



Hongkong Chinese Limited

香港華人有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 655)

2013
INTERIM REPORT

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The Directors of Hongkong Chinese Limited (the "Company") present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th September, 2013.

Condensed Consolidated Income Statement

For the six months ended 30th September, 2013

		Unaudited six months ended	
		30th September, 2013	30th June, 2012
	<i>Note</i>	HK\$'000	<i>HK\$'000</i> (Restated)
Revenue	3	1,927,797	50,810
Cost of sales		(1,164,156)	(7,160)
Gross profit		763,641	43,650
Administrative expenses		(39,831)	(52,136)
Other operating expenses		(54,013)	(42,698)
Finance costs		(654)	(11,828)
Share of results of associates		31,841	51,368
Share of results of joint ventures	4	68,035	(100,354)
Profit/(Loss) before tax	5	769,019	(111,998)
Income tax	6	(283,036)	(616)
Profit/(Loss) for the period		485,983	(112,614)
Attributable to:			
Equity holders of the Company		402,589	(112,264)
Non-controlling interests		83,394	(350)
		485,983	(112,614)
		HK cents	<i>HK cents</i>
Earnings/(Loss) per share attributable to equity holders of the Company	7		
Basic		20.1	(5.6)
Diluted		20.1	(5.6)

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2013

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

Condensed Consolidated Statement of Financial Position

As at 30th September, 2013

	Note	30th September, 2013 HK\$'000 (Unaudited)	31st March, 2013 HK\$'000 (Restated)
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		14,817	15,729
Investment properties		211,726	210,172
Interests in associates		503,151	693,182
Interests in joint ventures	4	8,413,136	8,260,368
Available-for-sale financial assets	9	105,931	106,370
Loans and advances	10	84,740	65,321
		9,404,986	9,422,627
Current assets			
Properties held for sale		9,000	9,005
Properties under development		1,598,926	2,410,402
Loans and advances	10	370,177	267,160
Debtors, prepayments and deposits	11	604,918	365,939
Available-for-sale financial assets	9	3,771	—
Financial assets at fair value through profit or loss	12	66,078	69,027
Client trust bank balances		323,076	356,002
Restricted cash		801,133	1,054,374
Treasury bills		29,100	9,700
Cash and bank balances		708,181	783,500
		4,514,360	5,325,109
Current liabilities			
Bank and other borrowings	13	112,290	286,915
Creditors, accruals and deposits received	14	2,417,037	3,585,440
Current, fixed, savings and other deposits of customers	15	330,970	266,786
Tax payable		159,077	2,445
		3,019,374	4,141,586
Net current assets		1,494,986	1,183,523
Total assets less current liabilities		10,899,972	10,606,150

Condensed Consolidated Statement of Financial Position (Continued)

As at 30th September, 2013

	Note	30th September, 2013 HK\$'000 (Unaudited)	31st March, 2013 HK\$'000 (Restated)
Non-current liabilities			
Bank and other borrowings	13	245,582	222,582
Deferred tax liabilities		43,384	45,174
		288,966	267,756
Net assets			
		10,611,006	10,338,394
Equity			
Equity attributable to equity holders of the Company			
Issued capital	16	1,998,280	1,998,280
Reserves	17	8,468,472	8,278,346
		10,466,752	10,276,626
Non-controlling interests		144,254	61,768
		10,611,006	10,338,394

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2013

	Unaudited													
	Attributable to equity holders of the Company													
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Legal reserve	Regulatory reserve	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve	Exchange equalisation reserve	Distributable reserves	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2013	1,998,280	92,775	—	22,144	7,854	2,691	336,919	36,074	—	1,085,962	6,693,927	10,276,626	61,768	10,338,394
Profit for the period	—	—	—	—	—	—	—	—	—	402,589	402,589	83,394	485,983	
Other comprehensive income/(loss) for the period	—	—	—	—	—	—	(6,386)	—	(4,018)	(123,947)	—	(134,351)	1,560	(132,791)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	(6,386)	—	(4,018)	(123,947)	402,589	268,238	84,954	353,192
Share of equity movements arising on equity transactions of joint ventures	—	—	—	—	—	—	—	—	—	—	(38,146)	(38,146)	—	(38,146)
Repayment to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(2,468)	(2,468)
Transfer of reserve	—	—	—	—	1,986	—	—	—	—	—	(1,986)	—	—	—
2012/2013 final distribution declared and paid to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	(39,966)	(39,966)	—	(39,966)
At 30th September, 2013	1,998,280	92,775	—	22,144	9,840	2,691	330,533	36,074	(4,018)	962,015	7,016,418	10,466,752	144,254	10,611,006
At 1st January, 2012	2,003,215	90,667	7,219	13,328	7,534	891	225,921	28,255	(4,336)	773,820	6,777,159	9,923,673	89,153	10,012,826
Loss for the period	—	—	—	—	—	—	—	—	—	—	(112,264)	(112,264)	(350)	(112,614)
Other comprehensive income/(loss) for the period	—	—	—	—	—	—	6,808	7,819	(96)	147,164	—	161,695	(157)	161,538
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	6,808	7,819	(96)	147,164	(112,264)	49,431	(507)	48,924
Repurchases of shares	(4,758)	—	—	4,758	—	—	—	—	—	—	(5,945)	(5,945)	—	(5,945)
Share of equity movements arising on equity transactions of joint ventures	—	—	—	—	—	—	—	—	—	—	181,831	181,831	—	181,831
Transfer of reserve	—	—	—	—	320	—	—	—	—	—	(320)	—	—	—
2011 final and special final distributions declared to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	(59,988)	(59,988)	—	(59,988)
At 30th June, 2012	1,998,457	90,667	7,219	18,086	7,854	891	232,729	36,074	(4,432)	920,984	6,780,473	10,089,002	88,646	10,177,648

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2013

	Unaudited	
	six months ended	
	30th September,	30th June,
	2013	2012
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Net cash flows from operating activities	93,597	334,817
Net cash flows from investing activities	152,831	1,372
Net cash flows used in financing activities	(106,736)	(288)
Net increase in cash and cash equivalents	139,692	335,901
Cash and cash equivalents at the beginning of period	592,212	427,139
Exchange realignments	5,377	(2,568)
Cash and cash equivalents at end of period	737,281	760,472
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	708,181	754,300
Treasury bills	29,100	7,760
Time deposits with original maturity of more than three months	—	(1,588)
	737,281	760,472

Notes to the Interim Financial Statements

1. Principal Accounting Policies

The interim financial statements 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.

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

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

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

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

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

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

1. Principal Accounting Policies (Continued)

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

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

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

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

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

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

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

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

2. Segment Information

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

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

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

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

2. Segment Information (Continued)

	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter- segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended										
30th September, 2013										
Revenue										
External	6,438	1,869,537	11,237	4,940	15,824	10,322	3,857	5,642	—	1,927,797
Inter-segment	—	—	—	—	—	—	298	2,763	(3,061)	—
Total	6,438	1,869,537	11,237	4,940	15,824	10,322	4,155	8,405	(3,061)	1,927,797
Segment results	1,058	674,449	11,160	1,536	(213)	1,516	(1,068)	2,170	(954)	689,654
Unallocated corporate expenses										(19,857)
Finance costs										(654)
Share of results of associates	—	31,848	—	—	—	—	—	(7)	—	31,841
Share of results of joint ventures	65,201	2,834	—	—	—	—	—	—	—	68,035
Profit before tax										769,019
Six months ended										
30th June, 2012 (restated)										
Revenue										
External	5,968	—	3,589	9,909	16,523	5,928	5,895	2,998	—	50,810
Inter-segment	—	—	—	—	—	—	296	1,319	(1,615)	—
Total	5,968	—	3,589	9,909	16,523	5,928	6,191	4,317	(1,615)	50,810
Segment results	1,949	(6,524)	3,379	5,555	(9,195)	63	(1,074)	1,653	(1,615)	(5,809)
Unallocated corporate expenses										(45,375)
Finance costs										(11,828)
Share of results of associates	—	51,368	—	—	—	—	—	—	—	51,368
Share of results of joint ventures	(99,960)	(394)	—	—	—	—	—	—	—	(100,354)
Loss before tax										(111,998)

3. Revenue

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

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

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

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

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

4. Share of Results of Joint Ventures/Interests in Joint Ventures

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

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

5. Profit/(Loss) before Tax

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

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

6. Income Tax

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

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

7. Earnings/(Loss) Per Share Attributable to Equity Holders of the Company

(a) Basic earnings/(loss) per share

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

(b) Diluted earnings/(loss) per share

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

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

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

8. Interim Distribution

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

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

9. Available-for-sale Financial Assets

	30th September, 2013	31st March, 2013
	HK\$'000	HK\$'000
Financial assets stated at fair value:		
Equity securities listed overseas	50	53
Debt securities listed in Hong Kong	53,224	51,609
Debt securities listed overseas	24,335	18,018
Unlisted debt securities	1,273	—
Unlisted investment funds	9,260	16,250
	88,142	85,930
Financial assets stated at cost:		
Unlisted equity securities	82,485	81,365
Unlisted debt securities	3,165	3,165
Provision for impairment losses	(64,090)	(64,090)
	21,560	20,440
	109,702	106,370
Less: Amount classified under current portion	(3,771)	—
Non-current portion	105,931	106,370

The debt securities bear interest at effective rates ranging from nil to 11 per cent. (31st March, 2013 — nil to 10 per cent.) per annum.

9. Available-for-sale Financial Assets (Continued)

An analysis of the issuers of available-for-sale financial assets is as follows:

	30th September, 2013 HK\$'000	31st March, 2013 HK\$'000
Equity securities:		
Corporate entities	82,535	81,418
Debt securities:		
Club debenture	3,165	3,165
Corporate entities	61,663	52,583
Banks and other financial institutions	17,169	17,044
	81,997	72,792

10. Loans and Advances

The loans and advances to customers of the Group bear interest at effective rates ranging from 3 per cent. to 9 per cent. (31st March, 2013 — 3 per cent. to 9 per cent.) per annum. Certain balances arising from securities broking and banking operations are secured by clients' properties, deposits and securities being held as collaterals with a carrying amount of HK\$798,592,000 (31st March, 2013 — HK\$1,090,619,000).

At the end of the reporting period, the overdue or impaired balances are related to securities broking, banking and money lending operations. Movements of the allowance for bad and doubtful debts during the period are as follows:

	Six months ended	
	30th September, 2013 HK\$'000	30th June, 2012 HK\$'000
Balance at beginning of period	6,770	8,450
Allowance for bad and doubtful debts	127	233
Impairment allowance released	(3,687)	—
Balance at end of period	3,210	8,683

11. Debtors, Prepayments and Deposits

Debtors, prepayments and deposits mainly comprised of trade receivables from the property development project of the Group of HK\$418,449,000 (31st March, 2013 — Nil), and receivables in respect of the Group's securities broking operation of HK\$49,165,000 (31st March, 2013 — HK\$45,558,000).

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

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

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

At the end of the reporting period, other receivables of HK\$21,875,000 (31st March, 2013 — HK\$21,875,000) related to securities broking operation and a property development project were impaired and provided for. The Group does not hold any collateral or other credit enhancements over these balances.

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

12. Financial Assets at Fair Value through Profit or Loss

	30th September, 2013 HK\$'000	31st March, 2013 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	35,740	36,011
Listed overseas	8,155	3,101
	43,895	39,112
Unlisted investment funds	22,183	29,915
	66,078	69,027

12. Financial Assets at Fair Value through Profit or Loss (Continued)

An analysis of the issuers of financial assets at fair value through profit or loss is as follows:

	30th September, 2013 HK\$'000	31st March, 2013 HK\$'000
Equity securities:		
Corporate entities	43,895	38,380
Banks and other financial institutions	—	732
	43,895	39,112

13. Bank and Other Borrowings

	30th September, 2013 HK\$'000	31st March, 2013 HK\$'000
Secured bank loans (Note)	253,402	509,497
Unsecured bank loans	104,470	—
	357,872	509,497
Less: Amount classified under current portion	(112,290)	(286,915)
Non-current portion	245,582	222,582
Bank and other borrowings by currency:		
Hong Kong dollar	350,052	222,582
Renminbi	7,820	286,915
	357,872	509,497
Bank loans repayable:		
Within one year or on demand	112,290	286,915
In the third to fifth years, inclusive	245,582	222,582
	357,872	509,497

Note:

At the end of the reporting period, the bank loans were secured by:

1. first legal mortgages over certain investment properties and properties under development of the Group with carrying amounts of HK\$102,160,000 (31st March, 2013 — HK\$100,301,000) and HK\$546,490,000 (31st March, 2013 — HK\$1,476,611,000), respectively; and
2. certain bank deposits of the Group with carrying amount of HK\$83,149,000 (31st March, 2013 — HK\$176,123,000).

The Group's bank and other borrowings bear interest at various rates ranging from 0.6 per cent. to 7.3 per cent. (31st March, 2013 — 3.6 per cent. to 6.8 per cent.) per annum.

14. Creditors, Accruals and Deposits Received

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

An aged analysis of trade creditors are as follows:

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

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

15. Current, Fixed, Savings and Other Deposits of Customers

The current, fixed, savings and other deposits of customers attributable to banking operation bear interest at effective rates ranging from 0.01 per cent. to 3.0 per cent. (31st March, 2013 — 0.01 per cent. to 4.0 per cent.) per annum.

16. Share Capital

Shares

	30th September, 2013	31st March, 2013
	HK\$'000	HK\$'000
Authorised:		
4,000,000,000 (31st March, 2013 — 4,000,000,000) ordinary shares of HK\$1.00 each	4,000,000	4,000,000
Issued and fully paid:		
1,998,280,097 (31st March, 2013 — 1,998,280,097) ordinary shares of HK\$1.00 each	1,998,280	1,998,280

16. Share Capital (Continued)

Share Option Scheme

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company, Lippo Limited, an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company and formerly an intermediate holding company of the Company, on 7th June, 2007 (the "Adoption Date"), the board of the Directors of the Company (the "Board") may, at its discretion, offer to grant to any eligible employee (including director, officer and/or employee of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Persons") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which shall not be later than the day last preceding the tenth anniversary of the date of grant. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an option. No grantee of option is required to pay for the grant of the relevant option.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date, that is, 134,682,909 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed one per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company on the date of grant of the option, as stated in the daily quotations sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (ii) the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; and (iii) the nominal value of the shares of the Company on the date of grant of the option.

At the beginning and end of the period, there were no outstanding options granted under the Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in the Company.

No option of the Company was granted, exercised, cancelled or lapsed during the period.

17. Reserves

The amounts of the Group's reserves and movements therein for the current and prior periods are presented in the condensed consolidated statement of changes in equity on page 6.

- (a) Cancellation of the share premium account and transfer to distributable reserves:
Pursuant to a special resolution passed at a special general meeting of the Company on 2nd December, 1997, the entire amount standing to the credit of the share premium account of HK\$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.
- (b) Distributable reserves of the Group at 30th September, 2013 comprised retained profits of HK\$6,111,579,000 (31st March, 2013 — HK\$5,749,122,000) and the remaining balance arising from the Cancellation of HK\$904,839,000 (31st March, 2013 — HK\$944,805,000).
- (c) The capital redemption reserve is not available for distribution to shareholders.
- (d) The legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.
- (e) The regulatory reserve represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.
- (f) The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

18. Contingent Liabilities

At the end of the reporting period, the Group had the following contingent liabilities relating to its banking subsidiary:

	30th September, 2013	31st March, 2013
	HK\$'000	HK\$'000
Guarantees and other endorsements	16,675	15,191
Liabilities under letters of credit on behalf of customers	13,557	5,691
	30,232	20,882

19. Commitments

The Group had the following commitments at the end of the reporting period:

	30th September, 2013 HK\$'000	31st March, 2013 HK\$'000
Commitments in respect of properties under development: Contracted, but not provided for	286,918	722,895
Other commitments: Contracted, but not provided for (Note)	74,069	74,995
	360,987	797,890

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in the Republic of Singapore, of approximately HK\$73 million (31st March, 2013 — HK\$74 million).

20. Related Party Transactions

In addition to the transactions detailed elsewhere in the interim financial statements, the Group had the following transactions with related parties during the period:

- (a) During the period, the Company paid rental expenses (including service charges) of HK\$1,490,000 (period ended 30th June, 2012 — HK\$1,532,000) to Porbandar Limited, a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals.
- (b) During the period, the Group paid rental expenses (including service charges) of HK\$1,867,000 (period ended 30th June, 2012 — HK\$1,856,000) to a joint venture of the Group. The rental was determined by reference to the then prevailing open market rentals.
- (c) During the period, the Group received commission and/or brokerage income of HK\$1,136,000 (period ended 30th June, 2012 — Nil) from fellow subsidiaries of the Company. The commission and/or brokerage fee was determined by reference to the prevailing commission and/or brokerage fee offered to relevant market customers of comparable standing.
- (d) During the period, the Group received project management income of HK\$2,966,000 (period ended 30th June, 2012 — HK\$4,381,000, restated) and HK\$1,041,000 (period ended 30th June, 2012 — HK\$1,028,000, restated) from associates and joint ventures of the Group, respectively.
- (e) During the period, a joint venture of the Group paid service fee of HK\$588,000 (period ended 30th June, 2012 — Nil) for restaurant management to a fellow subsidiary of the Company. The service fee was determined by reference to the prevailing service fees offered to relevant market customers of comparable standing.
- (f) During the period, a joint venture of the Group paid service fee of HK\$2,240,000 (period ended 30th June, 2012 — Nil) for operation of the French cuisine segment of a restaurant to a fellow subsidiary of the Company. The service fee was determined by reference to the prevailing service fees offered to relevant market customers of comparable standing.
- (g) During the period, a joint venture of the Group paid service fee of HK\$2,402,000 (period ended 30th June, 2012 — Nil) for operation of the Japanese cuisine segment of a restaurant to a fellow subsidiary of the Company. The service fee was determined by reference to the prevailing service fees offered to relevant market customers of comparable standing.

20. Related Party Transactions (Continued)

- (h) During the period, a joint venture of the Group received rental income (including service charge) of HK\$1,824,000 (period ended 30th June, 2012 — HK\$1,833,000) from a fellow subsidiary of the Company. The rental was determined by reference to the then prevailing open market rentals.
- (i) During the period, certain joint ventures of the Group purchased food and beverage products of HK\$960,000 (period ended 30th June, 2012 — HK\$670,000) from fellow subsidiaries of the Company. The purchases were on normal commercial terms in line with, and by reference to, the industry practice.
- (j) As at 30th September, 2013, the Group had amounts due from associates in a total of HK\$96,963,000 (31st March, 2013 — HK\$313,369,000, restated) and amounts due from joint ventures in a total of HK\$111,903,000 (31st March, 2013 — HK\$15,254,000). As at 31st March, 2013, the Group had amounts due to joint ventures of HK\$160,091,000 (restated), which had been fully repaid during the period. The balances with the associates are unsecured, interest-free and have no fixed terms of repayment. The balances with the joint ventures included a loan of HK\$3,977,000 (31st March, 2013 — HK\$3,981,000), which is secured by certain shares of a joint venture, bears interest at United States dollar prime rate plus 2 per cent. per annum and has no fixed terms of repayment. The balances with the joint ventures also included loans of HK\$81,645,000 (31st March, 2013 — Nil), which are unsecured, bear interests at various rates ranging from 9.5 per cent. to 12 per cent. per annum and are repayable in 2015. The remaining balances with the joint ventures are unsecured, interest-free and have no fixed terms of repayment.

21. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 30th September, 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at fair value				
Available-for-sale financial assets:				
Equity securities	50	—	—	50
Debt securities	78,832	—	—	78,832
Investment funds	—	—	9,260	9,260
Financial assets at fair value through profit or loss:				
Equity securities	43,895	—	—	43,895
Investment funds	—	373	21,810	22,183
	122,777	373	31,070	154,220

21. Fair Value Hierarchy (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment funds in Level 2 is determined by reference to secondary market quotations approximating the carrying value of the investment funds.

Valuation technique and input used in Level 3 fair value measurements

	Valuation technique	Significant unobservable input
Available-for-sale investment fund	Discounted cash flow method	Discount rate
Investment funds at fair value through profit or loss	Discounted cash flow method	Discount rate

The movements in fair value measurements in Level 3 during the six months ended 30th September, 2013 are as follows:

	Available- for-sale investment funds HK\$'000	Investment funds at fair value through profit or loss HK\$'000
At 1st April, 2013	12,646	29,543
Total losses recognised in the income statement	—	(517)
Total losses recognised in other comprehensive income	(2,957)	—
Purchases	14	—
Disposals	(431)	(7,188)
Exchange adjustments	(12)	(28)
At 30th September, 2013	9,260	21,810

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

22. Financial Risk Management Objectives and Policies

The Group has established policies and procedures for risk management which are reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The risk management function is carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Executive Directors of the Group and they are summarised below.

(a) *Credit risk*

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises from lending, treasury, investment and other activities undertaken by the Group.

The credit policies for banking and margin lending businesses set out in details the credit approval and monitoring mechanism, the loan classification criteria and provision policy. Credit approval is conducted in accordance with the credit policies, taking into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Day-to-day credit management is performed by management of individual business units.

The Group has established guidelines to ensure that all new debt investments are properly made, taking into account factors such as the credit rating requirements and the maximum exposure limit to a single corporate or issuer. All relevant departments within the Group are involved to ensure that appropriate processes, systems and controls are set in place before and after the investments are acquired.

(b) *Liquidity risk*

The Group manages the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations meet the statutory requirement for minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitors the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources.

22. Financial Risk Management Objectives and Policies (Continued)*(b) Liquidity risk (Continued)*

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the end of the reporting period to the contractual maturity date is as follows:

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30th September, 2013							
Assets							
Amounts due from joint ventures	—	—	—	81,645	—	3,977	85,622
Debt securities:							
Available-for-sale financial assets	—	—	3,771	49,642	15,507	12,987	81,907
Loans and advances	179,833	157,519	32,825	62,794	21,946	—	454,917
Debtors and deposits	44,780	432,529	1,473	—	—	9,663	488,445
Client trust bank balances	297,499	25,577	—	—	—	—	323,076
Restricted cash	800,772	361	—	—	—	—	801,133
Treasury bills	—	29,100	—	—	—	—	29,100
Cash and bank balances	550,056	158,125	—	—	—	—	708,181
	1,872,940	803,211	38,069	194,081	37,453	26,627	2,972,381
Liabilities							
Bank and other borrowings	7,820	104,470	—	245,582	—	—	357,872
Creditors, accruals and deposits received	355,394	437,464	1,157	—	—	22,136	816,151
Current, fixed, savings and other deposits of customers	96,014	173,522	42,198	19,236	—	—	330,970
	459,228	715,456	43,355	264,818	—	22,136	1,504,993

22. Financial Risk Management Objectives and Policies (Continued)**(b) Liquidity risk (Continued)**

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st March, 2013 (restated)							
Assets							
Amount due from a joint venture	—	—	—	—	—	3,981	3,981
Debt securities:							
Available-for-sale financial assets	—	—	—	34,322	24,307	14,073	72,702
Loans and advances	197,067	41,531	28,562	45,730	19,591	—	332,481
Debtors and deposits	33,432	18,268	421	—	—	10,781	62,902
Client trust bank balances	292,735	63,267	—	—	—	—	356,002
Restricted cash	1,054,025	349	—	—	—	—	1,054,374
Treasury bills	—	9,700	—	—	—	—	9,700
Cash and bank balances	297,182	403,004	83,314	—	—	—	783,500
	<u>1,874,441</u>	<u>536,119</u>	<u>112,297</u>	<u>80,052</u>	<u>43,898</u>	<u>28,835</u>	<u>2,675,642</u>
Liabilities							
Amounts due to joint ventures	—	—	—	—	—	160,091	160,091
Bank and other borrowings	9,163	277,752	—	222,582	—	—	509,497
Creditors, accruals and deposits received	378,673	132,874	3,232	—	—	250,657	765,436
Current, fixed, savings and other deposits of customers	103,335	142,586	20,865	—	—	—	266,786
	<u>491,171</u>	<u>553,212</u>	<u>24,097</u>	<u>222,582</u>	<u>—</u>	<u>410,748</u>	<u>1,701,810</u>

(c) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions mainly arise from treasury, banking and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. When appropriate, interest rate swaps would be used to manage this risk at a cost-effective manner. The interest rate risk is managed and monitored regularly by senior management of the Group.

22. Financial Risk Management Objectives and Policies (Continued)

(d) *Foreign currency risk*

Foreign currency risk is the risk to earnings or capital arising from movements in foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its banking activities, foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly 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 foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

(e) *Equity price risk*

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 9) and financial assets at fair value through profit or loss (Note 12) as at 30th September, 2013. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

The Group uses Value at Risk (the "VaR") model to assess possible changes in the market value of the investment portfolios based on historical data. The VaR figures are regularly reviewed by senior management of the Group to ensure the loss arising from the changes in the market values of the investment portfolios is capped within an acceptable range.

23. Events after the Reporting Period

In October 2013, OUE announced a proposal to dispose of OUE Bayfront and its ancillary properties to a real estate investment trust now known as OUE Commercial Real Estate Investment Trust ("OUE C-REIT") which is proposed to be listed on the Main Board of the Singapore Exchange Securities Trading Limited in Singapore, for a minimum consideration of S\$1,005 million (the "OUE Bayfront Disposal"). It was also announced that OUE Eastern Limited, a wholly-owned subsidiary of OUE C-REIT, and LCR entered into a conditional agreement for the acquisition by OUE Eastern Limited of the entire issued share capital of Tecwell Limited, currently an indirect wholly-owned subsidiary of LCR, for a consideration of approximately HK\$843.5 million (subject to adjustment, if any) (the "Lippo Plaza Acquisition"). Tecwell Limited holds a majority portion of Lippo Plaza located at Shanghai, the People's Republic of China, through its wholly-owned subsidiary.

As of the date of the approval of these interim financial statements, the OUE Bayfront Disposal and the Lippo Plaza Acquisition have not been completed.

Management Discussion and Analysis

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

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

Results for the Financial Period

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

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

Property investment

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

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

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

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

Property development

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

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

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

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

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

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

Treasury and securities investments

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

Corporate finance and securities broking

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

Banking business

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

Financial Position

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

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

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

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

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

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

Staff and Remuneration

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

Outlook

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

Business Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prospects

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

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

Interim Distribution

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

Closure of Register of Members

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

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 30th September, 2013, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

Interests in shares and underlying shares of the Company and associated corporations

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$1.00 each in the Company					
Stephen Riady	—	—	1,121,517,842	1,121,517,842	56.12
			<i>Note (i)</i>		
John Lee Luen Wai	2,000,270	270	—	2,000,540	0.10
Tsui King Fai	600,000	75,000	—	675,000	0.03
Kor Kee Yee	606,000	—	—	606,000	0.03
Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")					
Stephen Riady	—	—	319,322,219	319,322,219	64.75
			<i>Notes (i) and (ii)</i>		
John Lee Luen Wai	1,031,250	—	—	1,031,250	0.21
Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")					
Stephen Riady	—	—	6,544,696,389	6,544,696,389	71.24
			<i>Notes (i), (ii) and (iii)</i>		

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

Note:

- (i) As at 30th September, 2013, Lippo Capital Limited ("Lippo Capital"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 1,121,517,842 ordinary shares of HK\$1.00 each in, representing approximately 56.12 per cent. of the issued share capital of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the holder of 705,690,001 ordinary shares of HK\$1.00 each in, representing the entire issued share capital of, Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family. Mr. Stephen Riady was taken to be interested in Lippo Capital under the provisions of the SFO.
- (ii) As at 30th September, 2013, Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares of HK\$0.10 each in, representing approximately 64.75 per cent. of the issued share capital of, Lippo.
- (iii) As at 30th September, 2013, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.24 per cent. of the issued share capital of, LCR.

For the reasons outlined above, through his deemed interest in Lippo Capital as mentioned in Note (i) above, Mr. Stephen Riady was also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Approximate percentage of interest in the issued share capital	
		Number of shares interested	
Abital Trading Pte. Limited	Ordinary shares	2	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	10	100
	Non-voting deferred shares	1,000	100
Broadwell Overseas Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenorth Holdings Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1	100

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
HKCL Holdings Limited	Ordinary shares	50,000	100
Honix Holdings Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Kingaroy Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1	100
	Non-voting deferred shares	15,999,999	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Prime Success Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	100,000	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	Ordinary shares	1	100

As at 30th September, 2013, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK\$1.00 each in, representing approximately 16.67 per cent. of, the issued share capital of, Lanius which is the holder of the entire issued share capital of Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady (father of Mr. Stephen Riady), who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

As at 30th September, 2013, Mr. Stephen Riady was interested in 27,493,311 ordinary shares in Auric Pacific Group Limited ("Auric"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, held by Goldstream Capital Limited, which in turn is a wholly-owned subsidiary of Bravado International Ltd. ("Bravado"). Mr. Stephen Riady is the beneficial owner of the entire issued capital of Bravado. For the reasons mentioned above, through his deemed interest in Lippo Capital, Mr. Stephen Riady was also taken to be interested in 61,927,335 ordinary shares in Auric. Accordingly, Mr. Stephen Riady was interested and taken to be interested in an aggregate of 89,420,646 ordinary shares in, representing approximately 71.16 per cent. of the issued share capital of, Auric.

As at 30th September, 2013, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK\$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 30th September, 2013, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 30th September, 2013, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at 30th September, 2013, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted), were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

As at 30th September, 2013, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of interests in the issued share capital
<i>Substantial shareholders:</i>		
Hennessy Holdings Limited ("Hennessy")	1,121,517,842	56.12
Prime Success Limited ("Prime Success")	1,121,517,842	56.12
Lippo Limited ("Lippo")	1,121,517,842	56.12
Lippo Capital Limited ("Lippo Capital")	1,121,517,842	56.12
Lanius Limited ("Lanius")	1,121,517,842	56.12
Dr. Mochtar Riady	1,121,517,842	56.12
Madam Lidya Suryawaty	1,121,517,842	56.12
<i>Other persons:</i>		
Paul G. Desmarais	156,460,000	8.01
Nordex Inc. ("Nordex")	156,460,000	8.01
Gelco Enterprises Ltd ("Gelco")	156,460,000	8.01
Power Corporation of Canada ("PCC")	156,460,000	8.01
Power Financial Corporation ("PFC")	156,460,000	8.01
IGM Financial Inc. ("IGM")	156,460,000	8.01
Farallon Capital Management, L.L.C. ("Farallon")	140,168,650	7.01

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance (Continued)

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares of the Company (Continued)

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,121,517,842 ordinary shares of HK\$1.00 each in, representing approximately 56.12 per cent. of the issued share capital of, the Company.
2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.
3. Lippo Capital, the holding company of Lippo, together with its wholly-owned subsidiary, J & S Company Limited, owns ordinary shares representing approximately 64.75 per cent. of the issued share capital of Lippo.
4. Lanius is the holder of the entire issued share capital of Lippo Capital and is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. Dr. Mochtar Riady and his wife Madam Lidya Suryawaty were taken to be interested in Lippo Capital under the provisions of the SFO.
5. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 1,121,517,842 ordinary shares in the Company related to the same block of shares that Mr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Dr. Mochtar Riady, his wife Madam Lidya Suryawaty and Mr. Stephen Riady were taken to be interested in the shares of the Company under the provisions of the SFO.
6. Mackenzie Financial Corporation in its capacity as trustee and portfolio manager for certain mutual fund trusts, through its wholly-owned subsidiary Mackenzie Financial Capital Corporation which is a mutual fund corporation for which it acts as portfolio manager and through certain Bermuda-based mutual funds for which another wholly-owned subsidiary Mackenzie Cundill Investment Management (Bermuda) Limited acts as manager and for which it acts as sub-adviser, was directly interested in an aggregate of 156,460,000 ordinary shares of HK\$1.00 each in, representing approximately 8.01 per cent. of the then issued share capital of, the Company. Paul G. Desmarais as controlling shareholder and Nordex, Gelco, PCC, PFC and IGM as intermediate holding companies to Mackenzie Financial Corporation, each had an indirect interest in the above 156,460,000 ordinary shares of the Company.
7. Farallon, through the entities and accounts managed by it as investment adviser, namely Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital (AM) Investors, L.P., Farallon Capital Offshore Investors II, L.P., Noonday Capital Partners, L.L.C. and Noonday Offshore, Inc., was indirectly interested in an aggregate of 140,168,650 ordinary shares of HK\$1.00 each in, representing approximately 7.01 per cent. of the issued share capital of, the Company. Noonday Asset Management Asia Pte. Ltd., as a wholly-owned subsidiary of Farallon, had an indirect interest in the above 140,168,650 ordinary shares of the Company.
8. The percentages of interests of "other persons" in the issued share capital stated in this section are based on the respective disclosure forms filed with the Company.

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance (Continued)

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares of the Company (Continued)

All the interests stated above represent long positions. Save as disclosed herein, as at 30th September, 2013, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Updated Director's Information

The following is the updated information of a Director of the Company disclosed pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

On 9th July, 2013, Mr. Albert Saychuan Cheok was appointed as the chairman and an independent non-executive director of New Smart Energy Group Limited (now known as International Standard Resources Holdings Limited), a public listed company in Hong Kong.

Share Option Scheme

Details of the share option scheme of the Company are disclosed in Note 16 to the interim financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Audit Committee

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

Corporate Governance

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code during the period under review.

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

Hong Kong, 27th November, 2013

Board of Directors

Executive Directors

Mr. Stephen Riady (*Chairman*)

Mr. John Lee Luen Wai, BBS, JP
(*Chief Executive Officer*)

Mr. Kor Kee Yee

Non-executive Director

Mr. Leon Chan Nim Leung

Independent non-executive Directors

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

Committees

Audit Committee

Mr. Tsui King Fai (*Chairman*)

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Remuneration Committee

Mr. Tsui King Fai (*Chairman*)

Mr. Stephen Riady

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Nomination Committee

Mr. Tsui King Fai (*Chairman*)

Mr. Stephen Riady

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Secretary

Mr. Andrew Hau Tat Kwong

Auditors

Ernst & Young

Principal Bankers

China CITIC Bank International Limited

Standard Chartered Bank

Bank of Beijing Co., Ltd.

The Bank of East Asia, Limited

Raiffeisen Bank International AG,
Singapore Branch

Oversea-Chinese Banking Corporation Limited

Solicitors

Howse Williams Bowers

Principal Share Registrars and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

24th Floor, Tower One

Lippo Centre

89 Queensway

Hong Kong

Stock Code

655

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