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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 NINE MONTHS ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of Hongkong Chinese Limited (the “**Company**”) announces the consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 31 December 2020 (the “**Period**”) together with comparative figures for the year ended 31 March 2020 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2020

	Note	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
Continuing operations			
Revenue	4	82,526	71,438
Cost of sales	6	(17,639)	(1,643)
Gross profit		64,887	69,795
Administrative expenses		(33,634)	(38,183)
Other operating expenses	6	(29,342)	(38,111)
Other gains – net	5	12,725	853
Finance costs		(9,356)	(19,192)
Share of results of associates		6,590	24,520
Share of results of joint ventures	7	(966,114)	433,852
Profit/(Loss) before tax from continuing operations	6	(954,244)	433,534
Income tax	8	(9,968)	(2,908)
Profit/(Loss) for the period/year from continuing operations		(964,212)	430,626
Discontinued operation			
Profit/(Loss) for the period/year from discontinued operation	9	134,599	(7,021)
Profit/(Loss) for the period/year		(829,613)	423,605
Attributable to:			
Equity holders of the Company		(829,662)	424,838
Non-controlling interests		49	(1,233)
		(829,613)	423,605
		HK cents	HK cents (Restated)
Earnings/(Loss) per share attributable to equity holders of the Company	10		
Basic and diluted			
– For profit/(loss) for the period/year		(41.5)	21.3
– For profit/(loss) from continuing operations		(48.2)	21.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2020

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Profit/(Loss) for the period/year	(829,613)	423,605
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	47,552	(35,953)
Exchange differences reclassified to profit or loss upon liquidation of foreign operations	(5,720)	–
Share of other comprehensive income/(loss) of joint ventures:		
Exchange differences on translation of foreign operations	712,071	(502,169)
Other reserves	(14,167)	(50,719)
Adjustment for disposal of interests in a joint venture	282	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax	740,018	(588,841)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity instruments at fair value through other comprehensive income	24	(26)
Share of changes in fair value of equity instruments at fair value through other comprehensive income of joint ventures	90,561	54,920
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	90,585	54,894
Other comprehensive income/(loss) for the period/year, net of tax	830,603	(533,947)
Total comprehensive income/(loss) for the period/year	990	(110,342)
Attributable to:		
Equity holders of the Company	(636)	(107,864)
Non-controlling interests	1,626	(2,478)
	990	(110,342)
Total comprehensive income/(loss) for the period/year attributable to equity holders of the Company:		
– From continuing operations	(136,036)	(100,644)
– From discontinued operation	135,400	(7,220)
	(636)	(107,864)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December 2020	31 March 2020
	Note	HK\$'000	HK\$'000
Non-current assets			
Fixed assets		22,854	26,777
Investment properties		152,385	138,207
Right-of-use assets		510	–
Interests in associates		411,510	375,999
Interests in joint ventures	7	10,174,850	10,319,111
Financial assets at fair value through other comprehensive income		97	69
Financial assets at fair value through profit or loss		2,880	2,900
Other financial asset		–	46,780
		10,765,086	10,909,843
Current assets			
Properties held for sale		69,298	80,732
Properties under development		31,509	30,179
Loans and advances		8,827	7,041
Debtors, prepayments and other assets	12	4,351	3,334
Financial assets at fair value through profit or loss		11,121	11,121
Tax recoverable		120	150
Cash and cash equivalents		198,489	135,169
		323,715	267,726
Current liabilities			
Bank and other borrowings		145,417	–
Lease liabilities		267	–
Other payables, accruals and other liabilities		54,578	33,356
Tax payable		52,693	48,775
		252,955	82,131
Net current assets		70,760	185,595
Total assets less current liabilities		10,835,846	11,095,438

	31 December 2020 HK\$'000	31 March 2020 HK\$'000
Non-current liabilities		
Bank and other borrowings	130,000	491,667
Lease liabilities	254	–
Deferred tax liabilities	17,836	15,483
	148,090	507,150
Net assets	10,687,756	10,588,288
Equity		
Equity attributable to equity holders of the Company		
Share capital	1,998,280	1,998,280
Reserves	8,669,459	8,571,617
	10,667,739	10,569,897
Non-controlling interests	20,017	18,391
	10,687,756	10,588,288

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 (the “**Listing Rules**”) 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 31 March 2020, except for the adoption of the revised HKFRSs as disclosed in Note 2 to the final results.

Change of financial year end date

Pursuant to a resolution of the Board of Directors passed on 18 September 2020, the Company’s financial year end date was changed from 31 March to 31 December. Accordingly, the current financial period covers a 9-month period from 1 April 2020 to 31 December 2020. The comparative figures cover a 12-month period from 1 April 2019 to 31 March 2020, which may not be comparable with amounts shown for the current period.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current period’s final results:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The application of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs has had no significant financial effect on the final results.

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 the letting and resale of properties;
- (b) the property development segment includes the development and sale of properties;
- (c) the treasury investment segment includes investments in money markets;
- (d) the securities investment segment includes investments in securities that are held for trading and for long-term strategic purposes; and
- (e) the “other” segment comprises principally money lending and the provision of project management services.

The banking business segment which engages in the provision of commercial and retail banking services was classified as discontinued operation during the nine months ended 31 December 2020 (Note 9).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource 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.

Nine months ended 31 December 2020

	Continuing operations						Discontinued operation	Consolidated HK\$'000
	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Other HK\$'000	Consolidated HK\$'000	Banking business HK\$'000	
Revenue – external	<u>50,250</u>	<u>29,221</u>	<u>224</u>	<u>226</u>	<u>2,605</u>	<u>82,526</u>	<u>–</u>	<u>82,526</u>
Segment results	<u>38,515</u>	<u>15,060</u>	<u>224</u>	<u>687</u>	<u>2,285</u>	<u>56,771</u>	<u>134,883</u>	<u>191,654</u>
Unallocated corporate expenses						(51,491)	–	(51,491)
Share of results of associates	–	6,590	–	–	–	6,590	–	6,590
Share of results of joint ventures	(967,490)	1,376	–	–	–	(966,114)	(284)	(966,398)
Profit/(Loss) before tax						<u>(954,244)</u>	<u>134,599</u>	<u>(819,645)</u>
Segment assets	177,143	90,825	186,523	14,098	10,129	478,718	–	478,718
Interests in associates	6,963	404,547	–	–	–	411,510	–	411,510
Interests in joint ventures	10,173,212	1,638	–	–	–	10,174,850	–	10,174,850
Unallocated assets						23,723	–	23,723
Total assets						<u>11,088,801</u>	<u>–</u>	<u>11,088,801</u>
Segment liabilities	280,310	11,655	–	–	1,636	293,601	–	293,601
Unallocated liabilities						107,444	–	107,444
Total liabilities						<u>401,045</u>	<u>–</u>	<u>401,045</u>
Other segment information:								
Capital expenditure (<i>Note</i>)	152	–	–	–	–	152	–	152
Depreciation	(252)	–	–	–	(281)	(533)	–	(533)
Interest income	46,066	–	224	–	176	46,466	–	46,466
Finance costs	(9,329)	–	–	–	(27)	(9,356)	–	(9,356)
Gain on disposal of interests in a joint venture	–	–	–	–	–	–	181,663	181,663
Provisions for impairment losses on:								
An associate	–	–	–	–	(107)	(107)	–	(107)
Properties held for sale	(620)	–	–	–	–	(620)	–	(620)
Properties under development	–	(149)	–	–	–	(149)	–	(149)
Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations	–	5,714	–	–	6	5,720	–	5,720
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	585	–	585	(46,780)	(46,195)
Net fair value gain on investment properties	5,960	–	–	–	–	5,960	–	5,960
Unallocated:								
Capital expenditure (<i>Note</i>)						301		301
Depreciation						(4,368)		(4,368)
Loss on disposal of fixed assets						(628)		(628)

Year ended 31 March 2020 (restated)

	Continuing operations						Discontinued operation	Consolidated HK\$'000
	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Other HK\$'000	Consolidated HK\$'000	Banking business HK\$'000	
Revenue – external	<u>68,243</u>	<u>–</u>	<u>1,048</u>	<u>708</u>	<u>1,439</u>	<u>71,438</u>	<u>–</u>	<u>71,438</u>
Segment results	<u>47,571</u>	<u>(3,871)</u>	<u>1,048</u>	<u>(3,255)</u>	<u>(2,138)</u>	39,355	(2,307)	37,048
Unallocated corporate expenses						(64,193)	–	(64,193)
Share of results of associates	–	24,520	–	–	–	24,520	–	24,520
Share of results of joint ventures	433,874	(22)	–	–	–	433,852	(4,714)	429,138
Profit/(Loss) before tax						<u>433,534</u>	<u>(7,021)</u>	<u>426,513</u>
Segment assets	174,709	99,930	112,951	14,090	7,085	408,765	46,780	455,545
Interests in associates	6,290	369,646	–	–	63	375,999	–	375,999
Interests in joint ventures	10,189,628	190	–	–	–	10,189,818	129,293	10,319,111
Unallocated assets						<u>26,914</u>	<u>–</u>	<u>26,914</u>
Total assets						<u>11,001,496</u>	<u>176,073</u>	<u>11,177,569</u>
Segment liabilities	494,685	9,177	–	–	–	503,862	–	503,862
Unallocated liabilities						<u>85,419</u>	<u>–</u>	<u>85,419</u>
Total liabilities						<u>589,281</u>	<u>–</u>	<u>589,281</u>
Other segment information:								
Capital expenditure (<i>Note</i>)	171	–	–	–	–	171	–	171
Depreciation	(24)	(2)	–	–	–	(26)	–	(26)
Interest income	61,254	–	1,048	–	246	62,548	–	62,548
Finance costs	(19,192)	–	–	–	–	(19,192)	–	(19,192)
Write-back of provisions/(Provisions) for impairment losses on:								
An associate	–	–	–	–	(41)	(41)	–	(41)
A joint venture	–	3,400	–	–	–	3,400	–	3,400
Properties under development	–	(140)	–	–	–	(140)	–	(140)
Net fair value loss on financial instruments at fair value through profit or loss	–	–	–	(3,860)	–	(3,860)	(2,307)	(6,167)
Net fair value gain on investment properties	4,208	–	–	–	–	4,208	–	4,208
Unallocated:								
Capital expenditure (<i>Note</i>)						1,584		1,584
Depreciation						<u>(5,920)</u>		<u>(5,920)</u>

Note: Capital expenditure includes additions to fixed assets.

Geographical information

(a) Revenue from external customers

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Hong Kong	757	857
Mainland China	31,175	4,052
Republic of Singapore	41,173	53,786
Indonesia	7,042	9,670
Other	2,379	3,073
	<u>82,526</u>	<u>71,438</u>

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

(b) Non-current assets

	31 December 2020 HK\$'000	31 March 2020 HK\$'000
Hong Kong	351	2,002
Macau	–	129,293
Mainland China	78,509	75,602
Republic of Singapore	10,475,651	10,467,699
Indonesia	142,158	130,704
Other	65,440	54,794
	<u>10,762,109</u>	<u>10,860,094</u>

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

Information about major customers

For the nine months ended 31 December 2020, revenue of approximately HK\$38,276,000 (year ended 31 March 2020 – HK\$51,584,000) was derived from interest income from a major customer in the property investment segment and HK\$28,740,000 (year ended 31 March 2020 – Nil) was derived from sale of properties by the property development segment to a major customer. For the year ended 31 March 2020, revenue of approximately HK\$9,670,000 was derived from interest income from a major customer in the property investment segment.

4. REVENUE

An analysis of revenue from continuing operations is as follows:

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Revenue from contracts with customers:		
Sale of properties	29,221	–
Provision of project management services	1,642	1,110
	<u>30,863</u>	<u>1,110</u>
Revenue from other sources:		
Property rental income from operating leases	4,184	6,989
Interest income	46,466	62,548
Dividend income	226	708
Other	787	83
	<u>82,526</u>	<u>71,438</u>

Revenue from contracts with customers Disaggregated revenue information

	Nine months ended 31 December 2020			Year ended 31 March 2020
Segments	Property development HK\$'000	Other HK\$'000	Total HK\$'000	Other HK\$'000
Types of goods or services:				
Sale of properties	29,221	–	29,221	–
Provision of project management services	–	1,642	1,642	1,110
Total revenue from contracts with customers	<u>29,221</u>	<u>1,642</u>	<u>30,863</u>	<u>1,110</u>
Geographical markets:				
Mainland China	29,221	–	29,221	–
Republic of Singapore	–	1,642	1,642	1,110
Total revenue from contracts with customers	<u>29,221</u>	<u>1,642</u>	<u>30,863</u>	<u>1,110</u>
Timing of revenue recognition:				
Goods transferred at a point in time	29,221	–	29,221	–
Services transferred over time	–	1,642	1,642	1,110
Total revenue from contracts with customers	<u>29,221</u>	<u>1,642</u>	<u>30,863</u>	<u>1,110</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Nine months ended 31 December 2020			Year ended 31 March 2020
	Property development HK\$'000	Other HK\$'000	Total HK\$'000	Other HK\$'000
Revenue from contracts with external customers	29,221	1,642	30,863	1,110
Revenue from other sources – external	–	963	963	329
Total segment revenue	<u>29,221</u>	<u>2,605</u>	<u>31,826</u>	<u>1,439</u>

5. OTHER GAINS – NET

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Net fair value gain/(loss) on financial instruments at fair value through profit or loss:		
Financial assets at fair value through profit or loss held for trading:		
Equity securities	1,292	(4,026)
Investment funds	(732)	186
Other financial assets mandatorily classified at fair value through profit or loss:		
Debt securities	(20)	(40)
Investment funds	45	20
	<u>585</u>	<u>(3,860)</u>
Loss on disposal of fixed assets	(628)	–
Net fair value gain on investment properties	5,960	4,208
Write-back of provisions/(Provisions) for impairment losses on:		
An associate	(107)	(41)
A joint venture	–	3,400
Properties held for sale	(620)	–
Properties under development	(149)	(140)
Foreign exchange gains/(losses) – net	1,964	(2,714)
Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations	<u>5,720</u>	<u>–</u>
	<u>12,725</u>	<u>853</u>

6. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Cost of sales:		
Cost of properties sold	(15,885)	–
Other	(1,754)	(1,643)
	<u>(17,639)</u>	<u>(1,643)</u>
Interest income:		
Loans and advances	46,242	61,500
Other	224	1,048
Depreciation of fixed assets	(4,624)	(5,946)
Depreciation of right-of-use assets	(277)	–
Legal and professional fees [#]	(4,799)	(7,695)
Consultancy and service fees [#]	(17,645)	(19,840)

[#] The amounts are included in “Other operating expenses” in the consolidated statement of profit or loss.

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

Share of results of joint ventures for the nine months ended 31 December 2020 mainly included share of loss in Lippo ASM Asia Property Limited (“**LAAPL**”) of HK\$957,501,000 (year ended 31 March 2020 – share of profit of HK\$439,522,000). The share of loss for the nine months ended 31 December 2020 was mainly attributable to net fair value losses on investment properties and impairment losses on fixed assets.

LAAPL is a joint venture set up to hold the controlling stake in OUE Limited (“**OUE**”, together with its subsidiaries, the “**OUE Group**”). OUE is listed on the Mainboard of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). OUE is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. Certain bank facilities under LAAPL were secured by certain listed shares held under it.

8. INCOME TAX

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Hong Kong:		
Charge for the period/year	1,533	2,243
Overprovision in prior years	–	(2)
Deferred	(162)	219
	<u>1,371</u>	<u>2,460</u>
Mainland China and overseas:		
Charge for the period/year	6,964	213
Overprovision in prior years	–	(163)
Deferred	1,633	398
	<u>8,597</u>	<u>448</u>
Total charge for the period/year from continuing operations	<u><u>9,968</u></u>	<u><u>2,908</u></u>

Hong Kong profits tax has been provided at the rate of 8.25% or 16.5% (year ended 31 March 2020 – 8.25% or 16.5%), as appropriate. For the companies operating in mainland China and the Republic of Singapore, corporate taxes have been calculated on the estimated assessable profits for the period/year at the rates of 25% and 17% (year ended 31 March 2020 – 25% and 17%), respectively. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

9. DISCONTINUED OPERATION

In September 2020, the Group disposed of its remaining 20% interest in The Macau Chinese Bank Limited (“MCB”, a joint venture of the Company). After the disposal, the Group ceased its banking business. Accordingly, the banking business was classified as discontinued operation. The put option to sell its 20% interest to the majority shareholder of MCB (the “Put Option”) ceased to have effect upon the completion of the disposal.

The results of the banking business for the period/year are presented below:

		Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
	Note		
Fair value loss on financial instrument at fair value through profit or loss		(46,780)	(2,307)
Share of results of a joint venture		(284)	(4,714)
Loss before tax		(47,064)	(7,021)
Income tax		–	–
Loss after tax from discontinued operation		(47,064)	(7,021)
Gain on disposal of discontinued operation		181,663	–
Profit/(Loss) for the period/year from discontinued operation		134,599	(7,021)
Other comprehensive income			
Share of fair value reserve of financial assets at fair value through other comprehensive income of a joint venture		519	(199)
Release of cumulative fair value reserve of financial assets at fair value through other comprehensive income from discontinued operation upon disposal		282	–
Other comprehensive income/(loss) from discontinued operation		801	(199)
Total comprehensive income/(loss) for the period/year from discontinued operation		135,400	(7,220)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company	10		
Basic and diluted			
– For profit/(loss) from discontinued operation		6.7	(0.3)

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the period/year attributable to equity holders of the Company; and (ii) the weighted average number of approximately 1,998,280,000 ordinary shares (year ended 31 March 2020 – approximately 1,998,280,000 ordinary shares) in issue during the period/year.

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
Consolidated profit/(loss) attributable to equity holders of the Company:		
From continuing operations	(964,261)	431,859
From discontinued operation	134,599	(7,021)
	<u>(829,662)</u>	<u>424,838</u>

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the nine months ended 31 December 2020 and the year ended 31 March 2020.

11. DIVIDENDS

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Interim dividend, declared, of HK1 cent (year ended 31 March 2020 – HK1 cent) per ordinary share	19,983	19,983
Final dividend, proposed, of HK0.75 cents (year ended 31 March 2020 – HK1 cent) per ordinary share	14,987	19,983
Special dividend, proposed, of Nil (year ended 31 March 2020 – HK1 cent per ordinary share)	–	19,983
	<u>34,970</u>	<u>59,949</u>

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

12. DEBTORS, PREPAYMENTS AND OTHER ASSETS

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

	31 December 2020 HK\$'000	31 March 2020 HK\$'000
Outstanding balances with ages:		
Within 30 days	25	36
Between 31 and 60 days	25	–
	50	36

13. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (Note 9).

BUSINESS REVIEW

Overview

Businesses across the world experienced the far-reaching, devastating impacts of the COVID-19 coronavirus pandemic (the “**Pandemic**”) during the Period. Against this backdrop, the Group and its joint ventures were able to effect disposal of certain assets resulting in the strengthening of their financial position to weather the ongoing challenging situation.

Results for the Period

The Group recorded a consolidated loss attributable to shareholders of approximately HK\$830 million for the Period, as compared to a consolidated profit of approximately HK\$425 million for the year ended 31 March 2020. The loss was largely due to share of loss of joint ventures (which loss was mainly attributable to overall net fair value losses on investment properties and impairment losses on fixed assets) while partially offset by the profit arising from the disposal by the Group of a joint venture during the Period.

Property investment and development businesses contributed to 96% (Previous Year – 96%) of total revenue from continuing operations for the Period. Revenue from continuing operations for the Period increased to approximately HK\$83 million (Previous Year – approximately HK\$71 million). The increase was mainly attributable to the completion of sale of the Group’s properties held for sale during the Period.

In September 2020, the Group disposed of its remaining 20% interest in MCB for an aggregate consideration of approximately MOP322 million (approximately HK\$312 million). After the disposal, the Group has ceased its banking business. Accordingly, the results of the banking business were classified as discontinued operation. The Group recognised a gain on disposal of joint venture of approximately HK\$182 million for the Period. After accounting for the fair value loss on derecognition of the Put Option in respect of MCB of approximately HK\$47 million, as the Put Option ceased to have effect upon completion of the disposal, profit arising from the disposal of the joint venture amounted to approximately HK\$135 million. Together with the share of loss of MCB of approximately HK\$0.3 million for the Period (Previous Year – approximately HK\$5 million), the net profit of the banking business was approximately HK\$135 million for the Period (Previous Year – loss of approximately HK\$7 million).

The Group’s other operating expenses mainly included legal and professional fees and consultancy and service fees. Other operating expenses from continuing operations amounted to approximately HK\$29 million for the Period (Previous Year – approximately HK\$38 million).

Property Investment

Segment revenue from the property investment business was mainly attributable to recurrent rental income from the Group's investment properties and interest income from the loans to joint ventures of the Company. Segment revenue for the Period amounted to approximately HK\$50 million (Previous Year – approximately HK\$68 million). Segment profit for the Period before accounting for the share of results from the Group's joint ventures amounted to approximately HK\$39 million (Previous Year – approximately HK\$48 million).

LAAPL (together with its subsidiaries, the “**LAAPL Group**”), a principal joint venture of the Company, is the vehicle holding a controlling stake of approximately 70.1% equity interest in OUE as at 31 December 2020. OUE is listed on the Mainboard of the SGX-ST. The OUE Group is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. It directly owns Downtown Gallery, a lifestyle retail mall in Singapore of approximately 14,000 sq.m.

In June 2020, the OUE Group completed the acquisition of plots of land with a total area of approximately 8,000 sq.m. in a prime location in the central business district in South Jakarta, Indonesia for a consideration of IDR1,316 billion (approximately HK\$684 million). In September 2020, it completed the disposal of U.S. Bank Tower in Los Angeles, California, the United States of America for a consideration of US\$430 million (approximately HK\$3.3 billion).

The LAAPL Group had in aggregate an approximately 48.9% interest in OUE Commercial Real Estate Investment Trust (“**OUE C-REIT**”, listed on the Mainboard of the SGX-ST) (including the OUE Group's 48.0% interest therein) as at 31 December 2020. OUE C-REIT's portfolio of 7 high-quality prime properties includes OUE Bayfront, One Raffles Place, OUE Downtown Office, 1,077-room Mandarin Orchard Singapore, the adjoining Mandarin Gallery and the 563-room Crowne Plaza Changi Airport in Singapore as well as the properties at Lippo Plaza in Shanghai, the People's Republic of China (the “**PRC**”) with more than 200,000 sq.m. of office and retail space and 1,640 upscale hotel rooms. It is one of the largest diversified REITs listed on the Mainboard of the SGX-ST and had total assets of approximately S\$6.8 billion (approximately HK\$39.7 billion) as at 31 December 2020. The Pandemic significantly impacted the OUE Group's operating performance across all its businesses during the Period. While its office segment remained resilient, leasing demand was inhibited by weak economic outlook, business uncertainties and the containment measures imposed by the Singapore Government. The OUE Group provided rental and other relief to tenants across its portfolio in order to support them in difficult times and to foster long-term relationships. The office segment committed occupancy and the retail segment committed occupancy of OUE C-REIT's portfolio were 92.7% and 91.1% respectively as at 31 December 2020. The room rates and occupancy as well as food and beverage sales of the hospitality business declined significantly due to travel and mobility restrictions and containment measures as compared to the Previous Year.

In January 2021, OUE C-REIT announced the divestment of a 50% interest in OUE Bayfront which has an agreed value of S\$1,267.5 million (approximately HK\$7.4 billion). Such divestment will enable OUE C-REIT to realise the value of capital appreciation of the property over time and to increase its financial flexibility. Mandarin Orchard Singapore will commence the phased asset enhancement works for adding new income generating spaces and refreshed food & beverage offerings as well as transformational re-branding to Hilton Singapore Orchard so as to tap on Hilton's strong branding and global sales and distribution network for the higher yielding leisure and corporate travellers.

The OUE Group had, as at 31 December 2020, an approximately 64.4% equity interest in OUE Lippo Healthcare Limited ("**OUELH**", together with its subsidiaries, the "**OUELH Group**") in Singapore which is listed on the Catalist Board of the SGX-ST. The OUELH Group with a three-pronged growth strategy provides high-quality and sustainable healthcare solutions through the acquisition, development, management and operations of healthcare facilities across Asia. It owns 12 quality nursing homes in Japan which continued to provide stable rental revenue. It has been focusing on improving and enhancing Wuxi Lippo Xi Nan Hospital's operations, services and marketing efforts as well as refurbishment. In December 2020, its 50:50 joint venture with the China Merchants group secured a 19.5 years' lease on premises with a total gross floor area of about 25,000 square metres in Changshu city, Jiangsu Province, the PRC for setting up and operating a hospital to be named as Changshu China Merchants-Lippo Obstetrics & Gynaecology Hospital which is expected to be commissioned in 2023. The joint venture hospital with the China Merchants group under development in Prince Bay, Shenzhen, the PRC is expected to be commissioned in 2024. The OUELH Group's joint ventures in Myanmar which own and operate 3 hospitals and 4 clinics remained in operation throughout 2020 despite the Pandemic. It also owns a piece of land in Chengdu, the PRC which is planned for an integrated hospital development, land and building in Wuxi, the PRC, as well as a strategically located site in Kuala Lumpur, Malaysia.

As at 31 December 2020, the OUE Group, through the OUELH Group and First REIT Management Limited (formerly Bowsprit Capital Corporation Limited, the manager of First Real Estate Investment Trust ("**First REIT**") which is listed on the Mainboard of the SGX-ST) had an approximately 19.7% interest in First REIT. First REIT is a healthcare real estate investment trust which invests in a diversified portfolio of income-producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare related purposes. As at 31 December 2020, First REIT had 20 properties comprising 16 in Indonesia, 3 in Singapore and 1 in South Korea. During the Period, it provided rental and other relief to its tenants in light of the Pandemic. It has also restructured the master leases for its Indonesian hospital assets for future sustainable growth. The OUE Group's interest in First REIT was increased to approximately 27.3% on 24 February 2021 following its participation in First REIT's rights issue of units carried out for facilitating First REIT's refinancing and stable capital structure.

The Group recorded a share of loss of joint ventures of approximately HK\$958 million from its investment in LAAPL for the Period (Previous Year – share of profit of approximately HK\$440 million). The loss was mainly resulted from overall net fair value losses on investment properties and impairment losses on fixed assets during the Period. Due to the appreciation of the Singapore dollar during the Period, the Group shared an increase in exchange reserve on translation of LAAPL's investment of approximately HK\$698 million. Besides, the Group recorded an increase in interest in LAAPL of approximately HK\$158 million as a result of the share buyback of OUE during the Period. As a result, the Group's total interests in LAAPL as at 31 December 2020 decreased to approximately HK\$10.0 billion (31 March 2020 – approximately HK\$10.1 billion).

Property Development

The Group managed to sell part of the remaining properties at Lippo Plaza in Beijing, the PRC during the Period. Segment revenue was approximately HK\$29 million (Previous Year – Nil). Before accounting for the share of results from the Group's associates and joint ventures, the segment recorded a profit of approximately HK\$15 million for the Period (Previous Year – loss of approximately HK\$4 million).

Sale of some of the remaining units of the luxurious Marina Collection in Sentosa, Singapore (in which the Group has a 50% interest) was completed during the Period. A portion of the remaining units is leased out. The Group shared a profit of associate of approximately HK\$7 million (Previous Year – approximately HK\$25 million) from the investment.

Treasury and Securities Investments

The Group managed its investment portfolio and looked for opportunities to enhance yields. Total revenue from treasury and securities investments businesses for the Period amounted to approximately HK\$0.5 million (Previous Year – approximately HK\$2 million). The treasury and securities investments businesses recorded a net profit of approximately HK\$1 million for the Period (Previous Year – loss of approximately HK\$2 million).

Financial Position

The Group's financial position remained healthy. As at 31 December 2020, its total assets amounted to approximately HK\$11.1 billion (31 March 2020 – approximately HK\$11.2 billion). Property-related assets amounted to approximately HK\$10.9 billion as at 31 December 2020 (31 March 2020 – approximately HK\$10.8 billion), representing approximately 98% (31 March 2020 – approximately 97%) of total assets. Total liabilities as at 31 December 2020 decreased to approximately HK\$401 million (31 March 2020 – approximately HK\$589 million), mainly due to the reduction of borrowings during the Period. Total cash and cash equivalents as at 31 December 2020 increased to approximately HK\$198 million (31 March 2020 – approximately HK\$135 million). Current ratio as at 31 December 2020 was 1.3 (31 March 2020 – 3.3).

As at 31 December 2020, the Group's bank and other borrowings amounted to approximately HK\$275 million (31 March 2020 – approximately HK\$492 million), which included bank loans of approximately HK\$145 million (31 March 2020 – approximately HK\$492 million) and loan from a holding company of approximately HK\$130 million (31 March 2020 – Nil). The bank loans were denominated in Hong Kong dollars and carried interest at floating rate. The loan from a holding company was an unsecured fixed rate loan denominated in Hong Kong dollars. Where appropriate, the Group would use interest rate swaps to modify the interest rate characteristics of its borrowings to limit interest rate exposure. As at 31 December 2020, approximately 53% (31 March 2020 – Nil) of the bank and other borrowings were repayable within one year. The gearing ratio (measured as total borrowings to equity attributable to equity holders of the Company) was 2.6% as at 31 December 2020 (31 March 2020 – 4.7%).

The net asset value attributable to equity holders of the Company remained satisfactory and amounted to approximately HK\$10.7 billion as at 31 December 2020 (31 March 2020 – approximately HK\$10.6 billion). This was equivalent to HK\$5.3 per share (31 March 2020 – 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, swaps and currency loans would be used to manage the foreign exchange exposure.

The Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Period (31 March 2020 – Nil).

The Group's commitments amounted to approximately HK\$0.1 million as at 31 December 2020 (31 March 2020 – approximately HK\$0.6 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 number of employees of the Group increased to 41 as at 31 December 2020 (31 March 2020 – 39 employees). Staff costs (including Directors' emoluments) charged to the statement of profit or loss during the Period amounted to approximately HK\$23 million (Previous Year – approximately HK\$24 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 rollout of vaccination programmes shows signs of positive effects on curtailing the prolonged Pandemic. Governments are gradually relaxing travel and mobility restrictions aiming at revitalisation of individual economies and businesses. However, it will still take some time for the Pandemic to be subdued and the global and local economic activities to recover to pre-Pandemic levels, besides other persistent economic and political uncertainties. As a result, the Group and its joint ventures remain cautious towards the outlook of their businesses in different sectors in the near term.

The Group and its joint ventures will continue to take proactive measures to mitigate unprecedented adverse impacts on their businesses. They will also continue to prudently manage financial resources and expenditure and implement business strategies for long-term sustainability and growth.

DIVIDENDS

The Directors have resolved to recommend to shareholders at the forthcoming Annual General Meeting of the Company to be held on Tuesday, 8 June 2021 (the “**AGM**”) the payment of a final dividend of HK0.75 cents per share (Previous Year – a final dividend of HK1 cent per share and a special dividend of HK1 cent per share) amounting to approximately HK\$15 million for the Period (the “**Final Dividend**”) (Previous Year – approximately HK\$40 million). Together with the interim dividend of HK1 cent per share (Previous Year – HK1 cent per share) paid in January 2021, the total dividends for the Period will be HK1.75 cents per share (Previous Year – HK3 cents per share) amounting to approximately HK\$35 million (Previous Year – approximately HK\$60 million). Subject to the approval of shareholders at the AGM, the Final Dividend will be paid on Friday, 25 June 2021 to shareholders whose names appear on the Company’s Register of Members on Thursday, 17 June 2021.

CLOSURE OF REGISTER OF MEMBERS

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

- (1) From Thursday, 3 June 2021 to Tuesday, 8 June 2021 (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 AGM. In order to be entitled to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tricor Tengis Limited (“**Tricor**”), the Company’s Branch Share Registrar in Hong Kong, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (the “**Tricor Address**”) not later than 4:30 p.m. on Wednesday, 2 June 2021; and
- (2) From Tuesday, 15 June 2021 to Thursday, 17 June 2021 (both dates inclusive) during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders’ entitlement to the Final Dividend. In order to qualify for the Final Dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tricor at the Tricor Address not later than 4:30 p.m. on Friday, 11 June 2021.

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.

CORPORATE GOVERNANCE

The Company is committed to ensuring a high standard of corporate governance practices. 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.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Committee**”). The existing members of the Committee comprise three independent non-executive Directors, namely Messrs King Fai Tsui (Chairman), Victor Ha Kuk Yung and Edwin Neo, 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 consolidated financial statements of the Group for the Period.

AUDITOR'S PROCEDURES ON THIS PRELIMINARY ANNOUNCEMENT

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 Period as set out in this preliminary announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Period. 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 Luen Wai Lee
Chief Executive Officer

30 March 2021

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 Victor Ha Kuk Yung, King Fai Tsui and Edwin Neo.

* For identification purpose only