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LIPPO LIMITED

力寶有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 226)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014

The Directors of Lippo Limited (the “Company”) announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September, 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September, 2014

		Unaudited six months ended 30th September,	
		2014	2013
	Note	HK\$'000	HK\$'000
Revenue	2	1,499,421	3,336,585
Cost of sales		<u>(807,908)</u>	<u>(1,890,396)</u>
Gross profit		691,513	1,446,189
Administrative expenses		(483,986)	(476,315)
Other operating expenses		(259,646)	(238,485)
Gain/(Loss) on disposal of available-for-sale financial assets		(7)	131,882
Net gain on disposal of subsidiaries		11,954	–
Net fair value gain/(loss) on investment properties		37,956	(32,111)
Net fair value gain/(loss) on financial instruments at fair value through profit or loss		13,575	(69,168)
Finance costs		(17,477)	(56,508)
Share of results of associates		8,826	(1,801)
Share of results of joint ventures	4	<u>(78,348)</u>	<u>70,688</u>
Profit/(Loss) before tax	5	(75,640)	774,371
Income tax	6	<u>(42,688)</u>	<u>(214,421)</u>
Profit/(Loss) for the period		<u>(118,328)</u>	<u>559,950</u>
Attributable to:			
Equity holders of the Company		(104,578)	272,152
Non-controlling interests		<u>(13,750)</u>	<u>287,798</u>
		<u>(118,328)</u>	<u>559,950</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share attributable to equity holders of the Company			
Basic	7	<u>(21)</u>	<u>55</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Details of the interim dividend are disclosed in Note 8 to the interim results.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2014

	Unaudited	
	six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Profit/(Loss) for the period	(118,328)	559,950
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	757	(5,087)
Adjustments for disposal	4	(118,433)
Income tax effect	371	1,847
	<u>1,132</u>	<u>(121,673)</u>
Share of other comprehensive loss of joint ventures:		
Share of changes in fair value of available-for-sale financial assets	(5,082)	(4,165)
Share of effective portion of changes in fair value of cash flow hedges	(1,351)	(4,018)
Share of exchange differences on translation of foreign operations	(76,543)	(119,316)
	<u>(82,976)</u>	<u>(127,499)</u>
Exchange differences on translation of foreign operations	(20,227)	25,299
Adjustments relating to disposal of foreign subsidiaries	(2,700)	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods and other comprehensive loss for the period, net of tax	<u>(104,771)</u>	<u>(223,873)</u>
Total comprehensive income/(loss) for the period	<u>(223,099)</u>	<u>336,077</u>
Attributable to:		
Equity holders of the Company	(158,142)	145,544
Non-controlling interests	(64,957)	190,533
	<u>(223,099)</u>	<u>336,077</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2014

	30th September, 2014 <i>HK\$'000</i> (Unaudited)	31st March, 2014 <i>HK\$'000</i> (Audited)
	<i>Note</i>	
Non-current assets		
Intangible assets	546,183	559,710
Exploration and evaluation assets	95,512	95,295
Fixed assets	420,569	358,936
Investment properties	2,106,019	2,353,558
Interests in associates	529,364	568,601
Interests in joint ventures	4 7,936,623	8,062,203
Available-for-sale financial assets	215,469	222,527
Loans and advances	97,331	91,151
Debtors, prepayments and deposits	9 71,665	65,006
Deferred tax assets	6,806	6,708
	12,025,541	12,383,695
Current assets		
Properties held for sale	158,222	186,370
Properties under development	1,334,697	1,186,341
Inventories	302,579	280,884
Loans and advances	274,422	276,447
Debtors, prepayments and deposits	9 649,515	654,430
Available-for-sale financial assets	20,940	3,753
Financial assets at fair value through profit or loss	443,150	347,888
Tax recoverable	10,886	9,373
Client trust bank balances	326,858	311,353
Restricted cash	121,116	198,112
Treasury bills	48,500	33,950
Cash and bank balances	4,352,570	4,066,923
	8,043,455	7,555,824
Current liabilities		
Bank and other borrowings	1,510,031	1,207,297
Creditors, accruals and deposits received	10 2,374,927	1,737,248
Current, fixed, savings and other deposits of customers	358,026	332,180
Other financial liabilities	4,044	15,998
Tax payable	461,314	780,811
	4,708,342	4,073,534
Net current assets	3,335,113	3,482,290
Total assets less current liabilities	15,360,654	15,865,985

		30th September, 2014	31st March, 2014
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Bank and other borrowings		302,659	133,237
Creditors, accruals and deposits received	<i>10</i>	30,077	29,068
Deferred tax liabilities		227,003	221,427
		<u>559,739</u>	<u>383,732</u>
Net assets		<u>14,800,915</u>	<u>15,482,253</u>
Equity			
Equity attributable to equity holders of the Company			
Issued capital		986,598	986,598
Reserves		8,061,958	7,644,563
		<u>9,048,556</u>	<u>8,631,161</u>
Non-controlling interests		5,752,359	6,851,092
		<u>14,800,915</u>	<u>15,482,253</u>

Note:

1. PRINCIPAL ACCOUNTING POLICIES

The interim results are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The interim results have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted in the preparation of these interim results are consistent with those used in the Group’s audited financial statements for the year ended 31st March, 2014, except as described below.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), 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, 2014, for the first time for the current period’s interim results:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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

2. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, proceeds from sales of properties, income on treasury investment which includes interest income on bank deposits, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, income from underwriting and securities broking, gross interest income, commissions, dealing income and other revenue from a banking subsidiary, income from sales of goods and food and beverage, fee income from operation of food courts, gross income from property and project management, and interest and other income from money lending and other businesses.

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

	Six months ended 30th September,	
	2014 HK\$'000	2013 HK\$'000
Property investment	28,675	107,555
Property development (<i>Note</i>)	58,758	1,869,537
Treasury investment	36,798	19,799
Securities investment	11,633	40,646
Corporate finance and securities broking	10,149	14,687
Banking business	11,479	10,322
Sales of goods	897,052	831,983
Sales of food and beverage	354,960	346,413
Fees charged to food court stallholders	68,760	66,089
Other	21,157	29,554
	<u>1,499,421</u>	<u>3,336,585</u>

Note: The revenue mainly represents proceeds from sales of properties of the property development project in Beijing which was completed during the six months ended 30th September, 2013.

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,	
	2014 HK\$'000	2013 HK\$'000
Interest income	9,338	8,463
Commission income	1,883	1,313
Other revenue	258	546
	<u>11,479</u>	<u>10,322</u>

3. SEGMENT INFORMATION

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

- (a) the property investment segment includes letting and resale of properties;
- (b) the property development segment includes development and sale of properties;
- (c) the treasury investment segment includes investments in money markets;
- (d) the securities investment segment includes dealings in securities and financial assets available-for-sale;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services;
- (g) the food businesses segment mainly includes distribution of consumer food and non-food products, food manufacturing and retailing, the management of restaurants and food court operations; and
- (h) the “other” segment comprises principally mineral exploration, extraction and processing, the development of computer hardware and software, money lending and the provision of property, project and 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 corporate expenses and finance costs unallocated are excluded from such measurement.

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

	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Food businesses HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Six months ended 30th September, 2014										
Revenue										
External	28,675	58,758	36,736	10,970	10,149	11,479	1,330,230	12,424	-	1,499,421
Inter-segment	7,207	-	-	-	652	-	-	950	(8,809)	-
Total	35,882	58,758	36,736	10,970	10,801	11,479	1,330,230	13,374	(8,809)	1,499,421
Segment results	59,978	16,377	36,661	17,769	(6,791)	1,290	15,708	(7,140)	(306)	133,546
	<i>(Note)</i>									
Unallocated corporate expenses										(123,328)
Finance costs										(16,336)
Share of results of associates	-	7,507	-	-	-	-	(19)	1,338	-	8,826
Share of results of joint ventures	(80,307)	(56)	-	-	-	-	2,304	(289)	-	(78,348)
Loss before tax										(75,640)
Six months ended 30th September, 2013										
Revenue										
External	107,555	1,869,537	18,737	37,302	14,687	10,322	1,257,049	21,396	-	3,336,585
Inter-segment	9,662	-	-	-	1,137	-	-	3,061	(13,860)	-
Total	117,217	1,869,537	18,737	37,302	15,824	10,322	1,257,049	24,457	(13,860)	3,336,585
Segment results	46,987	666,604	18,660	95,574	(213)	1,516	(5,405)	(5,552)	(954)	817,217
	<i>(Note)</i>									
Unallocated corporate expenses										(56,484)
Finance costs										(55,249)
Share of results of associates	-	2,860	-	-	-	-	-	(4,661)	-	(1,801)
Share of results of joint ventures	65,201	2,358	-	-	-	-	3,129	-	-	70,688
Profit before tax										774,371

Note: The amount included net fair value gain on investment properties of HK\$37,956,000 (2013 — loss of HK\$32,111,000).

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

Interests in joint ventures mainly included the Group's interest in Lippo ASM Asia Property Limited ("LAAPL"). LAAPL is a joint venture set up to hold the controlling stake in OUE Limited ("OUE"), a listed company in Singapore. OUE focuses its business across commercial, hospitality, retail and residential property segments.

For the six months ended 30th September, 2014, the Group's share of loss in LAAPL amounted to approximately HK\$78,625,000 (2013 — share of profit of HK\$65,201,000). The drop of share of results was mainly due to the absence of non-recurring share of profit from the write back of deferred tax liabilities during the six months ended 30th September, 2014 as compared with same period of last year. As at 30th September, 2014, the Group's interest in LAAPL was approximately HK\$7,698,810,000 (31st March, 2014 — HK\$7,841,663,000). Certain bank facilities under LAAPL 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,	
	2014	2013
	HK\$'000	HK\$'000
Interest income:		
Listed available-for-sale financial assets	2,937	2,332
Unlisted available-for-sale financial assets	104	–
Financial assets at fair value through profit or loss designated as such upon initial recognition	–	2,166
Loans and advances	3,328	3,645
Banking business	9,338	8,463
Other	36,798	19,799
Dividend income:		
Listed investments	6,828	3,167
Unlisted investments	682	3,421
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	1,000	29,399
Unlisted financial assets at fair value through profit or loss	82	161
Listed available-for-sale financial assets	–	131,680
Unlisted available-for-sale financial assets	(7)	(553)
Derivative financial instruments	(5,098)	(3,449)
Gain on deemed disposal of an associate	–	5,467
Net fair value gain/(loss) on:		
Listed financial assets at fair value through profit or loss	15,053	(58,538)
Unlisted financial assets at fair value through profit or loss	(611)	(3,021)
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	(867)	(1,381)
Derivative financial instruments	–	(6,228)
Write-back of provision/(Provision) for impairment losses on:		
Unlisted available-for-sale financial assets	863	–
Inventories	(7,086)	(6,565)
Bad and doubtful debts	(3,099)	2,135
Fixed assets	1,047	–
Exploration and evaluation assets	(969)	–
Interest expense attributable to banking business	(2,400)	(1,823)
Depreciation	(45,134)	(45,964)
Amortisation of intangible assets	(8,672)	(8,638)
Foreign exchange gains/(losses) — net	(1,457)	9,673
Cost of inventories sold:		
Properties	(29,574)	(1,155,674)
Others	(690,712)	(651,135)
	<u>(690,712)</u>	<u>(651,135)</u>

6. INCOME TAX

	Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong:		
Charge for the period	7,127	1,321
Overprovision in prior periods	–	(275)
Deferred	(423)	137
	<u>6,704</u>	<u>1,183</u>
Overseas:		
Charge for the period	32,542	304,016
Overprovision in prior periods	(4,485)	(704)
Deferred	7,927	(90,074)
	<u>35,984</u>	<u>213,238</u>
Total charge for the period	<u>42,688</u>	<u>214,421</u>

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2013 — 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 approximately 493,154,000 ordinary shares (2013 — approximately 493,154,000 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, 2014 and 2013.

8. INTERIM DIVIDEND

	Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend, declared, of HK3 cents (2013 — HK3 cents) per ordinary share	<u>14,795</u>	<u>14,795</u>

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

9. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	30th September, 2014 HK\$'000	31st March, 2014 HK\$'000
Outstanding balances with ages:		
Repayable on demand	16,403	45,580
Within 30 days	233,912	247,354
Between 31 and 60 days	88,774	78,187
Between 61 and 90 days	64,463	39,472
Between 91 and 180 days	5,550	13,661
Over 180 days	122	117
	<u>409,224</u>	<u>424,371</u>

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are non-interest-bearing.

10. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received as at 30th September, 2014 mainly included sale deposit for disposal of subsidiaries of HK\$639,150,000 (31st March, 2014 — Nil), pre-sale proceeds received from the property development projects of the Group of HK\$445,553,000 (31st March, 2014 — HK\$408,735,000), and trade creditors relating to food businesses, security broking operation and property development projects.

An aged analysis of trade creditors are as follows:

	30th September, 2014 HK\$'000	31st March, 2014 HK\$'000
Outstanding balances with ages:		
Repayable on demand	325,949	331,841
Within 30 days	182,544	207,908
Between 31 and 60 days	18,667	21,309
Between 61 and 90 days	6,251	16,769
Between 91 and 180 days	21,777	19,669
Over 180 days	2,887	2,811
	<u>558,075</u>	<u>600,307</u>

The outstanding trade creditors included payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK\$327,110,000 (31st March, 2014 — HK\$357,899,000). As at 30th September, 2014, total client trust bank balances amounted to HK\$326,858,000 (31st March, 2014 — HK\$311,353,000).

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2014, the Group reported a loss attributable to shareholders of HK\$105 million (2013 — profit of HK\$272 million). The profit for 2013 was mainly attributable to the significant profit arising from the Group's property development project in Beijing which was completed in the third quarter of 2013, gain on disposal of available-for-sale financial assets and share of profit of joint ventures from the write back of deferred tax liabilities. During the six months ended 30th September, 2014, no new property development projects were completed by the Group and there were no gain on disposal of available-for-sale financial assets and share of profit of joint ventures. Therefore, the results for the period decreased significantly as compared to 2013.

Results for the Period

Turnover for the six months ended 30th September, 2014 totalled HK\$1,499 million (2013 — HK\$3,337 million). Property investment and property development businesses as well as food businesses were the principal sources of revenue of the Group, representing 6 per cent. (2013 — 60 per cent.) and 89 per cent. (2013 — 38 per cent.) of the total turnover.

Property investment

The Group's investment properties are located mainly in Hong Kong and mainland China and provide recurring source of income to the Group. Total segment revenue from the property investment business for the six months ended 30th September, 2014 amounted to HK\$36 million (2013 — HK\$117 million). The decrease in segment revenue was mainly due to the absence of contributions from Lippo Plaza in Shanghai, which was disposed of by the Group in January 2014, during the period. In addition, the Group recorded net valuation gain on its investment properties of HK\$38 million for the period (2013 — net loss of HK\$32 million). As a result, the segment profit increased to HK\$60 million for the period (2013 — HK\$47 million).

The Group undertakes strategic reviews of its assets from time to time with a view to maximising returns to its shareholders. In April 2014, the Group completed the disposal of the entire issued share capital and a shareholder loan of a subsidiary, which owned interests in a commercial property in Hong Kong for total consideration of HK\$282.6 million.

In October 2014, the Group completed the sale of the entire issued share capital and a shareholder loan of a subsidiary, which owns interests in investment properties in Zhuhai, at an aggregate consideration of HK\$1,278.3 million. The gain on disposal attributable to the Group is expected to be approximately HK\$535 million (subject to audit and before expenses and taxes) and will be recognised in the consolidated statement of profit or loss of the Group for the second half of this financial year.

Lippo ASM Asia Property Limited ("LAAPL"), a principal joint venture of the Group, has a majority interest in OUE Limited ("OUE"). OUE is a listed company in Singapore with assets across commercial, hospitality, retail and residential sectors primarily in Singapore. OUE is also the sponsor of OUE Hospitality Trust ("OUE H-Trust") and OUE Commercial Real Estate Investment Trust ("OUE C-REIT"). OUE H-Trust is listed in Singapore with its

portfolio comprising Mandarin Orchard Singapore and the adjoining Mandarin Gallery in Singapore. OUE C-REIT is a Singapore real estate investment trust listed in Singapore. Its portfolio comprising OUE Bayfront in Singapore and Lippo Plaza in Shanghai. All these investments provide strong recurrent income to OUE. OUE is committed to enhance the investment portfolio to strengthen the recurrent income base. The revamped retail mall at One Raffles Place, which is in prime location of Singapore, commenced operations in May 2014. In August 2014, OUE has obtained preliminary approval for the development of a 10-storey extension building to the Crowne Plaza Changi Airport Hotel adjacent to Singapore airport. The expansion is expected to be completed in 2015. Asset enhancement works at OUE Downtown and U.S. Bank Tower's observation deck and lobby renovation are also underway.

The Group registered a share of loss of HK\$79 million from the investment in LAAPL during the six months ended 30th September, 2014 (2013 — share of profit of HK\$65 million). The drop of share of results was mainly due to the absence of non-recurring share of profit from the write back of deferred tax liabilities as in 2013.

Property development

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

For the six months ended 30th September, 2014, the segment recorded a revenue of HK\$59 million (2013 — HK\$1,870 million), mainly from the completion of sale of properties of a property development project at the Beijing Economic-Technological Development Area, mainland China (the “BDA Project”). Construction of the BDA Project was completed in the third quarter of year 2013 and substantial revenue generated from units which have completed the handover process were recognised in 2013. Since no new property development was completed by the Group during the period, the revenue decreased significantly. As a result, the segment profit decreased to HK\$16 million for the period (2013 — HK\$667 million).

In Macau, the development of “M Residences”, a property development project, is expected to be completed in 2015. 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 has been pre-sold as at 30th September, 2014 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 Group also participated in other development projects in Huai An City (the “Huai An Project”) and Taizhou City (the “Taizhou Project”), both in Jiangsu Province, mainland China. Huai An Project will be developed into an integrated residential, commercial and retail complex, whereas Taizhou Project is a residential project comprising townhouses and residential apartments. Construction work planning for both projects had been completed.

The Group has interests in “Marina Collection” in Sentosa Cove, Singapore, a property development project carried out by an associate of the Group. During the period, this project further contributed a share of profit of HK\$14 million (2013 — HK\$32 million) to the Group, mainly come from the sale of properties.

The Group has 38.5 per cent. interests in a development project at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the “MIDAN City Project”). The MIDAN City Project is a comprehensive property project to be developed into a self-contained community with an approved total gross floor area of approximately three million square metres. Certain sale of land lots of the project were completed and the marketing of the project is in progress.

Food businesses

The Group’s food businesses are mainly operated by Auric Pacific Group Limited and its subsidiaries (the “APG Group”).

During the six months ended 30th September, 2014, food businesses segment recorded a revenue of HK\$1,330 million (2013 — HK\$1,257 million), mainly from wholesale and distribution of fast-moving consumer goods and the food retail operations in chains of bakeries, cafes and bistros. The improved performance was attributable to new products launched and the better customer awareness created by the increased sales and marketing promotions during the period.

The APG Group completed the sale of a subsidiary which had interests in rights to use a leasehold land in Foshan, mainland China at a consideration of RMB7.2 million and a gain on disposal of approximately HK\$10.7 million was recognised during the six months ended 30th September, 2014. Such disposal is in line with APG Group’s objective to focus on its core businesses.

Competition in the food businesses is stiff and cost pressures on manpower and rental are not expected to ease in the immediate term. The APG Group continues to re-align its resources for its business growth and enhance its operational efficiency. The food businesses reported a segment profit of HK\$16 million (2013 — loss of HK\$5 million) during the period.

Treasury and securities investments

Treasury and securities investments businesses recorded a revenue of HK\$48 million during the six months ended 30th September, 2014 (2013 — HK\$56 million), mainly attributable to the 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. In 2013, the Group sold certain available-for-sale financial assets and realised a gain of HK\$132 million. There was no substantial gain on disposal during the period and hence the profit from treasury and securities investments businesses decreased to HK\$54 million for the six months ended 30th September, 2014 (2013 — HK\$114 million).

Corporate finance and securities broking

Despite there being improvement in investor sentiment, the operating environment of the corporate finance and securities broking business remains challenging. This segment registered a turnover of HK\$11 million for the six months ended 30th September, 2014 (2013 — HK\$16 million) and the loss of this segment was HK\$7 million for the period (2013 — HK\$0.2 million).

Banking business

The Macau Chinese Bank Limited (“MCB”), a licensed bank in Macau, is a wholly-owned subsidiary of Hongkong Chinese Limited (“HKC”, a listed subsidiary of the Company). It recorded a turnover of HK\$11 million for the six months ended 30th September, 2014 (2013 — HK\$10 million) and registered a profit of HK\$1 million for the period (2013 — HK\$2 million).

Financial Position

In August 2014, the Group acquired 194,190,000 shares of HKC from independent third parties at an aggregate consideration of approximately HK\$369 million (the “Acquisition”). Following the completion of the Acquisition, the Group’s interest in HKC increased from approximately 56.12 per cent. as at 31st March, 2014 to approximately 65.84 per cent. as at 30th September, 2014 and an increase of equity of approximately HK\$623.5 million was recognised directly in the reserves of the Group. The Acquisition is in line with the Group’s confidence on the long term potential growth and development of HKC.

As at 30th September, 2014, the Group’s total assets increased to HK\$20.1 billion (31st March, 2014 — HK\$20.0 billion). Property-related assets amounted to HK\$12.3 billion as at 30th September, 2014 (31st March, 2014 — HK\$12.8 billion), representing 62 per cent. (31st March, 2014 — 64 per cent.) of the total assets. Total liabilities increased to HK\$5.3 billion (31st March, 2014 — HK\$4.5 billion), mainly due to drawdown of bank loans and sale deposit received for the disposal of the properties in Zhuhai. The Group’s financial position remained healthy.

As at 30th September, 2014, bank and other borrowings of the Group (other than those attributable to banking business) increased to HK\$1,813 million (31st March, 2014 — HK\$1,341 million). The bank loans amounted to HK\$1,809 million as at 30th September, 2014 (31st March, 2014 — HK\$1,337 million), which comprised secured bank loans of HK\$1,779 million and unsecured bank loans of HK\$30 million (31st March, 2014 — secured bank loans of HK\$1,296 million and unsecured bank loans of HK\$41 million) and were denominated in Hong Kong dollars, Renminbi and Malaysian Ringgit. The secured bank loans were secured by certain properties, shares in certain subsidiaries and certain bank deposits of the Group. All of the bank borrowings carried interest at floating rates. Where appropriate, the Group uses interest rate swaps to modify the interest rate characteristics of its borrowings to limit interest rate exposure.

The Group has obligations under finance leases for certain plant and equipment which amounted to HK\$4 million as at 30th September, 2014 (31st March, 2014 — HK\$4 million). These obligations are secured by the rights to the leased plant and equipment. As at 30th September, 2014, approximately 83 per cent. (31st March, 2014 — 90 per cent.) of the bank and other borrowings were repayable within one year. As at 30th September, 2014, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 16.4 per cent. (31st March, 2014 — 11.4 per cent.).

The net asset value attributable to equity holders of the Group remained strong and amounted to HK\$9.0 billion as at 30th September, 2014 (31st March, 2014 — HK\$8.6 billion). This was equivalent to HK\$18.3 per share (31st March, 2014 — HK\$17.5 per share). The increase was mainly attributable to the increase of reserves resulted from the Acquisition as mentioned above.

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.

The Company provided a guarantee of up to a maximum US\$100 million for a term of one year to a joint venture, guaranteeing its payment obligations to its trade creditors. Besides, the Group had bankers' guarantees of approximately HK\$43 million as at 30th September, 2014 (31st March, 2014 — HK\$40 million) issued in lieu of rental and utility deposits for the premises used for operation of food businesses. Approximately 86 per cent. (31st March, 2014 — 84 per cent.) of the bankers' guarantees were secured by certain bank deposits of the Group. In addition, the Group had contingent liabilities relating to MCB of approximately HK\$15 million as at 30th September, 2014 (31st March, 2014 — HK\$18 million), comprising guarantees and other endorsements of approximately HK\$12 million (31st March, 2014 — HK\$15 million) and liabilities under letters of credit on behalf of customers of approximately HK\$3 million (31st March, 2014 — HK\$3 million). Aside from the abovementioned, the Group had no material contingent liabilities outstanding as at 30th September, 2014 (31st March, 2014 — Nil). Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (31st March, 2014 — Nil).

The Group's commitments mainly arise from its property development projects. As the site works of M Residences are substantially completed, the total commitment as at 30th September, 2014 decreased to HK\$404 million (31st March, 2014 — HK\$507 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 3,448 employees as at 30th September, 2014 (2013 — 3,295 employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the period amounted to HK\$309 million (2013 — HK\$301 million). Certain employees of Asia Now Resources Corp. ("Asia Now", a listed subsidiary of the Company) were granted options under the share option scheme of Asia Now. The Group ensures that its employees are offered competitive remuneration packages.

Outlook

The global economic environment has stabilised but there are still various uncertainties. The US Federal Reserve has recently ended its quantitative easing program and there is a greater anticipation of increase in interest rates in the near future, which may cast shadow on the business environment. However, the Group is still confident on the long-term potential growth and development of the Company. The Group is seeking to streamline and strengthen its existing business to meet the challenges ahead. 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

Overview

The global economy remained on a moderate and uneven recovery path during the period under review. Following the substantial improvement in the outlook of the labour market, the U.S. Federal Reserve recently brought an end to its asset purchase programme launched in late 2008. However, it is expected that record low interest rates will be kept for a considerable time. Mainland China sustained growth and other Asian economies in general improved, but the Eurozone and Japan remained subdued.

Results

The financial position of the Group was stable and strong. The results of the Group for the six months ended 30th September, 2014 (the “Period”) were not too satisfactory compared to those of the last corresponding period in 2013. Hongkong Chinese Limited (“HKC”, together with its subsidiaries, the “HKC Group”), a 65.8 per cent. listed subsidiary of the Company, recorded a consolidated loss attributable to shareholders of approximately HK\$50 million for the Period, as compared to a consolidated profit of approximately HK\$403 million for the six months ended 30th September, 2013 (the “Last Period”). During the Last Period, the HKC Group recognized a significant part of the profit arising from its property development at Beijing Economic-Technological Development Area (北京經濟技術開發區) in Beijing, mainland China which was completed in the third quarter of 2013, and shared the profit from its joint ventures which was mainly attributable to the write back of certain deferred tax liabilities by a joint venture following a change of tax base of its underlying property. However, during the Period, there was no new property development project completed by the HKC Group and no such significant profit was recorded and there was no such non-recurring share of profit of joint ventures. Lippo China Resources Limited (“LCR”, together with its subsidiaries, the “LCR Group”), a 71.2 per cent. listed subsidiary of the Company, recorded a consolidated profit attributable to shareholders of approximately HK\$6 million for the Period, as compared to a consolidated profit of approximately HK\$159 million for the Last Period. Such decrease in profit was mainly attributable to the absence of the gain on disposal of available-for-sale financial assets in the Period. Against this backdrop, the Group recorded a loss attributable to shareholders of approximately HK\$105 million for the Period, as compared to a profit of approximately HK\$272 million for the Last Period.

The Group undertakes strategic review of its assets from time to time for maximizing returns to its shareholders, which may include a possible sale of certain properties held for investment purposes. In April 2014, the LCR Group completed the disposal of its interest in the entire office on 42nd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong for an aggregate consideration of approximately HK\$282.6 million. In October 2014, the LCR Group completed the disposal of its entire interest in Chung Po Investment and Development Company Limited which, through its wholly-owned subsidiary, owns the property at 4 Shuiwan Road, Gongbei, Zhuhai City, Guangdong Province, mainland China for an aggregate consideration of HK\$1,278.3 million (the “Disposal”). The Disposal is a good opportunity for the LCR Group to realize its investment at a profit. It is expected that the Disposal will give rise to a non-recurring gain attributable to the Group of approximately HK\$535 million (subject to audit and before expenses and taxes) which will be recorded in the financial results of the Group for the year ending 31st March, 2015.

Construction work planning for two development projects located at Huai An City and Taizhou City in Jiangsu Province, mainland China has been completed. The project situated in Huai An City will be developed into an integrated residential, commercial and retail complex with a total gross floor area of approximately 250,000 square metres on a site of approximately 41,000 square metres. The other project is located in China Medical City (中國醫藥城), Taizhou City (the “Taizhou Project”) with a site of approximately 81,000 square metres and a total gross floor area of approximately 220,000 square metres. The Taizhou Project is a residential development comprising townhouses and residential apartments.

The performance of Auric Pacific Group Limited (“Auric”, together with its subsidiaries, the “APG Group”), the shares of which are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and in which the LCR Group is interested in approximately 49.3 per cent. of its issued share capital, improved during the Period. Auric recorded a consolidated profit attributable to shareholders of approximately S\$1,175,000 for the Period, as compared to a consolidated loss of S\$1,231,000 for the Last Period. The APG Group will continue to remain focused on its core businesses, which includes food distribution, manufacturing and retail. The APG Group will through innovation and the supply of quality products and services meet the needs of consumers and the market.

It was announced on 3rd October, 2014 that LCR was approached by an independent third party (the “Potential Purchaser”) in respect of a possible transaction involving the majority of the shares in LCR beneficially owned by the Company (the “Possible Transaction”). On 19th November, 2014, it was announced that discussion with the Potential Purchaser in respect of the Possible Transaction had been discontinued and no formal or legally binding agreement had been entered into between LCR and the Potential Purchaser in respect of the terms of the Possible Transaction. No further discussion with the Potential Purchaser of the Possible Transaction is planned for the time being.

Interior fitting-out works of “M Residences” at 83 Estrada de Cacilhas, Macau, in which the HKC Group has 100 per cent. interest, have been substantially completed. “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. It is aimed to complete the development before the current financial year end. As at 30th September, 2014, about 96 per cent. of the total saleable area of the project has been pre-sold.

“Marina Collection”, in which the HKC Group has 50 per cent. interest, is located at Sentosa Cove in Sentosa Island, Singapore. It has 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres. The development was completed in 2011 and by 30th September, 2014, 91 units were sold.

Lippo ASM Asia Property Limited (“LAAPL”), a principal joint venture of HKC, is the holding vehicle holding the controlling stake of OUE Limited (“OUE”, together with its subsidiaries, the “OUE Group”), a listed company in Singapore principally engaged in property investment and development and hotel operation. As at 30th September, 2014, LAAPL has an aggregate equity interest of approximately 68.02 per cent. in OUE.

During the Period, the OUE Group had substantial and stable recurrent income from its well diversified and high quality properties such as U.S. Bank Tower in Los Angeles, the tallest iconic building in California and One Raffles Place and OUE Downtown in Singapore. In order to further heighten their values and generate better returns, the OUE Group has undertaken asset enhancement at OUE Downtown and lobby renovation and observation deck project at U.S. Bank Tower. The revamped retail mall, One Raffles Place, commenced operation in May 2014. Also, the development of the 10-storey extension building to the Crowne Plaza Changi Airport Hotel (the “Hotel”) began in August 2014. The extension will add 243 rooms to the existing 320 rooms to the Hotel upon completion.

OUE Hospitality Trust (“OUE H-Trust”), a real estate investment trust established by OUE in 2013 and is listed on the Main Board of the SGX-ST, is holding the entire interest in Mandarin Orchard Singapore and Mandarin Gallery in Singapore. As at 30th September, 2014, OUE and LAAPL held approximately 34.2 per cent. and 7.8 per cent. respectively of the total number of stapled securities units of OUE H-Trust in issue. OUE not only retains its right to operate Mandarin Orchard Singapore and manage Mandarin Gallery, but also benefits from the stable and recurring income stream from the above properties.

OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) was established by OUE in early 2014 and is listed on the Main Board of the SGX-ST. Its property portfolio includes OUE Bayfront, an 18-storey office building in Singapore together with its ancillary properties as well as the properties at Lippo Plaza in Shanghai. By establishing OUE C-REIT, OUE will be able to diversify and expand into new geographical areas. As at 30th September, 2014, the OUE Group held approximately 48 per cent. of the total number of OUE C-REIT units in issue.

In August 2014, the Group acquired an aggregate of 194,190,000 shares in, representing approximately 9.72 per cent. of, the issued share capital of HKC from certain institutional investors for an aggregate consideration of HK\$368,961,000 (being HK\$1.90 per share in HKC). The Group is confident of the long-term potential growth and development of the HKC Group, and the acquisition represented a good opportunity for the Group to increase its ownership in HKC.

Marketing of the development at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the “MIDAN City Project”), in which the Group has approximately 38.5 per cent. interest, is in progress. Disposal of certain land lots has been completed. The MIDAN City Project involves the development, construction and management of a residential, leisure and business complex with an approved total gross floor area of approximately three million square metres. The project is located in Incheon Free Economic Zone and will be completed in phases. It is intended to be a self-contained community with residential properties, shopping malls, hospital, schools, hotels and a business town.

The Group together with other joint venture partners (the “Consortium”), namely OUE and Caesars Entertainment Corporation (“Caesars”), a company listed on the NASDAQ Stock Market, planned to design, develop, construct and own an integrated resort located in Incheon, Korea which will include, inter alia, hotels and service apartments (the “IR Project”). The joint venture entity is intended to be owned by the Group as to 20 per cent. In March 2014, the Consortium received a favourable review with respect to the preliminary approval for its reapplication from the Ministry of Culture, Sports and Tourism of the Republic of Korea, subject to compliance with certain conditions. The IR Project is subject to the satisfaction of a number of conditions, including without limitation, the Group’s entry into definitive agreements governing the IR Project with OUE and Caesars, the Consortium’s compliance with preliminary approval conditions, and obtaining of third party financing, in each case on mutually agreeable terms and receipt of all regulatory permits and licences required for the development and operations of the IR Project. Discussions and planning in respect of the IR Project are in progress.

PROSPECTS

The outlook of the global economy is clouded with considerable uncertainties. The pace of the U.S. monetary normalization remains contingent on its economic data which could affect the pace of economic recovery and interest rates. The economic recovery of the Eurozone is still constrained by various structural issues, and the economy of Japan falls into recession after the increase in sales tax in April 2014. Otherwise, the economic prospects for Asia remain positive, and the long-term outlook of the economy of mainland China is promising.

The Group will continue to streamline and strengthen its existing businesses and operations to meet the challenges ahead. Management is watchful of economic fluctuations ahead and will continue to take a cautious and prudent approach in managing the Group’s assets and assessing new investment opportunities to enhance shareholders’ value.

INTERIM DIVIDEND

The Directors have resolved to declare the payment of an interim dividend of HK3 cents per share (For the six months ended 30th September, 2013 — HK3 cents per share) amounting to approximately HK\$14.8 million for the six months ended 30th September, 2014 (For the six months ended 30th September, 2013 — approximately HK\$14.8 million), which will be paid on or about Friday, 30th January, 2015 to shareholders whose names appear on the Register of Members on Wednesday, 14th January, 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 12th January, 2015 to Wednesday, 14th January, 2015 (both dates inclusive) during which period no transfer of share will be registered. In order to qualify for the interim dividend for the six months ended 30th September, 2014, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrar, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 9th January, 2015.

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

During the six months ended 30th September, 2014, 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. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the six months ended 30th September, 2014.

CORPORATE GOVERNANCE

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

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30th September, 2014.

By Order of the Board
Lippo Limited
John Luen Wai Lee
Managing Director and Chief Executive Officer

Hong Kong, 27th November, 2014

As at the date of this announcement, the Board of Directors of the Company comprises seven directors, of which Dr. Stephen Riady (Chairman) and Messrs. John Luen Wai Lee (Managing Director and Chief Executive Officer) and Jark Pui Lee as executive Directors, Mr. Leon Nim Leung Chan as non-executive Director and Messrs. Edwin Neo, King Fai Tsui and Victor Ha Kuk Yung as independent non-executive Directors.