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HONGKONG CHINESE LIMITED

香港華人有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 655)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

The Directors of Hongkong Chinese Limited (the “Company”) announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September, 2013 together with the comparative figures for the six months ended 30th June, 2012 (the “period ended 30th June, 2012”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2013

		Unaudited six months ended	
		30th September, 2013	30th June, 2012
	<i>Note</i>	HK\$'000	HK\$'000
			(Restated)
Revenue	2	1,927,797	50,810
Cost of sales		(1,164,156)	(7,160)
Gross profit		763,641	43,650
Administrative expenses		(39,831)	(52,136)
Other operating expenses		(54,013)	(42,698)
Finance costs		(654)	(11,828)
Share of results of associates		31,841	51,368
Share of results of joint ventures	4	68,035	(100,354)
Profit/(Loss) before tax	5	769,019	(111,998)
Income tax	6	(283,036)	(616)
Profit/(Loss) for the period		485,983	(112,614)

		Unaudited six months ended	
		30th September, 2013	30th June, 2012
	Note	HK\$'000	HK\$'000 (Restated)
Attributable to:			
Equity holders of the Company		402,589	(112,264)
Non-controlling interests		83,394	(350)
		485,983	(112,614)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company			
	7		
Basic		20.1	(5.6)
Diluted		20.1	(5.6)

Details of the interim distribution are disclosed in Note 8 to the interim results.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2013

	Unaudited six months ended 30th September, 2013 HK\$'000	30th June, 2012 HK\$'000 (Restated)
Profit/(Loss) for the period	485,983	(112,614)
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
Changes in fair value	(4,549)	3,100
Reclassification adjustments for disposal	481	—
Income tax effect	1,847	(1,360)
	<u>(2,221)</u>	<u>1,740</u>
Share of other comprehensive income/(loss) of joint ventures:		
Share of changes in fair value of available-for-sale financial assets	(4,165)	5,068
Share of effective portion of changes in fair value of cash flow hedges	(4,018)	(96)
Share of exchange differences on translation of foreign operations	(119,316)	130,547
	<u>(127,499)</u>	<u>135,519</u>
Exchange differences on translation of foreign operations	<u>(3,071)</u>	<u>16,460</u>
	<u>(132,791)</u>	<u>153,719</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land and buildings	—	8,885
Income tax effect	—	(1,066)
	<u>—</u>	<u>7,819</u>
Other comprehensive income/(loss) for the period, net of tax	<u>(132,791)</u>	<u>161,538</u>
Total comprehensive income for the period	<u>353,192</u>	<u>48,924</u>
Attributable to:		
Equity holders of the Company	268,238	49,431
Non-controlling interests	84,954	(507)
	<u>353,192</u>	<u>48,924</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2013

		30th September, 2013 <i>HK\$'000</i> (Unaudited)	31st March, 2013 <i>HK\$'000</i> (Restated)
	<i>Note</i>		
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		14,817	15,729
Investment properties		211,726	210,172
Interests in associates		503,151	693,182
Interests in joint ventures	4	8,413,136	8,260,368
Available-for-sale financial assets		105,931	106,370
Loans and advances		84,740	65,321
		<u>9,404,986</u>	<u>9,422,627</u>
Current assets			
Properties held for sale		9,000	9,005
Properties under development		1,598,926	2,410,402
Loans and advances		370,177	267,160
Debtors, prepayments and deposits	9	604,918	365,939
Available-for-sale financial assets		3,771	—
Financial assets at fair value through profit or loss		66,078	69,027
Client trust bank balances		323,076	356,002
Restricted cash		801,133	1,054,374
Treasury bills		29,100	9,700
Cash and bank balances		708,181	783,500
		<u>4,514,360</u>	<u>5,325,109</u>
Current liabilities			
Bank and other borrowings		112,290	286,915
Creditors, accruals and deposits received	10	2,417,037	3,585,440
Current, fixed, savings and other deposits of customers		330,970	266,786
Tax payable		159,077	2,445
		<u>3,019,374</u>	<u>4,141,586</u>
Net current assets		<u>1,494,986</u>	<u>1,183,523</u>
Total assets less current liabilities		<u>10,899,972</u>	<u>10,606,150</u>

	30th September, 2013 <i>HK\$'000</i> (Unaudited)	31st March, 2013 <i>HK\$'000</i> (Restated)
Non-current liabilities		
Bank and other borrowings	245,582	222,582
Deferred tax liabilities	43,384	45,174
	<u>288,966</u>	<u>267,756</u>
Net assets	<u>10,611,006</u>	<u>10,338,394</u>
Equity		
Equity attributable to equity holders of the Company		
Issued capital	1,998,280	1,998,280
Reserves	8,468,472	8,278,346
	<u>10,466,752</u>	<u>10,276,626</u>
Non-controlling interests	144,254	61,768
	<u>10,611,006</u>	<u>10,338,394</u>

Note:

1. PRINCIPAL ACCOUNTING POLICIES

The interim results are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The interim results have been reviewed by the audit committee of the Company.

Pursuant to a resolution of the Board of Directors passed on 28th December, 2012, the Company’s financial year end date was changed from 31st December to 31st March. Accordingly, these interim results now presented cover a six-month period from 1st April, 2013 to 30th September, 2013, and the comparative figures in these interim results cover a six-month period from 1st January, 2012 to 30th June, 2012.

The accounting policies and basis of preparation adopted in the preparation of these interim results are consistent with those used in the Group’s audited financial statements for the fifteen months ended 31st March, 2013, except as described below.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”), HKASs and Interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”), which have become effective for accounting periods beginning on or after 1st April, 2013, for the first time for the current period’s interim results:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009–2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13 and HKAS 1 Amendments, the adoption of the above new and revised HKFRSs has had no significant financial effect on these interim results.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. HKFRS 10 affects the accounting for the Group's interests in Lippo ASM Asia Property LP ("LAAP").

LAAP is a limited partnership of which a subsidiary of the Group is a limited partner since 2005. LAAP has been regarded as an associate of the Group and accounted for using the equity method of accounting. Having considered the new definition of control and the additional guidance on the principal-agency relationship set out in HKFRS 10, the Group has determined that its interest held would be sufficient to give it control over LAAP since 2005 under HKFRS 10. Upon the adoption of HKFRS 10, LAAP is treated as a subsidiary of the Group and consolidated as if HKFRS 10 had always been effective.

This change in accounting policy has been applied retrospectively and the effects are summarised below:

	Six months ended 30th June, 2012 HK\$'000
<i>Consolidated income statement</i>	
Increase in revenue	3
Increase in other operating expenses	(10,360)
Increase in finance costs	(10,100)
Increase in share of results of associates	120,417
Decrease in share of results of joint ventures	(99,960)

The above change has had no effect on the loss for the period ended 30th June, 2012, the basic loss per share and diluted loss per share of the Group.

	31st March, 2013 HK\$'000
<i>Consolidated statement of financial position</i>	
Decrease in interests in associates	(8,245,354)
Increase in interests in joint ventures	8,244,656
Increase in cash and bank balances	1,852
Increase in creditors, accruals and deposits received	1,154

The above change has had no effect on the net assets, non-controlling interests and equity of the Group.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. Some of the disclosures for financial instruments are specifically required in the interim financial information.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains or losses on defined benefit plans and revaluation of land and buildings). The Group's presentation of other comprehensive income in the interim results has been modified accordingly.

2. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, gross proceeds from sales of properties, gross income on treasury investment which includes interest income on bank deposits and debt securities, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, gross income from underwriting and securities broking, gross interest income, commissions, dealing income and other revenue from a banking subsidiary, gross income from project management, and interest and other income from money lending and other businesses.

An analysis of the revenue of the Group by principal activity is as follows:

	Six months ended	
	30th September,	30th June,
	2013	2012
	HK\$'000	HK\$'000
		(Restated)
Property investment	6,438	5,968
Property development	1,869,537	—
Treasury investment	11,237	3,589
Securities investment	4,940	9,909
Corporate finance and securities broking	15,824	16,523
Banking business	10,322	5,928
Project management	3,857	5,895
Other	5,642	2,998
	1,927,797	50,810

Revenue attributable to the banking business represents revenue generated from The Macau Chinese Bank Limited, a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Revenue attributable to the banking business is analysed as follows:

	Six months ended 30th September, 2013 HK\$'000	30th June, 2012 HK\$'000
Interest income	8,463	4,910
Commission income	1,313	1,018
Other revenue	546	—
	<u>10,322</u>	<u>5,928</u>

3. SEGMENT INFORMATION

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

- (a) the property investment segment includes letting and resale of properties;
- (b) the property development segment includes development and sale of properties;
- (c) the treasury investment segment includes investments in cash and bond markets;
- (d) the securities investment segment includes dealings in securities and disposals of investments;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services;
- (g) the project management segment engages in the provision of project management, marketing, sales and administrative and other related services; and
- (h) the “other” segment comprises principally the development of computer hardware and software, money lending and the provision of fund management and investment advisory services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs as well as head office and corporate expenses are excluded from such measurement.

Inter-segment transactions are on an arm's length basis in a manner similar to transactions with third parties.

Six months ended 30th September, 2013

	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Project management HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue										
External	6,438	1,869,537	11,237	4,940	15,824	10,322	3,857	5,642	—	1,927,797
Inter-segment	—	—	—	—	—	—	298	2,763	(3,061)	—
Total	6,438	1,869,537	11,237	4,940	15,824	10,322	4,155	8,405	(3,061)	1,927,797
Segment results	1,058	674,449	11,160	1,536	(213)	1,516	(1,068)	2,170	(954)	689,654
Unallocated corporate expenses										(19,857)
Finance costs										(654)
Share of results of associates	—	31,848	—	—	—	—	—	(7)	—	31,841
Share of results of joint ventures	65,201	2,834	—	—	—	—	—	—	—	68,035
Profit before tax										769,019

Six months ended 30th June, 2012 (restated)

	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Project management HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue										
External	5,968	—	3,589	9,909	16,523	5,928	5,895	2,998	—	50,810
Inter-segment	—	—	—	—	—	—	296	1,319	(1,615)	—
Total	5,968	—	3,589	9,909	16,523	5,928	6,191	4,317	(1,615)	50,810
Segment results	1,949	(6,524)	3,379	5,555	(9,195)	63	(1,074)	1,653	(1,615)	(5,809)
Unallocated corporate expenses										(45,375)
Finance costs										(11,828)
Share of results of associates	—	51,368	—	—	—	—	—	—	—	51,368
Share of results of joint ventures	(99,960)	(394)	—	—	—	—	—	—	—	(100,354)
Loss before tax										(111,998)

4. SHARE OF RESULTS OF JOINT VENTURES/INTERESTS IN JOINT VENTURES

Interests in joint ventures mainly included the Group's interest in the joint venture arrangement (the "Joint Venture") to hold the controlling stake in OUE Limited ("OUE", formerly known as Overseas Union Enterprise Limited), a listed company in Singapore. OUE focuses its business across commercial, hospitality, retail and residential property segments. In July 2013, OUE completed the disposal of its entire interest in Mandarin Orchard Singapore ("Mandarin Orchard") and Mandarin Gallery to OUE Hospitality Trust, a subsidiary of OUE and a newly established real estate investment trust listed in Singapore (the "Disposal"). A corporate restructuring was completed by the Group during the period, where a joint venture company was set up to hold the controlling stake in OUE.

For the six months ended 30th September, 2013, the Group's share of profit in the Joint Venture amounted to approximately HK\$65,201,000 (period ended 30th June, 2012 — share of loss of HK\$99,960,000). The share of profit recognised during the period was mainly attributable to the write back of deferred tax liabilities relating to Mandarin Orchard due to the change of tax base after the Disposal. As at 30th September, 2013, the Group's interest in the Joint Venture was approximately HK\$8,383,011,000 (31st March, 2013 — HK\$8,244,656,000). Certain bank facilities under the Joint Venture were secured by certain listed shares held under it.

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30th September, 2013 HK\$'000	30th June, 2012 HK\$'000 (Restated)
Interest income:		
Unlisted financial assets at fair value through profit or loss	—	51
Listed available-for-sale financial assets	2,332	915
Listed held-to-maturity financial assets	—	1,030
Loans and advances	2,023	869
Banking business	8,463	4,910
Other	11,237	3,589
Dividend income:		
Listed investments	296	656
Unlisted investments	2,242	1,485
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	(91)	3,660
Unlisted financial assets at fair value through profit or loss	161	2,112
Listed available-for-sale financial assets	81	—
Unlisted available-for-sale financial assets	(553)	—
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	(115)	(5,921)
Unlisted	(516)	3,810
Cost of properties sold	(1,155,674)	—
Provision for impairment losses on unlisted available-for-sale financial assets	—	(90)
Write-back of allowance/(Allowance) for bad and doubtful debts	3,560	(233)
Interest expense attributable to banking business	(1,823)	(786)
Depreciation	(1,268)	(4,703)
Foreign exchange gains/(losses) — net	2,290	(3,070)

6. INCOME TAX

	Six months ended 30th September, 2013 HK\$'000	30th June, 2012 HK\$'000
Hong Kong:		
Charge for the period	—	40
Overseas:		
Charge for the period	283,097	576
Overprovision in prior periods	(61)	—
	283,036	576
Total charge for the period	283,036	616

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (period ended 30th June, 2012 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the period attributable to equity holders of the Company; and (ii) the weighted average number of 1,998,280,097 ordinary shares (period ended 30th June, 2012 — 2,001,226,833 ordinary shares) in issue during the period.

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30th September, 2013.

Diluted loss per share for the period ended 30th June, 2012 is calculated based on (i) the consolidated loss for the period attributable to equity holders of the Company; and (ii) the weighted average number of 2,002,203,240 ordinary shares, as follows:

	Number of shares Six months ended 30th June, 2012
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	2,001,226,833
Effect of dilution — weighted average number of ordinary shares: Share options	976,407
	2,002,203,240

8. INTERIM DISTRIBUTION

	Six months ended	
	30th September,	30th June,
	2013	2012
	HK\$'000	HK\$'000
Interim distribution, declared, of HK2 cents (period ended 30th June, 2012 — Nil) per ordinary share	39,966	—

The interim distribution was declared after the end of the reporting period and hence was not accrued on that date.

9. DEBTORS, PREPAYMENTS AND DEPOSITS

Included in the balances are trade debtors with an aged analysis as follows:

	30th September,	31st March,
	2013	2013
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Repayable on demand	42,185	30,993
Within 30 days	425,437	14,574
Between 31 and 60 days	116	—
Between 61 and 90 days	19	23
	467,757	45,590

Trading terms with customers are either on a cash basis or credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are non-interest-bearing.

10. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received mainly comprised of pre-sale proceeds received from the property development projects of the Group of HK\$1,600,886,000 (31st March, 2013 — HK\$2,820,004,000), and trade payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK\$355,012,000 (31st March, 2013 — HK\$384,309,000). As at 30th September, 2013, total client trust bank balances amounted to HK\$323,076,000 (31st March, 2013 — HK\$356,002,000).

An aged analysis of trade creditors are as follows:

	30th September, 2013 HK\$'000	31st March, 2013 HK\$'000
Outstanding balances with ages:		
Repayable on demand	350,761	373,411
Within 30 days	412,942	109,004
	763,703	482,415

Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation which are interest-bearing, the balances of trade creditors are non-interest-bearing.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to a resolution of the Board of Directors passed on 28th December, 2012, the Company's financial year end date was changed from 31st December to 31st March. Accordingly, these interim results cover a six-month period from 1st April, 2013 to 30th September, 2013, and the comparative figures cover a six-month period from 1st January, 2012 to 30th June, 2012 ("2012").

For the six months ended 30th September, 2013, the Group reported a profit attributable to shareholders of HK\$403 million (2012 — loss of HK\$112 million). The profit recorded for the current period was mainly attributable to the recognition of part of the profit arising from the pre-sold properties at the Group's property development project in Beijing which was completed in the third quarter of 2013.

Results for the financial period

Following the adoption of Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" by the Group from 1st April, 2013 onwards, a limited partnership, which was previously regarded as an associate of the Group, is treated as a subsidiary of the Group. Its results and financial position are consolidated in the Group's financial statements with retrospective adjustments on prior period figures.

Turnover for the six months ended 30th September, 2013 totalled HK\$1,928 million (2012 — HK\$51 million, restated). The significant increase was mainly attributable to the revenue from the pre-sold properties at the Group's property development project in Beijing.

Property investment

The revenue and profit of the property investment business for the six months ended 30th September, 2013 amounted to HK\$6 million (2012 — HK\$6 million) and HK\$1 million (2012 — HK\$2 million), respectively.

Lippo ASM Asia Property Limited, a principal joint venture of the Group, has a majority interest in OUE Limited ("OUE", formerly known as Overseas Union Enterprise Limited). OUE is a listed company in Singapore which focuses its business across commercial, hospitality, retail and residential property segments. The hotels managed by OUE, including Mandarin Orchard Singapore ("Mandarin Orchard") and the Crowne Plaza Changi Airport, are strategically located in various well known tourist destinations of Singapore and Malaysia. The investment property portfolio of OUE in Singapore includes OUE Bayfront, OUE Downtown 1 and 2 (formerly known as DBS Building Towers One and Two), Mandarin Gallery and its interests in One Raffles Place. Recently, OUE acquired US Bank Tower, a Class A office property in downtown Los Angeles. Twin Peaks, a residential property development project at 33 Leonie Hill Road in Singapore is under construction and pre-sale is in progress. All these investments provide strong and recurring income stream to OUE.

In July 2013, OUE completed the disposal of its entire interest in Mandarin Orchard and Mandarin Gallery to OUE Hospitality Trust, a newly established real estate investment trust listed in Singapore which is also a subsidiary of OUE. After the completion of such disposal, due to the change of the tax base of Mandarin Orchard, the previously recognised deferred tax liabilities were written back. As a result, the Group registered a share of profit of HK\$65 million from the investment during the current period (2012 — share of loss of HK\$100 million). The Group's interest in the investment increased to approximately HK\$8.4 billion (31st March, 2013 — HK\$8.2 billion).

Recently, OUE establishes OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) which is proposed to be listed in Singapore. OUE will act as the sponsor of OUE C-REIT and retain a stake in OUE C-REIT. OUE Bayfront and all the units of Lippo Plaza in Shanghai held under Lippo China Resources Limited, a listed fellow subsidiary of the Group, are expected to be included as its initial portfolio.

Property development

The Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and other areas of the Asia Pacific region.

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area (the “BDA Project”) was completed in the third quarter of year 2013. Approximately 85 per cent. of the total saleable area have been pre-sold at a total consideration of approximately RMB3.2 billion. Handover is in progress.

In Macau, main contract works of “M Residences”, a property development project, have commenced and are expected to be completed in 2014. Pre-sale has been launched since November 2011 and has received satisfactory response. About 96 per cent. of the saleable area of the residential units have been pre-sold as at 30th September, 2013 at a total consideration of approximately HK\$1.2 billion. The revenue and profit arising from the project will be reflected in the Group's results in the year of completion.

The property development segment recognised a turnover of HK\$1,870 million for the period from units of the BDA Project which have completed handover process (2012 — Nil). The segment profit for the period amounted to HK\$674 million (2012 — loss of HK\$7 million). As part of the development cost of the BDA Project was transferred to profit or loss upon completion, the Group's properties under development decreased to HK\$1.6 billion as at 30th September, 2013 (31st March, 2013 — HK\$2.4 billion).

In Singapore, temporary occupation permit for Centennia Suites, a joint venture property development project at Kim Seng Road, Singapore was obtained in October 2013. All the units have been sold out during the pre-sale in 2010 and the units are being handed over to the buyers. Share of profit therefrom will be recognised in the Group's consolidated financial results in the second half of this financial year.

The Group has interests in “Marina Collection” in Sentosa Cove, Singapore, a property development project carried out by an associate of the Group completed in April 2011. For the six months ended 30th September, 2013, a further share of profit of HK\$32 million (2012 — HK\$51 million) was recorded from this project, mainly arising from the sale of properties during the period.

Treasury and securities investments

For the six months ended 30th September, 2013, a revenue of HK\$16 million (2012 — HK\$13 million, restated) was recorded from interest and dividend income received from the investment portfolio and the disposal of the Group's financial assets held for trading. The Group cautiously managed its investment portfolio and looked for opportunities to realise its profit. The investment market continues to be challenging and full of uncertainties and unrealised fair value loss was recorded. The treasury and securities investments business recorded a profit of HK\$13 million (2012 — HK\$9 million, restated).

Corporate finance and securities broking

Although there are signs of rebound of the major stock markets in U.S. and Europe, investors remain selective and vigilant in the highly volatile markets. The Group adopts a cautious and prudent approach in conducting its corporate finance and securities broking business. It registered a turnover of HK\$16 million for the six months ended 30th September, 2013 (2012 — HK\$17 million) and the loss of this segment was reduced to HK\$0.2 million (2012 — HK\$9 million).

Banking business

The Macau Chinese Bank Limited ("MCB"), a licensed bank in Macau, is a wholly-owned subsidiary of the Company. Following the capital injection late last year, MCB has been seeking new business opportunities and remains positive to enhance its competitiveness in the Macau banking sector. It recorded a turnover of HK\$10 million for the six months ended 30th September, 2013 (2012 — HK\$6 million) and managed to improve the performance and registered a profit of HK\$2 million (2012 — HK\$0.1 million).

Financial position

As at 30th September, 2013, the Group's total assets amounted to HK\$13.9 billion (31st March, 2013 — HK\$14.7 billion, restated). Property-related assets amounted to approximately HK\$12.4 billion (31st March, 2013 — HK\$13.3 billion), representing 89 per cent. (31st March, 2013 — 90 per cent., restated) of the total assets. Total liabilities decreased to HK\$3.3 billion (31st March, 2013 — HK\$4.4 billion, restated), mainly due to the repayment of bank loans and transfer of part of the pre-sale proceeds received from the BDA Project to revenue upon completion of handover. The Group's financial position remained healthy.

As at 30th September, 2013, the bank loans of the Group (other than those attributable to banking business) decreased to HK\$358 million (31st March, 2013 — HK\$509 million). The bank loans comprised secured bank loans of HK\$254 million and IPO loan of HK\$104 million (31st March, 2013 — secured bank loans of HK\$509 million) and were denominated in Hong Kong dollars and Renminbi. The secured bank loans were secured by certain properties and certain bank deposits. As at 30th September, 2013, approximately 31 per cent. (31st March, 2013 — 56 per cent.) of the bank loans were repayable within one year and approximately 29 per cent. of the Group's bank loans carried fixed rate of interest and the remaining were at floating rates. At the end of the reporting period, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 3.4 per cent. (31st March, 2013 — 4.4 per cent.).

The net asset value of the Group remained strong and increased to HK\$10.5 billion (31st March, 2013 — HK\$10.3 billion, restated) after taking into account the profit for the period. This was equivalent to HK\$5.2 per share (31st March, 2013 — HK\$5.1 per share, restated).

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

As at 30th September, 2013, the Group had contingent liabilities relating to MCB of approximately HK\$30 million (31st March, 2013 — HK\$21 million), comprising guarantees and other endorsements of approximately HK\$17 million (31st March, 2013 — HK\$15 million) and liabilities under letters of credit on behalf of customers of approximately HK\$13 million (31st March, 2013 — HK\$6 million). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding as at 30th September, 2013 (31st March, 2013 — Nil). Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (31st March, 2013 — Nil).

The Group's capital commitment mainly arises from its property development projects. Following the completion of BDA Project during the period, the total capital commitment as at 30th September, 2013 decreased to HK\$361 million (31st March, 2013 — HK\$798 million). The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Staff and remuneration

The Group had 187 employees as at 30th September, 2013 (30th June, 2012 — 226 employees). Staff costs (including directors' emoluments) charged to the income statement during the period amounted to HK\$27 million (2012 — HK\$35 million). The Group ensures that its employees are offered competitive remuneration packages.

Outlook

The global economic environment has stabilised since last year but it is still overshadowed by a considerable uncertainty. The Group will continue to cautiously manage its investment portfolio in view of the market conditions and its business needs with a view to maximising returns to the shareholders of the Company.

BUSINESS REVIEW

With the slow moving global economic recovery and stabilisation of the Eurozone debt crisis starting to show some positive results, the major stock markets in U.S. and Europe began to rebound from the second half of 2012 onwards, continuing into the first three quarters of 2013. However, overall, the strength of economic recovery was visibly weak. During the second and third quarters of 2013, the world economy faced fresh uncertainties and concerns over the possible economic impact of the proposed "tapering" or gradual withdrawal by the U.S. Federal Reserve of its quantitative easing program. On the positive side, amidst the continuing low interest rate and surplus funds environment, the major economies in the Asia region were able to sustain their growth momentum, with mainland China continuing to be the leading economic performer.

The Group overall maintained stable growth during the period under review, assisted by the fact that its operations and investments are substantially within the Asia region. The Group recorded a consolidated profit attributable to shareholders of approximately HK\$403 million for the six months ended 30th September, 2013 (the “Current Period”), as compared to a consolidated loss of approximately HK\$112 million (restated) for the six months ended 30th June, 2012. The profit was mainly attributable to the recognition of part of the profit arising from the pre-sold properties of the Group’s property development project at 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in Beijing (the “BDA Project”) which was completed in the third quarter of 2013. In addition, the Group recorded a better result from its joint ventures for the Current Period as a result of the write back of certain deferred tax liabilities by a joint venture following a change of tax base of its underlying property during the Current Period.

“Marina Collection”, in which the Group has a 50 per cent. interest, is located at Sentosa Cove, Sentosa Island, Singapore. This property development project was completed in 2011 and provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres. As at 30th September, 2013, 89 units have been sold of which 9 units were sold during the Current Period.

The Group has a 50 per cent. interest in “Centennia Suites” located at 100 Kim Seng Road, Singapore. “Centennia Suites”, with a site area of approximately 5,611 square metres, has been developed into a residential development with a saleable area of approximately 16,182 square metres. This project has been completed in the fourth quarter of 2013. All the 97 residential units in this project have been pre-sold in 2010. It is expected that a share of profit from this project will be recognised in the Group’s consolidated financial results in the second half of the financial year ending 31st March, 2014.

As part of the internal group restructuring, Lippo ASM Asia Property Limited (“LAAPL”), a joint venture of the Company, was set up in March 2013 as the new holding vehicle to hold the controlling stake of OUE Limited (“OUE”, formerly known as Overseas Union Enterprise Limited), a listed company in Singapore principally engaged in property investment and development and hotel operations. The Group’s economic interest in OUE remains unchanged after the group restructuring. As at 30th September, 2013, LAAPL had an aggregate interest of approximately 68.02 per cent. in OUE.

OUE has interests in prime office buildings in the Central Business District in Singapore like One Raffles Place, OUE Bayfront and OUE Downtown 1 and 2 as well as hotels in the Asia region. To further strengthen its commercial property portfolio, in June 2013, a subsidiary of OUE completed the acquisition of U.S. Bank Tower, a Class A office property located in Los Angeles and the tallest iconic building in California, U.S., and the related properties. This bespoke portfolio of well diversified and high quality properties will help to generate substantial and stable recurrent income for OUE.

In July 2013, OUE completed the disposal of its entire interest in Mandarin Orchard Singapore (“Mandarin Orchard”) and Mandarin Gallery to a newly established real estate investment trust known as OUE Hospitality Trust (“OUE H-Trust”) at an aggregate consideration of S\$1,705 million (the “Disposal”). OUE maintains its rights to operate Mandarin Orchard and manage Mandarin Gallery. The consideration of the Disposal was settled in a combination of cash and stapled securities in OUE H-Trust. Concurrent with the completion of the Disposal, the listing of and commencement of trading of the staple securities in the OUE H-Trust on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) took place on 25th July, 2013. OUE is the sponsor and long-term investor of OUE H-Trust. As at 30th September, 2013, OUE held approximately 45.2 per cent. of the total number of stapled securities units of OUE H-Trust in issue. With the successful listing of OUE H-Trust and by retaining a stake in OUE H-Trust, it is expected that OUE will benefit from a stable and recurring income stream. In November 2013, the board of directors of OUE proposed to declare a distribution in specie of certain OUE H-Trust stapled securities that are held by OUE to the shareholders of OUE on the basis of one OUE H-Trust stapled security for every six shares of OUE. The above proposed distribution in specie is subject to the approval of the shareholders of OUE and conditional upon, amongst other things, the initial public offering and the listing of the units in OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) on the SGX-ST.

OUE C-REIT was recently established by OUE and is expected to include OUE Bayfront, an 18-storey office building in Singapore with its ancillary properties (the “OUE Bayfront Property”) as well as the properties at Lippo Plaza in Shanghai as its initial portfolio. The OUE Bayfront Property is proposed to be disposed of by OUE to OUE C-REIT at a minimum consideration of approximately S\$1,005 million and will be paid in a combination of cash and units in OUE C-REIT. It is expected that OUE C-REIT when listed together with OUE H-Trust on the SGX-ST, will complement and strengthen OUE’s lines of business. The listing of OUE C-REIT will be subject to, among other things, market conditions and the relevant regulatory, shareholders’ and other approvals having been obtained.

In September 2013, OUE disposed of its entire 80 per cent. interest in Meritus Shantou China and 100 per cent. interest in Meritus Mandarin Haikou, both in mainland China, to third parties.

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the BDA Project. The development of the BDA Project, of which the Group has an 80 per cent. interest, has been completed in the third quarter of 2013. The BDA Project involves the development of an integrated residential, commercial and retail complex with a total gross floor area of about 275,000 square metres, including basements. As at 30th September, 2013, about 85 per cent. of the total saleable area of the project has been sold and handover is in progress. The Group has recognised part of the profit arising from the sale of the properties in the Current Period and it is expected that part of the profit will be recognised in the second half of the financial year ending 31st March, 2014.

Superstructure works for the residential development “M Residences” at 83 Estrada de Cacilhas, Macau, in which the Group has 100 per cent. interest, have commenced in August 2013. “M Residences”, with a site of approximately 3,398 square metres, is being developed into 311 residential units with a total saleable area of approximately 26,025 square metres. The above development is scheduled to be completed in 2014. As at 30th September, 2013, about 96 per cent. of the total saleable area of the project had been pre-sold.

The Macau Chinese Bank Limited (“MCB”), a wholly-owned subsidiary of the Company, maintained steady performance during the Current Period amidst the strong performance of the Macau economy. The Group will continue to seek new business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

Though the rebound of the major stock markets in U.S. and Europe has continued into the Current Period, the local stock market remained inactive during the Current Period with low initial public offering activities. Local stock market environment gradually improved but participation from retail investors remained cautious given the volatile market conditions. This has affected the performance and profitability of Lippo Securities Holdings Limited (“LSHL”) during the Current Period. LSHL is a wholly-owned subsidiary of the Company and its subsidiaries are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on the market conditions in mainland China and economic developments globally, especially in U.S. and Europe.

The Group will continue to be watchful of market developments and will manage its portfolio with a view to further improving overall asset quality.

PROSPECTS

The economic prospects for Asia remain positive with the growth momentum dependent on the pace of economic recovery in U.S. and Europe. Though there are strong signs that the global economy has picked up gradually, the potential gradual withdrawal by the U.S. Federal Reserve of its quantitative easing program and the uncertainty arising from the yet to be resolved U.S. debt default crisis will undoubtedly affect the pace of the economic recovery in U.S. and globally in the remainder of the year. Hopefully, the continuing low interest rate environment should help to promote stronger investor confidence and create new business opportunities.

The Group will continue to focus on property investment and property development businesses in Asia Pacific region for its long term growth. Management is however watchful of the economic challenges ahead and will accordingly continue to take a cautious and prudent approach in the management of the Group’s property portfolio and businesses and in its assessment of new investment opportunities.

INTERIM DISTRIBUTION

The Directors have resolved to declare the payment of an interim distribution of HK2 cents per share (six months ended 30th June, 2012 — Nil) amounting to approximately HK\$40 million for the six months ended 30th September, 2013 (six months ended 30th June, 2012 — Nil), which will be paid on or about Monday, 10th February, 2014 to shareholders whose names appear on the Company's Register of Members on Thursday, 30th January, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 27th January, 2014 to Thursday, 30th January, 2014 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim distribution for the six months ended 30th September, 2013, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tricor Tengis Limited, the Company's Branch Share Registrars in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 24th January, 2014.

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

During the six months ended 30th September, 2013, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Tsui King Fai (Chairman), Mr. Albert Saychuan Cheok and Mr. Victor Yung Ha Kuk and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the six months ended 30th September, 2013.

CORPORATE GOVERNANCE

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

To the best knowledge and belief of the Directors, the Directors consider that, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30th September, 2013. Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings. One of the independent non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 30th August, 2013 as he was travelling overseas and not contactable at that time due to communication problem.

By Order of the Board
Hongkong Chinese Limited
John Lee Luen Wai
Chief Executive Officer

Hong Kong, 27th November, 2013

As at the date of this announcement, the executive Directors of the Company are Messrs. Stephen Riady (Chairman), John Lee Luen Wai (Chief Executive Officer) and Kor Kee Yee; the non-executive Director of the Company is Mr. Leon Chan Nim Leung; and the independent non-executive Directors of the Company are Messrs. Albert Saychuan Cheok, Victor Yung Ha Kuk and Tsui King Fai.

* *For identification purpose only*