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HONGKONG CHINESE LIMITED

香港華人有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 655)

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2016

The Directors of Hongkong Chinese Limited (the “Company”) announce the consolidated final results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st March, 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March, 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated) ⁽¹⁾
Revenue	3	1,326,874	228,679
Cost of sales	5	(827,557)	(75,967)
Gross profit		499,317	152,712
Administrative expenses		(78,929)	(93,768)
Other operating expenses		(70,877)	(50,808)
Gain on disposal of subsidiaries		202,355	501
Net fair value gain on investment properties		29,193	31,555
Net fair value gain/(loss) on financial instruments at fair value through profit or loss		6,461	(9,464)
Provision for impairment losses on an associate		—	(6,986)
Finance costs		(417)	(3,478)
Share of results of associates		8,450	2,962
Share of results of joint ventures	6	(317,997)	675,834
Profit before tax	5	277,556	699,060
Income tax	7	(71,653)	(33,665)
Profit for the year		205,903	665,395
Attributable to:			
Equity holders of the Company		203,931	655,067
Non-controlling interests		1,972	10,328
		205,903	665,395
		HK cents	HK cents (Restated) ⁽¹⁾
Earnings per share attributable to equity holders of the Company	8		
Basic and diluted		10.2	32.8

⁽¹⁾ Refer to Note 12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March, 2016

	2016 HK\$'000	2015 HK\$'000 (Restated) ⁽¹⁾
Profit for the year	205,903	665,395
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	(1,288)	(1,980)
Adjustments for disposal	70	4
Adjustment for impairment losses	—	3,187
Income tax effect	557	1,025
	(661)	2,236
Share of other comprehensive income/(loss) of joint ventures:		
Share of changes in fair value of available-for-sale financial assets	(179,067)	25,210
Share of effective portion of changes in fair value of cash flow hedges	(39,605)	10,198
Share of exchange differences on translation of foreign operations	41,356	(550,456)
	(177,316)	(515,048)
Share of exchange differences on translation of a foreign associate	(43)	(1,482)
Exchange differences on translation of foreign operations	21,485	(66,860)
Adjustments relating to disposal of subsidiaries:		
Available-for-sale financial assets	(2,715)	—
Exchange differences on translation of foreign operations	202	7
Income tax effect	327	—
	(2,186)	7
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods and other comprehensive loss for the year, net of tax	(158,721)	(581,147)
Total comprehensive income for the year	47,182	84,248
Attributable to:		
Equity holders of the Company	50,698	73,684
Non-controlling interests	(3,516)	10,564
	47,182	84,248

⁽¹⁾ Refer to Note 12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated) ⁽¹⁾
Non-current assets			
Goodwill		—	71,485
Fixed assets		48,566	65,327
Investment properties		119,340	245,178
Interests in associates		456,824	439,456
Interests in joint ventures	6	9,186,042	8,053,618
Available-for-sale financial assets		6,039	88,904
Loans and advances		—	111,256
Other financial asset		25,295	—
		<u>9,842,106</u>	<u>9,075,224</u>
Current assets			
Properties held for sale		141,350	115,571
Properties under development		28,613	816,766
Loans and advances		15,917	280,847
Debtors, prepayments and deposits	10	143,949	119,355
Available-for-sale financial assets		—	24,047
Financial assets at fair value through profit or loss		44,173	108,760
Tax recoverable		13	223
Client trust bank balances		295,784	324,982
Restricted cash		1,004	70,099
Treasury bills		—	38,800
Cash and bank balances		904,015	1,748,980
		<u>1,574,818</u>	<u>3,648,430</u>
Current liabilities			
Bank and other borrowings		—	464,542
Creditors, accruals and deposits received	11	698,460	935,700
Current, fixed, savings and other deposits of customers		—	444,582
Tax payable		114,357	296,220
		<u>812,817</u>	<u>2,141,044</u>
Net current assets		<u>762,001</u>	<u>1,507,386</u>
Total assets less current liabilities		<u>10,604,107</u>	<u>10,582,610</u>

⁽¹⁾ Refer to Note 12

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated) ⁽¹⁾
Non-current liabilities		
Deferred tax liabilities	<u>23,526</u>	<u>50,742</u>
Net assets	<u>10,580,581</u>	<u>10,531,868</u>
Equity		
Equity attributable to equity holders of the Company		
Share capital	1,998,280	1,998,280
Reserves	<u>8,502,720</u>	<u>8,426,489</u>
	10,501,000	10,424,769
Non-controlling interests	<u>79,581</u>	<u>107,099</u>
	<u>10,580,581</u>	<u>10,531,868</u>

⁽¹⁾ Refer to Note 12

Note:

1. BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The financial information also includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the Group’s audited financial statements for the year ended 31st March, 2015, except for the adoption of the revised HKFRSs as disclosed in Note 2 to the final results.

2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following revised HKFRSs for the first time for the current year:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised standards has had no significant impact on the Group’s financial performance and financial position for the current and prior years.

The Group has not adopted any new and revised HKFRSs that have been issued but are not yet effective for the year ended 31st March, 2016.

3. REVENUE

Revenue represents the aggregate of gross rental income, proceeds from sales of properties, income on treasury investment which includes interest income on bank deposits, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, income from underwriting and securities broking, 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 is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Property rental income	10,003	11,151
Sales of properties (<i>Note</i>)	1,225,954	116,509
Interest income	54,177	50,039
Dividend income	3,228	3,532
Corporate finance and securities broking	18,603	20,581
Banking business	8,062	22,280
Other	6,847	4,587
	<u>1,326,874</u>	<u>228,679</u>

Note: The revenue from sale of properties for the year ended 31st March, 2016 mainly came from sales of properties of the property development project in Macau which was completed during the year (2015 — sale of properties of the property development project in Beijing).

Revenue attributable to the banking business represents revenue generated from The Macau Chinese Bank Limited (“MCB”), a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People’s Republic of China.

In July 2015, the Group completed the disposal of an aggregate of 49 per cent. equity interest in MCB (the “First Disposal”) and entered into a shareholders’ agreement with the purchasers and MCB (the “Shareholders’ Agreement”) to, among other things, regulate the relationship among shareholders of MCB. As a result of the change of composition of the board of directors and the quorum of directors’ meeting, MCB has become a joint venture of the Group since then. Revenue attributable to the banking business up to completion of the First Disposal is analysed as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income	6,791	18,566
Commission income	1,271	3,714
	<u>8,062</u>	<u>22,280</u>

4. SEGMENT INFORMATION

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

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

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) and comprises segment results of the Company and its subsidiaries, the Group’s share of results of associates and joint ventures.

Segment results are measured consistently with the Group’s profit/(loss) before tax except that the Group’s share of results of associates and joint ventures, unallocated corporate expenses and certain finance costs are excluded from such measurement.

Segment assets exclude interests in associates and joint ventures, deferred tax assets, tax recoverable and other head office and corporate assets which are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other head office and corporate liabilities which are managed on a group basis.

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

Year ended 31st March, 2016

	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	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue									
External	51,147	1,225,954	10,836	5,149	18,603	8,062	7,123	—	1,326,874
Inter-segment	—	—	—	—	—	—	464	(464)	—
Total	51,147	1,225,954	10,836	5,149	18,603	8,062	7,587	(464)	1,326,874
Segment results	75,439	391,781	10,638	(1,448)	(8,799)	216,085	(5,440)	(464)	677,792
						(Note(a))			
Unallocated corporate expenses									(90,301)
Finance costs									(388)
Share of results of associates	—	8,534	—	—	—	—	(84)	—	8,450
Share of results of joint ventures	(306,288)	953	—	—	—	(12,662)	—	—	(317,997)
Profit before tax									277,556
Segment assets	151,988	254,984	847,595	68,979	357,768	25,295	8,939	—	1,715,548
Interests in associates	6,465	450,341	—	—	—	—	18	—	456,824
Interests in joint ventures	8,940,899	9,746	—	—	—	235,397	—	—	9,186,042
Unallocated assets									58,510
Total assets									11,416,924
Segment liabilities	4,942	48,274	—	—	339,080	270,630	5,460	—	668,386
Unallocated liabilities									167,957
Total liabilities									836,343
Other segment information:									
Capital expenditure (Note(b))	—	8	—	—	12	999	55	—	1,074
Depreciation	(92)	(156)	—	—	(1,095)	(504)	(65)	—	(1,912)
Interest income	41,144	—	10,836	1,921	—	6,791	276	—	60,968
Finance costs	—	—	—	—	(29)	—	—	—	(29)
Gain on disposal of a subsidiary	—	—	—	—	—	202,355	—	—	202,355
Gain on disposal of available-for-sale financial assets	—	—	—	1,872	—	—	—	—	1,872
Write-back of provision/(Provisions) for impairment losses on:									
A joint venture	—	2,076	—	—	—	—	—	—	2,076
Properties under development	—	(134)	—	—	—	—	—	—	(134)
Properties held for sale	310	—	—	—	—	—	—	—	310
Loans and receivables	—	—	—	—	(282)	(779)	—	—	(1,061)
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	—	—	—	(6,248)	—	12,709	—	—	6,461
Net fair value gain on investment properties	29,193	—	—	—	—	—	—	—	29,193
Unallocated:									
Capital expenditure (Note(b))									344
Depreciation									(6,055)
Finance costs									(388)

Year ended 31st March, 2015 (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	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue									
External	11,151	116,509	37,564	9,875	20,581	22,280	10,719	—	228,679
Inter-segment	—	—	—	—	—	—	1,366	(1,366)	—
Total	<u>11,151</u>	<u>116,509</u>	<u>37,564</u>	<u>9,875</u>	<u>20,581</u>	<u>22,280</u>	<u>12,085</u>	<u>(1,366)</u>	<u>228,679</u>
Segment results	<u>35,548</u>	<u>38,624</u>	<u>37,398</u>	<u>(7,738)</u>	<u>(10,045)</u>	<u>2,104</u>	<u>(9,407)</u>	<u>(1,366)</u>	<u>85,118</u>
					(Note(a))				
Unallocated corporate expenses									(61,398)
Finance costs									(3,456)
Share of results of associates	—	17,916	—	—	—	—	(14,954)	—	2,962
Share of results of joint ventures	660,109	15,725	—	—	—	—	—	—	675,834
Profit before tax									<u>699,060</u>
Segment assets	266,825	1,061,111	1,717,948	221,710	378,315	510,223	10,597	—	4,166,729
Interests in associates	6,180	433,276	—	—	—	—	—	—	439,456
Interests in joint ventures	8,039,381	14,237	—	—	—	—	—	—	8,053,618
Unallocated assets									63,851
Total assets									<u>12,723,654</u>
Segment liabilities	4,129	571,573	—	—	336,253	450,669	5,041	—	1,367,665
Unallocated liabilities									824,121
Total liabilities									<u>2,191,786</u>
Other segment information:									
Capital expenditure (Note(b))	129	160	—	—	1,909	427	188	—	2,813
Depreciation	(199)	(244)	—	—	(1,044)	(1,301)	(43)	—	(2,831)
Interest income	—	—	37,564	6,186	—	18,566	6,289	—	68,605
Finance costs	—	—	—	—	(22)	—	—	—	(22)
Gain on disposal of subsidiaries	—	—	—	—	—	—	501	—	501
Gain on disposal of an investment property	395	—	—	—	—	—	—	—	395
Write-back of provision/(Provisions) for impairment losses on:									
An associate	—	—	—	—	—	—	(6,986)	—	(6,986)
A joint venture	—	233	—	—	—	—	—	—	233
Available-for-sale financial assets	—	—	—	(3,187)	—	—	—	—	(3,187)
Properties under development	—	(248)	—	—	—	—	—	—	(248)
Properties held for sale	465	—	—	—	—	—	—	—	465
Loans and receivables	—	—	—	—	724	(487)	(2,572)	—	(2,335)
Net fair value loss on financial assets at fair value through profit or loss	—	—	—	(9,464)	—	—	—	—	(9,464)
Net fair value gain on investment properties	31,555	—	—	—	—	—	—	—	31,555
Unallocated:									
Capital expenditure (Note(b))									52,402
Depreciation									(4,138)
Finance costs									(3,456)

Note:

- (a) The amount included gain on disposal of a subsidiary of HK\$202,355,000 (2015 — Nil).
- (b) Capital expenditure includes additions to fixed assets.

Geographical information

(a) Revenue from external customers

	2016 HK\$'000	2015 HK\$'000
Hong Kong	24,235	28,301
Macau	1,213,943	27,875
Mainland China	37,301	157,699
Republic of Singapore	46,922	9,466
Other	4,473	5,338
	1,326,874	228,679

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

(b) Non-current assets

	2016 HK\$'000	2015 HK\$'000 (Restated)
Hong Kong	2,426	4,334
Macau	235,397	203,233
Mainland China	83,119	90,123
Republic of Singapore	9,446,216	8,536,206
Other	43,614	41,168
	9,810,772	8,875,064

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

Information about a major customer

No revenue from a single customer accounted for 10 per cent. or more of the total revenue for the years ended 31st March, 2016 and 2015.

5. PROFIT BEFORE TAX

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

	2016 HK\$'000	2015 HK\$'000
Cost of sales:		
Cost of properties sold (<i>Note</i>)	(815,243)	(60,286)
Other	(12,314)	(15,681)
	<u>(827,557)</u>	<u>(75,967)</u>
Interest income:		
Available-for-sale financial assets	1,921	6,186
Loans and advances	41,420	6,289
Banking business	6,791	18,566
Other	10,836	37,564
Net fair value gain/(loss) on:		
Financial assets at fair value through profit or loss	(6,248)	(9,464)
Derivative financial instrument	12,709	—
Gain on disposal of:		
Available-for-sale financial assets	1,872	—
An investment property	—	395
Write-back of provision/(Provisions) for impairment losses on:		
A joint venture	2,076	233
Available-for-sale financial assets	—	(3,187)
Properties under development	(134)	(248)
Properties held for sale	310	465
Loans and receivables	(1,061)	(2,335)
Interest expense attributable to the banking business	(1,928)	(5,121)
Depreciation	(7,967)	(6,969)
Foreign exchange losses — net	<u>(13,841)</u>	<u>(6,853)</u>

Note: The amount for the year ended 31st March, 2016 mainly represented cost of properties sold of the property development project in Macau which was completed during the year (2015 — cost of properties sold of the property development project in Beijing).

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

As at 31st March, 2016, interests in joint ventures mainly included the Group's interest in Lippo ASM Asia Property Limited ("LAAPL") of HK\$8,940,899,000 (2015 — HK\$8,039,381,000, restated with details disclosed in Note 12 to the final results). LAAPL is a joint venture set up to hold the controlling stake in OUE Limited ("OUE"), a listed company in Singapore. OUE focuses its business across commercial, hospitality, retail and residential property segments.

For the year ended 31st March, 2016, the Group's share of loss in LAAPL amounted to approximately HK\$306,288,000 (2015 — share of profit of HK\$660,109,000, restated with details disclosed in Note 12 to the final results). The share of loss recognised during the year was mainly attributable to the impairment loss on a property under development, the impairment loss on goodwill arising from the acquisition of a subsidiary and finance costs incurred by the joint ventures. The restated share of profit for the year ended 31st March, 2015 was mainly attributable to the net fair value gain on properties and investment portfolio, profit from the pre-sale units of a property development project upon completion and the share of gain from a bargain purchase in relation to the acquisition of shares in a listed company by its joint venture during the last year.

7. INCOME TAX

	2016 HK\$'000	2015 HK\$'000
Hong Kong:		
Charge for the year	—	—
Overseas:		
Charge for the year	80,473	89,192
Overprovision in prior years	—	(537)
Deferred	(8,820)	(54,990)
	<u>71,653</u>	<u>33,665</u>
Total charge for the year	<u><u>71,653</u></u>	<u><u>33,665</u></u>

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2015 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company; and (ii) the weighted average number of approximately 1,998,280,000 ordinary shares (2015 — approximately 1,998,280,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31st March, 2016 and 2015.

9. DISTRIBUTIONS/DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Interim distribution, declared, of HK1 cent (2015 — HK1 cent) per ordinary share	19,983	19,983
Final dividend, proposed, of HK2 cents (2015 — final distribution of HK2 cents) per ordinary share	<u>39,966</u>	<u>39,966</u>
	<u><u>59,949</u></u>	<u><u>59,949</u></u>

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

10. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	2016 HK\$'000	2015 HK\$'000
Outstanding balances with ages:		
Repayable on demand	10,580	10,293
Within 30 days	32,200	19,849
Between 31 and 60 days	—	37
	<u>42,780</u>	<u>30,179</u>

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

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

11. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received mainly comprised deposits received for the further disposal of a 31 per cent. equity interest in MCB, which is subject to the approval of The Monetary Authority of Macau of HK\$270,630,000 (2015 — Nil), sales deposits of HK\$1,515,000 (2015 — HK\$426,706,000) received from the property development project in Macau, which was completed during the year, and trade payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK\$336,481,000 (2015 — HK\$333,434,000). As at 31st March, 2016, total client trust bank balances amounted to HK\$295,784,000 (2015 — HK\$324,982,000).

An aged analysis of trade creditors, based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Outstanding balances with ages:		
Repayable on demand	288,677	308,577
Within 30 days	47,856	24,857
	<u>336,533</u>	<u>333,434</u>

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

12. COMPARATIVE AMOUNTS

In February 2015, a joint venture of OUE, which in turn is a subsidiary of LAAPL, a principal joint venture of the Group, acquired an equity interest in a listed company (the “Acquisition”). As at 31st March, 2015, the purchase price allocation review in respect of the Acquisition was not completed. Such purchase price allocation review was completed during the year ended 31st March, 2016 and OUE recorded a share of gain from a bargain purchase in relation to the Acquisition. This gain from a bargain purchase represents the excess of fair value of assets and liabilities acquired over the consideration paid.

As a consequence, the Group has made certain adjustments to retrospectively adjust the impact of the Acquisition, which led to an increase in share of profit of joint ventures and net profit attributable to equity holders of HK\$291,048,000 in the consolidated statement of profit or loss for the year ended 31st March, 2015, an increase in interests in joint ventures of HK\$285,609,000 and a decrease in the exchange equalisation reserve of HK\$5,439,000 in the Group’s consolidated statement of financial position as at 31st March, 2015. As a result, the equity attributable to equity holders of the Company was increased by HK\$285,609,000 as at 31st March, 2015 and the earnings per share attributable to equity holders of the Company was increased by HK14.6 cents for the year ended 31st March, 2015.

Besides, certain comparative amounts have been reclassified and restated to conform with the current year’s presentation and disclosures.

13. EVENTS AFTER THE REPORTING PERIOD

In March 2016, the Company entered into an undertaking pursuant to which, amongst other things, it agreed that it or its wholly-owned subsidiary shall provide funding to certain subsidiaries of LAAPL (the “LAAPL Subsidiaries”) to enable them to take up in full their respective entitlements under the rights issue (the “OUE H-Trust Rights Issue”) of OUE Hospitality Trust (“OUE H-Trust”) for an aggregate subscription amount of approximately S\$18,400,000 (equivalent to approximately HK\$105,600,000). OUE H-Trust is a subsidiary of LAAPL listed on the Main Board of the Singapore Exchange Securities Trading Limited.

In order to provide the funding required by the LAAPL Subsidiaries under the OUE H-Trust Rights Issue, in March 2016, a wholly-owned subsidiary of the Company (the “HKC Subsidiary”) entered into the exchangeable loan agreements (the “EL Agreements”) with each of the LAAPL Subsidiaries to make available to the LAAPL Subsidiaries loan facilities in an aggregate amount of approximately S\$18,400,000 (equivalent to approximately HK\$105,600,000) (the “Exchangeable Loans”). The Exchangeable Loans were drawn by the LAAPL Subsidiaries after the end of the reporting period.

In April 2016, the OUE H-Trust Rights Issue was successfully completed and the LAAPL Subsidiaries were issued with the new stapled securities in OUE H-Trust they entitled under the OUE H-Trust Rights Issue. Subsequently, the LAAPL Subsidiaries exercised their respective exchange right under each of the EL Agreements and settled the outstanding amount of the Exchangeable Loans in full by transferring all the new stapled securities in OUE H-Trust they received under the OUE H-Trust Rights Issue to the HKC Subsidiary in accordance with the terms of the EL Agreements.

BUSINESS REVIEW

Overview

Stepping into the second quarter of the year 2015, financial market volatility around the world increased dramatically. The outlook for the global economy was clouded with considerable uncertainties which included low commodity prices, U.S. Federal Reserve “dragging its feet” on the pace of U.S. interest rate rise, gloomy economic outlook for mainland China as well as intensifying geopolitical tension in various regions. The U.S. Federal Reserve finally raised the interest rate towards the end of December 2015. Overall, the instability in global stock markets adversely affected the general economic climate, the sharp stock market correction in mainland China and devaluation of the Renminbi dampened investor confidence in the region.

Mainland China continues to be the leading economic performer in the region, despite its National Bureau of Statistics reported disappointing investment and export figures. A 6.9 per cent. growth in gross domestic product was recorded for the year 2015, the lowest in the last 25 years. Although the Central Government reacted decisively and promptly embarked on intervention policies to stabilise the market, the pace of economic growth in mainland China decelerated further.

On the positive side, the quantitative easing programmes adopted by, among others, the European Central Bank, Japan and mainland China, coupled with the prevailing low interest rate and surplus fund environment, contributed to help to maintain a more stable economic environment in the Asia region.

Results for the Year

The Group recorded a consolidated profit attributable to shareholders of approximately HK\$204 million for the year ended 31st March, 2016 (the “Year”), as compared to a consolidated profit of approximately HK\$655 million (restated as mentioned below) for the year ended 31st March, 2015 (the “Last Year” or “2015”). Such profit was mainly attributable to recognition of profit upon completion of a property development project of the Group and the disposal of equity interest in a subsidiary during the Year, after setting off against the share of loss of the results of joint ventures arising mainly from the impairment loss on a development property of a joint venture, the impairment loss on goodwill arising from the acquisition of a subsidiary by a joint venture and finance costs incurred by the joint ventures during the Year.

During the Year, OUE Limited (“OUE”, together with its subsidiaries, the “OUE Group”, held under Lippo ASM Asia Property Limited (“LAAPL”), a principal joint venture of the Company) finalised a purchase price allocation review and recorded a share of gain from a bargain purchase in relation to the acquisition of shares in a listed company by its joint venture in the Last Year. Accordingly, the Company retrospectively adjusted the share of profit of LAAPL for the Last Year from HK\$369 million to HK\$660 million and the net profit attributable to equity holders of the Company became HK\$655 million after the adjustment.

Revenue for the Year increased to HK\$1,327 million (2015 — HK\$229 million), which was mainly attributable to the revenue from the property sale of a development project in Macau completed during the Year.

Property development

The segment recorded a revenue and net profit of HK\$1,226 million (2015 — HK\$117 million) and HK\$392 million (2015 — HK\$39 million), respectively for the Year, mainly from the completion of sale of properties of “M Residences”.

“M Residences” is a residential property development at 83 Estrada de Cacilhas, Macau, in which the Group has 100 per cent. interest. “M Residences”, with a site area of approximately 3,398 square metres, has been developed into 311 residential units with a total saleable area of approximately 26,025 square metres. Occupation permit of “M Residences” was obtained in June 2015. As at 31st March, 2016, only 5 residential units and some carpark remained unsold.

Property investment

LAAPL, a principal joint venture of the Company, is the vehicle holding the controlling stake of OUE, a listed company in Singapore principally engaged in property investment and development and hotel operation. The OUE Group has substantial and stable recurrent income stream from its high quality properties. Asset enhancement initiatives at OUE Downtown in Singapore are underway. OUE Skyspace LA, California’s tallest open-air observation deck situated atop the iconic U.S. Bank Tower, was opened in June 2016. OUE Skyspace LA is part of comprehensive asset enhancement works spearheaded by OUE to transform U.S. Bank Tower, which was acquired in 2013, from a commercial building into a vibrant business, social and tourist destination. As at 31st March, 2016, LAAPL had an aggregate equity interest of approximately 68.52 per cent. in OUE.

OUE Hospitality Trust (“OUE H-Trust”), a real estate investment trust established by OUE in 2013, is listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). Its portfolio includes Mandarin Orchard Singapore, Mandarin Gallery and Crowne Plaza Changi Airport Hotel (“Crowne Plaza”) in Singapore. As at 31st March, 2016, LAAPL and its subsidiaries held approximately 42.87 per cent. of the total number of stapled securities units of OUE H-Trust in issue.

In March 2016, OUE H-Trust successfully launched an underwritten and renounceable rights issue (the “Rights Issue”) of 441,901,257 new stapled securities in OUE H-Trust (the “Rights Stapled Securities”) at the rights ratio of 33 new stapled securities for every 100 existing stapled securities held at S\$0.54 per rights unit to raise funds of approximately S\$238.6 million. The proceeds from the Rights Issue would be utilised by OUE H-Trust mainly to finance its acquisition of the extension to Crowne Plaza and for working capital purpose. The Rights Issue was completed in April 2016. LAAPL, OUE and a fellow subsidiary of the Company took up in full their respective pro-rata entitlements to the Rights Stapled Securities. LAAPL’s subscription amount of approximately S\$18 million was funded by the Group in April 2016 by way of interest free exchangeable loans in exchange for the OUE H-Trust stapled securities subscribed by LAAPL under the Rights Issue (the “Exchangeable Loans”). After the completion of the Rights Issue, the exchange right under the Exchangeable Loans was exercised to fully settle the Exchangeable Loans.

OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) was established by OUE in early 2014 and is listed on the Main Board of the SGX-ST. Its property portfolio includes OUE Bayfront and One Raffles Place in Singapore as well as the properties at Lippo Plaza in Shanghai. The occupancy rates of its property portfolio are high. The acquisition of an additional indirect interest in One Raffles Place was completed in October 2015. As at 31st March, 2016, the OUE Group held approximately 64.98 per cent. of the total number of OUE C-REIT units in issue.

In May 2015, the Group advanced a loan of S\$54 million to a subsidiary of LAAPL (the “LAAPL Subsidiary”) and made equity subscription in LAAPL in proportion to its existing interest in LAAPL for a consideration of S\$23 million. In addition, the Group further advanced loans in a total of S\$147 million to the LAAPL Subsidiary during the Year. As a result, the Group injected a total of approximately HK\$1.2 billion during the Year. All these proceeds were applied to repay part of the indebtedness under LAAPL and for working capital purposes. The Group recorded a share of loss of HK\$306 million from the investment in LAAPL for the Year (2015 — a profit of HK\$660 million, restated). The share of loss recognised during the Year was mainly attributable to the impairment loss on a property under development, the impairment loss on goodwill arising from the acquisition of a subsidiary and finance costs incurred by the joint ventures. Besides, affected by the decrease in fair value of available-for-sale financial assets under OUE during the Year, the Group shared a decrease in investment reserve of HK\$179 million (2015 — increase of HK\$25 million) during the Year. The total interests in LAAPL increased from HK\$8.0 billion (restated) as at 31st March, 2015 to HK\$8.9 billion as at 31st March, 2016.

Total segment revenue from the property investment business for the Year amounted to HK\$51 million (2015 — HK\$11 million). Coupled with the net fair value gain on investment properties for the Year of HK\$29 million (2015 — HK\$32 million), the segment profit increased to HK\$75 million for the Year (2015 — HK\$36 million) before accounting for the results from the Group’s joint ventures.

Banking business

The Macau Chinese Bank Limited (“MCB”), a licensed bank in Macau and previously a wholly-owned subsidiary of the Company, maintained steady performance during the Year.

In July 2015, the Group completed the disposal of an aggregate of 49 per cent. equity interest in MCB to 南粵(集團)有限公司 (Nam Yue (Group) Company Limited) (“Nam Yue”) and Mr. Yang Jun (“Mr. Yang”) (together, the “Purchasers”) for an aggregate consideration of MOP441 million (the “First Disposal”). Upon completion of the First Disposal, the Group owned 51 per cent. of the issued share capital of MCB and entered into a shareholders’ agreement with the Purchasers and MCB (the “Shareholders’ Agreement”) to, among other things, regulate the relationships among shareholders of MCB. After entering into the Shareholders’ Agreement, as a result of the change of composition of the board of directors of MCB and the quorum of directors’ meeting and other terms and in compliance with the current accounting standards, MCB is accounted for as a joint venture of the Company and its results, assets and liabilities ceased to be consolidated in the accounts of the Company even though MCB continues to be a subsidiary of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As provided in the Shareholders' Agreement, in the event of the Group holding 20 per cent. or less of the issued share capital of MCB, the Group will be entitled to a put option to require Nam Yue to purchase all the remaining shares in MCB held by the Group (the "Put Option"). The Put Option is exercisable at any time during a period of 5 years from the date when the Group's shareholding interest in MCB becomes 20 per cent. or less. The fair value of the Put Option of HK\$25 million was included in "Other financial asset" of the consolidated statement of financial position.

The Group recognised a gain on disposal of subsidiary of HK\$202 million during the Year (which included the fair value of the Put Option at completion date).

Besides, at completion of the First Disposal, the Group entered into a loan agreement (the "Loan Agreement") pursuant to which an unsecured loan of an aggregate amount of MOP279 million was advanced to the Group by Nam Yue and Mr. Wong Garrick Jorge Kar Ho ("Mr. Wong") for 10 years. The Group may at its sole discretion (i) repay the loan in cash; or (ii) set off the loan amount by way of transferring 31 per cent. equity interest in MCB to Nam Yue and Mr. Wong.

In October 2015, the Group entered into sale and purchase agreements for the disposal of a further 31 per cent. equity interest in MCB to Nam Yue and Mr. Wong (the "Second Disposal Agreements") at an aggregate consideration of MOP279 million (the "Second Disposal"). The Second Disposal is subject to the approval of The Monetary Authority of Macau. Upon completion of the Second Disposal, the Group will own 20 per cent. of the issued share capital of MCB.

Upon signing of the Second Disposal Agreements, Nam Yue and Mr. Wong had fully paid the aggregate consideration as deposit, by the set-off of the outstanding loan amount under the Loan Agreement. The Loan Agreement was terminated in accordance with its terms upon signing of the Second Disposal Agreements.

Treasury and securities investments

Treasury and securities investments businesses recorded a total revenue of HK\$16 million during the Year (2015 — HK\$47 million), mainly attributable to the interest and dividend income received from the investment portfolio. The Group cautiously managed its investment portfolio and looked for opportunities to enhance yields and seek gains. However, due to the substantial downturn of global stock market in the third quarter of year 2015, the Group recorded net fair value loss on its investment portfolio. As a result, the treasury and securities investments businesses recorded a net profit of HK\$9 million for the Year (2015 — HK\$30 million).

Lippo Securities Holdings Limited 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 turbulent and volatile stock markets in Hong Kong and mainland China have made the local operating environment of corporate finance and securities broking business challenging. The outlook for the local stock market will be dependent on the market conditions in mainland China and economic developments globally. This segment registered a revenue of HK\$19 million for the Year (2015 — HK\$21 million) and the loss of this segment was HK\$9 million for the Year (2015 — HK\$10 million).

Financial Position

The Group's financial position remained healthy. As at 31st March, 2016, its total assets decreased to HK\$11.4 billion (2015 — HK\$12.7 billion, restated). Property-related assets stood at HK\$9.8 billion (2015 — HK\$9.8 billion, restated), representing 86 per cent. (2015 — 77 per cent.) of the total assets. The Group maintained a strong cash position. Total cash and bank balances as at 31st March, 2016 amounted to HK\$0.9 billion (2015 — HK\$1.7 billion). Current ratio as at the end of the reporting period increased to 1.9 (2015 — 1.7).

As at 31st March, 2015, total bank and other borrowings amounted to HK\$465 million. The Group fully repaid all the outstanding bank and other borrowings during the Year.

The net asset value attributable to equity holders of the Group remained robust and amounted to HK\$10.5 billion as at 31st March, 2016 (2015 — HK\$10.4 billion, restated). This was equivalent to HK\$5.3 per share (2015 — HK\$5.2 per share, restated).

The Group monitors the 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.

To secure bank overdraft facilities made available to the Group's securities broking operation, bank deposits of HK\$1 million were pledged as at 31st March, 2016. Such overdraft facilities had not been utilised at the end of the reporting period. Aside from the abovementioned, the Company and its subsidiaries had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Year. As at 31st March, 2015, the Group had contingent liabilities relating to MCB of approximately HK\$36 million comprising guarantees and other endorsements of approximately HK\$34 million and liabilities under letters of credit on behalf of customers of approximately HK\$2 million. MCB was no longer a subsidiary of the Company and has become a joint venture of the Group after the First Disposal under the current accounting standards.

The Group's commitments as at 31st March, 2016 amounted to HK\$116 million, mainly relating to the Exchangeable Loans granted to certain joint ventures of the Group. Commitments as at 31st March, 2015 of HK\$123 million mainly arose from the Group's property development projects. 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 95 employees as at 31st March, 2016 (2015 — 160 employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Year amounted to HK\$54 million (2015 — HK\$67 million). The Group ensures that its employees are offered competitive remuneration packages. The Group also provides benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Group.

PROSPECTS

The economic prospects for Asia remain positive but the outlook of the global economy is clouded with considerable uncertainties, including the extent and timing on increase of the U.S. interest rates, and the economic growth of mainland China and the impact of geopolitical tension in various regions. United Kingdom's decision to leave the European Union has added a new element of uncertainty to the global economic and political climate. Hopefully, the quantitative easing programmes adopted by, among others, the European Central Bank, Japan and mainland China and prevailing low interest rates and surplus funds environment will be a compensatory positive influence to help maintaining investor confidence and create new business opportunities. The Group will continue to be watchful of market developments and will manage its portfolio with a view to further improving overall asset quality.

DISTRIBUTION/DIVIDEND

The Directors have resolved to recommend to shareholders at the forthcoming Annual General Meeting (the "2016 AGM") the payment of a final dividend of HK2 cents (2015 — a final distribution of HK2 cents) per share amounting to approximately HK\$40 million (2015 — approximately HK\$40 million) for the year ended 31st March, 2016. Together with the interim distribution of HK1 cent (2015 — HK1 cent) per share paid on 27th January, 2016, total distributions/dividends will be HK3 cents (2015 — HK3 cents) per share amounting to approximately HK\$60 million (2015 — approximately HK\$60 million) for the year ended 31st March, 2016. Subject to the approval of shareholders at the 2016 AGM, the final dividend will be paid on or about Wednesday, 5th October, 2016 to shareholders whose names appear on the Company's Register of Members on Thursday, 15th September, 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed during the following periods:

- (i) from Monday, 29th August, 2016 to Thursday, 1st September, 2016 (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 2016 AGM. In order to be entitled to attend and vote at the 2016 AGM, 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 Registrar in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 26th August, 2016; and
- (ii) from Monday, 12th September, 2016 to Thursday, 15th September, 2016 (both dates inclusive) during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, 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 Registrar in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 9th September, 2016.

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

During the year ended 31st March, 2016, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Company is committed to ensuring a high standard 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 the Company has complied with the code provisions of the Corporate Governance 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 year ended 31st March, 2016.

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 consolidated financial statements of the Company for the year ended 31st March, 2016.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2016 (the “Year”) as set out in this preliminary announcement have been agreed by the Group’s independent auditors, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

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

Hong Kong, 29th June, 2016

As at the date of this announcement, the executive Directors of the Company are Dr. Stephen Riady (Chairman) and Messrs. 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*