



Hongkong Chinese Limited

香港華人有限公司

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

**2011 INTERIM
REPORT**

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The Directors of Hongkong Chinese Limited (the “Company”) are pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June, 2011.

Condensed Consolidated Income Statement

For the six months ended 30th June, 2011

	Note	Unaudited six months ended 30th June,	
		2011 HK\$'000	2010 HK\$'000
Revenue	3	53,405	59,191
Cost of sales		(10,793)	(9,803)
Gross profit		42,612	49,388
Administrative expenses		(52,004)	(43,807)
Other operating expenses		(4,813)	(18,624)
Gain on disposal of available-for-sale financial assets		3,415	—
Net fair value gain/(loss) on financial assets at fair value through profit or loss		(225)	3,230
Finance costs		(3,931)	(5,925)
Share of results of associates	4	990,380	271,916
Share of results of jointly controlled entities		(76)	196
Profit before tax	5	975,358	256,374
Income tax	6	149	(1,559)
Profit for the period		975,507	254,815
Attributable to:			
Equity holders of the Company		976,777	255,714
Non-controlling interests		(1,270)	(899)
		975,507	254,815
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company	7		
Basic		52.1	14.1
Diluted		51.7	N/A

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2011

	Unaudited	
	six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period	975,507	254,815
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	1,914	(24,311)
Reclassification adjustments for disposal	85	—
Income tax effect	(227)	774
	1,772	(23,537)
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	11,148	—
Share of effective portion of changes in fair value of cash flow hedges of an associate	(345)	—
Share of exchange differences on translation of foreign operations (<i>Note</i>)	310,760	15,242
	321,563	15,242
Exchange differences on translation of foreign operations	43,019	12,286
Other comprehensive income for the period, net of tax	366,354	3,991
Total comprehensive income for the period	1,341,861	258,806
Attributable to:		
Equity holders of the Company	1,339,350	257,219
Non-controlling interests	2,511	1,587
	1,341,861	258,806

Note: The amount represented the share of resulting exchange differences on translating the results of foreign associates into Hong Kong dollars.

Condensed Consolidated Statement of Financial Position

As at 30th June, 2011

	<i>Note</i>	30th June, 2011 HK\$'000 (Unaudited)	31st December, 2010 HK\$'000 (Audited)
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		145,754	139,397
Investment properties		164,628	162,055
Properties under development		1,194,639	906,477
Interests in associates	4	7,748,268	6,611,610
Interests in jointly controlled entities		252,140	303,600
Available-for-sale financial assets	9	45,056	90,513
Held-to-maturity financial assets	10	27,573	11,832
Loans and advances	11	39,283	34,197
		9,688,826	8,331,166
Current assets			
Properties held for sale		8,561	8,554
Financial assets at fair value through profit or loss	12	58,219	50,936
Loans and advances	11	191,158	183,528
Debtors, prepayments and deposits	13	88,260	102,287
Client trust bank balances		534,537	560,850
Pledged time deposits	14	318	308
Treasury bills		—	9,700
Cash and bank balances		566,527	493,134
		1,447,580	1,409,297
Current liabilities			
Bank and other borrowings	14	290,906	291,771
Creditors, accruals and deposits received	15	832,518	870,014
Current, fixed, savings and other deposits of customers	16	123,528	138,772
Tax payable		2,279	3,146
		1,249,231	1,303,703
Net current assets		198,349	105,594
Total assets less current liabilities		9,887,175	8,436,760

Condensed Consolidated Statement of Financial Position (Continued)*As at 30th June, 2011*

	<i>Note</i>	30th June, 2011 HK\$'000 (Unaudited)	31st December, 2010 HK\$'000 (Audited)
Non-current liabilities			
Bank and other borrowings	14	387,844	240,927
Deferred tax liabilities		34,744	34,292
		422,588	275,219
Net assets		9,464,587	8,161,541
Equity			
Equity attributable to equity holders of the Company			
Issued capital	17	1,973,587	1,816,715
Reserves	18	7,375,872	6,232,234
		9,349,459	8,048,949
Non-controlling interests		115,128	112,592
		9,464,587	8,161,541

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2011

	Unaudited													
	Attributable to equity holders of the Company												Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Legal reserve	Regulatory reserve	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve	Exchange equalisation reserve	Distributable reserves	Total		
	(Note 18(c))	(Note 18(d))	(Note 18(e))	(Note 18(f))	(Note 18(g))	(Note 18(h))	(Note 18(i))	(Note 18(j))	(Note 18(k))	(Note 18(l))	(Note 18(m))	(Note 18(n))		
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 January, 2011	1,816,715	44,042	7,219	13,328	7,142	891	229,686	28,255	(7,159)	813,240	5,095,590	8,048,949	112,592	8,161,541
Profit/(loss) for the period	—	—	—	—	—	—	—	—	—	—	976,777	976,777	(1,270)	975,507
Other comprehensive income/(loss) for the period:														
Available-for-sale financial assets:														
Changes in fair value	—	—	—	—	—	—	1,914	—	—	—	—	1,914	—	1,914
Reclassification adjustments for disposal	—	—	—	—	—	—	85	—	—	—	—	85	—	85
Income tax effect	—	—	—	—	—	—	(227)	—	—	—	—	(227)	—	(227)
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	11,148	—	(345)	310,760	—	321,563	—	321,563
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	39,238	—	39,238	3,781	43,019
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	12,920	—	(345)	349,998	976,777	1,339,350	2,511	1,341,861
Issuance of shares upon exercise of warrants	156,872	39,218	—	—	—	—	—	—	—	—	—	196,090	—	196,090
Share of equity movement arising on equity transactions of associates	—	—	—	—	—	—	—	—	—	—	(195,598)	(195,598)	—	(195,598)
Advances from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	25	25
Transfer of reserve	—	—	—	—	392	—	—	—	—	—	(392)	—	—	—
2010 final distribution declared to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	(39,332)	(39,332)	—	(39,332)
At 30th June, 2011	1,973,587	83,260	7,219	13,328	7,534	891	242,606	28,255	(7,504)	1,163,238	5,837,045	9,349,459	115,128	9,464,587
At 1st January, 2010	1,816,656	44,027	7,219	13,328	6,880	891	14,212	28,255	—	331,506	2,199,194	4,462,168	189,516	4,651,684
Profit/(loss) for the period	—	—	—	—	—	—	—	—	—	—	255,714	255,714	(899)	254,815
Other comprehensive income/(loss) for the period:														
Available-for-sale financial assets:														
Changes in fair value	—	—	—	—	—	—	(24,311)	—	—	—	—	(24,311)	—	(24,311)
Income tax effect	—	—	—	—	—	—	774	—	—	—	—	774	—	774
Share of other comprehensive income of associates	—	—	—	—	—	—	—	—	—	15,242	—	15,242	—	15,242
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	9,800	—	9,800	2,486	12,286
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	(23,537)	—	—	25,042	255,714	257,219	1,587	258,806
Issuance of shares upon exercise of warrants	2	—	—	—	—	—	—	—	—	—	—	2	—	2
Share of equity movement arising on equity transactions of associates	—	—	—	—	—	—	—	—	—	—	670,492	670,492	—	670,492
Advances from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	2,701	2,701
Transfer of reserve	—	—	—	—	262	—	—	—	—	—	(262)	—	—	—
At 30th June, 2010	1,816,658	44,027	7,219	13,328	7,142	891	(9,325)	28,255	—	356,548	3,125,138	5,389,881	193,804	5,583,685

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2011

	Unaudited six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Net cash flows from/(used in) operating activities	(91,333)	17,423
Net cash flows from/(used in) investing activities	(180,168)	111,416
Net cash flows from/(used in) financing activities	336,492	(54,365)
Net increase in cash and cash equivalents	64,991	74,474
Cash and cash equivalents at 1st January	449,132	490,806
Exchange realignments	4,305	1,025
Cash and cash equivalents at 30th June	518,428	566,305
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	566,527	561,455
Treasury bills	—	4,850
Time deposits with original maturity of more than three months	(48,099)	—
	518,428	566,305

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 December, 2010, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”), HKASs and Interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”), which have become effective for accounting periods beginning on or after 1st January, 2011, that are adopted for the first time for the current period’s financial statements:

HKFRS 1 Amendments	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the Group also adopted *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated 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 cash and bond markets;
- (d) the securities investment segment includes dealings in securities and disposals of investments;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services;
- (g) the project management segment engages in the provision of project management, marketing, sales and administrative and other related services; and

Notes to the Interim Financial Statements (Continued)

2. Segment Information (Continued)

- (h) the “other” segment comprises principally the development of computer hardware and software, money lending and the provision of fund management and investment advisory services.

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

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

Six months ended 30th June, 2011

	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	Project management HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue										
External	5,523	—	1,072	10,037	24,566	6,433	3,408	2,366	—	53,405
Inter-segment	—	—	—	—	—	—	3,297	1,290	(4,587)	—
Total	5,523	—	1,072	10,037	24,566	6,433	6,705	3,656	(4,587)	53,405
Segment results	3,266	(3,054)	968	10,979	(1,879)	137	(3,913)	1,634	(4,587)	3,551
Unallocated corporate expenses										(14,566)
Finance costs										(3,931)
Share of results of associates	726,508	263,872	—	—	—	—	—	—	—	990,380
Share of results of jointly controlled entities	—	(76)	—	—	—	—	—	—	—	(76)
Profit before tax										975,358

Six months ended 30th June, 2010

	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	Project management HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue										
External	4,748	—	1,333	7,988	22,308	6,769	11,238	4,807	—	59,191
Inter-segment	—	—	—	—	—	—	9,009	4,531	(13,540)	—
Total	4,748	—	1,333	7,988	22,308	6,769	20,247	9,338	(13,540)	59,191
Segment results	2,113	(2,492)	1,056	10,815	(2,817)	15	8,371	4,568	(13,540)	8,089
Unallocated corporate expenses										(17,902)
Finance costs										(5,925)
Share of results of associates	269,261	(148)	—	—	—	—	—	2,803	—	271,916
Share of results of jointly controlled entities	—	196	—	—	—	—	—	—	—	196
Profit before tax										256,374

Notes to the Interim Financial Statements (Continued)

3. Revenue

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

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

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Property investment	5,523	4,748
Treasury investment	1,072	1,333
Securities investment	10,037	7,988
Corporate finance and securities broking	24,566	22,308
Banking business	6,433	6,769
Project management	3,408	11,238
Other	2,366	4,807
	53,405	59,191

Revenue attributable to 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 banking business is analysed as follows:

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Interest income	4,501	4,934
Commission income	1,418	1,550
Other revenues	514	285
	6,433	6,769

Notes to the Interim Financial Statements (Continued)

4. Share of Results of Associates/Interests in Associates

Share of results of associates included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP") of approximately HK\$726,508,000 (2010 — HK\$269,261,000) and share of profit from Lippo Marina Collection Pte. Ltd. ("Lippo Marina") of approximately HK\$263,872,000 (2010 — share of loss of HK\$148,000). LAAP, a property fund which carries the objective of investing in real estate in Asia, invested in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore which is principally engaged in property investment and development and hospitality business. The profit in 2011 was mainly attributable to the fair value gain on an investment property of OUE. Lippo Marina was set up for the purpose of a property development project in Singapore, namely Marina Collection. Marina Collection was completed in April 2011 and share of profits arising from the sold units were recognised for the period.

Interests in associates mainly included the Group's interest in LAAP of approximately HK\$7,170,845,000 (31st December, 2010 — HK\$6,318,378,000). The increase in interest in LAAP during the period was mainly attributable to the share of profits and the increase in share of exchange reserves from the appreciation of Singapore dollars during the period.

5. Profit before Tax

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

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Interest income:		
Unlisted financial assets at fair value through profit or loss	204	270
Listed available-for-sale financial assets	743	690
Listed held-to-maturity financial assets	748	475
Loans and advances	488	343
Banking business	4,501	4,934
Other	1,072	1,333
Dividend income:		
Listed investments	520	295
Unlisted investments	80	770
Gain on disposal of:		
Listed financial assets at fair value through profit or loss	5,268	1,753
Unlisted financial assets at fair value through profit or loss	2,474	3,735
Unlisted available-for-sale financial assets	3,415	—
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	(3,029)	(220)
Unlisted	2,804	3,450
Interest expense attributable to banking business	(288)	(263)
Gain on disposal of a subsidiary	—	790
Depreciation	(4,661)	(2,475)
Foreign exchange gains/(losses) — net	11,376	(1,882)

Notes to the Interim Financial Statements (Continued)

6. Income Tax

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Hong Kong:		
Charge for the period	—	108
Overprovision in prior periods	—	(9)
	—	99
Overseas:		
Charge for the period	104	1,460
Overprovision in prior periods	(253)	—
	(149)	1,460
Total charge/(credit) for the period	(149)	1,559

Hong Kong profits tax is calculated at the rate of 16.5 per cent. (2010 — 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 Per Share Attributable to Equity Holders of the Company

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the period attributable to equity holders of the Company of HK\$976,777,000 (2010 — HK\$255,714,000); and (ii) the weighted average number of 1,875,987,000 ordinary shares (2010 — 1,816,657,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30th June, 2011 is calculated based on (i) the consolidated profit for the period attributable to equity holders of the Company of HK\$976,777,000; and (ii) the weighted average number of 1,890,601,000 ordinary shares, calculated as follows:

	Number of shares 2011
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,875,987,000
Effect of dilution — weighted average number of ordinary shares:	
Share options	4,767,000
Warrants	9,847,000
	1,890,601,000

No diluted earnings per share was presented for the six months ended 30th June, 2010 as the share options and warrants outstanding during the period had no dilutive effect on the basic earnings per share.

Notes to the Interim Financial Statements (Continued)

8. Interim Distribution

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Interim distribution, declared — Nil (2010 — Nil)	—	—

9. Available-for-sale Financial Assets

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
	Financial assets stated at fair value:	
Debt securities listed overseas	19,089	18,841
Unlisted investment funds	16,991	62,912
	36,080	81,753
Financial assets stated at cost:		
Unlisted equity securities	69,811	69,595
Unlisted debt securities	3,165	3,165
Provision for impairment losses	(64,000)	(64,000)
	8,976	8,760
	45,056	90,513

The debt securities have effective interest rates ranging from nil to 10 per cent. (31st December, 2010 — nil to 10 per cent.) per annum.

Notes to the Interim Financial Statements (Continued)

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

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

	30th June, 2011 <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Equity securities:		
Corporate entities	69,811	69,595
Debt securities:		
Club debenture	3,165	3,165
Corporate entities	8,668	8,320
Banks and other financial institutions	10,421	10,521
	22,254	22,006

10. Held-to-maturity Financial Assets

	30th June, 2011 <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Debt securities, at amortised cost:		
Listed in Hong Kong	15,924	2,411
Listed overseas	11,649	9,421
	27,573	11,832
Market value of listed debt securities	27,826	12,334

The debt securities have effective interest rates ranging from 6 per cent. to 9 per cent. (31st December, 2010 — 6 per cent. to 9 per cent.) per annum.

Notes to the Interim Financial Statements (Continued)

10. Held-to-maturity Financial Assets (Continued)

An analysis of the issuers of held-to-maturity financial assets is as follows:

	30th June, 2011 <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Corporate entities	15,924	2,411
Banks and other financial institutions	11,649	9,421
	27,573	11,832

11. Loans and Advances

The balance mainly comprised of loans and advances to customers of the Group in respect of securities broking and banking business of HK\$219,289,000 (31st December, 2010 — HK\$207,178,000).

The loans and advances to customers of the Group have effective interest rates ranging from 3 per cent. to 9 per cent. (31st December, 2010 — 3 per cent. to 9 per cent.) per annum. Certain balances arising from securities broking and banking businesses are secured by clients' properties, deposits and securities being held as collaterals with carrying amounts of HK\$515,580,000 (31st December, 2010 — HK\$562,723,000).

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

	Six months ended 30th June,	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Balance at beginning of period	13,294	9,048
Impairment allowance released	—	(2,416)
Balance at end of period	13,294	6,632

Notes to the Interim Financial Statements (Continued)

12. Financial Assets at Fair Value through Profit or Loss

	30th June, 2011 <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Held for trading:		
Equity securities:		
Listed in Hong Kong	20,558	13,523
Listed overseas	6,572	7,229
	27,130	20,752
Investment funds:		
Unlisted	31,089	30,184
	58,219	50,936

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

	30th June, 2011 <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Equity securities:		
Corporate entities	24,191	13,654
Banks and other financial institutions	764	5,049
Public sector entities	2,175	2,049
	27,130	20,752

13. Debtors, Prepayments and Deposits

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

	30th June, 2011 <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	57,035	42,224
Within 30 days	5,477	35,717
Between 61 and 90 days	9	4
	62,521	77,945

Notes to the Interim Financial Statements (Continued)

13. Debtors, Prepayments and Deposits (Continued)

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

As at 30th June, 2011, other receivables of HK\$15,874,000 (31st December, 2010 — HK\$15,874,000) related to a property development project were impaired and provided for. Except for this, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

The balance mainly comprised of receivables from customers and securities brokers of the Group in respect of securities broking business of HK\$62,393,000 (31st December, 2010 — HK\$77,223,000). Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are non-interest-bearing.

14. Bank and Other Borrowings

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Secured bank loans (Note (a))	621,336	348,246
Unsecured other borrowings (Note (b))	57,414	184,452
	678,750	532,698
Less: Amount classified under current portion	(290,906)	(291,771)
Non-current portion	387,844	240,927
Bank and other borrowings by currency:		
Hong Kong dollar	57,414	184,452
United States dollar	270,464	271,793
Renminbi	350,872	76,453
	678,750	532,698
Bank loans repayable:		
Within one year or on demand	290,906	291,771
In the second year	330,430	36,709
In the third to fifth years, inclusive	—	19,766
	621,336	348,246
Other borrowings repayable:		
In the second year	57,414	184,452

Notes to the Interim Financial Statements (Continued)

14. Bank and Other Borrowings (Continued)

Note:

- (a) At the end of the reporting period, the bank loans were secured by:
- (i) first legal mortgages over certain investment properties and properties under development of the Group with carrying amounts of HK\$86,578,000 (31st December, 2010 — HK\$84,614,000) and HK\$1,154,687,000 (31st December, 2010 — HK\$867,373,000), respectively; and
 - (ii) certain fixed deposits of the Group with carrying amount of HK\$318,000 (31st December, 2010 — HK\$308,000).
- (b) The Group's other borrowings as at 30th June, 2011 comprised of unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, of HK\$57,414,000 (31st December, 2010 — HK\$184,452,000).

The Group's bank and other borrowings bear interest at floating rates ranging from 1.2 per cent. to 7.0 per cent. (31st December, 2010 — 1.3 per cent. to 6.3 per cent.) per annum.

15. Creditors, Accruals and Deposits Received

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

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Outstanding balances with ages:		
Repayable on demand	581,922	585,921
Within 30 days	4,527	33,269
	586,449	619,190

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 30th June, 2011, total client trust bank balances amounted to HK\$534,537,000 (31st December, 2010 — HK\$560,850,000).

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

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

The current, fixed, savings and other deposits of customers attributable to banking business bear effective interest rates ranging from 0.01 per cent. to 1.5 per cent. (31st December, 2010 — 0.01 per cent. to 2.9 per cent.) per annum.

Notes to the Interim Financial Statements (Continued)

17. Share Capital Shares

	30th June, 2011 <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Authorised:		
4,000,000,000 (31st December, 2010 — 4,000,000,000) ordinary shares of HK\$1.00 each	4,000,000	4,000,000
Issued and fully paid:		
1,973,587,250 (31st December, 2010 — 1,816,714,924) ordinary shares of HK\$1.00 each	1,973,587	1,816,715

During the period, a total of 156,872,326 ordinary shares of HK\$1.00 each in the Company were issued upon exercise in cash of the subscription rights attaching to the warrants of the Company in an aggregate amount of approximately HK\$196,090,000 at a subscription price of HK\$1.25 per share.

Warrants

As at 1st January, 2011, the Company had 201,960,709 units of warrants outstanding with an aggregate subscription value of approximately HK\$252,451,000. Each warrant entitled the holder thereof to subscribe in cash for one ordinary share of HK\$1.00 in the Company at a subscription price of HK\$1.25 per share during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive). During the period, 156,872,326 units of warrants with an aggregate subscription value of approximately HK\$196,090,000 were exercised for 156,872,326 ordinary shares of HK\$1.00 each at a subscription price of HK\$1.25 per share. At the end of the reporting period, the Company had 45,088,383 units of warrants outstanding with an aggregate subscription value of approximately HK\$56,360,000.

In accordance with the terms and conditions of the instrument of the warrants, the subscription rights under the warrants expired on 4th July, 2011 (the "Expiry"). Subsequent to the reporting period, a further of 29,627,847 units of warrants with an aggregate subscription value of approximately HK\$37,035,000 were exercised for 29,627,847 ordinary shares of HK\$1.00 each at a subscription price of HK\$1.25 per share before the Expiry. On 4th July, 2011, 15,460,536 units of warrants with an aggregate subscription value of approximately HK\$19,326,000 remained unexercised and lapsed.

17. Share Capital (Continued)

Share options scheme

Pursuant to the share option scheme of the Company (the “Share Option Scheme”) adopted and approved by the shareholders of the Company, Lippo, an intermediate holding company of the Company, and Lippo China Resources Limited, a former intermediate holding company of the Company, on 7th June, 2007 (the “Adoption Date”), the board of the Directors of the Company (the “Board”) may, at its discretion, offer to grant to any eligible employee (including director, officer and/or employee of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the “Eligible 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 shall not be later than the day last preceding the tenth anniversary of the date of grant. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an option. No grantee of option is required to pay for the grant of the relevant option.

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

Notes to the Interim Financial Statements (Continued)

17. Share Capital (Continued)

Share options scheme (Continued)

On 17th December, 2007, options were granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors and employees of the Company to subscribe for a total of 13,468,000 ordinary shares of HK\$1.00 each in the Company (the “Shares”) at an initial exercise price of HK\$1.68 per Share (subject to adjustment). Due to the rights issue of new shares of the Company in June 2008 in the proportion of seven rights shares for every twenty shares held, adjustments were made to the number of Shares subject to the options of the Company and the exercise price, resulting in options to subscribe for a total of 18,181,800 Shares at an exercise price of HK\$1.24 per Share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

On 1st August, 2008, an option was granted under the Share Option Scheme without consideration to an Eligible Person to subscribe for 2,025,000 Shares at an exercise price of HK\$1.00 per Share (subject to adjustment). Such option could not be exercised from the date of grant to 31st July, 2009. Such option is exercisable from 1st August, 2009 to 16th December, 2012.

An option to subscribe for 337,500 Shares lapsed in 2010.

As at 1st January, 2011, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 19,869,300 Shares (the “Option Shares”).

Details of the Option Shares granted under the Share Option Scheme are summarised as follows:

Participants	Date of grant	Exercise price per Share HK\$	Number of Option Shares
			Balance as at 1st January, 2011 and 30th June, 2011
Directors:			
John Lee Luen Wai	17th December, 2007	1.24	4,590,000
Leon Chan Nim Leung	17th December, 2007	1.24	810,000
Kor Kee Yee	17th December, 2007	1.24	607,500
Albert Saychuan Cheok	17th December, 2007	1.24	607,500
Victor Yung Ha Kuk	17th December, 2007	1.24	607,500
Tsui King Fai	17th December, 2007	1.24	607,500
Employees (Note)	17th December, 2007	1.24	7,179,300
Others	17th December, 2007	1.24	2,835,000
	1st August, 2008	1.00	2,025,000
Total			19,869,300
Weighted average exercise price per Share (HK\$)			1.22

Note: Employees refer to the employees of the Group as at 30th June, 2011 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 the Company.

Notes to the Interim Financial Statements (Continued)

17. Share Capital (Continued)

Share options scheme (Continued)

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

The exercise prices of the Option Shares and exercise periods of the options outstanding as at 30th June, 2011 are as follows:

Number of Option Shares	Exercise price per Share (Note) HK\$	Exercise period
17,844,300	1.24	17th June, 2008 to 16th December, 2012
2,025,000	1.00	1st August, 2009 to 16th December, 2012

Note: The exercise prices of the Option Shares are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

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) Cancellation of the share premium account and transfer to distributable reserves:
Pursuant to a special resolution passed at a special general meeting of the Company on 2nd December, 1997, the entire amount standing to the credit of the share premium account of HK\$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.
- (b) Distributable reserves of the Group at 30th June, 2011 comprise retained profits of HK\$4,821,458,000 (31st December, 2010 — HK\$4,040,671,000) and the remaining balance arising from the Cancellation of HK\$1,015,587,000 (31st December, 2010 — HK\$1,054,919,000).
- (c) The capital redemption reserve is not available for distribution to shareholders.
- (d) The legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.
- (e) The regulatory reserve represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.
- (f) The hedging reserve relates to the Group's share of the hedging reserve of an associate.

Notes to the Interim Financial Statements (Continued)

19. Contingent Liabilities

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

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Guarantees and other endorsements	10,805	11,048
Liabilities under letters of credit on behalf of customers	8,799	7,372
	19,604	18,420

20. Capital Commitments

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

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Capital commitments in respect of property, plant and equipment: Contracted, but not provided for	533,527	483,103
Other capital commitments: Contracted, but not provided for (<i>Note</i>)	76,323	73,366
	609,850	556,469

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in Singapore, of approximately HK\$75 million (31st December, 2010 — HK\$72 million).

21. Related Party Transactions

- (a) During the period, the Company paid rental expenses of HK\$1,530,000 (including service charges, where applicable) (2010 — HK\$1,698,000) to Porbandar Limited, a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals.
- (b) During the period, Beijing Lippo Century Realty Co., Ltd. ("BLCRL"), a subsidiary of the Company, paid rental expenses of HK\$324,000 (2010 — HK\$271,000) and HK\$85,000 (2010 — Nil) to Enterprise Day Limited and Enterprise Winner Limited, fellow subsidiaries of the Company, respectively, in respect of the office premises occupied by BLCRL. The rentals were determined by reference to the then prevailing open market rentals.
- (c) During the period, the Company paid finance costs to Lippo of HK\$838,000 (2010 — HK\$2,856,000), in respect of the loan advanced to the Company.

Notes to the Interim Financial Statements (Continued)

21. Related Party Transactions (Continued)

- (d) During the period, Lippo Realty (Singapore) Pte. Limited, a wholly-owned subsidiary of the Company, received project management income of HK\$1,842,000 (2010 — HK\$2,501,000) and HK\$4,753,000 (2010 — HK\$15,515,000) from associates and jointly controlled entities of the Group, respectively.
- (e) As at 30th June, 2011, the Group had amounts due from associates in a total of HK\$436,855,000 (31st December, 2010 — HK\$421,986,000) and amounts due from jointly controlled entities in a total of HK\$157,971,000 (31st December, 2010 — HK\$211,687,000). The balances with associates are unsecured, interest-free and have no fixed terms of repayment. The balances with jointly controlled entities included a loan of HK\$3,991,000 (31st December, 2010 — HK\$3,988,000), which is secured by certain shares of a jointly controlled entity, bears interest at United States dollar prime rate plus 2 per cent. per annum and has no fixed terms of repayment. The remaining balances with jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

22. Financial Risk Management Objectives and Policies

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

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

(a) Credit risk

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

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

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

Notes to the Interim Financial Statements (Continued)

22. Financial Risk Management Objectives and Policies (Continued)

(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 monitored 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.

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

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30th June, 2011							
Assets							
Amount due from a jointly controlled entity	—	—	—	—	—	3,991	3,991
Debt securities:							
Held-to-maturity financial assets	—	—	—	—	27,573	—	27,573
Available-for-sale financial assets	—	—	—	—	—	22,254	22,254
Loans and advances	147,813	26,900	16,445	17,710	21,573	—	230,441
Debtors and deposits	60,316	7,482	100	339	—	16,327	84,564
Client trust bank balances	164,479	370,058	—	—	—	—	534,537
Pledged time deposits	—	318	—	—	—	—	318
Cash and bank balances	164,610	401,917	—	—	—	—	566,527
	537,218	806,675	16,545	18,049	49,146	42,572	1,470,205
Liabilities							
Bank and other borrowings	20,442	—	270,464	387,844	—	—	678,750
Creditors, accruals and deposits received	584,655	51,175	2,613	—	—	194,075	832,518
Current, fixed, savings and other deposits of customers	62,385	58,714	2,429	—	—	—	123,528
	667,482	109,889	275,506	387,844	—	194,075	1,634,796

Notes to the Interim Financial Statements (Continued)

22. Financial Risk Management Objectives and Policies (Continued)

(b) Liquidity risk (continued)

	Repayable on demand <i>HK\$'000</i>	3 months or less <i>HK\$'000</i>	1 year or less but over 3 months <i>HK\$'000</i>	5 years or less but over 1 year <i>HK\$'000</i>	After 5 years <i>HK\$'000</i>	Undated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December, 2010							
Assets							
Amount due from a jointly controlled entity	—	—	—	—	—	3,988	3,988
Debt securities:							
Held-to-maturity financial assets	—	—	—	—	11,832	—	11,832
Available-for-sale financial assets	—	—	—	—	—	22,006	22,006
Loans and advances	152,446	22,187	8,895	17,128	17,069	—	217,725
Debtors and deposits	44,101	38,010	1,376	2,053	—	11,691	97,231
Client trust bank balances	185,089	375,761	—	—	—	—	560,850
Pledged time deposits	—	308	—	—	—	—	308
Treasury bills	—	9,700	—	—	—	—	9,700
Cash and bank balances	166,774	326,360	—	—	—	—	493,134
	548,410	772,326	10,271	19,181	28,901	37,685	1,416,774
Liabilities							
Bank and other borrowings	19,978	—	271,793	240,927	—	—	532,698
Creditors, accruals and deposits received	588,599	137,449	1,706	—	—	142,260	870,014
Current, fixed, savings and other deposits of customers	113,673	20,390	4,709	—	—	—	138,772
	722,250	157,839	278,208	240,927	—	142,260	1,541,484

(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. The interest rate risk is managed and monitored regularly by senior management of the Group.

Notes to the Interim Financial Statements (Continued)

22. Financial Risk Management Objectives and Policies (Continued)

(d) Foreign currency risk

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

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 9) and financial assets at fair value through profit or loss (Note 12) as at 30th June, 2011. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

Management Discussion and Analysis

The Asia region sustained steady economic growth in the first half of 2011, while economic environment in US and Europe remained challenging and uncertain. Benefited from the positive growth of the property market in Singapore in which the Group has operations, the Group recorded impressive results for the six months ended 30th June, 2011.

The Group reported a profit attributable to shareholders of HK\$977 million for the six months ended 30th June, 2011 (2010 — HK\$256 million). Such profit was mainly attributable to the increase in recurrent income and the fair value gain on an investment property under the Group's associates and the share of profit from the sold units upon the completion of Marina Collection, a property development project in Singapore, during the period.

Results for the Period

Turnover for the six months ended 30th June, 2011 totalled HK\$53 million (2010 — HK\$59 million).

Property investment

The revenue of the property investment business increased to HK\$5.5 million (2010 — HK\$4.7 million) in 2011, benefiting from the increasing rental rates for Lippo Tower in Chengdu. As a result, the segment registered a profit of HK\$3 million (2010 — HK\$2 million).

The Group has invested in a property fund, Lippo ASM Asia Property LP (together with its subsidiaries, the "LAAP Group"), which has indirect interests in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investment and development and hospitality business. The hotels managed by OUE, including Mandarin Orchard Singapore, are strategically located in various well known tourist destinations of Singapore, Malaysia and mainland China. With the recent acquisition of Crowne Plaza Changi Airport Hotel in Singapore, earning base of the hospitality business will be further expanded. OUE Bayfront, a prime office building near Marina Bay, obtained the temporary occupation permit in January 2011 and started to generate rental income. Together with DBS Building Towers One and Two acquired in September 2010 and Mandarin Gallery, a premier luxury retail mall at Orchard Road, Singapore, the investment property portfolio provided a higher and recurrent source of revenue to OUE. OUE also holds interests in One Raffles Place near Marina Bay, the central financial and business district of Singapore. Construction of One Raffles Place Tower Two, a 38-storey Grade A office building adjoining One Raffles Place Tower One, is expected to be completed by the end of 2011. OUE has participated in a residential property development project, named as Twin Peaks at 33 Leonie Hill Road in Singapore. The Group registered a share of profit of HK\$727 million from the investment during the period (2010 — HK\$269 million). The profit was mainly attributable to the fair value

Management Discussion and Analysis (Continued)

gain on OUE Bayfront and higher income from the hospitality division and property investment division. In January 2011, approximately 5.4 per cent. of OUE shares held under the LAAP Group were transferred to a financial institution with a right of return in connection with a financing transaction, and resulted in a loss of HK\$196 million recorded in the reserves. In August 2011, this financing transaction was unwound.

Property development

The Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and Thailand. In Singapore, Marina Collection, a joint venture development in Sentosa Cove, in which the Group has a 50 per cent. interest, was completed in April 2011. As a result, profits arising from the sold units have been recognised and the Group recorded a share of profit of HK\$264 million from this project during the period. Other projects in Singapore include the development at Kim Seng Road (“Centennia Suites”) and Holland Road (“The Holland Collection”). Pre-sale of Centennia Suites and The Holland Collection were launched and all units have been sold out. Centennia Suites and The Holland Collection are scheduled to be completed in 2013 and end of 2011 respectively. Profit arising therefrom will be recognised upon completion of the development.

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area is progressing well and is expected to be completed by 2013. Pre-sale permit has been obtained in July 2011 and pre-sale has been launched.

Treasury and securities investments

The global investment markets have become volatile due to the uncertainties caused by the outbreak of mega earthquake, tsunami and nuclear leaks in Japan and debt crisis in Europe. During the period, the Group cautiously looked for opportunities to realise its profit in the investment portfolio. For the six months ended 30th June, 2011, treasury and securities investments business recorded a revenue of HK\$11 million (2010 — HK\$9 million), with a profit of HK\$12 million after taking into account the fair value gains (2010 — HK\$12 million). The Group will be watchful on market developments and continue to be prudent in managing its investment portfolio with a continuing focus on improving the overall asset quality.

Corporate finance and securities broking

In the first half of 2011, markets are surrounded by uncertainties resulting from the disasters in Japan, Eurozone financial crisis and inflation pressures, investors have become cautious in highly volatile markets. The Group’s corporate finance and securities broking business was also affected. It registered a turnover of HK\$25 million in the first half of 2011 (2010 — HK\$22 million) and a loss of HK\$2 million was derived from this segment (2010 — HK\$3 million).

Management Discussion and Analysis (Continued)

Banking business

The Macau Chinese Bank Limited (“MCB”), a licensed bank in Macau, is a wholly-owned subsidiary of the Company. Although the Macau economy has rebounded since 2010, the operating environment is still tough because of the high operating costs and inflation pressure. MCB managed to maintain the quality of its client and loan portfolio. Management continued to lend conservatively and seek growth in areas where appropriate in a selective manner. The banking business delivered a turnover of HK\$6 million (2010 — HK\$7 million), and delivered a profit to the Group.

Other businesses

As most of the property development projects managed are either completed or near the completion stage, the revenue of the project management segment decreased to HK\$3 million in the first half of 2011 (2010 — HK\$11 million), and recorded a loss of HK\$4 million (2010 — profit of HK\$8 million).

Financial Position

As at 30th June, 2011, the Group’s total assets increased to HK\$11.1 billion (31st December, 2010 — HK\$9.7 billion). Property-related assets increased to HK\$9.5 billion (31st December, 2010 — HK\$8.3 billion), representing 85 per cent. (31st December, 2010 — 85 per cent.) of the total assets. Total liabilities slightly increased to HK\$1.7 billion (31st December, 2010 — HK\$1.6 billion). The Group’s financial position remains healthy and current ratio (measured as current assets to current liabilities) increased to 1.2 to 1 (31st December, 2010 — 1.1 to 1).

As at 30th June, 2011, the bank and other borrowings of the Group (other than those attributable to banking business) increased to HK\$679 million (31st December, 2010 — HK\$533 million). The bank loans amounted to HK\$621 million (31st December, 2010 — HK\$348 million), which were denominated in United States dollars and Renminbi. The bank loans were secured by first legal mortgages over certain properties and certain fixed deposits of the Group. The bank loans carried interest at floating rates and 47 per cent. of the bank loans (31st December, 2010 — 84 per cent.) were repayable within one year. The Group’s other borrowings as at 30th June, 2011 comprised of unsecured loans advanced from Lippo Limited of HK\$58 million (31st December, 2010 — HK\$185 million). Such advance would be repayable on or before 31st December, 2012. At the end of the period, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders’ funds) slightly increased to 7 per cent. (31st December, 2010 — 6 per cent.).

The net asset value of the Group remained strong and increased to HK\$9.3 billion (31st December, 2010 — HK\$8.0 billion). This was equivalent to HK\$4.7 per share (31st December, 2010 — HK\$4.4 per share).

Management Discussion and Analysis (*Continued*)

During the period, 156,872,326 units of warrants of the Company were exercised at HK\$1.25 each, with an aggregate subscription value of approximately HK\$196 million. The Company has issued 156,872,326 ordinary shares of HK\$1.00 each upon exercise of such warrants. Up to the expiry of the warrants on 4th July, 2011, a further 29,627,847 units of the warrants, with an aggregate subscription value of approximately HK\$37 million, have been exercised by the warrant holders.

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.

Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (31st December, 2010 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (31st December, 2010 — Nil).

As at 30th June, 2011, the Group's total capital commitment increased to HK\$610 million (31st December, 2010 — HK\$556 million), as a result of the property development project in Beijing. 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 approximately 203 employees as at 30th June, 2011 (2010 — 210 employees). Total staff costs (including directors' emoluments) during the period amounted to HK\$34 million (2010 — HK\$29 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option scheme of the Company.

Outlook

The outlook for latter half of 2011 will continue to be a challenging period. Unprecedented downgrade of United States credit rating and sovereign debt crisis in Europe added uncertainties to the global economy. Tightening stance on monetary policy and inflationary pressure in mainland China posed challenges to the business environment. However, the Group remains positive of the prospects of the Asia Pacific region over the medium term and will continue to focus on the business developments in the region. The Group will keep on refining its existing businesses and cautiously seeking new investment opportunities with long-term growth potential.

Business Review and Prospects

Business Review

The world's major economies showed little signs of growth in the first half of 2011. Plagued by the widening sovereign debt crisis in certain European countries, continuing and stubbornly weak economic recovery in the US and the aftermath of the devastating earthquake, tsunami and nuclear leakage disaster in Japan, the major emerged economies showed little growth. With consumer confidence and job markets staying weak, the economic prospect in the major economies is for continuing sluggishness. In contrast, much of the Asia region (outside Japan) recorded strong steady growth in the first half of 2011.

China continues to be the Asia's economic driving force, helped by strong domestic demand and continuing strong exports. Its gross national product grew by 9.6 per cent. from a year ago. However, inflation rose well above target levels which brought renewed actions by the Central Government to restrict credit expansion in their effort to rein in inflation. The People's Bank of China increased the banking reserve requirement six times and Renminbi base rates twice during the period under review. These monetary actions appear to be having an effective impact. Apart from China, India and the South East Asian countries were the other main contributors to the continuing strong economic growth in Asia.

Benefiting from the continuing strong economic growth in the Asian regions in which the Group has operations, the Group recorded an unaudited consolidated profit attributable to shareholders of approximately HK\$977 million for the six months ended 30th June, 2011, as compared to a profit of HK\$256 million recorded in the corresponding period of 2010. The increase in profit was mainly attributable to the increase in recurrent income and the fair value gain on an investment property under the Group's associates, and the share of profit from the sale of certain residential units upon the completion of a property development project in Singapore during the period.

In Singapore, the opening of the two integrated resorts, strong tourist arrivals, and its continuing role as one of the major financial centres in Asia have contributed to the country's continued economic growth in the first half of 2011. The strong property markets, especially in the office and commercial segments, have greatly benefited the Group's performance in Singapore.

The certificate of statutory completion for the Marina Collection, in which the Group has a 50 per cent. interest, has been obtained. Marina Collection, with a total site area of approximately 22,222 square metres, is located at Sentosa Cove, Sentosa Island, Singapore. It provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres of which over 40 units have been sold. Profits arising from the sale of the units have been recognised in the 2011 interim results of the Group. With the opening of the integrated casino/recreational resort on the Sentosa Island, the Group is confident about the prospects of Marina Collection.

Business Review and Prospects (*Continued*)

The Group has a 30 per cent. interest in a site located at 53 Holland Road, Singapore. The plan is to develop the site, which has an area of approximately 3,376 square metres, into a low-rise luxury residential development, now named as The Holland Collection, with a total saleable area of approximately 5,497 square metres. Completion is expected to be around the end of 2011. All the 26 residential units in this project have been pre-sold.

The Group also has a 50 per cent. interest in the Centennia Suites at 100 Kim Seng Road, Singapore. Centennia Suites, with a site area of approximately 5,611 square metres, will be re-developed into a residential development with a saleable area of approximately 16,182 square metres. Foundation works have been completed and it is expected that completion will take place in 2013. All the 97 residential units in this project have been pre-sold.

Lippo ASM Asia Property LP (“LAAP”, together with its subsidiaries, the “LAAP Group”), of which a wholly-owned subsidiary of the Company is the limited partner, was set up with the objective of investing in real estate in the Asia region. The LAAP Group is holding a majority stake in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore, principally engaged in property investment and development and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore like One Raffles Place, OUE Bayfront and DBS Building Towers One and Two as well as hotels in the Asia region, including the famous Mandarin Orchard Singapore. Recently, OUE completed the acquisition of 100 per cent. stake of the Crowne Plaza Changi Airport Hotel (with 320 rooms) for a consideration of S\$293 million. The Mandarin Gallery at the Mandarin Orchard Singapore, a premier luxury retail mall with retail space of around 11,639 square metres, is enjoying full occupancy. The office development at OUE Bayfront is now completed. This bespoke portfolio of well diversified and high quality properties will help to generate substantial and stable recurrent income for OUE.

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in Beijing (the “BDA Project”). With a total site area of approximately 51,209 square metres, the BDA Project, in which the Group has an 80 per cent. interest, will be developed into an integrated residential, commercial and retail complex with a total gross floor area of about 275,000 square metres, including basements. Superstructure works are in progress and completion is expected to be in 2013. Pre-sale has been launched and has received satisfactory response. A substantial part of the retail area in the BDA Project has been successfully pre-sold.

The Group will develop the site situated at 83 Estrada de Cacilhas, Macau, with an area of approximately 3,398 square metres, into a residential development. Construction works will commence shortly. This project, in which the Group has 100 per cent. interest, will be developed into approximately 300 residential units with a total saleable area of approximately 25,000 square metres.

Business Review and Prospects (Continued)

The Macau Chinese Bank Limited (“MCB”), a wholly-owned subsidiary of the Company, maintained a steady performance in the first half of 2011 amid the strong performance of the Macau economy. Recognising that MCB’s future performance will be largely dependent on the growth of the Macau economy, the Group will continue to seek business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

Despite the strong local economy, the local stock market remained inactive in the first half of 2011 with low initial public offering activities. Participation from retail investors remained tepid and cautious given the continuing uncertain market conditions during the period under review. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on the market conditions in China and economic developments globally, especially in Europe and the US.

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

In 2008, the Company issued 202,024,362 units of warrants (the “Warrants”) entitling the holder of one unit to subscribe for one ordinary share of the Company at a subscription price of HK\$1.25. In accordance with the terms and conditions of the instrument of the Warrants, the subscription rights under the Warrants expired on 4th July, 2011 and listing of the Warrants on The Stock Exchange of Hong Kong Limited was withdrawn on that same day. Up to the expiry of the Warrants, the subscription rights attaching to a total of 186,563,826 units of the Warrants, with an aggregate subscription value of approximately HK\$233 million, have been exercised by the warrant holders.

Prospects

Prospects for Asia remain positive but the continuing economic uncertainty in the US, Europe and Japan suggests that global economic recovery will be slow. The recent downgrade of US long-term sovereign debt rating by Standard & Poor’s has provoked turbulences in the global stock and financial markets and its impact on the global economy is yet to be seen but could be far reaching. The continuing weak US economy and sovereign debt crisis in Europe will continue to dampen the global economic recovery. Inflation has emerged as a subject of concern. For much of Asia, the low interest rate environment, itself a result of markets flushed with liquidity, has stoked inflationary pressures. Escalating food and commodity prices and rising property prices have sparked community concerns about inflation. In response, countries like China and India have introduced credit tightening and austerity measures in their efforts to tackle the inflation problem.

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

Additional Information

Interim Distribution

The Directors do not recommend the payment of an interim distribution for the six months ended 30th June, 2011 (2010 — Nil).

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

As at 30th June, 2011, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures 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

(a) The Company

Name of Director	Number of ordinary shares of HK\$1.00 each in the Company			Number of underlying ordinary shares of HK\$1.00 each in the Company			Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Total interests		
				Options [^]	Warrants ⁺	Warrants ⁺		
Stephen Riady	—	—	1,120,987,842	—	—	—	1,120,987,842	56.80
			<i>Note (i)</i>					
John Lee Luen Wai	270	270	—	4,590,000	30	30	4,590,600	0.23
Leon Chan Nim Leung	—	—	—	810,000	—	—	810,000	0.04
Tsui King Fai	—	75,000	—	607,500	—	—	682,500	0.03
Albert Saychuan Cheok	—	—	—	607,500	—	—	607,500	0.03
Kor Kee Yee	—	—	—	607,500	—	—	607,500	0.03
Victor Yung Ha Kuk	—	—	—	607,500	—	—	607,500	0.03

[^] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in the Company at an initial exercise price of HK\$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the period. Further details of the interests of Directors in the options are disclosed in Note 17 to the interim financial statements.

⁺ The holders of the warrants of the Company were entitled to subscribe for ordinary shares of HK\$1.00 each in the Company at a subscription price of HK\$1.25 per share during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

Additional Information (*Continued*)

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*)

(b) *Lippo Limited* (“Lippo”)

Name of Director	Number of ordinary shares of HK\$0.10 each in Lippo		Number of underlying ordinary shares of HK\$0.10 each in Lippo			Total interests	Approximate percentage of total interests in the issued share capital
	Personal interests (held as beneficial owner)	Other interests	Personal interests (held as beneficial owner)		Other interests		
			Options*	Warrants [@]	Warrants [@]		
Stephen Riady	—	319,322,219	—	—	35,312,240	354,634,459	70.87
		<i>Notes (i) and (ii)</i>			<i>Notes (i) and (ii)</i>		
John Lee Luen Wai	1,031,250	—	1,125,000	103,125	—	2,259,375	0.45
Leon Chan Nim Leung	—	—	193,750	—	—	193,750	0.04
Victor Yung Ha Kuk	—	—	162,500	—	—	162,500	0.03
Tsui King Fai	—	—	162,500	—	—	162,500	0.03

* The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by Lippo (the “Lippo Share Option Scheme”). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Lippo Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in Lippo at an initial exercise price of HK\$6.98 per share (subject to adjustment). Pursuant to the rights issue of new shares of Lippo in June 2008 on the basis of one rights share for every four shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the period. Details of the Directors' interests in underlying shares in respect of the options are summarised in Note (v) below.

[@] The holders of the warrants of Lippo were entitled to subscribe for ordinary shares of HK\$0.10 each in Lippo at a subscription price of HK\$4.70 per share during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

Additional Information (*Continued*)

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*)

(c) *Lippo China Resources Limited* ("LCR")

Name of Director	Number of ordinary shares of HK\$0.10 each in LCR		Number of underlying ordinary shares of HK\$0.10 each in LCR	Approximate percentage of total interests in the issued share capital
	Other interests	Personal interests (held as beneficial owner)		
			Options [#]	
Stephen Riady	6,544,696,389	—	—	71.21
	<i>Notes (i), (ii) and (iii)</i>			
John Lee Luen Wai	—	22,000,000	22,000,000	0.24
Leon Chan Nim Leung	—	3,000,000	3,000,000	0.03
Victor Yung Ha Kuk	—	2,300,000	2,300,000	0.03
Tsui King Fai	—	2,300,000	2,300,000	0.03

[#] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the period and the number of underlying ordinary shares of HK\$0.10 each in LCR in respect of which options have been granted to them as at 1st January, 2011 and 30th June, 2011 were the same as set out above.

Note:

- (i) As at 30th June, 2011, Lippo Capital Limited ("Lippo Capital"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 1,120,987,842 ordinary shares of HK\$1.00 each in, representing approximately 56.80 per cent. of the then issued share capital of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the holder of 705,690,001 ordinary shares of HK\$1.00 each in, representing the entire issued share capital of, Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family. Mr. Stephen Riady was taken to be interested in Lippo Capital under the provisions of the SFO.

Additional Information (Continued)

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: (Continued)

- (ii) As at 30th June, 2011, Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of Lippo, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 70.87 per cent. of the then issued share capital of, Lippo. Lippo Securities is a wholly-owned subsidiary of the Company which in turn was an approximate 56.80 per cent. subsidiary of Lippo as at 30th June, 2011.
- (iii) As at 30th June, 2011, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.21 per cent. of the issued share capital of, LCR.
- (iv) The percentages of the issued share capital stated in this section were arrived at based on the issued share capital of each of the Company, Lippo and LCR (as the case may be) as at 30th June, 2011.
- (v) Details of the Directors' interests in underlying shares in respect of the options granted under the Lippo Share Option Scheme are summarised as follows:

Name of Director	Exercise price per share	Number of underlying ordinary shares of HK\$0.10 each in Lippo in respect of which options have been granted
		Balance as at 1st January, 2011 and 30th June, 2011
	<i>HK\$</i>	
John Lee Luen Wai	5.58	1,125,000
Leon Chan Nim Leung	5.58	193,750
Victor Yung Ha Kuk	5.58	162,500
Tsui King Fai	5.58	162,500

- (vi) The subscription rights under the warrants of each of the Company and Lippo expired on 4th July, 2011.

The above interests in the underlying shares of the Company and its associated corporations in respect of options were held pursuant to unlisted physically settled equity derivatives.

The above interests in the underlying shares of the Company and its associated corporation in respect of warrants were held pursuant to listed physically settled equity derivatives.

Additional Information (Continued)

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)

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	10	100
	Non-voting deferred shares	1,000	100
Broadwell Overseas Holdings Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000	88.88
First Tower Corporation	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenorth Holdings Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1	100
HKCL Holdings Limited	Ordinary shares	50,000	100
Honix Holdings Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Kingaroy Limited	Ordinary shares	1	100
Kingtrend International 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 Pacific Limited	Ordinary shares	1	100
Lippo Realty Limited	Ordinary shares	2	100

Additional Information (Continued)

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Manneton Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Prime Success Limited	Ordinary shares	1	100
Sabotty Investment Company Limited	Ordinary shares	1,000	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	Ordinary shares	1	100
Worldlink Resources Limited	Ordinary shares	1	100

Additional Information *(Continued)*

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 June, 2011, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of, the issued share capital of, Lanius which is the holder of the entire issued share capital of Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady (father of Mr. Stephen Riady), who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family.

As at 30th June, 2011, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK\$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 30th June, 2011, save as disclosed herein, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of 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 June, 2011, 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.

Save as disclosed herein, as at 30th June, 2011, 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).

Additional Information *(Continued)*

Updated Directors' Information

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

Mr. Albert Saychuan Cheok:

- Appointed as the independent non-executive Chairman of Amplefield Limited, a public listed company in Singapore, with effect from 18th May, 2011.
- Appointed as a non-executive director of IPP Financial Services Holdings Ltd in Singapore with effect from 23rd May, 2011.
- Appointed as the independent non-executive Chairman of Creative Master Bermuda Limited, a public listed company in Singapore, with effect from 24th May, 2011.
- Appointed as the independent non-executive Chairman of MIDAN City Development Co., Ltd. with effect from 24th May, 2011.
- Resigned as independent non-executive director of Eoncap Islamic Bank Berhad and MIMB Investment Bank Berhad in Malaysia, both with effect from 20th June, 2011.

Mr. Tsui King Fai is an independent non-executive director of Newton Resources Ltd, the shares of which are listed on the Stock Exchange on 4th July, 2011.

Additional Information (Continued)

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

As at 30th June, 2011, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the “SFO”) and/or as notified to the Company as follows:

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

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of interests in the issued share capital
<i>Substantial shareholders:</i>		
Hennessy Holdings Limited (“Hennessy”)	1,120,987,842	56.80
Prime Success Limited (“Prime Success”)	1,120,987,842	56.80
Lippo Limited (“Lippo”)	1,120,987,842	56.80
Lippo Capital Limited (“Lippo Capital”)	1,120,987,842	56.80
Lanius Limited (“Lanius”)	1,120,987,842	56.80
Dr. Mochtar Riady	1,120,987,842	56.80
Madam Lidya Suryawaty	1,120,987,842	56.80
<i>Other persons:</i>		
Paul G. Desmarais	156,460,000	8.01
Nordex Inc. (“Nordex”)	156,460,000	8.01
Gelco Enterprises Ltee (“Gelco”)	156,460,000	8.01
Power Corporation of Canada (“PCC”)	156,460,000	8.01
Power Financial Corporation (“PFC”)	156,460,000	8.01
IGM Financial Inc. (“IGM”)	156,460,000	8.01

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,120,987,842 ordinary shares of HK\$1.00 each in, representing approximately 56.80 per cent. of the then issued share capital of, the Company.
2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.

Additional Information (Continued)

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

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

Note: (Continued)

3. Lippo Capital, the holding company of Lippo, together with its wholly-owned subsidiary, J & S Company Limited, owns ordinary shares representing approximately 63.81 per cent. of the then issued share capital of Lippo.
4. Lanius is the holder of the entire issued share capital of Lippo Capital and is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. Dr. Mochtar Riady and his wife Madam Lidya Suryawaty were taken to be interested in Lippo Capital under the provisions of the SFO.
5. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 1,120,987,842 ordinary shares in the Company related to the same block of shares that Mr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations". Dr. Mochtar Riady, his wife Madam Lidya Suryawaty and Mr. Stephen Riady were taken to be interested in the shares of the Company under the provisions of the SFO.
6. Mackenzie Financial Corporation in its capacity as trustee and portfolio manager for certain mutual fund trusts, through its wholly-owned subsidiary Mackenzie Financial Capital Corporation which is a mutual fund corporation for which it acts as portfolio manager and through certain Bermuda-based mutual funds for which another wholly-owned subsidiary Mackenzie Cundill Investment Management (Bermuda) Limited acts as manager and for which it acts as sub-adviser, was directly interested in an aggregate of 156,460,000 ordinary shares of HK\$1.00 each in, representing approximately 8.01 per cent. of the then issued share capital of, the Company. Paul G. Desmarais as controlling shareholder and Nordex, Gelco, PCC, PFC and IGM as intermediate holding companies to Mackenzie Financial Corporation, each has an indirect interest in the above 156,460,000 ordinary shares of the Company.
7. The percentages of interests in the issued share capital stated in this section were arrived at based on 1,973,587,250 ordinary shares of HK\$1.00 each in issue of the Company as at 30th June, 2011. The percentages of interests of "other persons" in the issued share capital stated in this section were based on the respective disclosure forms filed with the Company.

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2011, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

Details of the share option scheme of the Company are disclosed in Note 17 to the interim financial statements.

Additional Information (*Continued*)

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

During the six months ended 30th June, 2011, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Audit Committee

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Tsui King Fai (Chairman), Mr. Victor Yung Ha Kuk and Mr. Albert Saychuan Cheok and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the six months ended 30th June, 2011.

Code on Corporate Governance Practices

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

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained 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 June, 2011.

Model Code for Securities Transactions by Directors

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

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

Hong Kong, 30th August, 2011

Corporate Information

Board of Directors

Executive Directors

Mr. Stephen Riady (*Chairman*)

Mr. John Lee Luen Wai, J.P.
(*Chief Executive Officer*)

Mr. Kor Kee Yee

Non-executive Director

Mr. Leon Chan Nim Leung

Independent non-executive Directors

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

Committees

Audit Committee

Mr. Tsui King Fai (*Chairman*)

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Remuneration Committee

Mr. Leon Chan Nim Leung (*Chairman*)

Mr. Stephen Riady

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

Nomination Committee

Mr. Leon Chan Nim Leung (*Chairman*)

Mr. Stephen Riady

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

Secretary

Mr. Andrew Hau Tat Kwong

Auditors

Ernst & Young

Principal Bankers

CITIC Bank International Limited

Standard Chartered Bank

Bank of Beijing Co., Ltd.

Raiffeisen Bank International AG,
Singapore Branch

Oversea-Chinese Banking Corporation Limited

Solicitors

Reed Smith Richards Butler

Principal Share Registrars and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East, Wanchai, Hong Kong

Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

24th Floor, Tower One, Lippo Centre

89 Queensway, Hong Kong

Stock Code

655

Website

www.hkchinese.com.hk