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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, 2016

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, 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September, 2016

		Unaudited six months ended 30th September, 2016	2015
	Note	HK\$'000	HK\$'000
Revenue	3	145,175	1,218,605
Cost of sales	5	(40,715)	(811,678)
Gross profit		104,460	406,927
Administrative expenses		(27,430)	(41,829)
Other operating expenses		(23,499)	(44,195)
Gain/(Loss) on disposal of subsidiaries		(1,823)	211,655
Net fair value gain/(loss) on financial instruments at fair value through profit or loss		17,229	(6,709)
Finance costs		(53)	(256)
Share of results of associates		(370)	694
Share of results of joint ventures	6	125,610	(124,527)
Profit before tax	5	194,124	401,760
Income tax	7	(7,747)	(53,179)
Profit for the period		186,377	348,581
Attributable to:			
Equity holders of the Company		186,118	347,785
Non-controlling interests		259	796
		186,377	348,581
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company	8		
Basic and diluted		9.3	17.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2016

	Unaudited six months ended 30th September, 2016 HK\$'000	2015 HK\$'000 (Restated) ⁽¹⁾
Profit for the period	186,377	348,581
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	(1,027)	(571)
Adjustments for disposal	1,381	69
Income tax effect	–	288
	354	(214)
Share of other comprehensive loss of joint ventures	(167,464)	(281,298)
Share of exchange differences on translation of a foreign associate	(40)	(1)
Exchange differences on translation of foreign operations	(32,414)	(66,472)
Adjustments relating to disposal of subsidiaries:		
Exchange differences on translation of foreign operations	(2)	202
Available-for-sale financial assets	–	(2,775)
Income tax effect	–	333
	(2)	(2,240)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods and other comprehensive loss for the period, net of tax	(199,566)	(350,225)
Total comprehensive loss for the period	(13,189)	(1,644)
Attributable to:		
Equity holders of the Company	(10,766)	1,474
Non-controlling interests	(2,423)	(3,118)
	(13,189)	(1,644)

⁽¹⁾ Refer to Note 13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2016

		30th September, 2016 <i>HK\$'000</i> (Unaudited)	31st March, 2016 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Non-current assets			
Fixed assets		45,140	48,566
Investment properties		116,080	119,340
Interests in associates		451,832	456,824
Interests in joint ventures	6	9,217,933	9,186,042
Available-for-sale financial assets		4,777	6,039
Other financial asset		24,812	25,295
		<u>9,860,574</u>	<u>9,842,106</u>
Current assets			
Properties held for sale		103,285	141,350
Properties under development		32,071	28,613
Loans and advances		15,179	15,917
Debtors, prepayments and deposits	10	59,808	143,949
Financial assets at fair value through profit or loss		8,144	44,173
Tax recoverable		2	13
Client trust bank balances		285,922	295,784
Restricted cash		1,004	1,004
Cash and bank balances		930,143	904,015
		<u>1,435,558</u>	<u>1,574,818</u>
Current liabilities			
Creditors, accruals and deposits received	11	689,987	698,460
Tax payable		91,154	114,357
		<u>781,141</u>	<u>812,817</u>
Net current assets		<u>654,417</u>	<u>762,001</u>
Total assets less current liabilities		<u>10,514,991</u>	<u>10,604,107</u>

	30th September, 2016 <i>HK\$'000</i> (Unaudited)	31st March, 2016 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	<u>22,521</u>	<u>23,526</u>
Net assets	<u>10,492,470</u>	<u>10,580,581</u>
Equity		
Equity attributable to equity holders of the Company		
Share capital	1,998,280	1,998,280
Reserves	<u>8,412,734</u>	<u>8,502,720</u>
	10,411,014	10,501,000
Non-controlling interests	<u>81,456</u>	<u>79,581</u>
	<u>10,492,470</u>	<u>10,580,581</u>

Note:

1. BASIS OF PREPARATION

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 and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim results do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31st March, 2016. The interim results have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted in the preparation of the interim results are consistent with those used in the Group’s audited financial statements for the year ended 31st March, 2016, except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “revised HKFRSs”) as disclosed in Note 2 to the interim results.

2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following revised HKFRSs for the first time for the current period’s interim results:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on the interim results.

The Group has not adopted any new and revised HKFRSs that have been issued but are not yet effective for the year ending 31st March, 2017.

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 then 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:

	Six months ended 30th September,	
	2016	2015
	HK\$'000	HK\$'000
Property rental income	3,541	6,125
Sales of properties (<i>Note</i>)	83,029	1,172,634
Interest income	43,971	15,545
Dividend income	4,887	1,578
Corporate finance and securities broking	8,716	10,456
Banking business	–	8,062
Other	1,031	4,205
	145,175	1,218,605

Note: The revenue mainly came from sales of properties of the property development project in Macau which was completed during the six months ended 30th September, 2015.

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.

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

Six months ended 30th September, 2016

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Corporate finance and securities broking <i>HK\$'000</i>	Banking business <i>HK\$'000</i>	Other <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue									
External	44,841	83,029	2,519	4,887	8,716	-	1,183	-	145,175
Inter-segment	-	-	-	-	187	-	-	(187)	-
Total	<u>44,841</u>	<u>83,029</u>	<u>2,519</u>	<u>4,887</u>	<u>8,903</u>	<u>-</u>	<u>1,183</u>	<u>(187)</u>	<u>145,175</u>
Segment results	<u>42,848</u>	<u>41,187</u>	<u>2,519</u>	<u>22,665</u>	<u>(4,863)</u>	<u>(483)</u>	<u>(5,312)</u>	<u>-</u>	<u>98,561</u>
Unallocated corporate expenses									(29,677)
Share of results of associates	-	(405)	-	-	-	-	35	-	(370)
Share of results of joint ventures	124,273	15	-	-	-	1,322	-	-	125,610
Profit before tax									<u>194,124</u>
Other segment information:									
Capital expenditure (<i>Note (a)</i>)	8	-	-	-	-	-	-	-	8
Depreciation	(5)	(39)	-	-	(249)	-	(20)	-	(313)
Interest income	41,300	-	2,519	-	-	-	152	-	43,971
Finance costs	-	-	-	-	-	-	(53)	-	(53)
Loss on disposal of:									
Subsidiaries	-	-	-	-	-	-	(1,823)	-	(1,823)
Available-for-sale financial assets	-	-	-	(1,412)	-	-	-	-	(1,412)
Write-back of provision for impairment losses on a joint venture	-	2,062	-	-	-	-	-	-	2,062
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	-	-	-	17,712	-	(483)	-	-	17,229
Unallocated:									
Capital expenditure (<i>Note (a)</i>)									601
Depreciation									(3,130)

Six months ended 30th September, 2015

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Corporate finance and securities broking <i>HK\$'000</i>	Banking business <i>HK\$'000</i>	Other <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue									
External	11,789	1,172,634	7,816	3,499	10,456	8,062	4,349	–	1,218,605
Inter-segment	–	–	–	–	–	–	464	(464)	–
Total	<u>11,789</u>	<u>1,172,634</u>	<u>7,816</u>	<u>3,499</u>	<u>10,456</u>	<u>8,062</u>	<u>4,813</u>	<u>(464)</u>	<u>1,218,605</u>
Segment results	<u>6,022</u>	<u>352,456</u>	<u>7,734</u>	<u>(4,550)</u>	<u>(3,495)</u>	<u>213,697</u>	<u>(1,693)</u>	<u>(464)</u>	<u>569,707</u>
						(Note (b))			
Unallocated corporate expenses									(43,884)
Finance costs									(230)
Share of results of associates	–	703	–	–	–	–	(9)	–	694
Share of results of joint ventures	(124,884)	26	–	–	–	331	–	–	(124,527)
Profit before tax									<u>401,760</u>
Other segment information:									
Capital expenditure (Note (a))	–	–	–	–	12	999	39	–	1,050
Depreciation	(8)	(97)	–	–	(561)	(504)	(30)	–	(1,200)
Interest income	5,664	–	7,816	1,921	–	6,791	144	–	22,336
Finance costs	–	–	–	–	(26)	–	–	–	(26)
Gain on disposal of:									
A subsidiary	–	–	–	–	–	211,655	–	–	211,655
Available-for-sale financial assets	–	–	–	1,872	–	–	–	–	1,872
Write-back of provision/(Provision) for impairment losses on:									
A joint venture	–	1,250	–	–	–	–	–	–	1,250
Loans and receivables	–	–	–	–	–	(779)	–	–	(779)
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	(7,730)	–	1,021	–	–	(6,709)
Net fair value loss on investment properties	(2,505)	–	–	–	–	–	–	–	(2,505)
Unallocated:									
Capital expenditure (Note (a))									8
Depreciation									(3,050)
Finance costs									(230)

Note:

(a) Capital expenditure includes additions to fixed assets.

(b) The amount included gain on disposal of a subsidiary of HK\$211,655,000.

5. PROFIT BEFORE TAX

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

	Six months ended 30th September,	
	2016	2015
	HK\$'000	HK\$'000
Cost of sales:		
Cost of properties sold (<i>Note</i>)	(35,366)	(804,446)
Other	(5,349)	(7,232)
	<u>(40,715)</u>	<u>(811,678)</u>
Interest income:		
Available-for-sale financial assets	—	1,921
Loans and advances	41,452	5,808
Banking business	—	6,791
Other	2,519	7,816
Net fair value gain/(loss) on:		
Financial assets at fair value through profit or loss	17,712	(7,730)
Derivative financial instrument	(483)	1,021
Gain/(Loss) on disposal of available-for-sale financial assets	(1,412)	1,872
Write-back of provision/(Provision) for impairment losses on:		
A joint venture	2,062	1,250
Loans and receivables	—	(779)
Net fair value loss on investment properties	—	(2,505)
Interest expense attributable to the banking business	—	(1,928)
Depreciation	(3,443)	(4,250)
Foreign exchange losses — net	<u>(1,815)</u>	<u>(16,800)</u>

Note: The amount mainly represented cost of properties sold of the property development project in Macau which was completed during the six months ended 30th September, 2015.

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

Interests in joint ventures mainly included the Group's interest in Lippo ASM Asia Property Limited ("LAAPL"). 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. Certain bank facilities under LAAPL were secured by certain listed shares held under it.

For the six months ended 30th September, 2016, the Group's share of profit in LAAPL amounted to approximately HK\$124,273,000 (2015 — share of loss of HK\$124,884,000). The share of profit recognised during the six months ended 30th September, 2016 was mainly resulted from the reversal of impairment loss and profit from disposal of OUE's properties under development and net fair value gain from investments designated at fair value through profit or loss. The share of loss for the six month ended 30th September, 2015 was mainly attributable to net fair value loss on investments designated at fair value through profit or loss. As at 30th September, 2016, the Group's interest in LAAPL was approximately HK\$8,970,783,000 (31st March, 2016 — HK\$8,940,899,000).

7. INCOME TAX

	Six months ended 30th September,	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong:		
Charge for the period	—	—
Overseas:		
Charge for the period	8,037	75,678
Deferred	(290)	(22,499)
	<u>7,747</u>	<u>53,179</u>
Total charge for the period	<u>7,747</u>	<u>53,179</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 period. 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 period 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 period.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30th September, 2016 and 2015.

9. INTERIM DIVIDEND/DISTRIBUTION

	Six months ended 30th September,	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend, declared, of HK1 cent (2015 — interim distribution of HK1 cent) per ordinary share	<u>19,983</u>	<u>19,983</u>

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

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:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Outstanding balances with ages:		
Repayable on demand	13,283	10,580
Within 30 days	1,074	32,200
	14,357	42,780

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 a joint venture of HK\$270,630,000 (31st March, 2016 — HK\$270,630,000) and trade payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK\$303,907,000 (31st March, 2016 — HK\$336,481,000). As at 30th September, 2016, total client trust bank balances amounted to HK\$285,922,000 (31st March, 2016 — HK\$295,784,000).

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

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Outstanding balances with ages:		
Repayable on demand	292,515	288,677
Within 30 days	11,392	47,856
	303,907	336,533

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. EVENT AFTER THE REPORTING PERIOD

In October 2016, a subsidiary of the Company entered into a loan agreement with a subsidiary of LAAPL (the “LAAPL Subsidiary”), a joint venture of the Group, pursuant to which the Group agreed to make available a loan facility of up to S\$155,000,000 (equivalent to approximately HK\$866,962,000) to the LAAPL Subsidiary. The proceeds of this loan will be used to repay part of the existing indebtedness under LAAPL and for working capital purpose.

13. 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 30th September, 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 interests in joint ventures of HK\$285,609,000, an increase in distributable reserves of HK\$291,048,000 and a decrease in the exchange equalisation reserve of HK\$5,439,000 in the Group’s consolidated statement of financial position as at 1st April, 2015 and a decrease in share of exchange equalisation reserve of joint ventures of HK\$10,498,000 for the six months ended 30th September, 2015. As a result, the net other comprehensive loss for the six months ended 30th September, 2015 was increased by HK\$10,498,000. There was no impact for the profit and earnings per share attributable to equity holders of the Company for the six months ended 30th September, 2015.

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

BUSINESS REVIEW

Overview

Stepping into the second quarter of the year 2016, global financial markets continued to be volatile. Following the Brexit vote in the United Kingdom in a national referendum, there has been a period of volatility. It is expected that such uncertainty is likely to continue for some time. The devaluation of Renminbi continued to dampen investor confidence in the Asia region. The extent of and the timing on increase of U.S. interest rates have also added uncertainty in the global economy.

On the positive side, the quantitative easing programmes adopted by, among others, the European Central Bank, Japan and mainland China, and the prevailing low interest rates and ample global liquidity environment have helped to maintain a more stable economic environment in the region. The performance of global stock markets improved in the third quarter of the year 2016.

Results for the Period

The Group recorded a consolidated profit attributable to shareholders of approximately HK\$186 million for the six months ended 30th September, 2016 (the “Period”), as compared to a consolidated profit of approximately HK\$348 million for the six months ended 30th September, 2015 (the “Last Period” or “2015”). The profit for the Period was mainly attributable to the share of profit of joint ventures of HK\$126 million principally resulted from the reversal of impairment loss and profit from disposal of development properties by OUE Limited (“OUE”, together with its subsidiaries, the “OUE Group”) and fair value gain from OUE’s investments designated at fair value through profit or loss.

Revenue for the Period decreased to HK\$145 million (2015 — HK\$1,219 million). The higher revenue for 2015 was mainly contributed by a development project in Macau completed in the Last Period and all pre-sale proceeds of this development project were recognised as revenue during the Last Period. No new property development projects were completed during the Period, which accounted for the decrease in revenue.

Property investment

Lippo ASM Asia Property Limited (“LAAPL”), a principal joint venture of the Company, is the vehicle holding the controlling stake of OUE, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and is 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 at prime locations in Singapore, Shanghai in the PRC and Los Angeles in the U.S. Asset enhancement initiatives at OUE Downtown in Singapore are near completion with new serviced residences expected to be opened in 2017. The OUE Group also completed the construction of the extension to Crowne Plaza Changi Airport Hotel (“Crowne Plaza”) in Singapore which was opened during the Period. The newly operational OUE Skyspace LA at US Bank Tower in Los Angeles contributed positively to the revenue of the OUE Group. Officially opened in June 2016, OUE Skyspace LA is the observation deck at US Bank Tower that offers visitors exhilarating, 360-degree view of Los Angeles from nearly 1,000 feet above ground. Following its active

marketing activities, the OUE Group registered an increase in sale of units at OUE Twin Peaks, a residential development in Singapore, during the Period. As at 30th September, 2016, LAAPL had an aggregate equity interest of approximately 68.63 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 SGX-ST. Its portfolio includes Mandarin Orchard Singapore, Mandarin Gallery and Crowne Plaza in Singapore. In April 2016, OUE H-Trust successfully completed a rights issue (the “Rights Issue”) of 441,901,257 new stapled securities in OUE H-Trust (the “Rights Stapled Securities”) at S\$0.54 per Rights Stapled Security and raised funds of approximately S\$238.6 million. Such funds were mainly utilised by OUE H-Trust to finance its acquisition of the extension to Crowne Plaza from OUE for a consideration of approximately S\$205 million in August 2016.

LAAPL, OUE and an intermediate holding company 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 a wholly-owned subsidiary of the Company (the “Subsidiary”) by way of interest free exchangeable loans (the “Exchangeable Loans”) in exchange for the Rights Stapled Securities subscribed by LAAPL. After the exchange right under the Exchangeable Loans was exercised to fully settle the Exchangeable Loans, LAAPL further disposed of certain stapled securities in OUE H-Trust in September 2016. As a result, LAAPL and its subsidiaries held approximately 37.56 per cent. of the total number of stapled securities of OUE H-Trust in issue as at 30th September, 2016.

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. As at 30th September, 2016, the OUE Group held approximately 65.14 per cent. of the total number of OUE C-REIT units in issue.

The Group recorded a share of profit of HK\$124 million from its investment in LAAPL for the Period (2015 — share of loss of HK\$125 million). The share of profit recognised for the Period was mainly resulted from the reversal of impairment loss and profit from disposal of OUE Twin Peaks and net fair value gain from investments designated at fair value through profit or loss. The share of loss for the Last Period was mainly attributable to net fair value loss on investments designated at fair value through profit or loss. Besides, affected by the depreciation of the Singapore dollar during the Period, the Group shared a decrease in exchange reserve on translation of LAAPL’s investment of HK\$158 million during the Period. In July 2016, the Group advanced a loan of approximately S\$15 million to a subsidiary of LAAPL (the “LAAPL Subsidiary”), which was applied to repay part of the indebtedness under LAAPL. As a result, the Group’s total interests in LAAPL as at 30th September, 2016 increased to HK\$8.97 billion (31st March, 2016 — HK\$8.94 billion).

In October 2016, the Group further agreed to make available a loan facility of up to S\$155 million to the LAAPL Subsidiary. The proceeds of this loan will be used to repay part of the existing indebtedness under LAAPL and for working capital purpose.

Total segment revenue from the property investment business for the Period amounted to HK\$45 million (2015 — HK\$12 million). The segment profit amounted to HK\$43 million for the Period (2015 — HK\$6 million) before accounting for the results from the Group's joint ventures.

Property development

“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 and a substantial part of revenue was recorded in the Last Period. Hence, the segment revenue and segment profit for the Period decreased to HK\$83 million (2015 — HK\$1,173 million) and HK\$41 million (2015 — HK\$352 million) respectively, mainly from the sale of remaining units of “M Residences”.

Treasury and securities investments

Treasury and securities investments businesses recorded a total revenue of HK\$7 million during the Period (2015 — HK\$11 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. The Group has certain direct investments in OUE H-Trust and OUE C-REIT through the Subsidiary in addition to its interests in them through LAAPL. In September 2016, all the stapled securities in OUE H-Trust and units in OUE C-REIT held by the Subsidiary were disposed of to independent third parties through married trades for an aggregate consideration of approximately S\$19.2 million and S\$6.1 million, respectively. Such disposals provided a good opportunity for the Group to realise its direct investments in OUE H-Trust and OUE C-REIT. The Group recognised a net gain of HK\$18 million for the Period from the above disposals. Besides, following the improvement in the global stock market in the third quarter of the year 2016, the Group recorded net fair value gain on its investments under the securities investment segment for the Period as compared to net fair value loss for 2015. As a consequence, the treasury and securities investments businesses recorded a net profit of HK\$25 million for the Period (2015 — HK\$3 million).

Banking business

The Group has an equity interest of 51 per cent. in The Macau Chinese Bank Limited (“MCB”), a licensed bank in Macau and a joint venture of the Company. MCB maintained strong growth in customer deposits and loans during the Period.

As provided in the shareholders' agreement entered into between MCB and its shareholders in July 2015 to, amongst other things, regulate the relationships among shareholders of MCB (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 (Group) Company Limited (a shareholder of MCB holding 40 per cent. of its equity interest) 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 right to exercise the Put Option survives any termination or expiry of the Shareholders' Agreement. The fair value of the Put Option was included in "Other financial asset" of the Consolidated Statement of Financial Position.

The share of results of joint venture in this segment was HK\$1.3 million for the Period (2015 — HK\$0.3 million). Due to the change in fair value of the Put Option, this segment reported a segment loss of HK\$0.5 million for the Period, as compared to a segment profit of HK\$214 million which included the gain on disposal of subsidiary of HK\$212 million for the Last Period.

Corporate finance and securities broking

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 continuing volatile stock markets in Hong Kong and mainland China make 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\$9 million for the Period (2015 — HK\$10 million) and the loss of this segment was HK\$5 million for the Period (2015 — HK\$3 million).

Financial Position

The Group's financial position remained healthy. As at 30th September, 2016, its total assets amounted to HK\$11.3 billion (31st March, 2016 — HK\$11.4 billion). Property-related assets stood at HK\$9.7 billion (31st March, 2016 — HK\$9.8 billion), representing 86 per cent. (31st March, 2016 — 86 per cent.) of the total assets. The Group maintained a strong cash position. Total cash and bank balances as at 30th September, 2016 amounted to HK\$930 million (31st March, 2016 — HK\$904 million). Current ratio as at the end of the reporting period amounted to 1.8 (31st March, 2016 — 1.9).

The net asset value attributable to equity holders of the Group remained robust and amounted to HK\$10.4 billion as at 30th September, 2016 (31st March, 2016 — HK\$10.5 billion). This was equivalent to HK\$5.2 per share (31st March, 2016 — HK\$5.3 per share).

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, 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 30th September, 2016 (31st March, 2016 — HK\$1 million). Such overdraft facilities had not been utilised at the end of the reporting period. Aside from the abovementioned, the Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Period (31st March, 2016 — Nil).

The Group's commitments are mainly related to the property development projects and securities investments. The decrease in commitments from HK\$116 million as at 31st March, 2016 to HK\$10 million as at 30th September, 2016 was mainly due to the utilisation of the Exchangeable Loans granted to certain joint ventures of the Group during the Period. 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 80 employees as at 30th September, 2016 (2015 — 100 employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Period amounted to HK\$17 million (2015 — HK\$29 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

Looking ahead, global economic growth is expected to remain modest in the near term. The stabilisation in global demand renders support to the economy in Asia. However, the global economy still faces considerable uncertainties, including the looming interest rate hike in the U.S., possible policy change after the U.S. presidential election, the uncertainty after the Brexit vote in the United Kingdom, geopolitical tensions as well as the pace of the economic growth of mainland China. Hopefully, the 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. The Group will also continue to take a cautious and prudent approach in managing its assets and assessing new investment opportunities to capture growth opportunities and enhance shareholders' value.

INTERIM DIVIDEND

The Directors have resolved to declare the payment of an interim dividend of HK1 cent (2015 — interim distribution of HK1 cent) per share amounting to approximately HK\$20 million for the six months ended 30th September, 2016 (2015 — approximately HK\$20 million), which will be paid on or about Wednesday, 25th January, 2017 to shareholders whose names appear on the Company's Register of Members on Friday, 13th January, 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 11th January, 2017 to Friday, 13th January, 2017 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend for the six months ended 30th September, 2016, 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 Tuesday, 10th January, 2017.

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

During the six months ended 30th September, 2016, 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, 2016.

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 six months ended 30th September, 2016.

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

Hong Kong, 29th November, 2016

As at the date of this announcement, the executive Directors of the Company are Dr. Stephen Riady (Chairman) and Mr. John Lee Luen Wai (Chief Executive Officer); 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