



Lippo Limited

力寶有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code:226)

INTERIM REPORT
2014

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The Directors of Lippo 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, 2014.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th September, 2014

| | Note | Unaudited six months ended 30th September, | |
|---|------|---|------------------|
| | | 2014 HK\$'000 | 2013 HK\$'000 |
| Revenue | 3 | 1,499,421 | 3,336,585 |
| Cost of sales | | (807,908) | (1,890,396) |
| 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 | 19 | 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 | (78,348) | 70,688 |
| Profit/(Loss) before tax | 5 | (75,640) | 774,371 |
| Income tax | 6 | (42,688) | (214,421) |
| Profit/(Loss) for the period | | (118,328) | 559,950 |
| Attributable to: | | | |
| Equity holders of the Company | | (104,578) | 272,152 |
| Non-controlling interests | | (13,750) | 287,798 |
| | | (118,328) | 559,950 |
| | | HK cents | HK cents |
| Earnings/(Loss) per share attributable to equity holders of the Company | 7 | | |
| Basic | | (21) | 55 |
| Diluted | | N/A | N/A |

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

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 |
| | 1,132 | (121,673) |
| 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) |
| | (82,976) | (127,499) |
| 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 | (104,771) | (223,873) |
| Total comprehensive income/(loss) for the period | (223,099) | 336,077 |
| Attributable to: | | |
| Equity holders of the Company | (158,142) | 145,544 |
| Non-controlling interests | (64,957) | 190,533 |
| | (223,099) | 336,077 |

Condensed Consolidated Statement of Financial Position

As at 30th September, 2014

| | | 30th September, 2014 | 31st March, 2014 |
|---|------|-------------------------|-----------------------|
| | Note | HK\$'000 (Unaudited) | HK\$'000 (Audited) |
| 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 | 9 | 215,469 | 222,527 |
| Loans and advances | 10 | 97,331 | 91,151 |
| Debtors, prepayments and deposits | 11 | 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 | 10 | 274,422 | 276,447 |
| Debtors, prepayments and deposits | 11 | 649,515 | 654,430 |
| Available-for-sale financial assets | 9 | 20,940 | 3,753 |
| Financial assets at fair value through profit or loss | 12 | 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 | 13 | 1,510,031 | 1,207,297 |
| Creditors, accruals and deposits received | 14 | 2,374,927 | 1,737,248 |
| Current, fixed, savings and other deposits of customers | 15 | 358,026 | 332,180 |
| Other financial liabilities | 16 | 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 |

Condensed Consolidated Statement of Financial Position (Continued)

As at 30th September, 2014

| | | 30th September, 2014 | 31st March, 2014 |
|--|-------------|---------------------------------------|-------------------------------------|
| | <i>Note</i> | HK\$'000 (Unaudited) | <i>HK\$'000</i> <i>(Audited)</i> |
| Non-current liabilities | | | |
| Bank and other borrowings | 13 | 302,659 | 133,237 |
| Creditors, accruals and deposits received | 14 | 30,077 | 29,068 |
| Deferred tax liabilities | | 227,003 | 221,427 |
| | | 559,739 | 383,732 |
| Net assets | | 14,800,915 | 15,482,253 |
| Equity | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | 17 | 986,598 | 986,598 |
| Reserves | 18 | 8,061,958 | 7,644,563 |
| | | 9,048,556 | 8,631,161 |
| Non-controlling interests | | 5,752,359 | 6,851,092 |
| | | 14,800,915 | 15,482,253 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2014

| | Unaudited | | | | | | | | | | | | | | |
|---|---|-----------------------|----------------------|--|----------------------------|--------------------------------|-------------------------------------|--------------------------------|---------------------------------|----------------------------------|-------------------------------|------------------|------------------|---------------------------|-------------------|
| | Attributable to equity holders of the Company | | | | | | | | | | | | | | |
| | Issued capital | Share premium account | Share option reserve | Special capital reserve (Note 18 (a)) | Capital redemption reserve | Legal reserve (Note 18 (b)) | Regulatory reserve (Note 18 (c)) | Investment revaluation reserve | Other asset revaluation reserve | Hedging reserve (Note 18 (d)) | Exchange equalisation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | |
| At 1st April, 2014 | 986,598 | - | 1,082 | 1,709,202 | - | 5,170 | 1,470 | 238,506 | 20,153 | (1,819) | 681,064 | 4,989,735 | 8,631,161 | 6,851,092 | 15,482,253 |
| Loss for the period | - | - | - | - | - | - | - | - | - | - | - | (104,578) | (104,578) | (13,750) | (118,328) |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | | | | | |
| Available-for-sale financial assets: | | | | | | | | | | | | | | | |
| Changes in fair value | - | - | - | - | - | - | 527 | - | - | - | - | - | 527 | 230 | 757 |
| Adjustments for disposal | - | - | - | - | - | - | 2 | - | - | - | - | - | 2 | 2 | 4 |
| Income tax effect | - | - | - | - | - | - | 208 | - | - | - | - | - | 208 | 163 | 371 |
| Share of other comprehensive loss of joint ventures | - | - | - | - | - | - | (2,852) | - | (759) | (42,840) | - | (46,451) | (36,525) | (82,976) | |
| Exchange differences on translation of foreign operations | - | - | (8) | - | - | - | - | - | - | (6,867) | - | (6,875) | (13,352) | (20,227) | |
| Adjustments relating to disposal of foreign subsidiaries | - | - | - | - | - | - | - | - | - | (975) | - | (975) | (1,725) | (2,700) | |
| Total comprehensive loss for the period | - | - | (8) | - | - | - | (2,115) | - | (759) | (50,682) | (104,578) | (158,142) | (64,957) | (223,099) | |
| Change in non-controlling interests without change in control (Note 20) | - | - | - | - | - | - | - | - | - | - | - | 623,922 | 623,922 | (993,249) | (369,327) |
| Share of equity movements arising on equity transactions of joint ventures | - | - | - | - | - | - | - | - | - | - | - | 930 | 930 | 727 | 1,657 |
| Transfer of reserve | - | - | - | - | - | 1,051 | - | - | - | - | - | (1,051) | - | - | - |
| 2013/2014 final dividend declared to shareholders of the Company | - | - | - | - | - | - | - | - | - | - | - | (49,315) | (49,315) | - | (49,315) |
| Dividends and distribution declared to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (41,254) | (41,254) |
| At 30th September, 2014 | 986,598 | - | 1,074 | 1,709,202 | - | 6,221 | 1,470 | 236,391 | 20,153 | (2,578) | 630,382 | 5,459,643 | 9,048,556 | 5,752,359 | 14,800,915 |
| At 1st April, 2013 | 49,316 | 914,519 | 1,175 | 1,709,202 | 22,763 | 4,055 | 1,470 | 269,532 | 20,153 | - | 907,791 | 4,948,586 | 8,848,562 | 7,006,489 | 15,855,051 |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | - | 272,152 | 272,152 | 287,798 | 559,950 |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | | | | | |
| Available-for-sale financial assets: | | | | | | | | | | | | | | | |
| Changes in fair value | - | - | - | - | - | - | (2,935) | - | - | - | - | - | (2,935) | (2,152) | (5,087) |
| Adjustments for disposal | - | - | - | - | - | - | (84,443) | - | - | - | - | - | (84,443) | (33,990) | (118,433) |
| Income tax effect | - | - | - | - | - | - | 1,036 | - | - | - | - | - | 1,036 | 811 | 1,847 |
| Share of other comprehensive loss of joint ventures | - | - | - | - | - | - | (2,336) | - | (2,255) | (66,938) | - | (71,529) | (55,970) | (127,499) | |
| Exchange differences on translation of foreign operations | - | - | (14) | - | - | - | - | - | - | 31,277 | - | 31,263 | (5,964) | 25,299 | |
| Total comprehensive income/(loss) for the period | - | - | (14) | - | - | - | (88,678) | - | (2,255) | (35,661) | 272,152 | 145,544 | 190,533 | 336,077 | |
| Change in non-controlling interests without change in control (Note 20) | - | - | - | - | - | - | - | - | - | - | - | 6,588 | 6,588 | (73,064) | (66,476) |
| Share of equity movements arising on equity transactions of joint ventures | - | - | - | - | - | - | - | - | - | - | - | (21,408) | (21,408) | (16,738) | (38,146) |
| Repayment to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,468) | (2,468) |
| Transfer of reserve | - | - | - | - | - | 1,114 | - | - | - | - | - | (1,114) | - | - | - |
| 2012/2013 final dividend declared and paid to shareholders of the Company | - | - | - | - | - | - | - | - | - | - | - | (19,726) | (19,726) | - | (19,726) |
| Dividends and distribution, declared and paid to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (49,173) | (49,173) |
| At 30th September, 2013 | 49,316 | 914,519 | 1,161 | 1,709,202 | 22,763 | 5,169 | 1,470 | 180,854 | 20,153 | (2,255) | 872,130 | 5,185,078 | 8,959,560 | 7,055,579 | 16,015,139 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2014

| | Unaudited | |
|--|----------------------------------|-----------|
| | six months ended 30th September, | |
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Net cash flows used in operating activities | (550,910) | (80,803) |
| Net cash flows from investing activities | 885,741 | 355,879 |
| Net cash flows from/(used in) financing activities | 42,512 | (472,171) |
| Net increase/(decrease) in cash and cash equivalents | 377,343 | (197,095) |
| Cash and cash equivalents at beginning of period | 3,176,597 | 2,346,777 |
| Exchange realignments | (2,542) | 3,725 |
| Cash and cash equivalents at end of period | 3,551,398 | 2,153,407 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and bank balances | 4,352,570 | 2,124,560 |
| Treasury bills | 48,500 | 29,100 |
| Time deposits with original maturity of more than three months | (849,672) | (253) |
| | 3,551,398 | 2,153,407 |

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.

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 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 financial statements:

| | |
|--|---|
| 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 financial statements.

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 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.

Notes to the Interim Financial Statements (Continued)

2. SEGMENT INFORMATION (Continued)

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).

3. 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, 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, | |
|--|----------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Property investment | 28,675 | 107,555 |
| Property development (Note) | 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 |
| | 1,499,421 | 3,336,585 |

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.

Notes to the Interim Financial Statements (Continued)

3. REVENUE (Continued)

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

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.

Notes to the Interim Financial Statements (Continued)

5. PROFIT/(LOSS) BEFORE TAX

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

| | Six months ended 30th September, | |
|--|----------------------------------|------------------|
| | 2014 HK\$'000 | 2013 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) |

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 |
| | 6,704 | 1,183 |
| Overseas: | | |
| Charge for the period | 32,542 | 304,016 |
| Overprovision in prior periods | (4,485) | (704) |
| Deferred | 7,927 | (90,074) |
| | 35,984 | 213,238 |
| Total charge for the period | 42,688 | 214,421 |

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 | 14,795 | 14,795 |

The interim dividend 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, 2014 HK\$'000 | 31st March, 2014 HK\$'000 |
|---|-------------------------------------|---------------------------------|
| Financial assets stated at fair value: | | |
| Equity securities listed overseas | 51 | 51 |
| Debt securities listed in Hong Kong | 49,423 | 52,807 |
| Debt securities listed overseas | 30,936 | 26,171 |
| Unlisted debt securities | 7,128 | 5,043 |
| Unlisted investment funds | 13,234 | 10,768 |
| | 100,772 | 94,840 |
| Financial assets stated at cost: | | |
| Unlisted equity securities | 199,232 | 196,420 |
| Unlisted debt securities | 11,663 | 11,663 |
| Unlisted investment funds | 92,577 | 104,944 |
| | 303,472 | 313,027 |
| Provisions for impairment losses | (167,835) | (181,587) |
| | 135,637 | 131,440 |
| | 236,409 | 226,280 |
| Less: Amount classified under current portion | (20,940) | (3,753) |
| Non-current portion | 215,469 | 222,527 |

The debt securities bear interest at effective rates ranging from nil to 14 per cent. (31st March, 2014 — nil to 14 per cent.) per annum.

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

| | 30th September, 2014 HK\$'000 | 31st March, 2014 HK\$'000 |
|--|-------------------------------------|---------------------------------|
| Equity securities: | | |
| Corporate entities | 199,283 | 196,471 |
| Debt securities: | | |
| Club debentures | 11,663 | 11,663 |
| Corporate entities | 66,946 | 69,713 |
| Banks and other financial institutions | 20,541 | 14,308 |
| | 99,150 | 95,684 |

10. LOANS AND ADVANCES

The loans and advances to customers of the Group bear interest at effective rates ranging from 2 per cent. to 9 per cent. (31st March, 2014 — 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\$858,749,000 (31st March, 2014 — HK\$871,194,000).

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

| | Six months ended 30th September, | |
|--------------------------------------|---|----------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Balance at beginning of period | 6,845 | 6,770 |
| Allowance for bad and doubtful debts | 2,794 | 127 |
| Impairment allowance released | (5) | (3,687) |
| Balance at end of period | 9,634 | 3,210 |

11. 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, | 31st March, |
|---------------------------------|------------------------|-------------|
| | 2014 | 2014 |
| | HK\$'000 | 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 |
| | 409,224 | 424,371 |

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.

Notes to the Interim Financial Statements (Continued)

11. DEBTORS, PREPAYMENTS AND DEPOSITS (Continued)

At the end of the reporting period, the individually impaired trade and other receivables related to securities broking operation, a property development project and the food businesses segment. The Group does not hold any collateral or other credit enhancements over these balances. Movements in the allowance for bad and doubtful debts for these individually impaired receivables during the period are as follows:

| | Six months ended 30th September, | |
|--------------------------------------|---|----------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Balance at beginning of period | 45,746 | 48,180 |
| Allowance for bad and doubtful debts | 1,072 | 1,425 |
| Impairment allowance released | (762) | – |
| Amount written-off | (9,367) | (1,784) |
| Exchange adjustments | (31) | (617) |
| Balance at end of period | 36,658 | 47,204 |

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30th September, | 31st March, |
|---------------------------|------------------------|-------------|
| | 2014 | 2014 |
| | HK\$'000 | HK\$'000 |
| Held for trading: | | |
| Equity securities: | | |
| Listed in Hong Kong | 152,358 | 130,264 |
| Listed overseas | 265,225 | 189,524 |
| | 417,583 | 319,788 |
| Unlisted investment funds | 25,567 | 28,100 |
| | 443,150 | 347,888 |

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

| | 30th September, | 31st March, |
|--------------------|------------------------|-------------|
| | 2014 | 2014 |
| | HK\$'000 | HK\$'000 |
| Equity securities: | | |
| Corporate entities | 417,583 | 319,788 |

13. BANK AND OTHER BORROWINGS

| | 30th September, 2014 HK\$'000 | 31st March, 2014 HK\$'000 |
|---|-------------------------------------|---------------------------------|
| Current portion: | | |
| Bank loans: | | |
| Secured (Note (a)) | 1,478,869 | 1,165,387 |
| Unsecured | 30,327 | 41,195 |
| Obligations under finance leases (Note (b)) | 835 | 715 |
| | 1,510,031 | 1,207,297 |
| Non-current portion: | | |
| Secured bank loans (Note (a)) | 300,000 | 130,000 |
| Obligations under finance leases (Note (b)) | 2,659 | 3,237 |
| | 302,659 | 133,237 |
| | 1,812,690 | 1,340,534 |
| Bank and other borrowings by currency: | | |
| Hong Kong dollar | 1,775,083 | 1,289,082 |
| Renminbi | 3,786 | 6,305 |
| Malaysian Ringgit | 33,821 | 45,147 |
| | 1,812,690 | 1,340,534 |
| Bank loans repayable: | | |
| Within one year or on demand | 1,509,196 | 1,206,582 |
| In the second year | 75,000 | 130,000 |
| In the third to fifth years, inclusive | 225,000 | – |
| | 1,809,196 | 1,336,582 |
| Other borrowings repayable: | | |
| Within one year | 835 | 715 |
| In the second year | 512 | 598 |
| In the third to fifth years, inclusive | 1,531 | 2,639 |
| After five years | 616 | – |
| | 3,494 | 3,952 |

Notes to the Interim Financial Statements (Continued)

13. BANK AND OTHER BORROWINGS (Continued)

The Group's bank loans bear interest at floating rates ranging from 2.5 per cent. to 7.1 per cent. (31st March, 2014 — 2.4 per cent. to 7.3 per cent.) per annum.

Note:

- (a) At the end of the reporting period, the bank loans were secured by:
- (i) shares in certain listed subsidiaries of the Group with market value of HK\$3,790,869,000 (31st March, 2014 — HK\$4,358,260,000);
 - (ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development of the Group with carrying amounts of HK\$971,950,000 (31st March, 2014 — HK\$1,486,259,000), HK\$100,592,000 (31st March, 2014 — HK\$118,018,000) and HK\$921,489,000 (31st March, 2014 — HK\$602,118,000), respectively; and
 - (iii) certain bank deposits of the Group with a carrying amount of HK\$99,162,000 (31st March, 2014 — HK\$98,259,000).
- (b) The Group has obligations under finance leases for certain plant and equipment. The implicit average interest rate in the leases ranges from 3.8 per cent. to 5.0 per cent. (31st March, 2014 — 3.8 per cent. to 5.0 per cent.) per annum. At the end of the reporting period, the obligations under finance leases were secured by rights to certain leased plant and equipment of the Group with a carrying amount of HK\$3,494,000 (31st March, 2014 — HK\$3,952,000).

14. 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), with further details given in Note 26 to the interim financial statements, 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, securities broking operation and property development projects.

An aged analysis of trade creditors are as follows:

| | 30th September, 2014 | 31st March, 2014 |
|---------------------------------|---------------------------------|---------------------|
| | HK\$'000 | 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 |
| | 558,075 | 600,307 |

Notes to the Interim Financial Statements (Continued)

14. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED (Continued)

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.

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, 2014 — 0.01 per cent. to 3.0 per cent.) per annum.

16. OTHER FINANCIAL LIABILITIES

| | 30th September, 2014 | 31st March, 2014 |
|--|---------------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Derivative financial instruments: | | |
| Futures | – | 259 |
| Financial liabilities at fair value through profit or loss designated as such upon initial recognition | 4,044 | 15,739 |
| | 4,044 | 15,998 |

17. SHARE CAPITAL

Shares

| | 30th September, 2014 | 31st March, 2014 |
|--|---------------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Issued and fully paid: | | |
| 493,154,032 (31st March, 2014 — 493,154,032) ordinary shares | 986,598 | 986,598 |

17. SHARE CAPITAL (Continued)

Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are as follows:

(a) *Share Option Scheme of the Company adopted on 7th June, 2007*

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company on 7th June, 2007 (the "Adoption Date"), the board of the Directors (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 Person") 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 date 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 43,373,501 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 1 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.

As at the beginning and end of the period, there were no outstanding options granted under the Share Option Scheme to subscribe for shares in the Company.

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

17. SHARE CAPITAL (Continued)

Share Option Schemes (Continued)

(b) *Share Option Scheme of Lippo China Resources Limited adopted on 7th June, 2007*

The principal terms of the rules of the share option scheme of Lippo China Resources Limited ("LCR"), a listed subsidiary of the Company, adopted and approved by the shareholders of LCR and the Company on 7th June, 2007 (the "LCR Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above. As at the beginning and end of the period, there were no outstanding options granted under the LCR Share Option Scheme to subscribe for shares in LCR.

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

(c) *Share Option Scheme of Hongkong Chinese Limited adopted on 7th June, 2007*

The principal terms of the rules of the share option scheme of Hongkong Chinese Limited ("HKC"), a listed subsidiary of the Company, adopted and approved by the shareholders of HKC, LCR and the Company on 7th June, 2007 (the "HKC Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above. As at the beginning and end of the period, there were no outstanding options granted under the HKC Share Option Scheme to subscribe for shares of HK\$1.00 each in HKC.

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

(d) *Share Option Schemes of Asia Now Resources Corp.*

Terminated Incentive Stock Option Plan of Asia Now Resources Corp.

An incentive stock option plan of Asia Now Resources Corp. ("Asia Now"), a listed subsidiary of the Company, was adopted on 30th April, 2007 and amended and restated on 17th February, 2011 and approved by the shareholders of Asia Now and such option plan was subsequently terminated during the financial year ended 31st March, 2014 (the "Terminated ANR Stock Option Plan"). Pursuant to the Terminated ANR Stock Option Plan, the board of directors of Asia Now (the "ANR Board") might grant options to eligible persons including any employees, officers, directors, management company employees or consultants of Asia Now and any of its subsidiaries to purchase the common shares in the capital of Asia Now (the "ANR Shares"). The purpose of the Terminated ANR Stock Option Plan was to advance the interests of Asia Now by providing eligible persons with additional incentive, encouraging equity ownership by such eligible persons in the success of Asia Now, encouraging eligible persons to remain with Asia Now or its affiliates and attracting new employees, directors and officers. The options granted must be exercised no later than five years after the date of grant. Subject to ANR Board's sole discretion in modifying the vesting of options, the options granted under the Terminated ANR Stock Option Plan vested, and became exercisable, as to 25 per cent. on the date of grant and 25 per cent. on each six-month anniversary of the date of grant (the "Vesting Period"). However, subject to the provisions of the Terminated ANR Stock Option Plan, the ANR Board had the authority to determine the terms, limitations, restrictions and conditions respecting the grant of options. No grantee of option was required to pay for the grant of the relevant option.

A maximum of 11,100,000 ANR Shares, representing approximately 10 per cent. of Asia Now's issued share capital, were reserved for issuance upon exercise of options granted under the Terminated ANR Stock Option Plan. The maximum number of ANR Shares which was reserved for issuance to any one person in any 12-month period under the Terminated ANR Stock Option Plan was 5 per cent. of the ANR Shares issued and outstanding at the time of grant (on a non-diluted basis). The option exercise price was determined by the ANR Board in its sole discretion and was not less than the closing price of the ANR Shares on TSX Venture Exchange of Canada (the "Venture Exchange") on the date immediately preceding the day on which the ANR Board granted and provided notice to such exchange of the grant of the option(s).

Notes to the Interim Financial Statements (Continued)

17. SHARE CAPITAL (Continued)

Share Option Schemes (Continued)

(d) Share Option Schemes of Asia Now Resources Corp. (Continued)

Terminated Incentive Stock Option Plan of Asia Now Resources Corp. (Continued)

As at 1st April, 2014, there were 400,000 outstanding options granted under the Terminated ANR Stock Option Plan (the "ANR Options") to subscribe for a total of 400,000 ANR Shares. Of this total, 350,000 ANR Options have an exercise price of C\$0.30 per share (subject to adjustment) and are subject to the Vesting Period. The remaining 50,000 ANR Options, which had an exercise price of C\$0.25 per share and remained unexercised, expired on 10th September, 2014 and lapsed accordingly. As at 1st April, 2014, all the above ANR Options were vested.

During the period, movements in the ANR Options granted under the Terminated ANR Stock Option Plan are summarised as follows:

| Participants | Date of grant | Expiry date | Exercise price per share (subject to adjustment) C\$ | Number of ANR Options | | |
|--|----------------------|----------------------|--|-------------------------------|--------------------------|------------------------------------|
| | | | | Balance as at 1st April, 2014 | Lapsed during the period | Balance as at 30th September, 2014 |
| Employees (Note) | 10th September, 2009 | 10th September, 2014 | 0.25 | 50,000 | (50,000) | - |
| | 17th February, 2011 | 17th February, 2016 | 0.30 | 350,000 | - | 350,000 |
| Total | | | | 400,000 | (50,000) | 350,000 |
| Weight average exercise price per ANR Shares (C\$) | | | | 0.29 | 0.25 | 0.30 |

Note: Employees refer to the employees of Asia Now and its subsidiaries as at 30th September, 2014 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the directors and chief executive of Asia Now.

Save as disclosed herein, no option of Asia Now was granted, exercised, cancelled or lapsed under the Terminated ANR Stock Option Plan during the period.

Following the termination of the option plan, no new option will be granted under the Terminated ANR Stock Option Plan.

17. SHARE CAPITAL (Continued)

Share Option Schemes (Continued)

(d) *Share Option Schemes of Asia Now Resources Corp. (Continued)*

Share Option Scheme of Asia Now Resources Corp. adopted on 11th September, 2014

A new share option scheme of Asia Now (the "ANR Share Option Scheme"), which was approved by the shareholders of Asia Now, LCR and the Company, was adopted on 11th September, 2014 (the "ANR Adoption Date"). Pursuant to the ANR Share Option Scheme, the ANR Board shall be entitled at any time to offer to grant an option to subscribe for ANR Shares to any eligible person including director or senior officer of Asia Now, and employee (the "ANR Eligible Employee") and consultant of Asia Now and its subsidiaries (together, the "ANR Eligible Person") whom the ANR Board may, in its absolute discretion, select and subject to such conditions as it may think fit. The purpose of the ANR Share Option Scheme is to provide ANR Eligible Persons with the opportunity to acquire proprietary interests in Asia Now and to encourage ANR Eligible Persons to work towards enhancing the value of Asia Now and its shares for the benefit of Asia Now and its shareholders as a whole. The ANR Share Option Scheme shall be valid and effective for the period of ten years commencing on the ANR Adoption Date. Under the rules of the ANR Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the ANR 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 date shall not be later than the day last preceding the tenth anniversary of the date of grant. No option may be exercised by an ANR Eligible Employee until such ANR Eligible Employee has been in continuous employment with Asia Now or its subsidiary or has been appointed as a director for a period of one calendar year from the date of such ANR Eligible Employee's commencement of employment with or appointment by Asia Now or its subsidiary. In respect of an ANR Eligible Person who is not an ANR Eligible Employee, the ANR Board may in its absolute discretion specify such minimum period for which an option must be held before such option can be exercised. In respect of an ANR Eligible Person (whether or not an ANR Eligible Employee), the ANR Board may in its absolute discretion make the exercise of an option conditional on the achievement of minimum performance target(s). No grantee of option is required to pay for the grant of the relevant option.

17. SHARE CAPITAL (Continued)

Share Option Schemes (Continued)

(d) *Share Option Schemes of Asia Now Resources Corp. (Continued)*

Share Option Scheme of Asia Now Resources Corp. adopted on 11th September, 2014 (Continued)

The overall limit on the number of ANR Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the ANR Share Option Scheme and other share option schemes must not exceed 20 per cent. of the ANR Shares in issue on the ANR Adoption Date. The maximum number of ANR Shares in respect of which options may be granted under the ANR Share Option Scheme shall not (when aggregated with any ANR Shares subject to grants made after the ANR Adoption Date pursuant to any other share option scheme(s) of Asia Now) exceed 10 per cent. of the issued share capital of Asia Now on the ANR Adoption Date (the "ANR Scheme Mandate Limit"). The ANR Scheme Mandate Limit may be renewed at any time subject to prior approval of the Toronto Stock Exchange (as defined below) and shareholders of Asia Now and its relevant holding companies but in any event shall not exceed 10 per cent. of the issued share capital of Asia Now as at the date of approval of the renewal of the ANR Scheme Mandate Limit. A maximum of 11,332,079 ANR Shares, representing approximately 10 per cent. of Asia Now's issued share capital, are reserved for issuance upon exercise of options granted under the ANR Share Option Scheme. The total number of ANR Shares issued and to be issued upon exercise of options granted and to be granted under the ANR Share Option Scheme to any single ANR Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed 1 per cent. of the ANR Shares in issue at the relevant time. The exercise price for the ANR Shares under the ANR Share Option Scheme shall be determined by the ANR Board in its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the ANR Shares on the date of grant of the option, as stated in the daily quotations sheets of the Venture Exchange or the Toronto Stock Exchange, as applicable, being the stock exchange on which the ANR Shares are primarily listed (the "Toronto Stock Exchange"); (ii) the average closing price of the ANR Shares for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheet of the Toronto Stock Exchange; and (iii) the floor price which means the last closing price of the ANR Shares on the Toronto Stock Exchange before the date the option is granted less the following maximum discounts based on closing price (and subject, notwithstanding the application of any such maximum discount, to a minimum price per share of C\$0.05):

| Closing Price | Discount |
|----------------------|-----------------|
| Up to C\$0.50 | 25 per cent. |
| C\$0.51 to C\$2.00 | 20 per cent. |
| Above C\$2.00 | 15 per cent. |

No option of Asia Now was granted, exercised, cancelled or lapsed under the ANR Share Option Scheme during the period.

There are no outstanding options granted under the ANR Share Option Scheme to subscribe for ANR Shares.

18. 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) *Special capital reserve*

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 23rd December, 1998 and the subsequent confirmation by the court on 26th January, 1999, the then entire amount standing to the credit of the share capital account of the Company of approximately HK\$1,709,202,000 was cancelled on 27th January, 1999 (the "Cancellation"). The credit arising from the Cancellation was transferred to a special capital reserve account.

(b) *Legal reserve*

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.

(c) *Regulatory reserve*

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.

(d) *Hedging reserve*

The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

19. DISPOSAL OF SUBSIDIARIES

| | Six months ended 30th September, 2014 HK\$'000 |
|--|---|
| Net assets disposed of: | |
| Fixed assets | 272 |
| Investment properties | 284,000 |
| Debtors, prepayments and deposits | 293 |
| Cash and bank balances | 733 |
| Creditors, accruals and deposits received | (3,098) |
| Tax payables | (3) |
| Deferred tax liabilities | (1,524) |
| | 280,673 |
| Release of cumulative exchange differences on translation of foreign operations attributable to: | |
| Equity holders of the Company | (975) |
| Non-controlling interests | (1,725) |
| | (2,700) |
| | 277,973 |
| Gain on disposal | 11,954 |
| | 289,927 |
| Satisfied by: | |
| Cash consideration received | 289,029 |
| Other receivable | 898 |
| | 289,927 |

20. CHANGES IN NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL

Major changes in non-controlling interests during the period are as follows:

Six months ended 30th September, 2014

In August 2014, Hennessy Holdings Limited, a wholly-owned subsidiary of the Company, acquired an aggregate of 194,190,000 shares in HKC from third party vendors at an aggregate consideration of HK\$368,961,000. As a result, the Group's effective ownership 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. The Group recognised a decrease in non-controlling interests of HK\$992,488,000 and an increase in retained profits of HK\$623,527,000.

20. CHANGES IN NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (Continued)

Six months ended 30th September, 2013

In June 2013, a wholly-owned subsidiary of Auric Pacific Group Limited ("Auric") made a voluntary unconditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of Food Junction Holdings Limited ("Food Junction"), a then listed company in Singapore, other than treasury shares and those already owned, controlled or agreed to be acquired by Auric and its subsidiaries (the "APG Group"), at an offer price of S\$0.255 in cash for each share (the "Offer"). Immediately before the Offer, the APG Group was interested in approximately 61.4 per cent. of the issued share capital of Food Junction (excluding treasury shares).

The Offer was closed on 14th August, 2013 and the APG Group held approximately 93.1 per cent. of the issued share capital in Food Junction immediately after the close of the Offer. The total consideration was approximately HK\$65,680,000. The Group recognised a decrease in non-controlling interests of HK\$72,268,000 and an increase in retained profits of HK\$6,588,000.

21. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities:

(a) *Bankers' guarantee*

| | 30th September, 2014 HK\$'000 | 31st March, 2014 HK\$'000 |
|--|--|---------------------------------|
| Secured bankers' guarantee (Note (i)) | 37,029 | 33,637 |
| Unsecured bankers' guarantee (Note (ii)) | 6,184 | 6,270 |
| | 43,213 | 39,907 |

Note:

- (i) The Group had bankers' guarantees issued in lieu of rental and utility deposits for the premises used in the food businesses segment. As at 30th September, 2014, fixed deposits of approximately HK\$21,954,000 (31st March, 2014 — HK\$21,435,000) were pledged to banks as security for bankers' guarantees issued.
- (ii) The Group had bankers' guarantees issued to suppliers in the ordinary course of business and in lieu of rental and utility deposits for the premises used in the food businesses segment.

(b) *Details of the off-balance sheet exposures relating to banking operation*

As at 30th September, 2014, the Group had contingent liabilities relating to its banking subsidiary of HK\$15,143,000 (31st March, 2014 — HK\$18,063,000) comprising guarantees and other endorsements of HK\$11,867,000 (31st March, 2014 — HK\$15,328,000) and liabilities under letters of credit on behalf of customers of HK\$3,276,000 (31st March, 2014 — HK\$2,735,000).

(c) *Guarantee to a joint venture*

As at 30th September, 2014, the Company provided a guarantee of up to a maximum US\$100 million to a joint venture, guaranteeing its payment obligations to its trade creditors.

22. COMMITMENTS

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

| | 30th September, 2014 HK\$'000 | 31st March, 2014 HK\$'000 |
|---|--|---------------------------------|
| Commitments in respect of property, plant and equipment and properties under development: | | |
| Contracted, but not provided for | 310,746 | 417,042 |
| Authorised, but not contracted for | 5,787 | – |
| Other commitments: | | |
| Contracted, but not provided for (Note) | 87,067 | 90,168 |
| | 403,600 | 507,210 |

Note: The balance included the Group's capital commitments in respect of the joint arrangements of approximately HK\$31 million (31st March, 2014 — HK\$33 million).

23. 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 Group paid rental expenses (including service charges) in the total amount of HK\$4,280,000 (2013 — HK\$3,691,000) to joint ventures of the Group. The rentals were determined by reference to the then prevailing open market rentals.
- (b) During the period, the Group sold food and beverage products of HK\$750,000 (2013 — HK\$960,000) to joint ventures of the Group. The sales were made on normal commercial terms in line with, and with reference to, the industry practice.
- (c) During the period, the Group sold goods to its joint venture of HK\$8,096,000 (2013 — HK\$10,361,000). The prices and terms of sales are on normal commercial terms and are comparable to, or no more favorable than the prices and terms offered to other customers who are independent third parties of similar credit standing, trading volume and trading record.
- (d) As at 30th September, 2014, the Group had amounts due from associates in a total of HK\$125,706,000 (31st March, 2014 — HK\$169,793,000) and amounts due from joint ventures in a total of HK\$150,099,000 (31st March, 2014 — HK\$109,279,000).

The balances with the associates included a loan of HK\$36,562,000 (31st March, 2014 — HK\$36,509,000), which bears interest at 8.5 per cent. per annum and is repayable on demand. The remaining balances with the associates are unsecured, interest-free and have no fixed terms of repayment.

The balances with the joint ventures included trade receivables of HK\$3,427,000 (31st March, 2014 — HK\$3,344,000) arose from sales made to the joint venture, which is unsecured, interest-free, and repayable within normal trade credit terms. The balances with the joint ventures included another loan of HK\$62,899,000 (31st March, 2014 — HK\$63,587,000), which is unsecured, bears interest at 9.5 per cent. per annum and is repayable in 2015. The remaining balances with the joint ventures are unsecured, interest-free and have no fixed terms of repayment.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments carried at fair value, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|--|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 30th September, 2014 HK\$'000 | 31st March, 2014 HK\$'000 | 30th September, 2014 HK\$'000 | 31st March, 2014 HK\$'000 |
| Financial assets | | | | |
| Available-for-sale financial assets | 100,772 | 94,840 | 100,772 | 94,840 |
| Financial assets at fair value through profit or loss | 443,150 | 347,888 | 443,150 | 347,888 |
| | 543,922 | 442,728 | 543,922 | 442,728 |
| Financial liabilities | | | | |
| Other financial liabilities | 4,044 | 15,998 | 4,044 | 15,998 |

Management has assessed that the fair values of cash and bank balances, treasury bills, restricted cash, client trust bank balances, financial assets included in debtors, prepayments and deposits, loans and advances, financial liabilities included in creditors, payables and accruals and current, fixed, savings and other deposits of customers approximate to their carrying amounts largely due to the short term maturity of these instruments. In addition, the fair values of interest-bearing bank and other borrowings with floating interest rates approximate to their carrying amounts.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of significant financial instruments. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments, debt instruments and derivative financial instruments are based on quoted market prices.

The fair values of unlisted investments funds are assessed to approximate the net asset values indicated on the net asset value statement issued by the investment fund manager, which take into consideration the fair value of the underlying properties and assets held under the investments. Where appropriate, a discount is applied to take into consideration of the non-marketable nature of the investments.

The fair value of financial liabilities at fair value through profit or loss designated as such upon initial recognition within Level 2 of fair value hierarchy is determined by reference to the pro rata share held by external parties of the net asset value of certain exchange traded fund, which is a subsidiary of the Group.

Notes to the Interim Financial Statements (Continued)

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments used in Level 3 fair value measurements at the end of the reporting period:

| | Valuation techniques | Significant unobservable inputs | Range (weighted average) | Sensitivity of the input to fair value |
|---|-----------------------------|---------------------------------|--|--|
| Available-for-sale investment fund | Discounted cash flow method | Discount rate | 8 per cent. to 21 per cent. (31st March, 2014 — 8 per cent. to 21 per cent.) | Increase/(Decrease) in discount rate would result in (decrease)/increase in fair value |
| Investment funds at fair value through profit or loss | Discounted cash flow method | Discount rate | 5 per cent. (31st March, 2014 — 5 per cent.) | Increase/(Decrease) in discount rate would result in (decrease)/increase in fair value |

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

| | Fair value measurement using | | | Total HK\$'000 |
|--|---|---|---|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| As at 30th September, 2014 | | | | |
| Assets measured at fair value | | | | |
| Available-for-sale financial assets: | | | | |
| Equity securities | 51 | – | – | 51 |
| Debt securities | 87,487 | – | – | 87,487 |
| Investment funds | 2,638 | – | 10,596 | 13,234 |
| Financial assets at fair value through profit or loss: | | | | |
| Equity securities | 417,583 | – | – | 417,583 |
| Investment funds | – | 8,394 | 17,173 | 25,567 |
| | 507,759 | 8,394 | 27,769 | 543,922 |
| Liabilities measured at fair value | | | | |
| Other financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss designated as such upon initial recognition | – | 4,044 | – | 4,044 |

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

| | Fair value measurement using | | | Total HK\$'000 |
|--|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| As at 31st March, 2014 | | | | |
| Assets measured at fair value | | | | |
| Available-for-sale financial assets: | | | | |
| Equity securities | 51 | – | – | 51 |
| Debt securities | 84,021 | – | – | 84,021 |
| Investment funds | – | – | 10,768 | 10,768 |
| Financial assets at fair value through profit or loss: | | | | |
| Equity securities | 319,788 | – | – | 319,788 |
| Investment funds | – | 9,197 | 18,903 | 28,100 |
| | 403,860 | 9,197 | 29,671 | 442,728 |
| Liabilities measured at fair value | | | | |
| Other financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss designated as such upon initial recognition | | | | |
| Derivative financial instruments | – | 15,739 | – | 15,739 |
| | 259 | – | – | 259 |
| | 259 | 15,739 | – | 15,998 |

Notes to the Interim Financial Statements (Continued)

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The movements in fair value measurements in Level 3 during the period are as follows:

| | Available- for-sale investment funds HK\$'000 | Investment funds at fair value through profit or loss HK\$'000 | Derivative financial instruments HK\$'000 | Financial assets at fair value through profit or loss designated as such upon initial recognition HK\$'000 | Financial liabilities at fair value through profit or loss designated as such upon initial recognition HK\$'000 |
|---|---|---|--|---|--|
| Period ended 30th September, 2014 | | | | | |
| At 1st April, 2014 | 10,768 | 18,903 | - | - | - |
| Total gains recognised in the statement of profit or loss | - | 69 | - | - | - |
| Total losses recognised in other comprehensive income | (476) | - | - | - | - |
| Purchases | 293 | - | - | - | - |
| Disposals | - | (1,825) | - | - | - |
| Exchange adjustments | 11 | 26 | - | - | - |
| At 30th September, 2014 | 10,596 | 17,173 | - | - | - |
| Period ended 30th September, 2013 | | | | | |
| At 1st April, 2013 | 17,230 | 29,543 | 7,275 | 217,905 | (98,919) |
| Total losses recognised in the statement of profit or loss | - | (517) | (7,275) | - | (524) |
| Total losses recognised in other comprehensive income | (3,495) | - | - | - | - |
| Purchases | 14 | - | - | - | - |
| Disposals | (780) | (7,188) | - | (217,905) | 99,443 |
| Exchange adjustments | (12) | (28) | - | - | - |
| At 30th September, 2013 | 12,957 | 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 (2013 — Nil).

25. 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, which 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, food businesses 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.

In addition, the Group's exposure to credit risk for its food businesses arises primarily from trade and other debtors. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control. New customers are subject to credit evaluation while the Group continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

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.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)*(b) Liquidity risk (Continued)*

An analysis of the maturity profile of debt instruments, loans and receivables and non-derivative financial 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, 2014 | | | | | | | |
| Assets | | | | | | | |
| Amount due from a joint venture | - | - | - | 62,899 | - | - | 62,899 |
| Debt securities: | | | | | | | |
| Available-for-sale financial assets | - | - | 20,940 | 43,369 | 14,118 | 20,633 | 99,060 |
| Loans and advances | 175,444 | 47,341 | 51,637 | 68,468 | 28,863 | - | 371,753 |
| Debtors and deposits | 77,429 | 403,094 | 38,951 | 45,082 | - | 53,578 | 618,134 |
| Client trust bank balances | 235,312 | 91,546 | - | - | - | - | 326,858 |
| Restricted cash | 96,784 | 17,057 | 7,275 | - | - | - | 121,116 |
| Treasury bills | - | 48,500 | - | - | - | - | 48,500 |
| Cash and bank balances | 610,465 | 3,327,745 | 414,360 | - | - | - | 4,352,570 |
| | 1,195,434 | 3,935,283 | 533,163 | 219,818 | 42,981 | 74,211 | 6,000,890 |
| Liabilities | | | | | | | |
| Bank and other borrowings | - | 760,327 | 749,778 | 302,256 | 689 | - | 1,813,050 |
| Creditors, accruals and deposits received | 329,530 | 531,175 | 281,665 | 4,598 | - | 141,533 | 1,288,501 |
| Current, fixed, savings and other deposits of customers | 97,862 | 185,839 | 74,325 | - | - | - | 358,026 |
| Other financial liabilities | 4,044 | - | - | - | - | - | 4,044 |
| Bankers' guarantee | - | 10,581 | 7,824 | 24,808 | - | - | 43,213 |
| | 431,436 | 1,487,922 | 1,113,592 | 331,662 | 689 | 141,533 | 3,506,834 |

Notes to the Interim Financial Statements (Continued)

25. 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, 2014 | | | | | | | |
| Assets | | | | | | | |
| Amount due from a joint venture | - | - | - | 63,587 | - | - | 63,587 |
| Debt securities: | | | | | | | |
| Available-for-sale financial assets | - | - | 3,753 | 57,688 | 13,550 | 20,603 | 95,594 |
| Loans and advances | 172,545 | 65,680 | 38,222 | 69,984 | 21,167 | - | 367,598 |
| Debtors and deposits | 107,143 | 375,887 | 67,614 | 44,740 | - | 42,167 | 637,551 |
| Client trust bank balances | 287,301 | 24,052 | - | - | - | - | 311,353 |
| Restricted cash | 173,942 | 23,030 | 1,140 | - | - | - | 198,112 |
| Treasury bills | - | 33,950 | - | - | - | - | 33,950 |
| Cash and bank balances | 867,946 | 2,973,267 | 225,710 | - | - | - | 4,066,923 |
| | <u>1,608,877</u> | <u>3,495,866</u> | <u>336,439</u> | <u>235,999</u> | <u>34,717</u> | <u>62,770</u> | <u>5,774,668</u> |
| Liabilities | | | | | | | |
| Bank and other borrowings | 6,305 | 550,000 | 651,066 | 133,520 | - | - | 1,340,891 |
| Creditors, accruals and deposits received | 338,956 | 553,068 | 276,183 | 4,143 | - | 151,897 | 1,324,247 |
| Current, fixed, savings and other deposits of customers | 81,816 | 188,059 | 62,305 | - | - | - | 332,180 |
| Other financial liabilities | 15,739 | 259 | - | - | - | - | 15,998 |
| Bankers' guarantee | - | 1,228 | 7,552 | 31,127 | - | - | 39,907 |
| | <u>442,816</u> | <u>1,292,614</u> | <u>997,106</u> | <u>168,790</u> | <u>-</u> | <u>151,897</u> | <u>3,053,223</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 in a cost-effective manner. The interest rate risk is managed and monitored regularly by senior management of the Group.

25. 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 mainly 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, 2014. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore and Australia stock exchanges and are valued at quoted market prices at the end of the reporting period.

The senior management of the Group regularly reviews and monitors the mix of securities in its investment portfolio based on its fair value to ensure the loss arising from the changes in the market values of the investment portfolios is capped within an acceptable range.

26. EVENT AFTER THE REPORTING PERIOD

In August 2014, the Group entered into a provisional agreement for disposal of the entire issued share capital and a shareholder loan of Chung Po Investment and Development Company Limited ("Chung Po"), an indirect wholly-owned subsidiary of the Company, at an aggregate consideration of HK\$1,278.3 million, to an independent third party. Chung Po, through its wholly-owned subsidiary, is interested in investment properties located in Zhuhai, the People's Republic of China. The disposal was completed in October 2014 and is expected to give rise to a gain on disposal of subsidiaries of approximately HK\$751 million (subject to audit and before expenses and taxes).

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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 and Prospects

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.

Business Review and Prospects (Continued)

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.

Business Review and Prospects (Continued)

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.

Additional Information

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.

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, 2014, 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 shares |
|---|---|---------------------------------------|---|-----------------|--|
| Number of ordinary shares in the Company | | | | | |
| Stephen Riady | – | – | 319,322,219 <i>Note (i)</i> | 319,322,219 | 64.75 |
| Jark Pui Lee | – | 60 | – | 60 | 0.00 |
| John Luen Wai Lee | 1,031,250 | – | – | 1,031,250 | 0.21 |
| Number of ordinary shares in Lippo China Resources Limited ("LCR") | | | | | |
| Stephen Riady | – | – | 6,544,696,389 <i>Notes (i) and (ii)</i> | 6,544,696,389 | 71.24 |
| Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HKC") | | | | | |
| Stephen Riady | – | – | 1,315,707,842 <i>Notes (i) and (iii)</i> | 1,315,707,842 | 65.84 |
| Jark Pui Lee | 469 | 469 | – | 938 | 0.00 |
| John Luen Wai Lee | 2,000,270 | 270 | – | 2,000,540 | 0.10 |
| King Fai Tsui | 600,000 | 75,000 | – | 675,000 | 0.03 |

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, 2014, Lippo Capital Limited ("Lippo Capital"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares in, representing approximately 64.75 per cent. of the issued shares 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 shares 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 issued shares of Lanius. The beneficiaries of the trust included, inter alia, Dr. Stephen Riady and other members of the family. Dr. Stephen Riady was taken to be interested in Lippo Capital under the provisions of the SFO.
- (ii) As at 30th September, 2014, the Company was indirectly interested in 6,544,696,389 ordinary shares in, representing approximately 71.24 per cent. of the issued shares of, LCR.
- (iii) As at 30th September, 2014, the Company was indirectly interested in 1,315,707,842 ordinary shares of HK\$1.00 each in, representing approximately 65.84 per cent. of the issued shares of, HKC.

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

| Name of associated corporation | Class of shares | Number of shares interested | Approximate percentage of interest in the issued shares |
|---------------------------------------|----------------------------|------------------------------------|--|
| 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 |
| Brimming Fortune Limited | Ordinary shares | 1 | 100 |
| Broadwell Overseas Holdings Limited | 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 |
| HKCL Investments 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 shares |
|---|----------------------------|-----------------------------|---|
| Honix Holdings Limited | Ordinary shares | 1 | 100 |
| International Realty (Singapore) Pte. Limited | Ordinary shares | 2 | 100 |
| J & S Company 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 |
| The HCB General Investment (Singapore) Pte Ltd. | Ordinary shares | 100,000 | 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, 2014, Dr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares in, representing approximately 16.67 per cent. of the issued shares of, Lanius which is the holder of the entire issued shares of Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady (father of Dr. Stephen Riady), who does not have any interest in the issued shares of Lanius. The beneficiaries of the trust included, inter alia, Dr. 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, 2014, Dr. 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"). Dr. Stephen Riady is the beneficial owner of the entire issued share capital of Bravado. For the reasons mentioned above, through his deemed interest in Lippo Capital, Dr. Stephen Riady was also taken to be interested in 61,927,335 ordinary shares in Auric. Accordingly, Dr. 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 shares of, Auric.

As at 30th September, 2014, 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, 2014, 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, 2014, 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, 2014, so far as is known to the Directors of the Company, the following 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") as follows:

Interests of substantial shareholders in shares of the Company

| Name | Number of ordinary shares | Approximate percentage of the issued shares |
|---|----------------------------------|--|
| Lippo Capital Limited ("Lippo Capital") | 319,322,219 | 64.75 |
| Lanius Limited ("Lanius") | 319,322,219 | 64.75 |
| Dr. Mochtar Riady | 319,322,219 | 64.75 |
| Madam Lidya Suryawaty | 319,322,219 | 64.75 |

Note:

1. Lippo Capital, through its wholly-owned subsidiary, J & S Company Limited, was indirectly interested in 14,699,997 ordinary shares of the Company. Together with 304,622,222 ordinary shares of the Company owned by Lippo Capital directly as beneficial owner, Lippo Capital was interested in an aggregate of 319,322,219 ordinary shares in, representing approximately 64.75 per cent. of the issued shares of, the Company.
2. Lanius is the holder of the entire issued shares 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 issued shares of Lanius. Dr. Mochtar Riady and his wife Madam Lidya Suryawaty were taken to be interested in the shares of the Company under the provisions of the SFO.
3. Lippo Capital's interests in the ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 319,322,219 ordinary shares of the Company related to the same block of shares that Dr. 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".

All the interests stated above represent long positions. Save as disclosed herein, as at 30th September, 2014, none of the substantial shareholders 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.

Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are disclosed in Note 17 to the interim financial statements.

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 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.

Additional Information *(Continued)*

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

Lippo Limited

John Luen Wai Lee

Managing Director and Chief Executive Officer

Hong Kong, 27th November, 2014

Corporate Information

HONORARY CHAIRMAN*

Dr. Mochtar Riady

BOARD OF DIRECTORS

Executive Directors

Dr. Stephen Riady (*Chairman*)

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

Mr. Jark Pui Lee, SBS, OBE, JP

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

COMMITTEES

Audit Committee

Mr. Victor Ha Kuk Yung (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

Mr. King Fai Tsui

Remuneration Committee

Mr. King Fai Tsui (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Dr. Stephen Riady

Nomination Committee

Mr. King Fai Tsui (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Dr. Stephen Riady

SECRETARY

Mr. Davy Kwok Fai Lee

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

China CITIC Bank International Limited

Chong Hing Bank Limited

Fubon Bank (Hong Kong) Limited

Bank of Beijing Co., Ltd.

The Bank of East Asia, Limited

Standard Chartered Bank

SOLICITORS

Howse Williams Bowers

REGISTRAR

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* *non-officer position*