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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, 2017

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, 2017 (the “Period”) together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September, 2017

		Unaudited six months ended 30th September,	
	Note	2017 HK\$'000	2016 HK\$'000
Revenue	4	54,617	145,175
Cost of sales	5	(7,843)	(40,715)
Gross profit		46,774	104,460
Administrative expenses		(27,247)	(27,430)
Other operating expenses		(11,694)	(25,322)
Net fair value gain on financial instruments at fair value through profit or loss		222	17,229
Finance costs		(6,305)	(53)
Share of results of associates		1,841	(370)
Share of results of joint ventures	6	4,780	125,610
Profit before tax	5	8,371	194,124
Income tax	7	(1,277)	(7,747)
Profit for the period		7,094	186,377
Attributable to:			
Equity holders of the Company		7,759	186,118
Non-controlling interests		(665)	259
		7,094	186,377
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company	8		
Basic and diluted		0.4	9.3

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2017

	Unaudited six months ended 30th September, 2017 HK\$'000	2016 HK\$'000 (Restated) ⁽¹⁾
Profit for the period	7,094	186,377
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	233	(1,027)
Adjustments for disposal	–	1,381
	233	354
Exchange differences on translation of foreign operations	28,809	(32,414)
Exchange differences reclassified to profit or loss upon disposal of foreign subsidiaries	–	(2)
Share of other comprehensive income/(loss) of joint ventures	286,799	(167,727)
Share of other comprehensive loss of an associate	(2)	(40)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods and other comprehensive income/(loss) for the period, net of tax	315,839	(199,829)
Total comprehensive income/(loss) for the period	322,933	(13,452)
Attributable to:		
Equity holders of the Company	321,675	(11,029)
Non-controlling interests	1,258	(2,423)
	322,933	(13,452)

⁽¹⁾ Refer to Note 13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2017

		30th September, 2017 HK\$'000 (Unaudited)	31st March, 2017 HK\$'000 (Audited)
	Note		
Non-current assets			
Fixed assets		39,481	41,297
Investment properties		114,606	111,160
Interests in associates		396,990	427,158
Interests in joint ventures	6	10,030,978	9,720,889
Available-for-sale financial assets		2,869	4,117
Other financial asset		21,567	21,437
		<u>10,606,491</u>	<u>10,326,058</u>
Current assets			
Properties held for sale		94,676	94,600
Properties under development		29,090	28,846
Loans and advances		26,273	19,656
Debtors, prepayments and deposits	10	60,720	53,327
Financial assets at fair value through profit or loss		8,229	9,141
Tax recoverable		46	25
Client trust bank balances		306,925	845,921
Restricted cash		1,069	1,067
Cash and cash equivalents		553,098	536,878
		<u>1,080,126</u>	<u>1,589,461</u>
Current liabilities			
Creditors, accruals and deposits received	11	774,563	1,294,070
Tax payable		60,733	68,959
		<u>835,296</u>	<u>1,363,029</u>
Net current assets		<u>244,830</u>	<u>226,432</u>
Total assets less current liabilities		<u>10,851,321</u>	<u>10,552,490</u>

	30th September, 2017 <i>HK\$'000</i> (Unaudited)	31st March, 2017 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Bank and other borrowings	479,167	476,667
Deferred tax liabilities	20,720	20,405
	<u>499,887</u>	<u>497,072</u>
Net assets	<u><u>10,351,434</u></u>	<u><u>10,055,418</u></u>
Equity		
Equity attributable to equity holders of the Company		
Share capital	1,998,280	1,998,280
Reserves	8,308,670	8,013,912
	<u>10,306,950</u>	<u>10,012,192</u>
Non-controlling interests	44,484	43,226
	<u><u>10,351,434</u></u>	<u><u>10,055,418</u></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 “Listing Rules”). 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, 2017. 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, 2017, 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 HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these interim results:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
Amendments to HKFRS 1 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
Amendments to HKAS 28 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Investment in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²

¹ Effective for annual periods beginning on or after 1st January, 2018

² Effective for annual periods beginning on or after 1st January, 2019

³ No mandatory effective date yet determined but available for adoption

The Directors of the Company anticipate that the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 will have impact on the Group's consolidated financial statements. The management is in the process of making an assessment of the full impact of these new HKFRSs, and the result is consistent with assessment the management made and disclosed in the annual financial statements for the year ended 31st March, 2017. It is expected that the adoption of other new and revised HKFRSs will have no significant impact on the financial performance and the financial position of the Group.

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 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 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.

Six months ended 30th September, 2017

	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	28,985	17,036	373	14	7,758	-	451	-	54,617
Inter-segment	-	-	-	-	-	-	-	-	-
Total	<u>28,985</u>	<u>17,036</u>	<u>373</u>	<u>14</u>	<u>7,758</u>	<u>-</u>	<u>451</u>	<u>-</u>	<u>54,617</u>
Segment results	<u>21,343</u>	<u>9,313</u>	<u>373</u>	<u>87</u>	<u>(5,896)</u>	<u>130</u>	<u>(2,323)</u>	<u>-</u>	<u>23,027</u>
Unallocated corporate expenses									(21,277)
Share of results of associates	-	1,851	-	-	-	-	(10)	-	1,841
Share of results of joint ventures	1,345	(90)	-	-	-	3,525	-	-	4,780
Profit before tax									<u>8,371</u>
Other segment information:									
Capital expenditure (<i>Note</i>)	-	-	-	-	140	-	-	-	140
Depreciation	(1)	(24)	-	-	(81)	-	(13)	-	(119)
Interest income	25,659	-	373	-	-	-	189	-	26,221
Finance costs	(6,305)	-	-	-	-	-	-	-	(6,305)
Write-back of provision for impairment losses on a joint venture	-	465	-	-	-	-	-	-	465
Net fair value gain on financial instruments at fair value through profit or loss	-	-	-	92	-	130	-	-	222
Unallocated:									
Capital expenditure (<i>Note</i>)									5
Depreciation									<u>(3,170)</u>

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</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</i>)									601
Depreciation									<u>(3,130)</u>

Note: Capital expenditure includes additions to fixed assets.

	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>
At 30th September, 2017 (unaudited)									
Segment assets	151,759	134,788	511,537	11,946	344,209	21,567	12,674	–	1,188,480
Interests in associates	6,769	390,178	–	–	–	–	43	–	396,990
Interests in joint ventures	9,780,630	1,650	–	–	–	248,698	–	–	10,030,978
Unallocated assets									<u>70,169</u>
Total assets									<u><u>11,686,617</u></u>
Segment liabilities	483,255	19,576	–	–	456,616	270,630	30	–	1,230,107
Unallocated liabilities									<u>105,076</u>
Total liabilities									<u><u>1,335,183</u></u>
At 31st March, 2017 (audited)									
Segment assets	146,741	133,879	496,974	13,258	872,432	21,437	13,120	–	1,697,841
Interests in associates	6,102	421,026	–	–	–	–	30	–	427,158
Interests in joint ventures	9,474,183	1,682	–	–	–	245,024	–	–	9,720,889
Unallocated assets									<u>69,631</u>
Total assets									<u><u>11,915,519</u></u>
Segment liabilities	480,673	20,672	–	–	988,473	270,630	56	–	1,760,504
Unallocated liabilities									<u>99,597</u>
Total liabilities									<u><u>1,860,101</u></u>

4. 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 income from project management, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

An analysis of the revenue of the Group is as follows:

	Six months ended 30th September,	
	2017	2016
	HK\$'000	HK\$'000
Property rental income	3,326	3,541
Sales of properties	17,036	83,029
Interest income	26,221	43,971
Dividend income	14	4,887
Corporate finance and securities broking	7,758	8,716
Other	262	1,031
	<u>54,617</u>	<u>145,175</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30th September,	
	2017	2016
	HK\$'000	HK\$'000
Cost of sales:		
Cost of properties sold	(3,398)	(35,366)
Other	(4,445)	(5,349)
	<u>(7,843)</u>	<u>(40,715)</u>
Interest income:		
Loans and advances	25,848	41,452
Other	373	2,519
Net fair value gain/(loss) on:		
Financial assets at fair value through profit or loss	92	17,712
Derivative financial instrument	130	(483)
Loss on disposal of subsidiaries	—	(1,823)
Loss on disposal of available-for-sale financial assets	—	(1,412)
Write-back of provision for impairment losses on a joint venture	465	2,062
Depreciation	(3,289)	(3,443)
Foreign exchange gains/(losses) — net	5,937	(1,815)

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, residential and healthcare sectors. Certain bank facilities under LAAPL were secured by certain listed shares held under it.

For the six months ended 30th September, 2017, the Group's share of profit in LAAPL amounted to approximately HK\$1,345,000 (2016 — HK\$124,273,000). The decrease in share of profit was mainly resulted from a reduction in the reversal of impairment loss on the development properties under LAAPL. As at 30th September, 2017, the Group's interest in LAAPL was approximately HK\$9,780,630,000 (31st March, 2017 — HK\$9,474,183,000). The increase in interests in LAAPL for the six months ended 30th September, 2017 was mainly due to the increase in share in exchange reserve on translation of LAAPL's investment from the appreciation of the Singapore dollar during the period.

7. INCOME TAX

	Six months ended 30th September,	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong:		
Charge for the period	—	—
Overseas:		
Charge for the period	1,597	8,037
Deferred	(320)	(290)
	<u>1,277</u>	<u>7,747</u>
Total charge for the period	<u>1,277</u>	<u>7,747</u>

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2016 — 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 (2016 — 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, 2017 and 2016.

9. INTERIM DIVIDEND

	Six months ended 30th September,	
	2017	2016
	HK\$'000	HK\$'000
Interim dividend, declared, of HK1 cent (2016 — HK1 cent) per ordinary share	<u>19,983</u>	<u>19,983</u>

The interim dividend 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, 2017 HK\$'000	31st March, 2017 HK\$'000
Outstanding balances with ages:		
Repayable on demand	13,641	7,507
Within 30 days	<u>1,283</u>	<u>3,602</u>
	<u>14,924</u>	<u>11,109</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 The Macau Chinese Bank Limited ("MCB", a joint venture of the Company) (the "Further Disposal") of HK\$270,630,000 (31st March, 2017 — HK\$270,630,000), a non-refundable exclusivity payment of HK\$130,000,000 (31st March, 2017 — HK\$130,000,000) in relation to the negotiation of the proposed disposal of a majority stake of the Group's securities broking operation and trade creditors relating to securities broking operation. The Further Disposal was completed in November 2017, with further details disclosed in Note 12 to the interim results.

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

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Outstanding balances with ages:		
Repayable on demand	284,985	815,921
Within 30 days	38,385	39,882
	323,370	855,803

The decrease in trade creditors was mainly due to the reduction of payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation from HK\$855,803,000 as at 31st March, 2017 to HK\$323,370,000 as at 30th September, 2017. As at 30th September, 2017, total client trust bank balances amounted to HK\$306,925,000 (31st March, 2017 — HK\$845,921,000).

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

The completion of the Further Disposal took place in early November 2017 whereupon the Group's equity interest in MCB reduced from 51 per cent. to 20 per cent. By reference to the unaudited accounts of MCB as of 30th September, 2017, it is estimated that a gain on disposal of approximately HK\$119,000,000 (subject to audit and adjustment) shall be reflected in the Group's results for the financial year ending 31st March, 2018.

13. COMPARATIVE AMOUNTS

As at 30th September, 2016, a joint venture of OUE (a subsidiary of LAAPL which in turn is a principal joint venture of the Group) had not completed the purchase price allocation review in respect of further acquisitions of its existing investments (the "Acquisitions"). Such purchase price allocation review was completed during the year ended 31st March, 2017 and OUE recorded a share of gain from bargain purchase arisen from the Acquisitions.

As a consequence, the Group made certain adjustments to retrospectively adjust the impact of the Acquisitions, which led to an increase in interests in joint ventures of HK\$26,111,000, an increase in retained earnings of HK\$25,524,000 and an increase in the exchange equalisation reserve of HK\$587,000 in the Group's consolidated statement of financial position as at 1st April, 2016 and a decrease in share of exchange equalisation reserve of joint ventures of HK\$263,000 for the six months ended 30th September, 2016. As a result, the net other comprehensive loss attributable to the equity holders of the Company for the six months ended 30th September, 2016 was increased by HK\$263,000. 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, 2016.

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

BUSINESS REVIEW

Overview

The global economy maintained its upward momentum throughout the Period that culminated in record high indices in major stock markets and strengthening GDP growth, albeit various uncertainties and downside risks such as Brexit negotiations, geopolitical incidents and policy changes in the United States of America (the “US”). Against this backdrop, the Group and its joint ventures recorded varied results for the Period.

Results for the Period

The Group recorded a consolidated profit attributable to shareholders of approximately HK\$8 million for the Period, as compared to a consolidated profit of approximately HK\$186 million for the six months ended 30th September, 2016 (the “2016 Period”). The decrease in profit was mainly due to a decrease in share of profit from joint ventures resulted from a reduction in the reversal of impairment loss on the development properties of a joint venture, lower interest income received from its joint venture and a drop in profit from the disposal of the Group’s properties held for sale as a result of less properties sold during the Period.

Property investment and development businesses are the principal sources of revenue of the Group, contributing to 84 per cent. (2016 — 88 per cent.) of total revenue. Total revenue for the Period decreased to HK\$55 million (2016 — HK\$145 million). The decrease was mainly due to lower revenue from sales of properties of the Group as a substantial portion of the completed development properties was sold and recognised in prior years.

Property Investment

Segment revenue from the property investment business was mainly attributable to recurrent rental income from the Group’s investment properties portfolio and interest income from the loans to a subsidiary of LAAPL (together with its subsidiaries the “LAAPL Group”), a principal joint venture of the Company. The segment revenue for the Period decreased to HK\$29 million (2016 — HK\$45 million), mainly due to the reduction in the interest rate of the loans to the LAAPL Group since the second half of the last financial year. As a result, the segment reported a profit of HK\$21 million (2016 — HK\$43 million) for the Period before accounting for the share of results from the Group’s joint ventures.

LAAPL is the vehicle holding a controlling stake of approximately 68.6 per cent. equity interest in OUE (together with its subsidiaries the “OUE Group”) as at 30th September, 2017. OUE is listed on the Main Board of Singapore Exchange Securities Trading Limited (the “SGX-ST”) and is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. With its core strategy of

investing in and enhancing a stable of distinctive properties, the OUE Group is committed to developing a portfolio with a strong recurrent income base, balanced with development profits, to enhance long-term shareholder value. The OUE Group has established a high quality property portfolio at prime locations in Singapore, Shanghai in the People's Republic of China (the "PRC") and Los Angeles in the US. The transformation of OUE Downtown in Singapore into a mixed-use development has been completed, with the new Downtown Gallery and Oakwood Premier OUE Singapore commencing operations in May and June 2017 respectively. Downtown Gallery with approximately 14,000 sq. m. of premium retail space spreading over six levels has an extensive mix of tenant offerings centred on lifestyle and wellness. Oakwood Premier OUE Singapore, occupying the 7th to 32nd storeys of OUE Downtown 1, is home to 268 serviced residences and caters to international travellers looking for luxury urban living. Both properties contributed positively to the OUE Group's performance and recurrent income base. The iconic U.S. Bank Tower in downtown Los Angeles, a 75-storey Class A office tower, also contributed to the revenue of the OUE Group. With the OUE Group's active marketing effort, all the development properties of OUE Twin Peaks in Singapore were fully sold by October 2017.

The LAAPL Group held, as at 30th September, 2017, approximately 38.1 per cent. of the total number of stapled securities of OUE Hospitality Trust which is listed on the Main Board of the SGX-ST. Its portfolio includes the 1,077-room Mandarin Orchard Singapore, the adjoining Mandarin Gallery and the 563-room Crowne Plaza Changi Airport in Singapore. The hotels recorded stronger performance during the Period.

Further, the OUE Group had, as at 30th September, 2017, an approximately 55.6 per cent. interest in OUE Commercial Real Estate Investment Trust which is also 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 portfolio's committed occupancy increased to 97 per cent. as at 30th September, 2017 with all three properties achieving higher-than-market office occupancy.

The mandatory unconditional cash offer by the OUE Group for all the remaining issued shares in OUE Lippo Healthcare Limited (formerly known as International Healthway Corporation Limited) ("OUELH") in Singapore (which became a subsidiary of the OUE Group in March 2017 and is listed on the Catalist Board of the SGX-ST) closed on 13th April, 2017. As at 30th September, 2017, the OUE Group owned approximately 86.2 per cent. equity interest in OUELH. OUELH is an integrated healthcare services and facilities provider owning 12 quality nursing homes in Japan and derives rental revenue therefrom as well as revenue from the operation of a hospital in Wuxi, Jiangsu Province, the PRC. It also has 2 proposed hospital projects in the PRC and a proposed integrated mixed-use development project in Malaysia comprising specialist medical suites, upscale retail space and serviced residences targeting the upper-middle to high income market segments.

The Group recorded a share of profit of joint ventures of HK\$1 million from its investment in LAAPL for the Period (2016 — HK\$124 million). The decrease in share of profit as compared with that for the 2016 Period was mainly resulted from a reduction in the reversal of impairment loss on the development properties of the LAAPL Group. Besides, benefiting from the appreciation of the Singapore dollar during the Period, the Group shared an increase in exchange reserve on translation of LAAPL's investment of HK\$285 million during the Period. As a result, the Group's total interests in LAAPL as at 30th September, 2017 increased to HK\$9.8 billion (31st March, 2017 — HK\$9.5 billion).

Property Development

The sale of most of the carparking spaces at “M Residences” contracted for were completed during the Period. On the other hand, sale of the remaining meagre number of shophouse and carparking spaces at Lippo Plaza in Beijing was sluggish due to Beijing’s tightened policy on property sale and weakened market demand. With a substantial portion of the completed development properties sold and recognised in prior years, the segment revenue and segment profit for the Period decreased to HK\$17 million (2016 — HK\$83 million) and HK\$9 million (2016 — HK\$41 million) respectively, before accounting for the share of results from the Group’s associates and joint ventures.

The Singapore residential market showed signs of recovery after bottoming out in 2017. Some of the remaining units of the luxurious Marina Collection in Sentosa, Singapore (in which the Group has a 50 per cent. interest) were sold during the Period. A portion of the remaining units are leased out. The Group shared a profit of associates of HK\$2 million (2016 — loss of HK\$0.4 million) from the investment.

Treasury and Securities Investments

The Group cautiously managed its investment portfolio and looked for opportunities to enhance yields and seek gains. In the absence of any material fair value gain on securities investment portfolio during the Period, the treasury and securities investments businesses recorded a net profit of HK\$0.5 million for the Period (2016 — HK\$25 million). Total revenue from treasury and securities investments businesses of HK\$0.4 million during the Period (2016 — HK\$7 million) was mainly attributable to the interest and dividend income received from the investment portfolio.

Banking

MCB (a joint venture of the Company in which the Group had a 51 per cent. equity interest as at 30th September, 2017) continued to record strong growth in customer deposits and loans during the Period. Accordingly, the Group’s share of profit from MCB increased to HK\$4 million for the Period (2016 — HK\$1 million).

After the extension of the deadline from 30th June, 2017 to 31st December, 2017 for obtaining the approval by the Monetary Authority of Macau of the proposed disposal by the Group of further 31 per cent. equity interests in MCB, such approval was obtained in October 2017. The completion of the disposal took place in early November 2017 whereupon the Group’s equity interest in MCB reduced from 51 per cent. to 20 per cent. and accordingly, MCB ceased to be a subsidiary of the Group under the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). By reference to the unaudited accounts of MCB as of 30th September, 2017, it is estimated that there would be a gain on disposal of approximately HK\$119 million (subject to audit and adjustment) which will be reflected in the Group’s results for the financial year ending 31st March, 2018.

Pursuant to the Shareholders Agreement in July 2015, the Group has a put option to sell its remaining 20 per cent. interest to the majority shareholder of MCB at any time during the 5 years from 3rd November, 2017 (the “Put Option”). The fair value of the Put Option was included in “Other financial asset” of the Group’s consolidated statement of financial position with a segment gain of HK\$0.1 million for the Period (2016 — loss of HK\$0.5 million) from the change in fair value included in the banking business segment results.

Corporate Finance and Securities Broking

Lippo Securities Holdings Limited (the wholly-owned securities arm of the Company) and its subsidiaries continued to face challenges in their operations amidst competition. This segment registered a total revenue of HK\$8 million for the Period (2016 — HK\$9 million) and the loss of this segment was HK\$6 million for the Period (2016 — HK\$5 million).

Segment assets as at 30th September, 2017 decreased to HK\$344 million (31st March, 2017 — HK\$872 million), mainly due to the corresponding reduction of client money held in trust. Accordingly, segment liabilities also decreased to HK\$457 million (31st March, 2017 — HK\$988 million).

Financial Position

The Group's financial position remained healthy. As at 30th September, 2017, its total assets amounted to HK\$11.7 billion (31st March, 2017 — HK\$11.9 billion). Property-related assets amounted to HK\$10.5 billion as at 30th September, 2017 (31st March, 2017 — HK\$10.2 billion), representing 90 per cent. (31st March, 2017 — 85 per cent.) of total assets. Total liabilities as at 30th September, 2017 decreased to HK\$1.3 billion (31st March, 2017 — HK\$1.9 billion), mainly due to the corresponding reduction of client money held in trust under corporate finance and securities broking business. The Group maintained a strong liquidity position. Total cash and cash equivalents as at 30th September, 2017 amounted to HK\$553 million (31st March, 2017 — HK\$537 million). Current ratio as at 30th September, 2017 amounted to 1.3 (31st March, 2017 — 1.2).

As at 30th September, 2017, the Group's bank and other borrowings amounted to HK\$479 million (31st March, 2017 — HK\$477 million). The bank loans were denominated in Hong Kong dollars, carried interest at floating rate and were not repayable within one year. Where appropriate, the Group would use interest rate swaps to modify the interest rate characteristics of its borrowings to limit interest rate exposure. The gearing ratio (measured as total borrowings to equity attributable to equity holders of the Company) was 4.6 per cent. as at 30th September, 2017 (31st March, 2017 — 4.8 per cent.).

The net asset value attributable to equity holders of the Group remained strong and amounted to HK\$10.3 billion as at 30th September, 2017 (31st March, 2017 — HK\$10.0 billion). This was equivalent to HK\$5.2 per share (31st March, 2017 — HK\$5.0 per share).

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

To secure bank facilities made available to the Group's securities broking operation, certain bank deposits were pledged. Such bank facilities had not been utilised at the end of the Period. Save as aforesaid, the Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Period (31st March, 2017 — Nil).

The Group's commitments, mainly related to the property and securities investments, amounted to HK\$7 million as at 30th September, 2017 (31st March, 2017 — HK\$8 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 73 employees as at 30th September, 2017 (30th September, 2016 — 80 employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Period amounted to HK\$17 million (2016 — HK\$17 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 global economy's upward momentum is expected to continue into 2018 despite lingering uncertainties and downside risks mentioned above as well as the planned reversion of quantitative easing or alike in the US and Euro zone. The OUE Group's hospitality division is poised to benefit from higher demand in the light of the return of large biennial events in Singapore in 2018 amidst new hotel room supply coming on stream. The rebound of the office and retail markets in Singapore on the back of stronger economic fundamentals and more positive market sentiment would help foster the OUE Group's premier office and mall leasing although underlying occupier demand remains uncertain. The office rental outlook for the US and the PRC is soft due to increasing supply.

The PRC's latest committed near to long-term development plans and goals coupled with the Belt and Road Initiative and the US's favourable proposed tax reform could bring about enormous business opportunities. The Group will take a prudent approach in managing its investments and assessing new opportunities in order to achieve sustainable growth and enhance shareholder value.

INTERIM DIVIDEND

The Directors have resolved to declare the payment of an interim dividend of HK1 cent (2016 — HK1 cent) per share amounting to approximately HK\$20 million for the Period (2016 — approximately HK\$20 million), which will be paid on or about Thursday, 25th January, 2018 to shareholders whose names appear on the Company's Register of Members on Friday, 12th January, 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 10th January, 2018 to Friday, 12th January, 2018 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend for the Period, 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, 9th January, 2018.

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

During the Period, 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 King Fai Tsui (Chairman), Mr Albert Saychuan Cheok and Mr Victor Ha Kuk Yung and one non-executive Director, Mr Leon Nim Leung Chan. 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 Group for the Period.

CORPORATE GOVERNANCE

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

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 to the Listing Rules for the Period.

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

29th November, 2017

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

* *For identification purpose only*