims, was completed on 28 August 2017. The Remaining Group is effectively interested in 45% of the issued and outstanding membership interests in the JV Company. Following the purchase of the Assets, the JV Company, as the owner of all of the Claims, had entered into and granted a release of all of the Claims in favour of the Remaining Group. Following the approval of the sale of the Assets, CS Mining finalised the winding down of its business through a plan of liquidation that was approved by the Utah Bankruptcy Court in April 2018. As part of that plan of liquidation, Skye's equity interests in CS Mining were extinguished.

The majority investors in Skye dismissed without prejudice litigation filed in early June 2016 against certain entities in the Remaining Group for damages allegedly suffered by CS Mining. However, subsequently, in January 2018, a verified complaint (the "Complaint") was filed in a United States state court in Delaware (the "Delaware State Court") by the majority investors in Skye individually and derivatively on behalf of Skye against, among others, certain entities and persons in or related to the Remaining Group for, among other things, damages for diminution in the value of their equity interests in CS Mining based on an alleged scheme perpetrated by the Remaining Group on CS Mining.

The Remaining Group believes that the Complaint is frivolous and wholly without merit and will vigorously oppose the allegations set forth in the Complaint and any other claim that the majority investors in Skye may seek to bring against the Remaining Group. After the filing of the Complaint, the Remaining Group removed the Complaint to the United States Bankruptcy Court for the District of Delaware (the “Delaware Bankruptcy Court”) and asked the Delaware Bankruptcy Court to transfer the Complaint to the Utah Bankruptcy Court. In addition, the JV Company filed a motion with the Utah Bankruptcy Court asking the Utah Bankruptcy Court to rule that the claims set forth in the Complaint were part of the Assets that the JV Company purchased from CS Mining (the “Motion to Enforce”). On 4 June 2018, the Utah Bankruptcy Court determined that it did not have jurisdiction to decide the Motion to Enforce. The Remaining Group would evaluate all options to have the issues underlying the Motion to Enforce determined. On 19 June 2018, a subsidiary of the Company commenced an involuntary Chapter 7 bankruptcy case against Skye in the Delaware Bankruptcy Court. On 22 June 2018, two subsidiaries of the Company that are named in the Complaint removed the Complaint back to the Delaware Bankruptcy Court following the Delaware Bankruptcy Court’s ruling on 18 June 2018 remanding the Complaint back to Delaware State Court. In their notice of removal of the Complaint back to Delaware Bankruptcy Court, two subsidiaries of the Company stated that since the claims asserted in the Complaint relate to Skye, and as alleged by the majority investors in Skye are claims owned by Skye, those claims should be administered as part of the bankruptcy case of Skye pending in the Delaware Bankruptcy Court.

Following the acquisition of the Assets by the JV Company, the JV Company had commenced the copper production. In order to achieve a higher production level, the JV Company was in the process of enhancing the mining and processing activities of the plant. The Remaining Group shared a loss of joint ventures of HK\$44 million for 2018 (2017 — Nil).

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

#### *Other business*

In order to expand its scope of business in securities and fund investments in Asia, in January 2018, Kaiser Union Limited (“Kaiser Union”), a subsidiary of the Company, as the bid vehicle for Premier Asia

Limited, a subsidiary of the Company, and Alexandra Road Limited (“ARL”, an independent third party) (collectively, the “Joint Offerors”) made a voluntary unconditional offer for shares (the “TIH Shares”) in TIH Limited (“TIH”), a company listed on the Main Board of SGX-ST, at an offer price of S\$0.57 per share (the “TIH Offer”), as to which S\$0.125 was paid in cash and S\$0.445 was paid by the notes issued by Kaiser Union. Such notes bear interest at a rate of 2.25% per annum accruing on and from the issue of the notes until the date falling three years from the close of the TIH Offer (the “Notes”). TIH is a closed-end fund in Singapore, with focus on investment in various sectors in Asia such as consumer and industrial products, healthcare, technology, media and telecommunications, food, manufacturing and chemicals.

The Remaining Group was of the view that the acquisition of interest in TIH would be beneficial to the future business direction, management and operations of the Remaining Group. The TIH Offer closed on 20 February 2018 and Kaiser Union received valid acceptances in respect of 110,732,656 TIH Shares, representing approximately 45.8% of the issued TIH Shares. As a result, the Notes of S\$49.3 million (equivalent to approximately HK\$295 million) were issued and included in the segment liabilities as at 31 March 2018. Pursuant to a review performed by the Joint Offerors following the close of the TIH Offer, Kaiser Union had transferred 14,259,453 TIH Shares, representing approximately 5.9% of the issued TIH Shares, to ARL so to reach a desired level of shareholding percentage in TIH. Following the above transfer, the Remaining Group’s interest in TIH was reduced to 96,473,203 TIH Shares, representing approximately 39.9% of the issued TIH Shares. TIH became an associate of the Remaining Group since then. The Remaining Group recorded a share of profit of HK\$4 million from its investment in TIH for 2018 (2017 — Nil) and the interests in TIH as at 31 March 2018 amounted to HK\$334 million.

#### *Liquidity, financial resources and charge on assets*

The Remaining Group financed its liquidity requirements through a combination of cash flow generated from operations and bank borrowings. As at 31 March 2018, the Remaining Group’s total cash and bank balances (consisted of cash and cash equivalents, time deposits with original maturity of more than three months and restricted cash) amounted to HK\$1.3 billion (31 March 2017 — HK\$2.4 billion). The decrease of the total cash and bank balances was mainly due to the various investments in associates, joint ventures and securities investments during 2018. Restricted cash balance as at 31 March 2018 included cash balance of HK\$54 million which was solely earmarked to satisfy the principal and interest repayment for the Notes (other than those held by ARL and other concert parties of the TIH Offer). As at 31 March 2017, in connection with the Healthway Offer, certain cash and bank

balances, financial assets at fair value through profit or loss and available-for-sale financial assets were pledged to a bank as security for the bankers' guarantees issued to Gentle Care in a total amount of S\$228 million. Such cash and bank balances with a carrying amount of HK\$0.9 billion was classified as restricted cash. The bankers' guarantees had not been utilised and expired in June 2017. The charges on the aforesaid assets had been fully released, with the restricted cash reclassified back to cash and cash equivalents.

As at 31 March 2018, bank and other borrowings of the Remaining Group increased to HK\$1.3 billion (31 March 2017 — HK\$1.1 billion), which included secured bank loans of HK\$1.0 billion (31 March 2017 — HK\$0.5 billion), Notes issued in connection with the TIH Offer of HK\$0.3 billion (31 March 2017 — Nil), and obligations under finance leases of HK\$1 million (31 March 2017 — HK\$2 million). During 2018, the Remaining Group repaid all the unsecured other loans due to a holding company of the Company of HK\$0.6 billion. As at 31 March 2018, the bank loans were denominated mainly in Hong Kong dollars and were secured by certain properties of the Remaining Group. All of the bank loans carried interest at floating rates. The Notes were unsecured, denominated in Singapore dollars, and carried interest at a rate of 2.25% per annum. The obligations under finance leases were secured by the rights to the leased fixed assets. As at 31 March 2018, approximately 44.5% (31 March 2017 — 99.9%) of the bank and other borrowings were repayable within one year after the re-financing of bank loans during 2018. As at 31 March 2018, the gearing ratio (measured as total borrowings, net of non-controlling interests, to equity attributable to equity holders of the Company from the Remaining Group) was 33.7% (31 March 2017 — 27.0%).

#### ***Capital structure and foreign exchange risk***

There was no change in the Remaining Group's capital structure.

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

#### ***Contingent liabilities and capital commitment***

The Remaining Group had bankers' guarantees of approximately HK\$34 million as at 31 March 2018 (31 March 2017 — HK\$32 million) issued in lieu of rental and utility deposits for the premises used for operation of food businesses. Approximately 59% (31 March 2017 — 59%) of the bankers' guarantees were secured by certain bank deposits of the Remaining Group.

As at 31 March 2018, the Remaining Group's commitments were mainly related to the property and securities investments. The commitment as at 31 March 2017 included HK\$506 million commitment in relation to Healthway Offer which was closed in May 2017. Hence, total commitment as at 31 March 2018 decreased to HK\$94 million (31 March 2017 — HK\$629 million). The investments or capital assets would be financed by the Remaining Group's internal resources and/or external bank financing, as appropriate.

*Employee and remuneration policies*

The Remaining Group had 1,352 full-time employees as at 31 March 2018 (31 March 2017 — 1,454 full-time employees). Staff costs (including directors' emoluments) of the Remaining Group charged to the statement of profit or loss during 2018 amounted to HK\$328 million (2017 — HK\$362 million). The Remaining Group ensured that its employees were offered competitive remuneration packages. The Remaining Group also provided benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Remaining Group.

*Future plans for material investments and acquisition of capital assets*

Save for disclosed elsewhere in this section, there was no specific plan for material investments and acquisition of capital assets as at 31 March 2018.

**(d) For the six months ended 30 September 2018**

*Operating results*

The Remaining Group recorded a consolidated loss attributable to shareholders of approximately HK\$269 million for the six months ended 30 September 2018 (the "Period"), as compared to a consolidated profit of approximately HK\$114 million for the six months ended 30 September 2017 ("Last Period"). The loss for the Period was mainly attributable to the net fair value loss on financial instruments marked to fair value through profit or loss due to the volatile stock markets, share of loss of joint ventures and finance costs during the Period. Revenue for the Period totalled HK\$505 million (Last Period — HK\$513 million). Food businesses are the principal sources of revenue of the Remaining Group, contributing to 89% (Last Period — 91%) of total revenue. As a result of higher distribution cost and selling and marketing expenses and the exchange losses incurred during the Period, total other operating expenses increased to HK\$74 million (Last Period — HK\$46 million) for the Period.

*Business review, significant investments, material acquisitions and disposals*

For the six months ended 30 September 2018, the Remaining Group and its associates, joint ventures and joint operation were principally engaged in investment holding, property investment, property development, food businesses, healthcare services, property management, mineral exploration, extraction and processing, securities investment, treasury investment and money lending. The performance analysis, significant investments, material acquisitions and disposals of these business segments are shown as follows:

*Food businesses*

The Remaining Group's food businesses are mainly operated by APGL, a 50.30% subsidiary of the Company. The segment recorded a revenue of HK\$451 million (Last Period — HK\$467 million), mainly from food manufacturing and the food retail operations in chains of cafés and bistros, including Delifrance in Singapore and Hong Kong and Alfafa in Hong Kong. The segment recorded a profit of HK\$20 million for the Period (Last Period — HK\$50 million, included a non-recurring gain of HK\$14 million from the sale of a joint venture). During the Period, food retail operations and food manufacturing contributed lower earnings to the Remaining Group. In order to broaden its production capacity and lower its cost of production, the APGL Group had awarded a construction contract with a contract sum of approximately RM60.5 million (equivalent to approximately HK\$114 million) to a contractor for the construction of a new food factory in Malaysia.

*Property investment*

The Remaining Group's property investment portfolio is located mainly in Hong Kong and mainland China and provides a stable recurring income to the Remaining Group. Segment revenue from the property investment business for the Period amounted to HK\$18 million (Last Period — HK\$21 million). The segment reported a profit of HK\$33 million for the Period (Last Period — HK\$63 million), after taking into account the fair value gain on investment properties and depreciation.

*Treasury and securities investments*

The Remaining Group managed its investment portfolio in accordance with the investment committee's terms of reference and looked for opportunities to enhance yields and seek gains. The Remaining Group invested in a diversified portfolio including listed and unlisted equity securities, debt securities, investment funds and other structural products. Treasury and securities investments businesses recorded a total revenue of HK\$32 million during the Period (Last Period — HK\$20 million), mainly attributable to the interest income and dividend income received from the

investment portfolio. The stock markets were volatile during the Period and the Remaining Group recorded net fair value loss in the statement of profit or loss from its securities investments of HK\$188 million for the Period (Last Period — gain of HK\$80 million). The net fair value loss included unrealised loss of HK\$155 million (Last Period — gain of HK\$45 million) from the changes in fair value of financial instruments in this category and realised loss on disposal of HK\$33 million (Last Period — gain of HK\$35 million). The unrealised loss, arising from uncertainties of the stock markets, has no impact to the cash flow of the Remaining Group. As a result, the treasury and securities investments businesses recorded a net loss of HK\$177 million in the statement of profit or loss for the Period (Last Period — profit of HK\$105 million).

As at 30 September 2018, the treasury and securities investments portfolio of HK\$2,661 million (31 March 2018 — HK\$2,986 million) comprised mainly cash and bank balances of HK\$1,027 million (31 March 2018 — HK\$964 million), financial assets at fair value through profit or loss of HK\$1,335 million (31 March 2018 — HK\$1,736 million) and financial assets at fair value through other comprehensive income of HK\$230 million (31 March 2018 — Nil). The balance as at 31 March 2018 also included available-for-sale financial assets of HK\$283 million. Further details of securities investments under different categories are as follows:

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

As of 30 September 2018, the Remaining Group's financial assets at fair value through profit or loss ("FVPL") amounted to HK\$1,335 million (31 March 2018 — HK\$1,738 million), comprising equity securities of HK\$578 million (31 March 2018 — HK\$808 million), debt securities of HK\$402 million (31 March 2018 — HK\$196 million) and investment funds of HK\$355 million (31 March 2018 — HK\$358 million). The balance as at 31 March 2018 also included equity linked notes ("ELNs") of HK\$376 million.

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

	As at 30 September 2018		As at 31 March 2018		For the six months ended 30 September 2018
	Fair value HK\$'000	Approximate percentage of financial assets at FVPL	Approximate percentage to the net assets	Fair value HK\$'000	Net fair value loss HK\$'000
GSH Corporation Limited ("GSH")	177,704	13%	5%	220,941	(43,237)
PPDAI Group Inc. ("PPDAI")	82,227	6%	2%	114,326	(32,027)
Tencent Holdings Limited ("Tencent")	78,845	6%	2%	69,930	(37,468)
5-year US\$ Callable Credit Linked Certificates with principal and interest at risk on Oversea-Chinese Banking Corporation Limited ("CLN")	74,990	6%	2%	—	(1,648)
Others ( <i>Note</i> )	921,612	69%	25%	1,332,913	(42,025)
<b>Total</b>	<b>1,335,378</b>	<b>100%</b>	<b>36%</b>	<b>1,738,110</b>	<b>(156,405)</b>

*Note:* Others comprised of various securities, none of which accounted for more than 6% of the financial assets at FVPL as at 30 September 2018.

## GSH

As at 30 September 2018, the fair value of the Remaining Group's equity securities in GSH amounted to HK\$178 million, representing approximately 13% of the Remaining Group's total financial assets at FVPL. GSH is a Singapore listed property developer in Southeast Asia with certain properties under development in Kuala Lumpur and Kota Kinabalu, Malaysia. The pre-sale of one of its residential projects in Kuala Lumpur received satisfactory response. GSH also owns and operates two hotels at Sutera Harbour Resort in Kota Kinabalu. In April 2018, GSH completed the acquisition of a 50% stake in a prime land parcel in the heart of Kuala Lumpur's Chinatown that could potentially be developed into a premium condominium. The Remaining Group received a dividend income of HK\$6 million from GSH for the Period. Given the volatility in the stock markets, the share price performance of GSH was not satisfactory, resulting in an unrealised fair value loss of HK\$43 million recognised for the Period. The share price performance of GSH may continue to fluctuate due to the prevailing stock market conditions, which is not directly related to the actual operational performance of GSH.

## PPDAI

As at 30 September 2018, the Remaining Group held ADSs of PPDAI with a carrying amount of HK\$82 million, representing approximately 6% of the Remaining Group's total financial assets at FVPL. PPDAI's ADSs are listed on the New York Stock Exchange. It is one of the leading online consumer finance marketplace in the PRC with strong brand recognition. Launched in 2007, PPDAI is one of the first entrants in online financing service in PRC connecting borrowers and investors, whose needs have not been met by traditional financial institutions. PPDAI generates revenues primarily from fees charged to borrowers for PPDAI's services in matching them with investors and for other related services. As of 30 September 2018, PPDAI had approximately 84 million cumulative registered users and reached 13.4 million cumulative number of borrowers. Based on its unaudited financial results for the three months ended 30 September 2018 ("Q3 2018"), operating revenues decreased to RMB1,104.3 million in Q3 2018 from RMB1,250.3 million in the same period of 2017, mainly due to the lower loan origination volume for the quarter with net profit substantially increased by 20% to RMB649.5 million for Q3 2018 from RMB541.4 million in the same period of 2017.

After the initial public offering (the "IPO") of PPDAI's ADSs, an announcement was made by the PRC Government putting a cap on the interest rate and restriction on the licensing in the online financing industry which affected many companies in this sector including PPDAI as reflected in their share price. Hence, the share price performance of PPDAI was not satisfactory. It also came to the Remaining Group's attention that a class action lawsuit has been filed by law firms in the U.S. against PPDAI. The filed complaint concerned whether PPDAI's filings with the U.S. Securities and Exchange Commission in connection with the IPO contained untrue statements or omitted material information regarding PPDAI's business practices, the interest rates on loans or the quality of loans. The Remaining Group recorded an unrealised fair value loss of HK\$32 million for the Period. Short term volatility is expected, as regulators in PRC is pushing through tough reforms in the Peer-to-Peer lending industry.

### Tencent Shares

Since the last financial year, the Remaining Group acquired Tencent Shares on the open market. As at 30 September 2018, the fair value of such Tencent Shares amounted to HK\$79 million, representing approximately 6% of the Remaining Group's total financial assets at FVPL. Given the volatility in the stock markets and the uncertainties of the regulations imposed on the products of Tencent, the price performance of Tencent Shares was not satisfactory, resulting in a fair value loss of HK\$37 million recognised for the Period.

### CLN

The Remaining Group subscribed for the credit linked note linked to the credit risk of the reference entity, Oversea-Chinese Banking Corporation Limited and the issuer bank, BNP Paribas (the "CLN") with an aggregate nominal value of US\$10 million during the Period. This investment was made for the purpose of generating a floating rate yield on excess cash in the environment of rising interest rates. The stipulated yield upon satisfaction of a daily range accrual condition will be 3-month US\$ LIBOR + 257 bps. The CLN has a 5-year tenor and will mature in June 2023, and is callable at par value three years from the issue date. The Remaining Group intends to hold the CLN until maturity if uncalled. During the Period, the Remaining Group received coupon interest of HK\$1.4 million from the CLN, and will continue to receive coupons on every subsequent quarter until maturity. As at 30 September 2018, the fair value of the CLN was HK\$75 million, representing approximately 6% of the Remaining Group's total financial assets at FVPL. Unrealised fair value loss of HK\$2 million was recorded for the Period.

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

In addition to the above investments under FVPL, the Remaining Group also invests in listed and unlisted equity securities which are held for long-term strategic purposes. As at 30 September 2018, the fair value of such investments amounted to approximately HK\$230 million and was recorded under financial assets at fair value through other comprehensive income ("FVOCI") upon adoption of the new accounting standard for financial instruments on 1 April 2018. During the Period, unrealised fair value loss of HK\$36 million was recognised in other comprehensive income from these investments.

As at 30 September 2018, the major investment under this category was the Tencent Shares received on the expiry of the ELNs linked to Tencent Shares during the Period. Since the end of the last financial year, the Remaining Group subscribed for a number of ELNs which were linked to Tencent Shares. The Remaining Group recorded a realised gain in the statement of profit or loss of HK\$15 million upon maturity of ELNs and received a total of 607,878 Tencent Shares. These Tencent Shares are not intended to be held for trading and was designated at FVOCI at initial recognition. As at 30 September 2018, the fair value of these Tencent Shares amounted to HK\$196 million, representing approximately 86% of the Remaining Group's total financial assets at FVOCI. Unrealised fair value loss of HK\$34 million was recorded in other comprehensive income due to the volatility in the price of the Tencent Shares as mentioned above.

#### *Healthcare services*

The Remaining Group is optimistic about the prospects in the healthcare industry in Singapore, and has established its presence in this field in 2017. The Remaining Group is interested in approximately 40.82% of the issued shares in Healthway. Healthway is a company listed on the Catalist Board of the SGX-ST and a well-established private healthcare provider in Singapore. The HMC Group owns, operates and manages close to 100 medical centres and clinics. During the Period, the HMC Group continued to review the performance of its business units and rebalance its network of clinics to continually improve operational efficacy. The HMC Group continues its rebranding exercise. It progressively refurbishes and refreshes its clinics to complement the vision of a network of clinics that is technology-enabled and hospitality-led. This has resulted in a reduction of operating hours in certain clinics that are undergoing refurbishment works. The ongoing business optimisation measures and the rebranding initiatives will continue to anchor the HMC Group's transformation efforts going forward. As a result of the above measures, the Remaining Group's share of loss from the HMC Group reduced to HK\$4 million (Last Period — HK\$13 million). Coupled with the impact of depreciation of Singapore dollar during the Period, the Remaining Group's interest in Healthway decreased to HK\$430 million (31 March 2018 — HK\$454 million).

#### *Mineral exploration and extraction*

Reference was made to the Remaining Group's interest in a minority ownership interest in Skye whose major asset, prior to the events described below, was substantially all of the equity interests in CS Mining, a company that owned a number of copper ore deposits in the Milford Mineral Belt in Beaver County, State of Utah in the U.S. The JV Company, in which the Remaining Group has 45% effective interest, had acquired all or substantially

all of the assets held by CS Mining (the “Assets”) in a sale process under its bankruptcy proceedings in August 2017. In January 2018, a verified complaint (the “Complaint”) was filed in Delaware State Court by the majority investors in Skye individually and derivatively on behalf of Skye against, among others, certain entities and persons in or related to the Remaining Group for, among other things, damages for diminution in the value of their equity interests in CS Mining based on an alleged scheme perpetrated by the Remaining Group on CS Mining. The Remaining Group believes that the Complaint is frivolous and wholly without merit and has opposed, and will continue to vigorously oppose, the allegations set forth in the Complaint and any other claim that the majority investors in Skye may seek to bring against the Remaining Group. In June 2018, a subsidiary of the Company commenced an involuntary Chapter 7 bankruptcy case (the “Skye Involuntary Bankruptcy”) against Skye in the Delaware Bankruptcy Court. The majority investors of Skye opposed the Skye Involuntary Bankruptcy and moved to dismiss same. As of 30 September 2018, the Delaware Bankruptcy Court had not ruled on the motion to dismiss. For the reasons as mentioned above, the Remaining Group believes that such events will not have any material adverse impact on its financial position. In December 2018, the Delaware Bankruptcy Court entered an order dismissing the Skye Involuntary Bankruptcy. Subsequently, the Remaining Group appealed the order dismissing the Skye Involuntary Bankruptcy. No activity has taken place in connection with such appeal.

Following the acquisition of the Assets by the JV Company, the JV Company has commenced the copper production since the last quarter of 2017. As a result of the drop in copper price and the increased production cost during the Period, the Remaining Group shared a loss of joint venture of HK\$48 million for the Period (Last Period — HK\$0.1 million). The JV Company is considering various plans to minimise operating costs.

As at 30 September 2018, total assets under this segment (comprising segment assets and interests in a joint venture) decreased to HK\$42 million (31 March 2018 — HK\$90 million). Segment loss before accounting of share of results of a joint venture for the Period amounted to HK\$5 million (Last Period — HK\$0.03 million).

#### *Other business*

In order to expand its scope of business in securities and fund investments in Asia, the Remaining Group had acquired 39.9% interest in TIH, a company listed on the Main Board of SGX-ST in early 2018. TIH is an associate of the Remaining Group. The Remaining Group recorded a share of loss of HK\$14 million from its investment in TIH for the Period (Last Period — not applicable), mainly attributable to the fair value loss on its investments

at fair value through profit or loss. The interests in TIH as at 30 September 2018 amounted to HK\$305 million (31 March 2018 — HK\$334 million). The current volatility in the financial markets is expected to present opportunities for TIH to identify special situations, corporates deleveraging and non-core secondary assets at attractive valuations.

***Liquidity, financial resources and charge on assets***

The Remaining Group financed its liquidity requirements through a combination of cash flow generated from operations and bank borrowings. As at 30 September 2018, the Remaining Group's total cash and bank balances (consisted of cash and cash equivalents, time deposits with original maturity of more than three months and restricted cash) amounted to HK\$1.2 billion (31 March 2018 — HK\$1.3 billion). Restricted cash balance as at 30 September 2018 increased to HK\$146 million (31 March 2018 — HK\$66 million), mainly due to the cash deposits pledged to banks as securities for facilities granted to the Remaining Group.

As at 30 September 2018, bank and other borrowings of the Remaining Group increased to HK\$1.6 billion (31 March 2018 — HK\$1.3 billion), which included bank loans of HK\$1.3 billion (31 March 2018 — HK\$1.0 billion), unsecured notes of HK\$0.3 billion (31 March 2018 — HK\$0.3 billion) and obligations under finance leases of HK\$0.5 million (31 March 2018 — HK\$1 million). As at 30 September 2018, bank loans comprised secured bank loans of HK\$1,204 million (31 March 2018 — HK\$1,027 million) and unsecured bank loans of HK\$80 million (31 March 2018 — Nil) and were denominated mainly in Hong Kong dollars. The bank loans were secured by fixed or floating charges on certain properties, bank deposits and securities investments of the Remaining Group. All of the bank loans carried interest at floating rates. The unsecured notes were unsecured, denominated in Singapore dollars, and carried interest at a rate of 2.25% per annum. The obligations under finance leases were secured by the rights to the leased fixed assets. As at 30 September 2018, approximately 55% (31 March 2018 — 45%) of the bank and other borrowings were repayable within one year. As at 30 September 2018, the gearing ratio (measured as total borrowings, net of non-controlling interests, to equity attributable to equity holders of the Company from the Remaining Group) was 42.1% (31 March 2018 — 33.7%).

***Capital structure and foreign exchange risk***

There was no change in the Remaining Group's capital structure.

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

*Contingent liabilities and capital commitment*

The Remaining Group had bankers' guarantees of approximately HK\$25 million as at 30 September 2018 (31 March 2018 — HK\$34 million) issued in lieu of rental and utility deposits for the premises used for operation of food businesses. Approximately 58% (31 March 2018 — 59%) of the bankers' guarantees were secured by certain bank deposits of the Remaining Group.

The Remaining Group's commitments are mainly related to the securities investments and food businesses. During the Period, the construction of the new factory for the food businesses was commenced. Hence, total commitment as at 30 September 2018 increased to HK\$281 million (31 March 2018 — HK\$94 million). The investments or capital assets will be financed by the Remaining Group's internal resources and/or external bank financing, as appropriate.

*Employee and remuneration policies*

The Remaining Group had 1,429 employees as at 30 September 2018 (30 September 2017 — 1,439 employees). Staff costs (including directors' emoluments) of the Remaining Group charged to the statement of profit or loss for the Period amounted to HK\$160 million (Last Period — HK\$151 million). The Remaining Group ensures that its employees are offered competitive remuneration packages. The Remaining Group also provides benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Remaining Group.

*Future plans for material investments and acquisition of capital assets*

Save for disclosed elsewhere in this section, there was no specific plan for material investments and acquisition of capital assets as at 30 September 2018.

Set out below are the financial information of APM which comprises the unaudited statements of financial position of APM as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018 and the unaudited statements of profit or loss, unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of APM for each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018 and certain explanatory notes (the “Unaudited Financial Information of APM”).

The Unaudited Financial Information of APM has been presented on the basis set out in Note 2 to the Unaudited Financial Information of APM and Rule 14.68(2)(a)(i)(A) of the Listing Rules.

The reporting accountants of APM, Messrs. Ernst & Young, were engaged to review the Unaudited Financial Information of APM set out on pages IIA-2 to IIA-10 of this circular in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion.

Based on the review, nothing has come to the reporting accountants’ attention that causes them to believe that the Unaudited Financial Information of APM is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Unaudited Financial Information of APM.

**UNAUDITED STATEMENTS OF PROFIT OR LOSS**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Revenue</b>	104,896	110,462	101,630	51,891	51,015
Cost of sales	<u>(80,762)</u>	<u>(85,845)</u>	<u>(78,924)</u>	<u>(40,587)</u>	<u>(38,380)</u>
<b>Gross profit</b>	24,134	24,617	22,706	11,304	12,635
Administrative expenses	(11,566)	(13,427)	(11,362)	(5,668)	(5,698)
Other operating expenses	(10,787)	(10,298)	(8,688)	(4,331)	(5,121)
Finance costs	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7)</u>
<b>Profit before tax</b>	1,781	892	2,656	1,305	1,809
Income tax	<u>(248)</u>	<u>(126)</u>	<u>(214)</u>	<u>1</u>	<u>(304)</u>
<b>Profit for the year/period</b>	<u><u>1,533</u></u>	<u><u>766</u></u>	<u><u>2,442</u></u>	<u><u>1,306</u></u>	<u><u>1,505</u></u>

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Profit for the year/period and total comprehensive income for the year/period</b>	<u>1,533</u>	<u>766</u>	<u>2,442</u>	<u>1,306</u>	<u>1,505</u>

**UNAUDITED STATEMENTS OF FINANCIAL POSITION**

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018

	31 March 2016 S\$'000	31 March 2017 S\$'000	31 March 2018 S\$'000	30 September 2018 S\$'000
<b>Non-current assets</b>				
Fixed assets	1,264	552	624	2,149
Deferred tax assets	–	247	44	121
	<u>1,264</u>	<u>799</u>	<u>668</u>	<u>2,270</u>
<b>Current assets</b>				
Inventories	16,586	16,847	14,946	13,757
Debtors, prepayments and deposits	20,759	23,246	19,055	18,952
Amounts due from group companies	22,242	5,902	9,930	7,322
Cash and cash equivalents	189	2,541	2,355	1,720
	<u>59,776</u>	<u>48,536</u>	<u>46,286</u>	<u>41,751</u>
<b>Current liabilities</b>				
Creditors, accruals and deposits received	21,807	23,650	21,471	17,245
Amounts due to group companies	25,960	11,456	8,947	8,536
Tax payable	370	673	538	737
	<u>48,137</u>	<u>35,779</u>	<u>30,956</u>	<u>26,518</u>
<b>Net current assets</b>	<u>11,639</u>	<u>12,757</u>	<u>15,330</u>	<u>15,233</u>
<b>Total assets less current liabilities</b>	<u>12,903</u>	<u>13,556</u>	<u>15,998</u>	<u>17,503</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	113	–	–	–
<b>Net assets</b>	<u>12,790</u>	<u>13,556</u>	<u>15,998</u>	<u>17,503</u>
<b>Equity</b>				
Share capital	10,000	10,000	10,000	10,000
Retained profits	2,790	3,556	5,998	7,503
	<u>12,790</u>	<u>13,556</u>	<u>15,998</u>	<u>17,503</u>

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	<b>Share capital</b> S\$'000	<b>Retained profits</b> S\$'000	<b>Total equity</b> S\$'000
<b>At 1 April 2015</b>	10,000	26,257	36,257
Profit for the year and total comprehensive income for the year	–	1,533	1,533
Dividend	–	(25,000)	(25,000)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2016</b>	<u>10,000</u>	<u>2,790</u>	<u>12,790</u>
<b>At 1 April 2016</b>	10,000	2,790	12,790
Profit for the year and total comprehensive income for the year	–	766	766
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2017</b>	<u>10,000</u>	<u>3,556</u>	<u>13,556</u>
<b>At 1 April 2017</b>	10,000	3,556	13,556
Profit for the year and total comprehensive income for the year	–	2,442	2,442
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2018</b>	<u>10,000</u>	<u>5,998</u>	<u>15,998</u>
<b>At 1 April 2018</b>	10,000	5,998	15,998
Profit for the period and total comprehensive income for the period	–	1,505	1,505
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2018</b>	<u>10,000</u>	<u>7,503</u>	<u>17,503</u>
<b>At 1 April 2017</b>	10,000	3,556	13,556
Profit for the period and total comprehensive income for the period	–	1,306	1,306
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2017</b>	<u>10,000</u>	<u>4,862</u>	<u>14,862</u>

**UNAUDITED STATEMENTS OF CASH FLOWS**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Cash flows from operating activities</b>					
Profit before tax	1,781	892	2,656	1,305	1,809
Adjustments for:					
Depreciation	494	989	245	124	200
Loss on disposal of fixed assets	–	44	–	–	–
Provisions for impairment losses on trade debtors	12	152	18	14	–
Provisions/(Write-back of provisions) for impairment losses of inventories	1,318	2,254	39	(219)	367
	3,605	4,331	2,958	1,224	2,376
Decrease/(Increase) in inventories	1,355	(2,515)	1,862	3,327	822
Decrease/(Increase) in debtors, prepayments and deposits	1,344	(2,639)	4,178	1,768	5
Increase/(Decrease) in creditors, accruals and deposits received	345	1,842	(2,179)	(2,204)	(4,226)
Cash generated from/(used in) operations	6,649	1,019	6,819	4,115	(1,023)
Tax paid	(36)	(279)	(147)	(422)	(85)
Net cash flows from/(used in) operating activities	6,613	740	6,672	3,693	(1,108)

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Cash flows from investing activities</b>					
Proceeds from disposals of fixed assets	–	40	–	–	4
Payment to acquire fixed assets	(217)	(361)	(317)	(315)	(1,729)
Net cash flows used in investing activities	<u>(217)</u>	<u>(321)</u>	<u>(317)</u>	<u>(315)</u>	<u>(1,725)</u>
<b>Cash flows from financing activities</b>					
Dividend paid	(25,000)	–	–	–	–
Changes in intercompany balances	18,630	1,933	(6,541)	(5,658)	2,198
Net cash flows from/(used in) financing activities	<u>(6,370)</u>	<u>1,933</u>	<u>(6,541)</u>	<u>(5,658)</u>	<u>2,198</u>
Net increase/(decrease) in cash and cash equivalents	26	2,352	(186)	(2,280)	(635)
Cash and cash equivalents at beginning of year/period	<u>163</u>	<u>189</u>	<u>2,541</u>	<u>2,541</u>	<u>2,355</u>
Cash and cash equivalents at end of year/period	<u><u>189</u></u>	<u><u>2,541</u></u>	<u><u>2,355</u></u>	<u><u>261</u></u>	<u><u>1,720</u></u>

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF APM

### 1. General information

APM is a private limited company incorporated and domiciled in Singapore. The principal activities of APM are wholesale distributors of food and allied fast-moving consumer products.

On 21 December 2018, APGL, an indirect non-wholly owned subsidiary of the Company, and DKSH Singapore entered into the Singapore Disposal Agreement, pursuant to which, APGL conditionally agreed to sell or procure the sale of its equity interests in APM and CM, for the initial consideration of S\$60,726,000, subject to adjustments. Upon Completion, APM will cease to be the subsidiary of the Company.

### 2. Basis of preparation

The Unaudited Financial Information of APM has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of the Listing Rules, and solely for the purposes of inclusion in the circular in connection with the proposed transaction. The financial information does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard (“HKAS”) 1 *Presentation of Financial Statements* nor a set of condensed financial statements as defined in HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It should be read in connection with the annual report of the Company for the year ended 31 March 2018 and the interim report of the Company for the six months ended 30 September 2018. The unaudited financial information are presented in Singapore dollar (“S\$”) and all values are rounded to the nearest thousands (“S\$’000”) except when otherwise indicated.

The Unaudited Financial Information of APM has been prepared in accordance with the accounting policies as set out in the annual report of the Company for the year ended 31 March 2018 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”) as disclosed in Note 3 below.

### 3. Changes in accounting policies

The following new and revised HKFRSs have been adopted for the first time for the financial year beginning on 1 April 2018:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
Amendments to HKFRS 1 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
Amendments to HKAS 28 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>

Except for HKFRS 9 and HKFRS 15, the application of other amendments and interpretation do not have material financial effects on the APM's financial information. APM has taken transitional provisions and methods not to restate comparative information for prior periods. The comparative information continues to be reported under the accounting policies prevailing prior to 1 April 2018. The nature and effect of these changes in accounting policies are disclosed below.

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

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. APM has adopted HKFRS 9 from 1 April 2018. APM has not restated comparative information as permitted by the transitional provisions in HKFRS 9.

The adoption of HKFRS 9 does not have any material impact related to the classification and measurement of financial instruments of APM. The impacts from adopting HKFRS 9 related to the impairment requirements are summarised as follows:

The adoption of HKFRS 9 has changed the APM's accounting for impairments by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss approach. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis.

Upon adoption of HKFRS 9, APM has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. The results of the revision at 1 April 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the APM's financial assets.

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

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, revenues are recognised at amounts that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

APM has elected to apply the modified retrospective approach for transition to the new revenue standard. Results for the periods beginning on or after 1 April 2018 are presented under HKFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The major changes as a result of the adoption of HKFRS 15 are as follows:

*Variable consideration*

Some contracts with customers provide a right of return, trade discounts, free goods, promotion rebates or volume rebates. Such provisions give rise to variable consideration under HKFRS 15. APM previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. If revenue could not be reliably measured, APM deferred revenue recognition until the uncertainty was resolved. Under HKFRS 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

*Right of return*

APM previously recorded a provision for the net margin arising from expected returns. Under HKFRS 15, APM estimates the amount of expected returns in determining the transaction price and recognises revenue based on the amounts to which the Group expects to be entitled through the end of the return period. APM recognises the amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. Separately, APM recognises a related asset for the right to recover the returned goods.

The following table gives a summary of the amounts of affected line items in the unaudited statement of profit or loss for the six months ended 30 September 2018 that has been impacted by HKFRS 15:

	Six months ended 30 September 2018		
	As presented under accounting policies pre 1 April 2018 S\$'000	Effect on adoption of HKFRS 15 S\$'000	As presented under accounting policies from 1 April 2018 S\$'000
Revenue	50,170	845	51,015
Cost of sales	(38,483)	103	(38,380)
Gross profit	11,687	948	12,635
Other operating expenses	(4,173)	(948)	(5,121)
	<u>          </u>	<u>          </u>	<u>          </u>

There is no material impact on profit for the six months ended 30 September 2018.

Set out below are the financial information of CM which comprises the unaudited statements of financial position of CM as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018 and the unaudited statements of profit or loss, unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of CM for each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018 and certain explanatory notes (the “Unaudited Financial Information of CM”).

The Unaudited Financial Information of CM has been presented on the basis set out in Note 2 to the Unaudited Financial Information of CM and Rule 14.68(2)(a)(i)(A) of the Listing Rules.

The reporting accountants of CM, Messrs. Ernst & Young, were engaged to review the Unaudited Financial Information of CM set out on pages IIB-2 to IIB-10 of this circular in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion.

Based on the review, nothing has come to the reporting accountants’ attention that causes them to believe that the Unaudited Financial Information of CM is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Unaudited Financial Information of CM.

**UNAUDITED STATEMENTS OF PROFIT OR LOSS**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Revenue</b>	47,512	45,242	41,997	21,710	23,140
Cost of sales	<u>(40,723)</u>	<u>(39,174)</u>	<u>(36,163)</u>	<u>(18,881)</u>	<u>(19,318)</u>
<b>Gross profit</b>	6,789	6,068	5,834	2,829	3,822
Administrative expenses	(2,046)	(1,770)	(1,770)	(884)	(977)
Other operating expenses	<u>(3,941)</u>	<u>(3,912)</u>	<u>(2,837)</u>	<u>(1,415)</u>	<u>(2,481)</u>
<b>Profit before tax</b>	802	386	1,227	530	364
Income tax	<u>(121)</u>	<u>57</u>	<u>(141)</u>	<u>(19)</u>	<u>(40)</u>
<b>Profit for the year/period</b>	<u><u>681</u></u>	<u><u>443</u></u>	<u><u>1,086</u></u>	<u><u>511</u></u>	<u><u>324</u></u>

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Profit for the year/period and total comprehensive income for the year/period</b>	<u>681</u>	<u>443</u>	<u>1,086</u>	<u>511</u>	<u>324</u>

**UNAUDITED STATEMENTS OF FINANCIAL POSITION***As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018*

	31 March 2016 S\$'000	31 March 2017 S\$'000	31 March 2018 S\$'000	30 September 2018 S\$'000
<b>Non-current assets</b>				
Fixed assets	23	7	–	1
Deferred tax assets	47	60	60	60
	<u>70</u>	<u>67</u>	<u>60</u>	<u>61</u>
<b>Current assets</b>				
Inventories	9,366	8,622	9,441	7,519
Debtors, prepayments and deposits	11,876	11,785	10,650	11,949
Amounts due from group companies	2	13	603	251
Cash and cash equivalents	10	4	7	1,642
	<u>21,254</u>	<u>20,424</u>	<u>20,701</u>	<u>21,361</u>
<b>Current liabilities</b>				
Creditors, accruals and deposits received	5,747	8,895	11,703	10,987
Amounts due to group companies	13,236	8,961	5,270	6,348
Tax payable	204	55	122	97
	<u>19,187</u>	<u>17,911</u>	<u>17,095</u>	<u>17,432</u>
<b>Net current assets</b>	<u>2,067</u>	<u>2,513</u>	<u>3,606</u>	<u>3,929</u>
<b>Net assets</b>	<u>2,137</u>	<u>2,580</u>	<u>3,666</u>	<u>3,990</u>
<b>Equity</b>				
Share capital	500	500	500	500
Retained profits	1,637	2,080	3,166	3,490
	<u>2,137</u>	<u>2,580</u>	<u>3,666</u>	<u>3,990</u>

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	Share capital S\$'000	Retained profits S\$'000	Total equity S\$'000
<b>At 1 April 2015</b>	500	956	1,456
Profit for the year and total comprehensive income for the year	—	681	681
<b>At 31 March 2016</b>	<u>500</u>	<u>1,637</u>	<u>2,137</u>
<b>At 1 April 2016</b>	500	1,637	2,137
Profit for the year and total comprehensive income for the year	—	443	443
<b>At 31 March 2017</b>	<u>500</u>	<u>2,080</u>	<u>2,580</u>
<b>At 1 April 2017</b>	500	2,080	2,580
Profit for the year and total comprehensive income for the year	—	1,086	1,086
<b>At 31 March 2018</b>	<u>500</u>	<u>3,166</u>	<u>3,666</u>
<b>At 1 April 2018</b>	500	3,166	3,666
Profit for the period and total comprehensive income for the period	—	324	324
<b>At 30 September 2018</b>	<u>500</u>	<u>3,490</u>	<u>3,990</u>
<b>At 1 April 2017</b>	500	2,080	2,580
Profit for the period and total comprehensive income for the period	—	511	511
<b>At 30 September 2017</b>	<u>500</u>	<u>2,591</u>	<u>3,091</u>

**UNAUDITED STATEMENTS OF CASH FLOWS**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Cash flows from operating activities</b>					
Profit before tax	802	386	1,227	530	364
Adjustments for:					
Depreciation	17	16	7	7	–
Provisions for impairment losses on trade debtors	23	1	20	–	8
Provisions for impairment losses of inventories	243	611	416	69	99
	1,085	1,014	1,670	606	471
(Increase)/Decrease in inventories	(2,994)	133	(1,235)	402	1,823
Decrease/(Increase) in debtors, prepayments and deposits	1,258	90	1,114	78	(1,306)
Increase/(Decrease) in creditors, accruals and deposits received	903	3,148	2,807	1,809	(715)
Net cash generated from operations	252	4,385	4,356	2,895	273
Tax paid	(49)	(105)	(73)	(31)	(66)
Net cash flows from operating activities	203	4,280	4,283	2,864	207

	For the year ended 31 March 2016 S\$'000	For the year ended 31 March 2017 S\$'000	For the year ended 31 March 2018 S\$'000	For the six months ended 30 September 2017 S\$'000	For the six months ended 30 September 2018 S\$'000
<b>Cash flows from investing activities</b>					
Payment to acquire fixed assets	—	—	—	—	(2)
Net cash flows used in investing activities	—	—	—	—	(2)
<b>Cash flows from financing activities</b>					
Changes in intercompany balances	(216)	(4,286)	(4,280)	(2,855)	1,430
Net cash flows from/(used in) financing activities	(216)	(4,286)	(4,280)	(2,855)	1,430
Net increase/(decrease) in cash and cash equivalents	(13)	(6)	3	9	1,635
Cash and cash equivalents at beginning of year/period	23	10	4	4	7
Cash and cash equivalents at end of year/period	<u>10</u>	<u>4</u>	<u>7</u>	<u>13</u>	<u>1,642</u>

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF CM

### 1. General information

CM is a private limited company incorporated and domiciled in Singapore. The principal activities of CM are wholesale distributors of food and allied fast-moving consumer products.

On 21 December 2018, APGL, an indirect non-wholly owned subsidiary of the Company, and DKSH Singapore entered into the Singapore Disposal Agreement, pursuant to which, APGL conditionally agreed to sell or procure the sale of its equity interests in APM and CM, for the initial consideration of S\$60,726,000, subject to adjustments. Upon Completion, CM will cease to be the subsidiary of the Company.

### 2. Basis of preparation

The Unaudited Financial Information of CM has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of the Listing Rules, and solely for the purposes of inclusion in the circular in connection with the proposed transaction. The financial information does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard (“HKAS”) 1 *Presentation of Financial Statements* nor a set of condensed financial statements as defined in HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It should be read in connection with the annual report of the Company for the year ended 31 March 2018 and the interim report of the Company for the six months ended 30 September 2018. The unaudited financial information are presented in Singapore dollar (“S\$”) and all values are rounded to the nearest thousands (“S\$’000”) except when otherwise indicated.

The Unaudited Financial Information of CM has been prepared in accordance with the accounting policies as set out in the annual report of the Company for the year ended 31 March 2018 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”) as disclosed in Note 3 below.

### 3. Changes in accounting policies

The following new and revised HKFRSs have been adopted for the first time for the financial year beginning on 1 April 2018:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
Amendments to HKFRS 1 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
Amendments to HKAS 28 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>

Except for HKFRS 9 and HKFRS 15, the application of other amendments and interpretation do not have material financial effects on the CM's financial information. CM has taken transitional provisions and methods not to restate comparative information for prior periods. The comparative information continues to be reported under the accounting policies prevailing prior to 1 April 2018. The nature and effect of these changes in accounting policies are disclosed below.

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

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. CM has adopted HKFRS 9 from 1 April 2018. CM has not restated comparative information as permitted by the transitional provisions in HKFRS 9.

The adoption of HKFRS 9 does not have any material impact related to the classification and measurement of financial instruments of CM. The impacts from adopting HKFRS 9 related to the impairment requirements are summarised as follows:

The adoption of HKFRS 9 has changed the CM's accounting for impairments by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss approach. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis.

Upon adoption of HKFRS 9, CM has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. The results of the revision at 1 April 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the CM's financial assets.

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

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, revenues are recognised at amounts that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

CM has elected to apply the modified retrospective approach for transition to the new revenue standard. Results for the periods beginning on or after 1 April 2018 are presented under HKFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The major changes as a result of the adoption of HKFRS 15 are as follows:

*Variable consideration*

Some contracts with customers provide a right of return, trade discounts, free goods, promotion rebates or volume rebates. Such provisions give rise to variable consideration under HKFRS 15. CM previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. If revenue could not be reliably measured, CM deferred revenue recognition until the uncertainty was resolved. Under HKFRS 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

*Right of return*

CM previously recorded a provision for the net margin arising from expected returns. Under HKFRS 15, CM estimates the amount of expected returns in determining the transaction price and recognises revenue based on the amounts to which the Group expects to be entitled through the end of the return period. CM recognises the amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. Separately, CM recognises a related asset for the right to recover the returned goods.

The following table gives a summary of the amounts of affected line items in the unaudited statement of profit or loss for the six months ended 30 September 2018 that has been impacted by HKFRS 15:

	Six months ended 30 September 2018		
	As presented under accounting policies pre 1 April 2018 S\$'000	Effect on adoption of HKFRS 15 S\$'000	As presented under accounting policies from 1 April 2018 S\$'000
Revenue	21,933	1,207	23,140
Cost of sales	(18,730)	(588)	(19,318)
Gross profit	3,203	619	3,822
Other operating expenses	(1,862)	(619)	(2,481)

There is no material impact on profit for the six months ended 30 September 2018.

Set out below are the financial information of APMSB Group which comprises the unaudited consolidated statements of financial position of APMSB Group as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018 and the unaudited consolidated statements of profit or loss, unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of APMSB Group for each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018 and certain explanatory notes (the “Unaudited Financial Information of APMSB Group”).

The Unaudited Financial Information of APMSB Group has been presented on the basis set out in Note 2 to the Unaudited Financial Information of APMSB Group and Rule 14.68(2)(a)(i)(A) of the Listing Rules.

The reporting accountants of APMSB Group, Messrs. Ernst & Young, were engaged to review the Unaudited Financial Information of APMSB Group set out on pages IIC-2 to IIC-10 of this circular in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion.

Based on the review, nothing has come to the reporting accountants’ attention that causes them to believe that the Unaudited Financial Information of APMSB Group is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Unaudited Financial Information of APMSB Group.

**UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018

	For the year ended 31 March 2016 RM'000	For the year ended 31 March 2017 RM'000	For the year ended 31 March 2018 RM'000	For the six months ended 30 September 2017 RM'000	For the six months ended 30 September 2018 RM'000
<b>Revenue</b>	263,982	274,811	301,067	155,705	171,572
Cost of sales	<u>(183,837)</u>	<u>(176,100)</u>	<u>(210,804)</u>	<u>(109,104)</u>	<u>(117,387)</u>
<b>Gross profit</b>	80,145	98,711	90,263	46,601	54,185
Administrative expenses	(15,200)	(14,802)	(14,704)	(7,625)	(8,156)
Other operating expenses	(46,278)	(53,935)	(44,283)	(24,985)	(29,911)
Finance costs	<u>(260)</u>	<u>(77)</u>	<u>(539)</u>	<u>(153)</u>	<u>(318)</u>
<b>Profit before tax</b>	18,407	29,897	30,737	13,838	15,800
Income tax	<u>(5,195)</u>	<u>(9,030)</u>	<u>(7,338)</u>	<u>(5,406)</u>	<u>(4,617)</u>
<b>Profit for the year/period</b>	<u><u>13,212</u></u>	<u><u>20,867</u></u>	<u><u>23,399</u></u>	<u><u>8,432</u></u>	<u><u>11,183</u></u>
<b>Attributable to:</b>					
Equity holders of the company	13,238	20,891	23,401	8,434	11,195
Non-controlling interests	<u>(26)</u>	<u>(24)</u>	<u>(2)</u>	<u>(2)</u>	<u>(12)</u>
<b>Profit for the year/period</b>	<u><u>13,212</u></u>	<u><u>20,867</u></u>	<u><u>23,399</u></u>	<u><u>8,432</u></u>	<u><u>11,183</u></u>

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018*

	For the year ended 31 March 2016 <i>RM'000</i>	For the year ended 31 March 2017 <i>RM'000</i>	For the year ended 31 March 2018 <i>RM'000</i>	For the six months ended 30 September 2017 <i>RM'000</i>	For the six months ended 30 September 2018 <i>RM'000</i>
<b>Profit for the year/period and total comprehensive income for the year/period</b>	<u>13,212</u>	<u>20,867</u>	<u>23,399</u>	<u>8,432</u>	<u>11,183</u>
<b>Attributable to:</b>					
Equity holders of the company	13,238	20,891	23,401	8,434	11,195
Non-controlling interests	<u>(26)</u>	<u>(24)</u>	<u>(2)</u>	<u>(2)</u>	<u>(12)</u>
	<u>13,212</u>	<u>20,867</u>	<u>23,399</u>	<u>8,432</u>	<u>11,183</u>

## UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018

	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	30 September 2018 RM'000
<b>Non-current assets</b>				
Intangible assets	6,056	6,056	6,056	6,056
Fixed assets	2,579	2,118	2,486	2,649
Deferred tax assets	3,379	1,303	3,142	3,172
	<u>12,014</u>	<u>9,477</u>	<u>11,684</u>	<u>11,877</u>
<b>Current assets</b>				
Inventories	46,485	51,791	70,810	42,688
Debtors, prepayments and deposits	62,079	57,324	68,953	68,542
Amounts due from group companies	4,884	3,255	4,673	3,313
Tax recoverable	1,291	–	–	–
Cash and cash equivalents	31,755	55,637	19,734	30,495
	<u>146,494</u>	<u>168,007</u>	<u>164,170</u>	<u>145,038</u>
<b>Current liabilities</b>				
Bank and other borrowings	5,956	438	19,370	14,600
Creditors, accruals and deposits received	40,360	43,372	60,800	43,777
Amounts due to group companies	86,276	86,681	28,732	21,085
Tax payable	–	210	770	88
	<u>132,592</u>	<u>130,701</u>	<u>109,672</u>	<u>79,550</u>
<b>Net current assets</b>	<u>13,902</u>	<u>37,306</u>	<u>54,498</u>	<u>65,488</u>
<b>Net assets</b>	<u>25,916</u>	<u>46,783</u>	<u>66,182</u>	<u>77,365</u>
<b>Equity</b>				
Equity attributable to owner of the company				
Share capital	1,000	1,000	1,000	1,000
Retained profits	23,262	44,153	67,554	78,749
	<u>24,262</u>	<u>45,153</u>	<u>68,554</u>	<u>79,749</u>
Non-controlling interests	1,654	1,630	(2,372)	(2,384)
	<u>25,916</u>	<u>46,783</u>	<u>66,182</u>	<u>77,365</u>

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018

	Attributable to equity holders of APMSB			Non-controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Retained profits RM'000	Total RM'000		
<b>At 1 April 2015</b>	1,000	72,408	73,408	1,680	75,088
Profit/(Loss) for the year and total comprehensive income/(loss) for the year	–	13,238	13,238	(26)	13,212
Dividends	–	(62,384)	(62,384)	–	(62,384)
<b>At 31 March 2016</b>	<u>1,000</u>	<u>23,262</u>	<u>24,262</u>	<u>1,654</u>	<u>25,916</u>
<b>At 1 April 2016</b>	1,000	23,262	24,262	1,654	25,916
Profit/(Loss) for the year and total comprehensive income/(loss) for the year	–	20,891	20,891	(24)	20,867
<b>At 31 March 2017</b>	<u>1,000</u>	<u>44,153</u>	<u>45,153</u>	<u>1,630</u>	<u>46,783</u>
<b>At 1 April 2017</b>	1,000	44,153	45,153	1,630	46,783
Profit/(Loss) for the year and total comprehensive income/(loss) for the year	–	23,401	23,401	(2)	23,399
Waiver of advance to immediate holding company	–	–	–	(4,000)	(4,000)
<b>At 31 March 2018</b>	<u>1,000</u>	<u>67,554</u>	<u>68,554</u>	<u>(2,372)</u>	<u>66,182</u>
<b>At 1 April 2018</b>	1,000	67,554	68,554	(2,372)	66,182
Profit/(Loss) for the period and total comprehensive income/(loss) for the period	–	11,195	11,195	(12)	11,183
<b>At 30 September 2018</b>	<u>1,000</u>	<u>78,749</u>	<u>79,749</u>	<u>(2,384)</u>	<u>77,365</u>
<b>At 1 April 2017</b>	1,000	44,153	45,153	1,630	46,783
Profit/(Loss) for the period and total comprehensive income/(loss) for the period	–	8,434	8,434	(2)	8,432
<b>At 30 September 2017</b>	<u>1,000</u>	<u>52,587</u>	<u>53,587</u>	<u>1,628</u>	<u>55,215</u>

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the six months ended 30 September 2017 and 30 September 2018

	For the year ended 31 March 2016 RM'000	For the year ended 31 March 2017 RM'000	For the year ended 31 March 2018 RM'000	For the six months ended 30 September 2017 RM'000	For the six months ended 30 September 2018 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax	18,407	29,897	30,737	13,838	15,800
Adjustments for:					
Depreciation	822	1,131	638	311	291
Bad debts recovered	(20)	(2)	-	-	-
Amount due with related company (recovered)/ written off	285	(285)	-	-	-
Loss/(Gain) on disposal of fixed assets	(33)	35	(29)	-	24
Provisions for impairment losses of receivables	1,756	1,107	803	436	1,588
Provision for impairment losses of inventories	6,130	4,267	2,477	1,544	1,563
Finance cost	260	77	539	153	318
Interest income	(703)	(1,305)	(1,106)	(729)	(253)
Unrealised foreign exchange (gain)/loss	1,920	2,017	(1,845)	(535)	65
	28,824	36,939	32,214	15,018	19,396
Decrease/(Increase) in inventories	(1,621)	(9,573)	(21,496)	17,842	26,560
Decrease/(Increase) in debtors, prepayments and deposits	(10,064)	6,319	(13,530)	(4,294)	(735)
Increase/(Decrease) in creditors, accruals and deposits received	10,804	1,400	19,673	(4,924)	(24,734)
Net cash generated from operations	27,943	35,085	16,861	23,642	20,487
Interest received	703	1,305	1,106	729	253
Tax paid	(3,634)	(6,207)	(8,938)	(5,931)	(4,413)
Net cash flows from operating activities	25,012	30,183	9,029	18,440	16,327

	For the year ended 31 March 2016 <i>RM'000</i>	For the year ended 31 March 2017 <i>RM'000</i>	For the year ended 31 March 2018 <i>RM'000</i>	For the six months ended 30 September 2017 <i>RM'000</i>	For the six months ended 30 September 2018 <i>RM'000</i>
<b>Cash flows from investing activities</b>					
Payment to acquire of fixed assets	(668)	(737)	(1,106)	(120)	(539)
Proceeds from disposal of fixed assets	33	31	130	–	61
Net cash flows used in investing activities	<u>(635)</u>	<u>(706)</u>	<u>(976)</u>	<u>(120)</u>	<u>(478)</u>
<b>Cash flows from financing activities</b>					
Interest paid	(260)	(77)	(539)	(153)	(318)
Net drawdown/(repayment) of banks and borrowings	(1,750)	(5,550)	19,370	7,200	(4,770)
Changes in intercompany balances	34	32	(4,438)	(438)	–
Dividends paid	<u>(4,035)</u>	<u>–</u>	<u>(58,349)</u>	<u>(25,000)</u>	<u>–</u>
Net cash flows used in financing activities	<u>(6,011)</u>	<u>(5,595)</u>	<u>(43,956)</u>	<u>(18,391)</u>	<u>(5,088)</u>
Net increase/(decrease) in cash and cash equivalents	18,366	23,882	(35,903)	(71)	10,761
Cash and cash equivalents at beginning of year/period	<u>13,389</u>	<u>31,755</u>	<u>55,637</u>	<u>55,637</u>	<u>19,734</u>
Cash and cash equivalents at end of year/period	<u><u>31,755</u></u>	<u><u>55,637</u></u>	<u><u>19,734</u></u>	<u><u>55,566</u></u>	<u><u>30,495</u></u>

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF APMSB GROUP

**1. General information**

APMSB is a private limited company incorporated and domiciled in Malaysia. The principal activities of APMSB Group are wholesale distribution, manufacture of food and allied fast-moving consumer products.

On 21 December 2018, APGL, an indirect non-wholly owned subsidiary of the Company, and DKSH Malaysia entered into the APMSB Disposal Agreement, pursuant to which, APGL conditionally agreed to sell or procure the sale of its equity interest in APMSB, for the initial consideration of S\$157,674,000, subject to adjustments. Upon Completion, APMSB Group will cease to be the subsidiaries of the Company.

**2. Basis of preparation**

The Unaudited Financial Information of APMSB Group has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of the Listing Rules, and solely for the purposes of inclusion in the circular in connection with the proposed transaction. The financial information does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard (“HKAS”) 1 *Presentation of Financial Statements* nor a set of condensed financial statements as defined in HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It should be read in connection with the annual report of the Company for the year ended 31 March 2018 and the interim report of the Company for the six months ended 30 September 2018. The unaudited financial information are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousands (“RM’000”) except when otherwise indicated.

The Unaudited Financial Information of APMSB Group has been prepared in accordance with the accounting policies as set out in the annual report of the Company for the year ended 31 March 2018 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”) as disclosed in Note 3 below.

**3. Changes in accounting policies**

The following new and revised HKFRSs have been adopted for the first time for the financial year beginning on 1 April 2018:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
Amendments to HKFRS 1 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
Amendments to HKAS 28 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>

Except for HKFRS 9 and HKFRS 15, the application of other amendments and interpretation do not have material financial effects on the APMSB Group's financial information. APMSB Group has taken transitional provisions and methods not to restate comparative information for prior periods. The comparative information continues to be reported under the accounting policies prevailing prior to 1 April 2018. The nature and effect of these changes in accounting policies are disclosed below.

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

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. APMSB Group has adopted HKFRS 9 from 1 April 2018. APMSB Group has not restated comparative information as permitted by the transitional provisions in HKFRS 9.

The adoption of HKFRS 9 does not have any material impact related to the classification and measurement of financial instruments of APMSB Group. The impacts from adopting HKFRS 9 related to the impairment requirements are summarised as follows:

The adoption of HKFRS 9 has changed the APMSB Group's accounting for impairments by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss approach. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis.

Upon adoption of HKFRS 9, APMSB Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. The results of the revision at 1 April 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the APMSB Group's financial assets.

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

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, revenues are recognised at amounts that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

APMSB Group has elected to apply the modified retrospective approach for transition to the new revenue standard. Results for the periods beginning on or after 1 April 2018 are presented under HKFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The major changes as a result of the adoption of HKFRS 15 are as follows:

*Variable consideration*

Some contracts with customers provide a right of return, trade discounts, free goods, promotion rebates or volume rebates. Such provisions give rise to variable consideration under HKFRS 15. APMSB Group previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. If revenue could not be reliably measured, APMSB Group deferred revenue recognition until the uncertainty was resolved. Under HKFRS 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

*Right of return*

APMSB Group previously recorded a provision for the net margin arising from expected returns. Under HKFRS 15, APMSB Group estimates the amount of expected returns in determining the transaction price and recognises revenue based on the amounts to which the Group expects to be entitled through the end of the return period. APMSB Group recognises the amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. Separately, APMSB Group recognises a related asset for the right to recover the returned goods.

The following table gives a summary of the amounts of affected line items in the unaudited statement of profit or loss for the six months ended 30 September 2018 that has been impacted by HKFRS 15:

	Six months ended 30 September 2018		
	As presented under accounting policies pre 1 April 2018 <i>RM'000</i>	Effect on adoption of HKFRS 15 <i>RM'000</i>	As presented under accounting policies from 1 April 2018 <i>RM'000</i>
Revenue	174,125	(2,553)	171,572
Cost of sales	(119,796)	2,409	(117,387)
Gross profit	54,329	(144)	54,185
Other operating expenses	(30,055)	144	(29,911)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

There is no material impact on profit for the six months ended 30 September 2018.

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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**1.    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
REMAINING GROUP**

**(a)    Basis of preparation of the unaudited pro forma financial information of the  
Remaining Group**

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group (the “Unaudited Pro Forma Financial Information”), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal as if it had taken place on 30 September 2018 for the unaudited pro forma consolidated statement of financial position, and 1 April 2017 for the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial results or cash flows of the Remaining Group had the Disposal been completed as at 30 September 2018 for the financial position, or 1 April 2017 for the financial results and cash flows or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2018 as set out in the annual report of the Company for the year ended 31 March 2018, the interim report of the Company for the six months ended 30 September 2018 and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2018 extracted from the published interim report of the Company for the six months ended 30 September 2018, the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2018 extracted from the annual report of the Company for the year ended 31 March 2018, after making pro forma adjustments relating to the Disposal as described in the notes that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) factually supportable; and (iii) considered to be integral to the Disposal.

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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**(b) Unaudited pro forma Consolidated Statement of Financial Position**

	Condensed consolidated statement of financial position of the Group as at 30 September 2018		Pro forma adjustments		Pro forma of the Remaining Group (Unaudited)
	(Unaudited)			(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Note 1(a))	(Note 2(a))	(Note 2(b))		
<b>Non-current assets</b>					
Intangible assets	204,249	(11,433)		192,816	
Exploration and evaluation assets	476			476	
Fixed assets	935,233	(17,284)		917,949	
Investment properties	861,886			861,886	
Interests in associates	753,558			753,558	
Interests in joint ventures	42,722			42,722	
Financial assets at fair value through other comprehensive income	229,693			229,693	
Financial assets at fair value through profit or loss	531,852			531,852	
Debtors, prepayments and deposits	35,684			35,684	
Deferred tax assets	7,021	(7,021)		-	
	3,602,374			3,566,636	
<b>Current assets</b>					
Inventories	212,956	(202,138)		10,818	
Debtors, prepayments and deposits	589,236	(305,935)		283,301	
Amounts due from group companies	-	(49,519)	49,519	-	
Financial assets at fair value through profit or loss	803,526			803,526	
Tax recoverable	311			311	
Restricted cash	146,240			146,240	
Time deposits with original maturity of more than three months	67,041			67,041	
Cash and cash equivalents	1,077,932	(76,776)	1,247,741	2,248,897	
	2,897,242			3,560,134	
<b>Current liabilities</b>					
Bank and other borrowings	893,384	(27,562)		865,822	
Creditors, accruals and deposits received	547,365	(243,934)		303,431	
Amounts due to group companies	-	(124,838)	124,838	-	
Other financial liabilities	9,546			9,546	
Tax payable	165,705	(4,931)		160,774	
	1,616,000			1,339,573	
<b>Net current assets</b>	1,281,242			2,220,561	
<b>Total assets less current liabilities</b>	4,883,616			5,787,197	

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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	Condensed consolidated statement of financial position of the Group as at 30 September 2018 (Unaudited) <i>HK\$'000</i>  <i>(Note 1(a))</i>	Pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note</i> <i>(Note</i> <i>2(a))</i> <i>2(b))</i>		Pro forma of the Remaining Group (Unaudited) <i>HK\$'000</i>
<b>Non-current liabilities</b>				
Bank and other borrowings	700,263			700,263
Creditors, accruals and deposits received	29,491			29,491
Deferred tax liabilities	50,599			50,599
	780,353			780,353
<b>Net assets</b>	4,103,263			5,006,844
<b>Equity</b>				
Equity attributable to equity holders of the Company				
Share capital	1,705,907			1,705,907
Reserves	1,894,282	17,155	344,455	2,255,892
	3,600,189			3,961,799
Non-controlling interests	503,074	30,000	511,971	1,045,045
	4,103,263			5,006,844

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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**(c)    Unaudited Pro Forma Consolidated Statement of Profit or Loss**

	Consolidated statement of profit or loss of the Group for the year ended 31 March 2018 <i>HK\$'000</i> <i>(Note 1(b))</i>		Pro forma adjustments <i>HK\$'000</i> <i>(Note 3(a))</i>		Unaudited pro forma of the Remaining Group <i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
			<i>(Note 3(a))</i>	<i>(Note 3(b))</i>	
<b>Revenue</b>	2,400,637		(1,391,623)		1,009,014
Cost of sales	(1,367,850)		1,058,017		(309,833)
<b>Gross profit</b>	1,032,787				699,181
Administrative expenses	(678,248)		103,192		(575,056)
Other operating expenses	(293,992)		149,405		(144,587)
Gain/(Loss) on disposal of subsidiaries	(14,560)			771,773	757,213
Net fair value gain on investment properties	87,492				87,492
Net fair value loss on financial instruments at fair value through profit or loss	(42,696)				(42,696)
Write-back of provision/(Provisions) for impairment losses on:					
Loans and receivables	4,108				4,108
Available-for-sales financial assets	(23,895)				(23,895)
Finance costs	(33,925)		1,011		(32,914)
Share of results of associates	(15,922)				(15,922)
Share of results of joint ventures	(43,254)				(43,254)
<b>Profit/(Loss) before tax</b>	(22,105)				669,670
Income tax	(22,414)		15,804		(6,610)
<b>Profit/(Loss) for the year</b>	(44,519)				663,060
<b>Attributable to:</b>					
Equity holders of the Company	(117,364)		(25,300)	304,156	161,492
Non-controlling interests	72,845		(38,894)	467,617	501,568
	(44,519)				663,060

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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**(d) Unaudited Pro Forma Consolidated Statement of Comprehensive Income**

	Consolidated statement of comprehensive income of the Group for the year ended 31 March 2018 <i>HK\$'000</i>  <i>(Note 1(b))</i>	Pro forma adjustments <i>HK\$'000</i> <i>(Note</i> <i>3(a))</i>		<i>HK\$'000</i> <i>(Note</i> <i>3(b))</i>	Unaudited pro forma of the Remaining Group <i>HK\$'000</i>
<b>Profit/(Loss) for the year</b>	(44,519)	(64,194)	771,773		663,060
<b>Other comprehensive income/(loss)</b>					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Available-for-sale financial assets:					
Changes in fair value	18,556				18,556
Adjustment for disposals	(2,436)				(2,436)
Adjustment for derecognition	(12,919)				(12,919)
	3,201				3,201
Exchange differences on translation of foreign operations	170,526	(4,422)			166,104
Exchange differences reclassified to profit or loss upon:					
Disposal of foreign subsidiaries	13,155		45,611		58,766
Disposal of a foreign joint operation	2,021				2,021
Deemed disposal of a foreign associate	(1,849)				(1,849)
Liquidation of foreign operations	13,665				13,665
Settlement of intercompany dividend	10,054				10,054
	37,046				82,657
Share of other comprehensive income of associates	19,362				19,362
Net other comprehensive income to be reclassified to profit or loss in subsequent periods and other comprehensive income for the year, net of tax	230,135				271,324
<b>Total comprehensive income for the year</b>	<b>185,616</b>				<b>934,384</b>
<b>Attributable to:</b>					
Equity holders of the Company	34,542	(27,043)	322,131		329,630
Non-controlling interests	151,074	(41,573)	495,253		604,754
	<b>185,616</b>				<b>934,384</b>

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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**(e)    Unaudited Pro Forma Consolidated Statement of Cash Flows**

	Consolidated statement of cash flows of the Group for the year ended 31 March 2018			Unaudited pro forma of the Remaining Group
	<i>HK\$'000</i>	Pro forma adjustments		<i>HK\$'000</i>
	<i>(Note 1(b))</i>	<i>HK\$'000</i> <i>(Note 3(a))</i>	<i>HK\$'000</i> <i>(Note 3(b), 4)</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>				
Profit/(Loss) before tax	(22,105)	(79,998)	771,773	669,670
Adjustments for:				
Share of results of associates	15,922			15,922
Share of results of joint ventures	43,254			43,254
Loss/(Gain) on disposal of:				
Fixed assets	(21,720)	54		(21,666)
A joint venture	(14,678)			(14,678)
A joint operation	105			105
Subsidiaries	14,560		(771,773)	(757,213)
Available-for-sale financial assets	(7,767)			(7,767)
Gain on deemed disposal of an associate	(4,859)			(4,859)
Gain on derecognition of available-for-sale financial assets	(12,919)			(12,919)
Provisions/(Write-back of provisions) for impairment losses on:				
Fixed assets	(13,227)			(13,227)
Available-for-sale financial assets	23,895			23,895
Inventories	7,774	(7,265)		509
Loans and receivables	(4,108)	(1,725)		(5,833)
Fixed assets written off	3,582			3,582
Realised translation losses reclassified to the statement of profit or loss relating to:				
Liquidation of foreign operations	13,665			13,665
Settlement of intercompany dividend	10,054			10,054
Net fair value loss on financial instruments at fair value through profit or loss	42,696			42,696
Net fair value gain on investment properties	(87,492)			(87,492)
Finance costs	33,925	(1,011)		32,914
Interest income	(13,185)	2,074		(11,111)
Dividend income	(24,928)			(24,928)
Depreciation	67,364	(2,647)		64,717
Amortisation of intangible assets	104			104
	49,912			(40,606)

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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	Consolidated statement of cash flows of the Group for the year ended 31 March 2018 <i>HK\$'000</i> <i>(Note 1(b))</i>	Pro forma adjustments <i>HK\$'000</i> <i>(Note</i> <i>3(a)</i> <i>(Note</i> <i>3(b), 4)</i>		Unaudited pro forma of the Remaining Group <i>HK\$'000</i>
Decrease in properties held for sale	3,679			3,679
Increase in inventories	(54,660)	36,699		(17,961)
Increase in debtors, prepayments and deposits	(36,252)	(5,103)		(41,355)
Increase in financial instruments at fair value through profit or loss	(774,117)			(774,117)
Decrease in assets classified as held for sale	173			173
Increase in creditors, accruals and deposits received	493,966	(31,414)		462,552
Increase in other financial liabilities	834			834
Decrease in liabilities classified as held for sale	(55)			(55)
Cash used in operations	(316,520)			(406,856)
Interest received	12,692	(2,074)		10,618
Dividends received from investments	25,509			25,509
Taxes paid:				
Hong Kong	(7,547)			(7,547)
Overseas	(68,060)	18,027		(50,033)
Net cash flows used in operating activities	(353,926)			(428,309)
<b>Cash flows from investing activities</b>				
Proceeds from disposals of:				
Fixed assets	48,005	(244)		47,761
A joint venture	28,792			28,792
Available-for-sale financial assets	8,347			8,347
Payments to acquire:				
Fixed assets	(140,304)	3,899		(136,405)
Exploration and evaluation assets	(393)			(393)
Associates	(98,309)			(98,309)
Available-for-sale financial assets	(477,440)			(477,440)
Additions to investment properties	(57,769)			(57,769)
Advances to joint ventures	(134,162)			(134,162)
Disposal of a joint operation, net of cash and cash equivalents	784			784
Disposal of subsidiaries, net of cash and cash equivalents	181,753			181,753
Disposal of the Disposal Companies	-		986,411	986,411
Recovery of loans and advances	21,475			21,475
Increase in time deposits with original maturity of more than three months	(22,686)			(22,686)
Net cash flows from/(used in) investing activities	(641,907)			348,159

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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	Consolidated statement of cash flows of the Group for the year ended 31 March 2018 <i>HK\$'000</i>  <i>(Note 1(b))</i>	Pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note</i> <i>Note</i> <i>3(a)</i> <i>3(b), 4)</i>		Unaudited pro forma of the Remaining Group <i>HK\$'000</i>
<b>Cash flows from financing activities</b>				
Finance costs paid	(39,621)	1,011		(38,610)
Drawdown of bank and other borrowings	1,224,271	(36,323)		1,187,948
Repayment of bank and other borrowings	(1,221,617)			(1,221,617)
Repayment of obligations under finance leases	(574)			(574)
Movement of balances between the Disposal Companies and the Remaining Group	-	70,634		70,634
Payment for share capital reduction by a subsidiary	(24,588)			(24,588)
Dividends paid to shareholders of the Company	(87,276)			(87,276)
Dividends paid to non-controlling shareholders of a subsidiary	(91,184)			(91,184)
Dividend received from APMSB	-	109,416		109,416
Decrease in restricted cash	832,036			832,036
Net cash flows from financing activities	591,447			736,185
<b>Net increase/(decrease) in cash and cash equivalents</b>	(404,386)			656,035
<b>Cash and cash equivalents at beginning of year</b>	1,538,558	(111,930)		1,426,628
Exchange realignments	67,689	(16,287)		51,402
<b>Cash and cash equivalents at end of year</b>	1,201,861			2,134,065

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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**(f) Notes to the Unaudited Pro Forma Financial Information**

- (1) (a) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2018 as set out in the published interim report of the Company for the six months ended 30 September 2018.
- (b) The amounts are extracted from the audited consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2018 as set out in the annual report of the Company for the year ended 31 March 2018.
- (2) The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal had taken place on 30 September 2018:
- (a) The adjustments represent the derecognition of assets and liabilities of the Disposal Companies as at 30 September 2018, assuming the Disposal had taken place on 30 September 2018. The assets and liabilities of the Disposal Companies are extracted from the unaudited statement of financial position of APM set out in Appendix IIA, CM set out in Appendix IIB and APMSB Group set out in Appendix IIC to this circular respectively. For the purpose of the unaudited pro forma consolidated statement of financial position, the balances denominated in Singapore dollars have been translated into Hong Kong dollars at S\$1=HK\$5.7131 and the balances denominated in Malaysian Ringgit have been translated into Hong Kong dollars at RM1=HK\$1.8878, being the exchange rates prevailing as at 30 September 2018.

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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- (b) The adjustments represent the estimated gain on disposal assuming the Disposal had taken place on 30 September 2018 and is calculated as follows:

	<i>HK\$'000</i>
Consideration ( <i>Note (i)</i> )	1,247,741
Carrying value of net assets of the Disposal Companies attributable to owners of the Disposal Companies as at 30 September 2018 ( <i>Note (ii)</i> )	(273,342)
Settlement of intercompany balances between the Disposal Companies and the Remaining Group as at 30 September 2018 ( <i>Note (iii)</i> )	(75,319)
Release of exchange equalisation reserves attributable to the Disposal Companies as at 30 September 2018	<u>(42,654)</u>
Estimated gain on disposal	<u><u>856,426</u></u>
Attributable to:	
Equity holders of the Company	344,455
Non-controlling interests	<u>511,971</u>
	<u><u>856,426</u></u>

*Notes:*

- (i) The amount represents the aggregate initial consideration of S\$218,400,000.
- (ii) The amount represents the net assets of the Disposal Companies attributable to owners of the Disposal Companies which is extracted from the unaudited financial information of APM set out in Appendix IIA, CM set out in Appendix IIB and APMSB Group set out in Appendix IIC to this circular respectively.
- (iii) Upon Completion, all the intercompany balances between the Disposal Companies and the Remaining Group will be settled. The intercompany balances of the Disposal Companies with the Remaining Group are extracted from the unaudited financial information of APM set out in Appendix IIA, CM set out in Appendix IIB and APMSB Group set out in Appendix IIC to this circular respectively.

**APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

- (3) The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposal had taken place on 1 April 2017:
- (a) The adjustments represent the derecognition of the results and cash flows of the Disposal Companies for the year ended 31 March 2018, assuming the Disposal had taken place on 1 April 2017. The statement of profit or loss, statement of comprehensive income and statement of cash flows of the Disposal Companies are extracted from the unaudited statement of profit or loss, unaudited statement of comprehensive income and statement of cash flows of APM set out in Appendix IIA, CM set out in Appendix IIB and APMSB Group set out in Appendix IIC to this circular respectively. For the purpose of the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows, the amounts denominated in Singapore dollars have been translated into Hong Kong dollars at S\$1=HK\$5.7584 and the amounts denominated in Malaysian Ringgit have been translated into Hong Kong dollars at RM1=HK\$1.8752, being the average exchange rate prevailing for the year ended 31 March 2018. The amounts in Note 3(b) denominated in Singapore dollars have been translated into Hong Kong dollars at S\$1=HK\$5.5569 and the amounts denominated in Malaysian Ringgit have been translated into Hong Kong dollars at RM1=HK\$1.7576, being the exchange rate prevailing as at 1 April 2017.

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- (b) The adjustments represents the estimated gain on disposal assuming the Disposal had taken place on 1 April 2017 and is calculated as follows:

	<i>HK\$'000</i>
Consideration ( <i>Note (i)</i> )	1,213,627
Carrying value of net assets of the Disposal Companies attributable to owners of the Disposal Companies as at 1 April 2017 ( <i>Note (ii)</i> )	(169,027)
Settlement of intercompany balances between the Disposal Companies and the Remaining Group as at 1 April 2017 ( <i>Note (iii)</i> )	(227,216)
Release of exchange equalisation reserves attributable to the Disposal Companies as at 1 April 2017	<u>(45,611)</u>
Estimated gain on disposal	<u><u>771,773</u></u>
Attributable to:	
Equity holders of the Company	304,156
Non-controlling interests	<u>467,617</u>
	<u><u>771,773</u></u>

*Notes:*

- (i) The amount represents the aggregate initial consideration of S\$218,400,000.
- (ii) The amount represents the net assets of the Disposal Companies attributable to owners of the Disposal Companies which is extracted from the unaudited financial information of APM set out in Appendix IIA, CM set out in Appendix IIB and APMSB Group set out in Appendix IIC to this circular respectively.
- (iii) Upon Completion, all the intercompany balances between the Disposal Companies and the Remaining Group will be settled. The intercompany balances of the Disposal Companies with the Remaining Group are extracted from the unaudited financial information of APM set out in Appendix IIA, CM set out in Appendix IIB and APMSB Group set out in Appendix IIC to this circular respectively.
- (4) The adjustment represents the exclusion of cash inflow in relation to the intercompany balances between the Disposal Companies and the Remaining Group during the year ended 31 March 2018 assuming that no funding would have occurred had the Completion taken place on 1 April 2017.
- (5) All the above pro forma adjustments are not expected to have a continuing effect on the Remaining Group.

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OF THE REMAINING GROUP**

**2.    REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED  
PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The following is the text of the independent reporting accountants' assurance report, received from Messrs. Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of Lippo China Resources Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lippo China Resources Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2018, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018, and related notes as set out on pages III-1 to III-12 in Appendix III of the circular dated 25 January 2019, issued by the Company (the “Circular”) (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the disposal of (i) Auric Pacific Marketing Pte. Ltd., (ii) Centurion Marketing Pte. Ltd; and (iii) Auric Pacific (M) Sdn. Bhd. and its subsidiaries (the “Disposal”) on the Group’s consolidated financial position as at 30 September 2018 and the Group’s consolidated financial performance and cash flows for the year ended 31 March 2018 as if the Disposal had been completed at 30 September 2018 and 1 April 2017, respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s interim report for the six months ended 30 September 2018, on which no audit or review report has been issued, and information about the Group’s financial performance and cash flows has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2018, on which an auditor’s report has been published.

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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### **Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Disposal, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Disposal in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<b>APPENDIX III    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b>
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**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

25 January 2019

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its Associated Corporations which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Directors' and chief executive's interests and short positions in shares and underlying shares of the Company and Associated Corporations

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)	Total interests	Approximate percentage of total interests in the issued shares
<b>Number of Shares</b>					
Stephen Riady	-	-	6,890,184,389 <i>Notes (i) and (ii)</i>	6,890,184,389	74.99
James Siu Lung Lee	2,000	-	-	2,000	0.00
<b>Number of ordinary shares in Lippo</b>					
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
<b>Number of ordinary shares of HK\$1.00 each in HKC</b>					
Stephen Riady	-	-	1,431,355,492 <i>Notes (i) and (iii)</i>	1,431,355,492	71.63
John Luen Wai Lee	2,000,270	270	-	2,000,540	0.10
King Fai Tsui	600,000	75,000	-	675,000	0.03
James Siu Lung Lee	2,000	-	-	2,000	0.00

*Note:*

- (i) As at the Latest Practicable Date, Lippo Capital, an Associated Corporation of the Company, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 369,800,219 ordinary shares in, representing approximately 74.98% of the issued shares of, Lippo. Lippo Capital was a 60% owned subsidiary of Lippo Capital Holdings, an Associated Corporation of the Company, which in turn was a wholly-owned subsidiary of Lippo Capital Group, an Associated Corporation of the Company. Dr. Stephen Riady was the beneficial owner of one ordinary share in, representing 100% of the issued share capital of, Lippo Capital Group.
- (ii) As at the Latest Practicable Date, Lippo, through its 100% owned subsidiaries, was indirectly interested in 6,890,184,389 Shares, representing approximately 74.99% of the issued shares of the Company.
- (iii) As at the Latest Practicable Date, Lippo, through its 100% owned subsidiaries, was indirectly interested in 1,431,355,492 ordinary shares of HK\$1.00 each in, representing approximately 71.63% of the issued shares of, HKC.

As mentioned in Note (i) above, Dr. Stephen Riady was the beneficial owner of one ordinary share in, representing 100% of the issued share capital of, Lippo Capital Group. Through his interest in Lippo Capital Group, Dr. Stephen Riady was also interested or taken to be interested (through controlled corporations) in the issued shares of the following Associated Corporations of the Company as at the Latest Practicable Date:

<b>Name of Associated Corporation</b>	<b>Note</b>	<b>Class of shares</b>	<b>Number of shares interested</b>	<b>Approximate percentage of interest in the issued shares</b>
Abital Trading Pte. Limited	(a)	Ordinary shares	2	100
APGL	(b)	Ordinary shares	80,618,551	65.48
Bentham Holdings Limited	(c)	Ordinary shares	1	100
Blue Regent Limited	(a)	Ordinary shares	100	100
Boudry Limited	(a)	Ordinary shares	10	100
	(a)	Non-voting deferred shares	1,000	100
Brimming Fortune Limited	(a)	Ordinary shares	1	100
Broadwell Overseas Holdings Limited	(a)	Ordinary shares	1	100
First Tower Corporation (“First Tower”)	(d)	Ordinary shares	1	100
Gainmate Hong Kong Limited	(e)	Ordinary shares	100	100
Grand Peak Investment Limited	(a)	Ordinary shares	2	100
Great Honor Investments Limited	(a)	Ordinary shares	1	100
Greenorth Holdings Limited	(a)	Ordinary shares	1	100
HKCL Investments Limited	(a)	Ordinary shares	1	100
International Realty (Singapore) Pte. Limited	(a)	Ordinary shares	2	100

Name of Associated Corporation	Note	Class of shares	Number of shares interested	Approximate percentage of interest in the issued shares
J & S Company Limited	(a)	Ordinary shares	1	100
Lippo Assets (International) Limited	(a)	Ordinary shares	1	100
	(a)	Non-voting deferred shares	15,999,999	100
Lippo Capital	(c)	Ordinary shares	423,414,001	60
Lippo Capital Holdings	(f)	Ordinary shares	1	100
Lippo Finance Limited	(a)	Ordinary shares	6,176,470	82.35
Lippo Investments Limited	(a)	Ordinary shares	2	100
Lippo Realty Limited	(a)	Ordinary shares	2	100
MG Superteam Pte. Ltd.	(a)	Ordinary shares	1	100
Multi-World Builders & Development Corporation	(a)	Ordinary shares	4,080	51
Skyscraper	(d)	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte. Ltd.	(a)	Ordinary shares	100,000	100
Valencia Development Limited	(a)	Ordinary shares	800,000	100
	(a)	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	(a)	Ordinary shares	1	100

*Note:*

- (a) Such share(s) was/were 100% held directly or indirectly by Lippo Capital, a 60% owned indirect subsidiary of Lippo Capital Group.
- (b) Of these shares, 4,999,283 ordinary shares were held by Jeremiah Holdings Limited (“Jeremiah”), a 60% owned indirect subsidiary of the Company; 20,004,000 ordinary shares were held by Nine Heritage Pte Ltd, an 80% owned direct subsidiary of Jeremiah; 36,165,052 ordinary shares were held by Pantogon Holdings Pte Ltd, a 100% owned indirect subsidiary of the Company and 759,000 ordinary shares were held by Max Turbo Limited, a 100% owned indirect subsidiary of the Company. Details of Dr. Stephen Riady’s interest in the Company are disclosed in Notes (i) and (ii) above. In addition, as at the Latest Practicable Date, 18,691,216 ordinary shares were held by Silver Creek Capital Pte. Ltd. (“Silver Creek”). Dr. Stephen Riady, through companies controlled by him, is the beneficial owner of 100% of the issued shares in Silver Creek. Accordingly, Dr. Stephen Riady was taken to be interested in an aggregate of 80,618,551 ordinary shares in, representing approximately 65.48% of the issued shares of, APGL.
- (c) Such share(s) was/were held directly by Lippo Capital Holdings which in turn was a direct wholly-owned subsidiary of Lippo Capital Group.
- (d) Such share(s) was/were 100% held directly or indirectly by Lippo. Details of Dr. Stephen Riady’s interest in Lippo are disclosed in Note (i) above.

- (e) 50 shares were held by Oddish Ventures Pte. Ltd., a 100% owned direct subsidiary of OUE Limited (“OUE”). OUE was indirectly owned as to approximately 68.65% by Fortune Code Limited (“Fortune Code”). HKC, through its 50% joint venture, Lippo ASM Asia Property Limited, held 92.05% interest in Fortune Code. 50 shares were held by Raising Fame Ventures Limited, a 100% owned indirect subsidiary of the Company. Details of Dr. Stephen Riady’s interest in HKC and the Company are disclosed in Notes (i) to (iii) above.
- (f) Such share was 100% held directly by Lippo Capital Group.

As at the Latest Practicable Date, 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 the Latest Practicable Date, to the knowledge of the Company:

- (1) none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its Associated Corporations (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered in the register kept by the Company under Section 352 of the SFO; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; and
- (2) none of the Directors and 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.

Dr. Stephen Riady is also a director of each of Lippo Capital Group, Lippo Capital Holdings, Lippo Capital, Lippo, First Tower and Skyscraper and the Executive President of Lippo. Mr. John Luen Wai Lee is also a director of each of First Tower, Skyscraper and Lippo. Messrs. Leon Nim Leung Chan, Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui are also directors of Lippo. Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other members of the Group were as follows:

#### (a) The Company

Name	Number of Shares	Approximate percentage
Skyscraper	6,890,184,389	74.99
First Tower Corporation ("First Tower")	6,890,184,389	74.99
Lippo	6,890,184,389	74.99
Lippo Capital	6,890,184,389	74.99
Lippo Capital Holdings	6,890,184,389	74.99
Lippo Capital Group	6,890,184,389	74.99
Madam Shincee Leonardi	6,890,184,389	74.99
PT Trijaya Utama Mandiri ("PT TUM")	6,890,184,389	74.99
Mr. James Tjahaja Riady	6,890,184,389	74.99
Madam Aileen Hambali	6,890,184,389	74.99

*Note (a):*

- 6,890,184,389 Shares were held by Skyscraper directly as beneficial owner which in turn is a 100% owned subsidiary of First Tower. First Tower is a 100% owned subsidiary of Lippo. Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in 369,800,219 ordinary shares in, representing approximately 74.98% of the issued shares of, Lippo.
- Lippo Capital Holdings owned 60% of the issued shares in Lippo Capital. Lippo Capital Group owned 100% of the issued share capital of Lippo Capital Holdings. Dr. Stephen Riady was the beneficial owner of 100% of the issued share capital of Lippo Capital Group. Madam Shincee Leonardi is the spouse of Dr. Stephen Riady.
- PT TUM owned the remaining 40% of the issued shares in Lippo Capital. PT TUM was wholly owned by Mr. James Tjahaja Riady who is a brother of Dr. Stephen Riady. Madam Aileen Hambali is the spouse of Mr. James Tjahaja Riady.

4. Skyscraper's interests in the Shares were recorded as the interests of First Tower, Lippo, Lippo Capital, Lippo Capital Holdings, Lippo Capital Group, Madam Shincee Leonardi, PT TUM, Mr. James Tjahaja Riady and Madam Aileen Hambali. The above 6,890,184,389 Shares related to the same block of Shares that Dr. Stephen Riady was interested, details of which are disclosed in the above paragraph headed "Disclosure of Interests — Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and Associated Corporations".

**(b) Jeremiah Holdings Limited ("Jeremiah")**

Name	Number of ordinary shares of S\$1.00 each	Percentage
Dragon Board Holdings Limited ("Dragon Board")	779,187	60
Mrs. Endang Utari Mokodompit	519,458	40

*Note (b):* Dragon Board is a wholly-owned subsidiary of the Company. See also (a) above in respect of the substantial shareholders of the Company.

**(c) Nine Heritage Pte Ltd ("Nine Heritage")**

Name	Number of ordinary shares	Percentage
Jeremiah	800,000	80
SouthQuay Capital Asia Limited	200,000	20

*Note (c):* See also (b) above in respect of the substantial shareholders of Jeremiah.

**(d) Lippo Select HK & Mainland Property ETF**

Name	Number of units	Approximate percentage
World Grand Holding Limited ("World Grand")	1,612,500	93.48

*Note (d):* World Grand is a wholly-owned subsidiary of the Company. See also (a) above in respect of the substantial shareholders of the Company.

**(e) APGL**

<b>Name</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage</b>
Jeremiah	4,999,283	4.06
Nine Heritage	20,004,000	16.25
Pantogon Holdings Pte Ltd ("Pantogon")	36,165,052	29.37
Goldstream Capital Limited	42,498,332	34.52
Silver Creek Capital Pte. Ltd.	18,691,216	15.18

*Note (e):* Nine Heritage is a subsidiary of Jeremiah and Pantogon is a wholly-owned subsidiary of the Company. See also (b) above in respect of the substantial shareholders of Jeremiah and (a) above in respect of the substantial shareholders of the Company.

**(f) LCR Catering Services Limited**

<b>Name</b>	<b>Number of ordinary shares</b>	<b>Percentage</b>
All Around Limited ("All Around")	8,100,000	90

*Note (f):* All Around is a subsidiary of APGL. See also (e) above in respect of the substantial shareholders of APGL.

**(g) DLF (Thailand) Ltd**

<b>Name</b>	<b>Number of ordinary shares of THB100.00 each</b>	<b>Approximate percentage</b>
K. Somchai Krunthong	25,500 preference shares	51
Delifrance Asia Ltd. ("Delifrance Asia")	24,495	48.9
Edmonton Investments Pte Ltd ("Edmonton")	5	0.1

*Note (g):* Delifrance Asia and Edmonton are wholly-owned subsidiaries of APGL. See also (e) above in respect of the substantial shareholders of APGL.

All the interests stated above represent long positions. Save as disclosed herein, as at the Latest Practicable Date, none of the substantial shareholders (as defined under the Listing Rules) or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no person, other than a Director or chief executive of the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

#### **5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES**

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

Other than the independent non-executive Directors, Dr. Stephen Riady and Messrs. John Luen Wai Lee and Leon Nim Leung Chan are also directors of Lippo, an intermediate holding company of the Company, and HKC, a fellow subsidiary of the Company. Further details of the Directors' interests in Lippo and HKC are disclosed in the paragraph headed "Disclosure of Interests — Directors' and chief executive's interests and short positions in shares and underlying shares of the Company and Associated Corporations" in this appendix. Subsidiaries of Lippo and HKC 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 the Directors would comply with the relevant requirements of the Company's articles of association and the Listing Rules whenever a Director has any conflict of interest in the transaction(s) with the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates were considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

## **6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP AND OTHER INTERESTS**

None of the Directors was materially interested in any contract or arrangement which was entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, the followings were particulars of assets acquired or disposed of by or leased to members of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up, in which Dr. Stephen Riady had a direct or indirect interest:

- (a) a joint venture agreement dated 17 July 2018 entered into among Raising Fame Ventures Limited ("Raising Fame"), a wholly-owned subsidiary of the Company, Oddish Ventures Pte. Ltd. ("Oddish"), a wholly-owned subsidiary of OUE Limited ("OUE"), and Gainmate Hong Kong Limited ("Gainmate") in respect of the formation of a joint venture for the set-up and operation of café(s) and/or restaurant(s) in Hong Kong pursuant to which Raising Fame disposed of its 50 issued shares in, representing 50% of the entire issued shares of, Gainmate to Oddish for an aggregate consideration of HK\$50 and the committed funding of each of Raising Fame and Oddish to be provided for Gainmate amounted to HK\$2,950,000;
- (b) On 30 October 2018, Hongkong China Treasury Limited, a wholly-owned subsidiary of the Company, was allotted and issued with 1,411,332 new units in OUE Commercial Real Estate Investment Trust ("OUE C-REIT), a real estate investment trust constituted under the laws of Singapore and listed on the Main Board of SGX-ST, at an issue price of S\$0.456 per unit for an aggregate consideration of approximately S\$643,567 (excluding transaction costs) pursuant to the rights issue of OUE C-REIT; and
- (c) A lease dated 31 October 2018 entered into between Innovation Lab Technology Pte. Ltd. ("Innovation Lab"), a wholly-owned subsidiary of the Company, and Alkas Realty Pte Ltd ("Alkas"), a wholly-owned subsidiary of OUE, pursuant to which Innovation Lab agreed to lease from Alkas Unit #43-03 OUE Downtown 1, 6 Shenton Way, Singapore 068809, with a floor area of approximately 211 square metres, for a term commencing on 1 February 2019 and expiring on 31 July 2020 at a monthly rental of S\$16,012.79 plus any applicable Goods and Services Tax (the "GST") thereon with an option to renew for a further term of 3 years. The initial service charge to be paid by Innovation Lab under the above lease shall be S\$2,158.53 per month plus GST.

OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd., a wholly-owned subsidiary of OUE which is the sponsor of OUE C-REIT. As at the Latest Practicable Date, OUE was indirectly interested in approximately 56.12% of the issued units in OUE C-REIT and a principal joint venture of HKC was interested in approximately 68.65% of the issued share capital of OUE (excluding treasury shares). Accordingly, OUE is a joint venture of HKC which is owned as to approximately 71.63% by Lippo. Lippo is a Controlling Shareholder of the Company and is interested in approximately 74.99% of the issued Shares. Dr. Stephen Riady, through companies controlled by him, is deemed to be interested in 60% of the issued share capital of Lippo Capital, an immediate holding company of Lippo.

Save as disclosed herein, as at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and which are, or may be, material to the Group:

- (a) an agreement dated 23 April 2017 entered into between Gentle Care Pte. Ltd. (“Gentle Care”), a wholly-owned subsidiary of the Company, and GW Active Limited (“GW”) pursuant to which GW agreed to sell and Gentle Care agreed to purchase S\$15 million in principal amount of certain convertible notes in Healthway Medical Corporation Limited at a consideration of S\$18,617,021.26;
- (b)
  - (i) an agreement dated 26 May 2017 entered into between Topstar China Limited (as seller), a wholly-owned subsidiary of the Company, and 江蘇華聯東方置業有限公司 (Jiangsu Hualian Oriental Realty Limited) (“Jiangsu Hualian”) (as purchaser) in respect of the disposal of 100% equity interest in 力寶置業(泰州)有限公司 (Lippo Realty (Taizhou) Limited) (the “Target Company”) at a consideration of approximately RMB152.2 million; and
  - (ii) an agreement dated 26 May 2017 entered into between 北京力寶商業顧問有限公司 (Beijing Lippo Commercial Consultants Limited) (the “Advance Vendor”), a wholly-owned subsidiary of the Company, Jiangsu Hualian and the Target Company in respect of the assignment to Jiangsu Hualian of all the rights of the Advance Vendor to the advance due and owing by the Target Company at a consideration of approximately RMB22.8 million;

- (c) an agreement (the “Agreement”) dated 8 January 2018 entered into between the Company and Argyle Street Management Limited (“ASM”), pursuant to which, among other things, (i) the Company and ASM agreed to form a consortium to make, and jointly decide on all matters with respect to, a voluntary unconditional offer (the “Offer”) for all the issued and paid-up shares in TIH Limited (“TIH”, the shares of which are listed on the Main Board of the SGX-ST) at the price of S\$0.57 per share (the “Offer Price”), as to which S\$0.125 was paid in cash and S\$0.445 was paid by the issue of 2.25% notes due three years from the close of the Offer at par; (ii) the Company and ASM agreed to make arrangements for the funding of the Offer through the loans to be advanced by a wholly-owned subsidiary of the Company and Alexandra Road Limited (“ARL”, an entity owned by ASM’s concert parties) for the purpose of financing the cash component of the Offer Price; (iii) the Company and ASM agreed to act in accordance with the terms and conditions of the Agreement in relation to matters of TIH, including but not limited to the management and operation of TIH (through the directors nominated onto the board of TIH pursuant to the Agreement); (iv) the Company and ASM agreed that each of the Company and ASM shall be entitled to appoint up to half of the aggregate number of directors onto the board of TIH, after taking into account requirements or best practices to the appointment of independent directors on the board of TIH under applicable laws and regulations; and (v) the Company and ASM agreed that decisions with respect to matters which are material are required to be approved by a simple majority of the directors of TIH present and voting, including the affirmative vote of one director nominated by each of the Company and ASM for so long as the Company or ASM (as the case may be) has such nomination rights. The Agreement took effect from 8 January 2018 and shall continue in full force and effect for an initial term of ten years, subject to each of the Company and ASM retaining a minimum shareholding percentage in TIH;
- (d) a letter of award dated 17 July 2018 was issued by the authorised representative of Auric Flavours Sdn Bhd (“Auric Flavours”), a wholly-owned subsidiary of APGL, to Bina Jurati Sdn. Bhd. (as contractor) in relation to the construction work of a new food factory of Auric Flavours in Malaysia with a contract sum of approximately RM60.5 million; and
- (e) the Disposal Agreements.

## 8. LITIGATION

Reference was made to the Group’s interest in a minority ownership interest in Skye Mineral Partners, LLC (“Skye”) whose major asset, prior to the events described below, was substantially all of the equity interests in CS Mining, LLC (“CS Mining”), a company that owned a number of copper ore deposits in the Milford Mineral Belt in Beaver County,

State of Utah in the U.S. A joint venture consortium (the “JV Company”), in which the Group has 45% effective interest, had acquired all or substantially all of the assets held by CS Mining (the “Assets”) in a sale process under its bankruptcy proceedings in August 2017. In January 2018, a verified complaint (the “Complaint”) was filed in a United States state court in Delaware by the majority investors in Skye individually and derivatively on behalf of Skye against, among others, certain entities and persons in or related to the Group for, among other things, damages for diminution in the value of their equity interests in CS Mining based on an alleged scheme perpetrated by the Group on CS Mining. The Group believes that the Complaint is frivolous and wholly without merit and has opposed, and will continue to vigorously oppose, the allegations set forth in the Complaint and any other claim that the majority investors in Skye may seek to bring against the Group. In June 2018, a subsidiary of the Company (the “Subsidiary”) commenced an involuntary Chapter 7 bankruptcy case (the “Skye Involuntary Bankruptcy”) against Skye in the Delaware Bankruptcy Court. The majority investors of Skye opposed the Skye Involuntary Bankruptcy and moved to dismiss same. In December 2018, the Delaware Bankruptcy Court entered an order dismissing the Skye Involuntary Bankruptcy. Subsequently, the Subsidiary appealed the order dismissing the Skye Involuntary Bankruptcy. The appeal remains pending.

Save as disclosed herein, so far as the Directors are aware, the Group was not engaged in any material litigation or arbitration proceedings nor was any material litigation or claim pending or threatened against it as at the Latest Practicable Date.

## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Messrs. Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, the above expert did not have:

- (a) any direct or indirect interest in any assets which had been, since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the date of this circular, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the references to its name in the form and context in which it appears.

#### **10. MISCELLANEOUS**

- (a) The Secretary of the Company is Ms. Millie Yuen Fun Luk, a fellow member of each of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
- (c) The transfer office of the Company is situated at the office of its registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturday, Sunday and public holiday excluded) at the registered office of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong for a period of 14 days from the date of this circular:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 March 2017 and 2018;
- (c) the review reports from Messrs. Ernst & Young on the unaudited financial information of APM, CM and APMSB Group as set out in Appendix IIA, Appendix IIB and Appendix IIC of this circular respectively;
- (d) the report from Messrs. Ernst & Young on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III of this circular;
- (e) the material contracts referred to in the paragraph headed "Material Contracts" of this appendix;
- (f) the written consent referred to in the paragraph headed "Expert and Consent" of this appendix; and
- (g) this circular.

#### **12. LANGUAGE**

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.



**LIPPO CHINA RESOURCES LIMITED**  
**力寶華潤有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 156)**

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lippo China Resources Limited (the “Company”) will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 14 February 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

“THAT:

- (a) the agreement dated 21 December 2018 entered into between Auric Pacific Group Limited (“APGL”) (as seller) and DKSH Holding (S) Pte. Ltd. (as purchaser) in relation to the sale and purchase of the entire issued shares in Auric Pacific Marketing Pte. Ltd. and Centurion Marketing Pte. Ltd.; and the agreement dated 21 December 2018 entered into between APGL (as seller) and DKSH Holdings (Malaysia) Berhad (as purchaser) in relation to the sale and purchase of the entire issued shares in Auric Pacific (M) Sdn. Bhd. (together, the “Disposal Agreements”, copies of which have been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed;
- (b) all transactions contemplated under the Disposal Agreements be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such acts and/or things as they may in their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Disposal Agreements and the implementation of all transactions contemplated thereby and thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

By Order of the Board  
**LIPPO CHINA RESOURCES LIMITED**  
**Millie Luk**  
*Secretary*

Hong Kong, 25 January 2019

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered Office:*

40th Floor  
Tower Two  
Lippo Centre  
89 Queensway  
Hong Kong

*Note:*

1. Any member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified true copy thereof) must be deposited at the Company's registered office not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjourned meeting thereof should they so desire.
3. The Register of Members of the Company will be closed from Tuesday, 12 February 2019 to Thursday, 14 February 2019 (both dates inclusive) during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the meeting. In order to be entitled to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 11 February 2019.
4. At the meeting, the chairman of the meeting will exercise his power under Article 79(i) of the Articles of Association of the Company to put the above resolution to the vote by way of a poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
5. Should there be any discrepancies between the English and the Chinese versions, the English version shall prevail.