



Hongkong Chinese Limited

香港華人有限公司

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

SECOND INTERIM REPORT

2012

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The Directors of Hongkong Chinese Limited (the “Company”) present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “Group”) for the twelve months ended 31st December, 2012.

Condensed Consolidated Income Statement

For the twelve months ended 31st December, 2012

	<i>Note</i>	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Restated)
Revenue	3	102,315	103,269
Cost of sales		(14,702)	(19,304)
Gross profit		87,613	83,965
Administrative expenses		(101,469)	(106,725)
Other operating expenses		(29,004)	(73,277)
Fair value gains on investment properties		17,787	5,314
Gain on disposal of fixed assets		16,704	10
Net fair value loss on financial assets at fair value through profit or loss		(548)	(18,511)
Finance costs		(3,983)	(8,098)
Share of results of associates	4	(94,355)	1,124,765
Share of results of jointly controlled entities		(346)	17,180
Profit/(Loss) before tax	5	(107,601)	1,024,623
Income tax	6	(7,230)	(1,180)
Profit/(Loss) for the period		(114,831)	1,023,443
Attributable to:			
Equity holders of the Company		(111,962)	1,022,294
Non-controlling interests		(2,869)	1,149
		(114,831)	1,023,443
		<i>HK cents</i> (Unaudited)	<i>HK cents</i> (Restated)
Earnings/(Loss) per share attributable to equity holders of the Company	7		
Basic		(5.6)	52.7
Diluted		(5.6)	52.6

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

Condensed Consolidated Statement of Comprehensive Income

For the twelve months ended 31st December, 2012

	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Restated)
Profit/(Loss) for the period	(114,831)	1,023,443
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	5,292	(1,078)
Reclassification adjustments for disposal	(325)	85
Income tax effect	(1,838)	(213)
	3,129	(1,206)
Surplus on revaluation of leasehold land and buildings	8,885	—
Income tax effect	(1,066)	—
	7,819	—
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	110,707	(2,559)
Share of effective portion of changes in fair value of cash flow hedges of an associate	4,336	2,823
Share of exchange differences on translation of foreign operations	409,885	(82,832)
	524,928	(82,568)
Exchange differences on translation of foreign operations	26,762	(1,593)
Other comprehensive income/(loss) for the period, net of tax	562,638	(85,367)
Total comprehensive income for the period	447,807	938,076
Attributable to:		
Equity holders of the Company	449,290	933,934
Non-controlling interests	(1,483)	4,142
	447,807	938,076

Condensed Consolidated Statement of Financial Position

As at 31st December, 2012

	Note	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Restated)
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		16,182	137,169
Investment properties		201,290	171,408
Interests in associates	4	9,112,397	8,381,354
Interests in jointly controlled entities		15,917	185,613
Held-to-maturity financial assets	9	—	27,265
Available-for-sale financial assets	10	99,090	46,304
Loans and advances	11	72,235	41,541
		9,588,596	9,062,139
Current assets			
Properties held for sale		8,527	8,545
Properties under development		2,274,684	1,347,459
Loans and advances	11	292,106	199,578
Debtors, prepayments and deposits	12	359,974	117,323
Financial assets at fair value through profit or loss	13	71,165	92,442
Client trust bank balances		417,293	550,716
Restricted cash		834,594	466,295
Treasury bills		4,850	—
Cash and bank balances		923,759	406,508
		5,186,952	3,188,866
Current liabilities			
Deposits and balances of banks and other financial institutions		5,000	—
Bank and other borrowings	14	479,650	67,349
Creditors, accruals and deposits received	15	3,218,037	1,313,919
Current, fixed, savings and other deposits of customers	16	246,133	120,225
Tax payable		2,300	1,821
		3,951,120	1,503,314
Net current assets		1,235,832	1,685,552
Total assets less current liabilities		10,824,428	10,747,691

Condensed Consolidated Statement of Financial Position (Continued)
As at 31st December, 2012

	<i>Note</i>	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Restated)
Non-current liabilities			
Bank and other borrowings	14	211,931	699,057
Deferred tax liabilities		44,517	35,808
		256,448	734,865
Net assets		10,567,980	10,012,826
Equity			
Equity attributable to equity holders of the Company			
Issued capital	17	1,998,280	2,003,215
Reserves	18	8,501,805	7,920,458
		10,500,085	9,923,673
Non-controlling interests		67,895	89,153
		10,567,980	10,012,826

Condensed Consolidated Statement of Changes in Equity

For the twelve months ended 31st December, 2012

	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		
	HKS'000	HKS'000	HKS'000	(Note 18(e)) HKS'000	(Note 18(d)) HKS'000	(Note 18(e)) HKS'000	HKS'000	HKS'000	(Note 18(f)) HKS'000	HKS'000	(Note 18(b)) HKS'000	HKS'000	HKS'000	
At 1st January, 2012														
As previously reported	2,003,215	90,667	7,219	13,328	7,534	891	225,921	28,255	(4,336)	738,510	6,020,609	9,131,813	89,153	9,220,966
Prior year adjustments	—	—	—	—	—	—	—	—	—	35,310	756,550	791,860	—	791,860
As restated	2,003,215	90,667	7,219	13,328	7,534	891	225,921	28,255	(4,336)	773,820	6,777,159	9,923,673	89,153	10,012,826
Loss for the period	—	—	—	—	—	—	—	—	—	—	(111,962)	(111,962)	(2,869)	(114,831)
Other comprehensive income/(loss) for the period:														
Available-for-sale financial assets:														
Changes in fair value	—	—	—	—	—	—	5,292	—	—	—	—	5,292	—	5,292
Reclassification adjustments for disposal	—	—	—	—	—	—	(325)	—	—	—	—	(325)	—	(325)
Income tax effect	—	—	—	—	—	—	(1,838)	—	—	—	—	(1,838)	—	(1,838)
Surplus on revaluation of leasehold land and buildings	—	—	—	—	—	—	—	8,885	—	—	—	8,885	—	8,885
Income tax effect on surplus on revaluation of leasehold land and buildings	—	—	—	—	—	—	—	(1,066)	—	—	—	(1,066)	—	(1,066)
Share of other comprehensive income of associates	—	—	—	—	—	—	110,707	—	4,336	409,885	—	524,928	—	524,928
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	25,376	—	25,376	1,386	26,762
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	113,836	7,819	4,336	435,261	(111,962)	449,290	(1,483)	447,807
Repurchases of shares	(8,816)	—	—	8,816	—	—	—	—	—	—	(10,794)	(10,794)	—	(10,794)
Issuance of shares upon exercise of share options	3,881	2,108	(1,339)	—	—	—	—	—	—	—	—	4,650	—	4,650
Transfer of share option reserve upon expiry of share options	—	—	(5,880)	—	—	—	—	—	—	—	5,880	—	—	—
Share of equity movements arising on equity transactions of associates	—	—	—	—	—	—	—	—	—	—	193,254	193,254	—	193,254
Repayment to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(19,775)	(19,775)
Transfer of reserve	—	—	—	—	320	1,829	—	—	—	—	(2,149)	—	—	—
2011 final and special final distributions, declared and paid to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	(59,988)	(59,988)	—	(59,988)
At 31st December, 2012	1,998,280	92,775	—	22,144	7,854	2,720	339,757	36,074	—	1,209,081	6,791,400	10,500,085	67,895	10,567,980
At 1st January, 2011														
As previously reported	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
Prior year adjustments	—	—	—	—	—	—	—	—	—	47,998	620,767	668,765	—	668,765
As restated	1,816,715	44,042	7,219	13,328	7,142	891	229,686	28,255	(7,159)	861,238	5,716,357	8,717,714	112,592	8,830,306
Profit for the period	—	—	—	—	—	—	—	—	—	—	1,022,294	1,022,294	1,149	1,023,443
Other comprehensive income/(loss) for the period:														
Available-for-sale financial assets:														
Changes in fair value	—	—	—	—	—	—	(1,078)	—	—	—	—	(1,078)	—	(1,078)
Reclassification adjustments for disposal	—	—	—	—	—	—	85	—	—	—	—	85	—	85
Income tax effect	—	—	—	—	—	—	(213)	—	—	—	—	(213)	—	(213)
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	(2,559)	—	2,823	(82,832)	—	(82,568)	—	(82,568)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	(4,586)	—	(4,586)	2,993	(1,593)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	(3,765)	—	2,823	(87,418)	1,022,294	933,934	4,142	938,076
Issuance of shares upon exercise of warrants	186,500	46,625	—	—	—	—	—	—	—	—	—	233,125	—	233,125
Share of equity movements arising on equity transactions of associates	—	—	—	—	—	—	—	—	—	—	78,232	78,232	—	78,232
Repayment to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(27,581)	(27,581)
Transfer of reserve	—	—	—	—	392	—	—	—	—	—	(392)	—	—	—
2010 final distribution, declared and paid to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	(39,332)	(39,332)	—	(39,332)
At 31st December, 2011 (restated)	2,003,215	90,667	7,219	13,328	7,534	891	225,921	28,255	(4,336)	773,820	6,777,159	9,923,673	89,153	10,012,826

Condensed Consolidated Statement of Cash Flows

For the twelve months ended 31st December, 2012

	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Restated)
Net cash flows from/(used in) operating activities	459,178	(477,876)
Net cash flows from/(used in) investing activities	(85,323)	209,019
Net cash flows from/(used in) financing activities	(155,372)	220,707
Net increase/(decrease) in cash and cash equivalents	218,483	(48,150)
Cash and cash equivalents at 1st January	406,508	449,132
Exchange realignments	681	5,526
Cash and cash equivalents at 31st December	625,672	406,508
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	923,759	406,508
Treasury bills	4,850	—
Time deposits with original maturity of more than three months	(302,937)	—
	625,672	406,508

Notes to the Interim Financial Statements

1. Principal Accounting Policies

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

Pursuant to a resolution of the Board of Directors dated 28th December, 2012, the Company’s financial year end date has been changed from 31st December to 31st March. Accordingly, the current financial period will cover a fifteen-month period from 1st January, 2012 to 31st March, 2013. These condensed interim financial statements now presented cover a twelve-month period from 1st January, 2012 to 31st December, 2012, and the comparative figures in these condensed interim financial statements cover a twelve-month period from 1st January, 2011 to 31st December, 2011.

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, 2011, except as described below.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”), HKASs and Interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”), which have become effective for accounting periods beginning on or after 1st January, 2012, for the first time for the current period’s financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures</i> — <i>Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes</i> — <i>Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

1. Principal Accounting Policies (Continued)

In prior years, deferred tax was provided on the basis that the carrying amounts of investment properties will be recovered through use. Upon adoption of HKAS 12 Amendments, deferred tax is provided on the basis that the carrying amounts of the investment properties will be recovered through sale except that the basis of recovery through use will continue to apply to those investment properties which are depreciable and are held with an objective to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. This change in accounting policy has been applied retrospectively and the effects are summarised below:

	2012 HK\$'000	2011 HK\$'000
Increase/(Decrease) in share of results of associates	(10,067)	151,375
Increase/(Decrease) in share of other comprehensive income of associates	48,484	(12,688)
Increase/(Decrease) in basic earnings per share (HK cents)	(0.5)	7.8
Increase/(Decrease) in diluted earnings per share (HK cents)	(0.5)	7.8
Increase in interests in associates	863,221	791,860
Increase in exchange equalisation reserve	83,794	35,310
Increase in distributable reserves	779,427	756,550

In addition, the Group has changed voluntarily its accounting policy regarding the current/non-current assets classification for properties under development intended for sale. In prior years, the Group classified the properties under development intended for sale as properties under development in non-current assets in the statement of financial position which would be transferred to properties under development in current assets when the construction was expected to be completed within one year from the end of the reporting period. Under the revised accounting policy, properties under development intended for sale are classified as current assets. In the opinion of the directors, the financial statements according to the revised policy will provide more relevant information to the users of the financial statements and bring the Group in line with the treatment adopted by other entities in the real estate industry. This change in policy has been applied retrospectively and comparative amounts have been restated.

The above change has had no effect on the condensed consolidated income statement. The effect on the condensed consolidated statement of financial position is summarised as follows:

	2012 HK\$'000	2011 HK\$'000
Non-current Assets		
Decrease in properties under development	2,274,684	1,347,459
Current Assets		
Increase in properties under development	2,274,684	1,347,459

There was no impact on the net assets of the Group.

2. Segment Information

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

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

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

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

2. Segment Information (Continued)

2012

	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter-segment elimination	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue										
External	13,042	—	9,194	9,319	32,287	14,431	12,972	11,070	—	102,315
Inter-segment	—	—	—	—	—	—	598	6,862	(7,460)	—
Total	13,042	—	9,194	9,319	32,287	14,431	13,570	17,932	(7,460)	102,315
Segment results	59,216	(19,395)	8,860	4,845	(16,416)	338	797	2,468	(7,460)	33,253
Unallocated corporate expenses										(42,170)
Finance costs										(3,983)
Share of results of associates	(204,024)	104,152	—	—	—	—	—	5,517	—	(94,355)
Share of results of jointly controlled entities	—	(346)	—	—	—	—	—	—	—	(346)
Loss before tax										(107,601)

2011 (Restated)

	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter-segment elimination	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue										
External	11,543	—	4,708	15,972	43,831	11,393	4,806	11,016	—	103,269
Inter-segment	—	—	—	—	—	—	4,329	6,898	(11,227)	—
Total	11,543	—	4,708	15,972	43,831	11,393	9,135	17,914	(11,227)	103,269
Segment results	10,257	(35,805)	4,254	(2,253)	(21,281)	136	(8,305)	9,664	(11,227)	(54,560)
Unallocated corporate expenses										(54,664)
Finance costs										(8,098)
Share of results of associates	854,866	264,331	—	—	—	—	—	5,568	—	1,124,765
Share of results of jointly controlled entities	—	17,180	—	—	—	—	—	—	—	17,180
Profit before tax										1,024,623

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Property investment	13,042	11,543
Treasury investment	9,194	4,708
Securities investment	9,319	15,972
Corporate finance and securities broking	32,287	43,831
Banking business	14,431	11,393
Project management	12,972	4,806
Other	11,070	11,016
	102,315	103,269

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest income	10,991	9,199
Commission income	2,779	1,916
Other revenues	661	278
	14,431	11,393

4. Share of Results of Associates/Interests in Associates

Share of results of associates included the Group's share of loss in Lippo ASM Asia Property LP ("LAAP") of approximately HK\$204,024,000 (2011 — share of profit of HK\$854,866,000, restated) and share of profit from Lippo Marina Collection Pte. Ltd. ("Lippo Marina") of approximately HK\$104,152,000 (2011 — HK\$264,331,000). LAAP, a fund which carries the objective of investing in real estate and hospitality service businesses in Asia, invested in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore which is principally engaged in property investment and development and hotel operations. The change in share of results was mainly attributable to the absence of a substantial fair value gain over an investment property of OUE which was recognised upon the completion of development in 2011. Lippo Marina was set up for the purpose of a property development project in Singapore, namely Marina Collection. The share of profit was mainly arising from the sale of properties during the period.

Interests in associates mainly included the Group's interest in LAAP of approximately HK\$8,429,243,000 (2011 — HK\$7,837,681,000, restated). Certain shares of OUE held under LAAP had been pledged to secure banking facilities made available to the entities under LAAP. Due to the share buy-back of OUE during the period, LAAP's interest in OUE increased from approximately 65.6 per cent. as at 31st December, 2011 to approximately 68.0 per cent. as at 31st December, 2012.

5. Profit/(Loss) before Tax

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

	2012 HK\$'000	2011 HK\$'000
Interest income:		
Unlisted financial assets at fair value through profit or loss	51	324
Listed available-for-sale financial assets	2,961	1,526
Listed held-to-maturity financial assets	1,030	1,770
Loans and advances	1,400	1,831
Banking business	10,991	9,199
Other	9,194	4,708
Dividend income:		
Listed investments	1,460	1,247
Unlisted investments	2,172	391
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	(886)	5,230
Unlisted financial assets at fair value through profit or loss	2,531	5,484
Listed available-for-sale financial assets	309	—
Unlisted available-for-sale financial assets	—	4,767
Listed held-to-maturity financial assets	570	—
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	(4,693)	(21,339)
Unlisted	4,145	2,828
Provision for impairment losses on unlisted available-for-sale financial assets	(90)	—
Write-back of allowance/(Allowance) for bad and doubtful debts	3,418	(5,475)
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	16,708	—
Other items of fixed assets	(4)	10
Interest expense attributable to banking business	(2,008)	(738)
Depreciation	(9,165)	(9,828)
Foreign exchange gains — net	24,411	7,588

6. Income Tax

	2012 HK\$'000	2011 HK\$'000
Hong Kong:		
Charge for the period	342	477
Underprovision/(Overprovision) in prior periods	(24)	172
	318	649
Overseas:		
Charge for the period	623	97
Underprovision/(Overprovision) in prior periods	621	(378)
Deferred	5,668	812
	6,912	531
Total charge for the period	7,230	1,180

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2011 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the period attributable to equity holders of the Company; and (ii) the weighted average number of 1,998,550,000 ordinary shares (2011 — 1,939,183,000 ordinary shares) in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the period attributable to equity holders of the Company; and (ii) the weighted average number of 1,999,361,000 ordinary shares (2011 — 1,942,256,000 ordinary shares), calculated as follows:

	Number of shares	
	2012	2011
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,998,550,000	1,939,183,000
Effect of dilution — weighted average number of ordinary shares: Share options	811,000	3,073,000
	1,999,361,000	1,942,256,000

8. Distributions

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
First interim distribution, declared — Nil (2011 — Nil)	—	—
Second interim distribution, declared — Nil (2011 — N/A)	—	—
2011 final distribution, proposed, of HK2 cents per ordinary share	—	40,034
2011 special final distribution, proposed, of HK1 cent per ordinary share	—	20,017
	—	60,051

9. Held-to-maturity Financial Assets

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Debt securities, at amortised cost:		
Listed in Hong Kong	—	8,083
Listed overseas	—	19,182
	—	27,265
Market value of listed debt securities	—	26,654

As at 31st December, 2011, the debt securities bear interest at effective rates ranging from 6 per cent. to 9 per cent. per annum.

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Corporate entities	—	15,889
Banks and other financial institutions	—	11,376
	—	27,265

During the twelve months ended 31st December, 2012, the Group sold more than an insignificant amount of held-to-maturity financial assets before maturity. The Group reclassified the remaining held-to-maturity financial assets as available-for-sale financial assets.

10. Available-for-sale Financial Assets

	2012 <i>HKS'000</i>	2011 <i>HKS'000</i>
Financial assets stated at fair value:		
Debt securities listed in Hong Kong	42,918	3,407
Debt securities listed overseas	18,009	18,388
Unlisted investment funds	16,586	14,936
	77,513	36,731
Financial assets stated at cost:		
Unlisted equity securities	82,502	70,408
Unlisted debt securities	3,165	3,165
Provision for impairment losses	(64,090)	(64,000)
	21,577	9,573
	99,090	46,304

The debt securities bear interest at effective rates ranging from nil to 10 per cent. (2011 — nil to 10 per cent.) per annum.

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

	2012 <i>HKS'000</i>	2011 <i>HKS'000</i>
Equity securities:		
Corporate entities	82,502	70,408
Debt securities:		
Club debenture	3,165	3,165
Corporate entities	43,889	11,704
Banks and other financial institutions	17,038	10,091
	64,092	24,960

11. Loans and Advances

The balance mainly comprised of loans and advances to customers of the Group in respect of securities broking and banking operations of HK\$354,505,000 (2011 — HK\$230,589,000).

The loans and advances to customers of the Group bear interest at effective rates ranging from 2 per cent. to 9 per cent. (2011 — 3 per cent. to 8 per cent.) per annum. Certain balances arising from securities broking and banking operations are secured by clients' properties, deposits and securities being held as collaterals with carrying amounts of HK\$1,107,509,000 (2011 — HK\$498,272,000).

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Balance at beginning of period	8,450	13,294
Allowance for bad and doubtful debts	—	156
Impairment allowance released	(508)	(5,000)
Amount written-off as uncollectible	(985)	—
Balance at end of period	6,957	8,450

Except for the above, 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.

12. Debtors, Prepayments and Deposits

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	42,682	50,076
Within 30 days	2,731	5,649
Between 91 and 180 days	—	125
Over 180 days	—	9
	45,413	55,859

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.

12. Debtors, Prepayments and Deposits (Continued)

At the end of the reporting period, the overdue or impaired receivables are related to securities broking operation and a property development project. Movements of the allowance for bad and doubtful debts during the period are as follows:

	2012 HK\$'000	2011 HK\$'000
Balance at beginning of period	26,460	15,874
Allowance for bad and doubtful debts	—	12,214
Impairment allowance released	(2,910)	(1,628)
Balance at end of period	23,550	26,460

Except for the above, 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.

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

13. Financial Assets at Fair Value through Profit or Loss

	2012 HK\$'000	2011 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	38,568	26,396
Listed overseas	3,177	36,902
	41,745	63,298
Unlisted investment funds	29,420	29,144
	71,165	92,442

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

	2012 HK\$'000	2011 HK\$'000
Equity securities:		
Corporate entities	41,036	60,380
Banks and other financial institutions	709	703
Public sector entities	—	2,215
	41,745	63,298

14. Bank and Other Borrowings

	2012 HK\$'000	2011 HK\$'000
Bank loans:		
Secured (Note (a))	623,973	708,798
Unsecured	10,000	—
	633,973	708,798
Unsecured other borrowings (Note (b))	57,608	57,608
	691,581	766,406
Less: Amount classified under current portion	(479,650)	(67,349)
Non-current portion	211,931	699,057
Bank and other borrowings by currency:		
Hong Kong dollar	279,539	328,963
Renminbi	412,042	437,443
	691,581	766,406
Bank loans repayable:		
Within one year or on demand	422,042	67,349
In the second year	—	370,094
In the third to fifth years, inclusive	211,931	271,355
	633,973	708,798
Other borrowings repayable:		
Within one year	57,608	—
In the second year	—	57,608
	57,608	57,608

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\$97,428,000 (2011 — HK\$91,279,000) and HK\$1,242,707,000 (2011 — HK\$1,306,333,000), respectively; and
 - (ii) certain bank deposits of the Group with carrying amount of HK\$160,413,000 (2011 — HK\$168,588,000).
- (b) The Group's other borrowings as at 31st December, 2012 comprised of unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, of HK\$57,608,000 (2011 — HK\$57,608,000).

The Group's bank and other borrowings bear interest at floating rates ranging from 2.8 per cent. to 6.8 per cent. (2011 — 2.7 per cent. to 7.4 per cent.) per annum.

15. Creditors, Accruals and Deposits Received

Creditors, accruals and deposits received mainly comprised of pre-sale proceeds received from the property development projects of the Group of HK\$2,388,214,000 (2011 — HK\$676,081,000), and trade payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK\$459,818,000 (2011 — HK\$593,250,000). As at 31st December, 2012, total client trust bank balances amounted to HK\$417,293,000 (2011 — HK\$550,716,000).

An aged analysis of trade creditors are as follows:

	2012 HK\$'000	2011 HK\$'000
Outstanding balances with ages:		
Repayable on demand	299,850	435,334
Within 30 days	236,723	169,644
	536,573	604,978

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

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

The current, fixed, savings and other deposits of customers attributable to banking business bear interest at effective rates ranging from 0.01 per cent. to 4.0 per cent. (2011 — 0.02 per cent. to 2.75 per cent.) per annum.

17. Share Capital

Shares

	2012 HK\$'000	2011 HK\$'000
Authorised:		
4,000,000,000 (2011 — 4,000,000,000) ordinary shares of HK\$1.00 each	4,000,000	4,000,000
Issued and fully paid:		
1,998,280,097 (2011 — 2,003,215,097) ordinary shares of HK\$1.00 each	1,998,280	2,003,215

17. Share Capital (Continued)

Shares (Continued)

During the period, the movements in share capital were as follows:

- (a) The Company had repurchased a total of 8,816,000 ordinary shares of HK\$1.00 each in the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The premium of HK\$1,978,000 arising from such repurchases has been charged to the distributable reserves of the Company and an amount of HK\$8,816,000 was transferred from distributable reserves to the capital redemption reserve as set out in the condensed consolidated statement of changes in equity on page 6. The repurchases of the Company’s shares during the period were effected by the Directors with a view to benefiting shareholders as a whole by enhancing the net asset value per share of the Company.
- (b) A total of 3,881,000 ordinary shares of HK\$1.00 each in the Company were issued upon exercise in cash by option holders of their rights to subscribe for 3,206,000 ordinary shares and 675,000 ordinary shares at an exercise price of HK\$1.24 per share and HK\$1.00 per share respectively. An amount of HK\$3,881,000 was credited to the issued share capital and the balance of HK\$769,000 was credited to the share premium account. HK\$1,339,000 was transferred from the share option reserve to the share premium account upon the exercise of the options.

Share Option Scheme

Pursuant to the share option scheme of the Company (the “Share Option Scheme”) adopted and approved by the shareholders of the Company, Lippo, 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.

17. Share Capital (Continued)

Share Option Scheme (Continued)

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; (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.

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 were 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 was exercisable from 1st August, 2009 to 16th December, 2012.

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

As at 1st January, 2012, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 19,869,300 Shares (the “Option Shares”).

17. Share Capital (Continued)*Share Option Scheme (Continued)*

The movements in Option Shares granted under the Share Option Scheme during the period are summarised as follows:

Participants	Date of grant	Exercise price per Share HK\$	Number of Option Shares			
			Balance as at 1st January, 2012	Exercised during the period	Lapsed during the period	Balance as at 31st December, 2012
Directors:						
John Lee Luen Wai	17th December, 2007	1.24	4,590,000	2,000,000	2,590,000	—
Leon Chan Nim Leung	17th December, 2007	1.24	810,000	—	810,000	—
Kor Kee Yee	17th December, 2007	1.24	607,500	606,000	1,500	—
Albert Saychuan Cheok	17th December, 2007	1.24	607,500	—	607,500	—
Victor Yung Ha Kuk	17th December, 2007	1.24	607,500	—	607,500	—
Tsui King Fai	17th December, 2007	1.24	607,500	600,000	7,500	—
Employees (Note)	17th December, 2007	1.24	7,179,300	—	7,179,300	—
Others	17th December, 2007	1.24	2,835,000	—	2,835,000	—
	1st August, 2008	1.00	2,025,000	675,000	1,350,000	—
Total			19,869,300	3,881,000	15,988,300	—
Weighted average exercise price per Share (HK\$)			1.22	1.20	1.22	—

Note: Employees refer to the employees of the Group as at 31st December, 2012 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.

The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$1.29 per Share (2011 — No options were exercised).

Options to subscribe for a total of 15,920,800 Option Shares, which remained unexercised, expired on 16th December, 2012 and lapsed accordingly. Together with an option held by a former Eligible Person to subscribe for 67,500 Option Shares which lapsed on 1st July, 2012, options to subscribe for a total of 15,988,300 Option Shares lapsed during the period.

Saved as disclosed herein, no option of the Company was granted, exercised, cancelled or lapsed during the period.

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 31st December, 2012 comprise retained profits of HK\$5,846,595,000 (2011 — HK\$5,761,572,000, restated) and the remaining balance arising from the Cancellation of HK\$944,805,000 (2011 — HK\$1,015,587,000).
- (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.

19. Contingent Liabilities

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Guarantees and other endorsements	15,505	15,278
Liabilities under letters of credit on behalf of customers	8,609	9,556
	24,114	24,834

20. Capital Commitments

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

	2012 HK\$'000	2011 HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	795,512	643,046
Other capital commitments:		
Contracted, but not provided for (Note)	76,209	72,082
	871,721	715,128

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\$76 million (2011 — HK\$71 million).

21. Related Party Transactions

- (a) During the period, the Company paid rental expenses (including service charges) of HK\$3,040,000 (2011 — HK\$3,062,000) to Porbandar Limited, a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals.
- (b) During the period, the Group paid rental expenses (including service charges) of HK\$3,754,000 (2011 — HK\$2,186,000) to an associate of the Group. The rental was determined by reference to the then prevailing open market rentals.
- (c) During the period, the Company paid finance costs to Lippo of HK\$2,289,000 (2011 — HK\$1,425,000) in respect of the loan advanced to the Company.
- (d) During the period, the Group received investment advisory income of HK\$11,260,000 (2011 — HK\$11,196,000) from an associate of the Group.
- (e) During the period, the Group received project management income of HK\$10,414,000 (2011 — HK\$2,847,000) and HK\$1,581,000 (2011 — HK\$5,812,000) from associates and jointly controlled entities of the Group, respectively.
- (f) As at 31st December, 2012, the Group had amounts due from associates in a total of HK\$514,141,000 (2011 — HK\$418,527,000) and amounts due from jointly controlled entities in a total of HK\$15,273,000 (2011 — HK\$149,701,000). The balances with the associates are unsecured, interest-free and have no fixed terms of repayment. The balances with the jointly controlled entities included a loan of HK\$3,975,000 (2011 — HK\$3,984,000), 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 the 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.

(b) Liquidity risk

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

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

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

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

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st December, 2012							
Assets							
Amount due from a jointly controlled entity	—	—	—	—	—	3,975	3,975
Debt securities:							
Available-for-sale financial assets	—	—	—	25,865	24,137	14,000	64,002
Loans and advances	194,002	71,544	26,560	51,700	20,535	—	364,341
Debtors and deposits	45,065	6,445	156	—	—	12,456	64,122
Client trust bank balances	320,387	96,906	—	—	—	—	417,293
Restricted cash	834,252	342	—	—	—	—	834,594
Treasury bills	—	4,850	—	—	—	—	4,850
Cash and bank balances	270,566	452,987	200,206	—	—	—	923,759
	1,664,272	633,074	226,922	77,565	44,672	30,431	2,676,936
Liabilities							
Deposits and balances of banks and other financial institutions	—	5,000	—	—	—	—	5,000
Bank and other borrowings	12,086	133,327	334,237	211,931	—	—	691,581
Creditors, accruals and deposits received	306,602	259,152	790	—	—	2,651,493	3,218,037
Current, fixed, savings and other deposits of customers	106,823	125,131	14,179	—	—	—	246,133
	425,511	522,610	349,206	211,931	—	2,651,493	4,160,751

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, 2011							
Assets							
Amount due from a jointly controlled entity	—	—	—	—	—	3,984	3,984
Debt securities:							
Held-to-maturity financial assets	—	—	—	—	27,265	—	27,265
Available-for-sale financial assets	—	—	—	—	3,407	21,553	24,960
Loans and advances	155,236	33,005	11,337	19,201	22,340	—	241,119
Debtors and deposits	52,679	8,179	371	—	—	14,332	75,561
Client trust bank balances	126,934	423,782	—	—	—	—	550,716
Restricted cash	465,964	331	—	—	—	—	466,295
Cash and bank balances	240,865	165,643	—	—	—	—	406,508
	1,041,678	630,940	11,708	19,201	53,012	39,869	1,796,408
Liabilities							
Bank and other borrowings	18,009	—	49,340	699,057	—	—	766,406
Creditors, accruals and deposits received	437,977	177,519	588	—	—	697,835	1,313,919
Current, fixed, savings and other deposits of customers	57,478	58,566	4,181	—	—	—	120,225
	513,464	236,085	54,109	699,057	—	697,835	2,200,550

22. Financial Risk Management Objectives and Policies (Continued)

(c) Interest rate risk

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

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

(d) Foreign currency risk

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

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

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 10) and financial assets at fair value through profit or loss (Note 13) as at 31st December, 2012. 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 global financial conditions have been improved modestly from the second half of 2012 after stabilisation actions implemented in Europe and United States. However, under the headwinds of unresolved European financial crisis, the threat of U.S. fiscal cliff near the end of 2012, the global economy is still subdued and the growth rate in China and Singapore is slowing down.

For the twelve months ended 31st December, 2012, the Group reported a loss attributable to shareholders of HK\$112 million (2011 — profit of HK\$1,022 million, restated). The decrease was mainly attributable to the non-recurrence in 2012 of a significant fair value gain of an investment property held by the Group's associate following completion of its development in 2011.

Results for the Period

Turnover for the twelve months ended 31st December, 2012 totalled HK\$102 million (2011 — HK\$103 million).

Property investment

The revenue of the property investment business amounted to HK\$13 million for the period (2011 — HK\$12 million). Benefited from the revaluation gain of the Group's investment properties, and the profit from disposal of a property in Singapore, the segment registered a profit of HK\$59 million (2011 — HK\$10 million) for the period.

The Group has invested in a property fund, Lippo ASM Asia Property LP, 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 and the Crowne Plaza Changi Airport, are strategically located in various well known tourist destinations of Singapore, Malaysia and mainland China. The investment property portfolio in Singapore, which includes OUE Bayfront, a prime office building near Marina Bay, Mandarin Gallery, a premier luxury retail mall at Orchard Road, and DBS Building Towers One and Two provided a recurring source of revenue to OUE. OUE also holds interests in One Raffles Place which is located at the central financial and business district of Singapore. One Raffles Place Tower Two, a newly built 38-storey Grade A office building adjoining One Raffles Place Tower One, commenced leasing operations in the first quarter of 2012 and provides additional source of income. Currently, OUE plans to carry out improvement works to redevelop the podium of DBS Building Towers One and Two into a retail mall and to revamp the retail podium at One Raffles Place into a modern retail hub to maximise the value of these properties. Pre-sale of a residential property development project, named as Twin Peaks, at 33 Leonie Hill Road in Singapore has been started. The Group registered a share of loss of HK\$204 million from the investment during the period (2011 — profit of HK\$855 million, restated). The change was mainly due to the absence of a substantial fair value gain over OUE Bayfront which was recognised following

completion of the development in January 2011. As a result of the share buy-back by OUE during the period, LAAP's interest in OUE increased from approximately 65.6 per cent. as at 31st December, 2011 to approximately 68.0 per cent. as at 31st December, 2012 and recorded a net increase of share of equity interest of HK\$193 million recorded directly in LAAP's reserves.

Property development

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

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area (the "BDA Project") is progressing well. Pre-sale was launched since July 2011. All office blocks and the retail mall have been sold out and approximately 73 per cent. of the total saleable area have been pre-sold up to 31st December, 2012 at a total consideration of approximately RMB2.6 billion. This project is expected to be completed in 2013.

M Residences, a property development project in Macau has obtained the consent for the commencement of basement structural works from the Macau Government recently. Main contract works have commenced and are expected to be completed in 2014. Pre-sale has been launched since November 2011 and has received satisfactory response. About 92 per cent. of the total saleable area have been pre-sold at a total consideration of approximately HK\$1 billion.

The revenue and the profit arising from the above property development projects will be reflected in the Group's results in the respective year of completion.

In Singapore, the Group has interests in Marina Collection in Sentosa Cove, a joint venture development project completed in April 2011. In 2012, a further share of profit of HK\$104 million (2011 — HK\$264 million) was recorded from the project, mainly arising from the sale of properties. All the units of Centennia Suites, another joint venture property development project at Kim Seng Road, have been sold out during the pre-sale in 2010. Centennia Suites is scheduled to be completed in the second half of 2013, profit arising therefrom will be recognised upon completion of the development.

The loss of the segment result for this business is mainly due to marketing expenses incurred for the pre-sale activities charged to the income statement during the period.

Treasury and securities investments

The performance of the securities investments was diverse in the highly volatile global investment markets. The Group cautiously managed its investment portfolio and looked for opportunities to realise its profit. In 2012, treasury and securities investments business recorded a revenue of HK\$19 million (2011 — HK\$21 million), with a profit of HK\$14 million (2011 — HK\$2 million).

Corporate finance and securities broking

In 2012, the sentiments in the investment markets were affected by uncertainties resulting from unresolved Eurozone financial crisis and threat of China economic slowdown. Investors remain selective and vigilant in the highly volatile markets. The Group's corporate finance and securities broking business was adversely affected. It registered a turnover of HK\$32 million during the period (2011 — HK\$44 million) and a loss of HK\$16 million was derived from this segment (2011 — HK\$21 million).

Banking business

The Macau Chinese Bank Limited, a licensed bank in Macau, is a wholly-owned subsidiary of the Company. The operating environment is challenging because of the strong competition, high operating costs and subdued global economic activities. Nevertheless, the management remains positive to the development and growth in the region, manages to maintain the quality of its client and loan portfolio and will seek opportunities to expand the products and customers base.

Financial Position

As at 31st December, 2012, the Group's total assets increased to HK\$14.8 billion (2011 — HK\$12.3 billion, restated). Property-related assets increased to HK\$13.1 billion (2011 — HK\$10.8 billion, restated), representing 89 per cent. (2011 — 88 per cent., restated) of the total assets. Total liabilities increased to HK\$4.2 billion (2011 — HK\$2.2 billion), mainly due to the sale deposits received from the BDA Project and Macau project. The Group's financial position remained healthy.

As at 31st December, 2012, the bank and other borrowings of the Group (other than those attributable to banking business) amounted to HK\$691 million (2011 — HK\$766 million). The bank loans amounted to HK\$634 million (2011 — HK\$709 million), comprising secured bank loans of HK\$624 million (2011 — HK\$709 million) and an unsecured bank loan of HK\$10 million (2011 — Nil). The bank loans were denominated in Hong Kong dollars and Renminbi and were secured by first legal mortgages over certain properties and certain bank deposits of the Group. The bank loans carried interest at floating rates and approximately 67 per cent. (2011 — 10 per cent.) of the bank loans were repayable within one year. The Group's other borrowings as at 31st December, 2012 comprised of unsecured loans advanced from Lippo Limited of HK\$57 million (2011 — HK\$57 million). Such advance would be

repayable on or before 31st December, 2013. At the end of the period, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 5.8 per cent. (2011 — 6.9 per cent., restated).

During the period, the Company repurchased 8,816,000 issued shares at a total consideration of approximately HK\$10.8 million. Besides, 3,881,000 shares were issued by the Company upon exercise of share options by the option holders in 2012 at a cash consideration of approximately HK\$4.7 million.

The net asset value of the Group remained strong and increased to HK\$10.6 billion (2011 — HK\$10.0 billion, restated). This was equivalent to HK\$5.3 per share (2011 — HK\$5.0 per share, restated).

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (2011 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2011 — Nil).

As at 31st December, 2012, the Group's total capital commitment increased to HK\$872 million (2011 — HK\$715 million), mainly arising from the property development projects in Macau and 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 231 employees as at 31st December, 2012 (2011 — 220 employees). Staff costs (including directors' emoluments) charged to the income statement during the period amounted to HK\$68 million (2011 — HK\$71 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options in prior years under the share option scheme of the Company. All outstanding options which remained unexercised by the expiry date in December 2012 lapsed accordingly.

Outlook

Growth is expected to be in modest pace only in 2013. Forecasts show that China and Singapore will sustain a growth in near term but the magnitude may not be as high as before. The recent property cooling measures in Singapore may cast further doubt on its property market. However, the Group remains cautiously optimistic about the prospects of the Asia Pacific region over the medium term and will continue to focus on business development in the region. The Group will respond to the fast changing market conditions, refine its existing businesses and prudently seek new investment opportunities with long-term growth potential.

Business Review and Prospects

Business Review

During 2012, the world economy continued to be dominated by the Eurozone financial crisis, which saw sovereign debt problems spreading to more European countries. Towards the end of 2012, the issue of U.S. fiscal cliff added uncertainty to the global economy. On the other hand, the major economies in the Asia region were able to maintain their economic growth, which had contributed to a better economic environment in Asia, with mainland China continuing to be the Asia's leading economic performer. In mainland China, the pace of economic growth had slowed down since the beginning of 2012 as a result of the weakening domestic demand and global markets but recent statistical figures showed signs that the economic momentum in mainland China had begun to pick up in the last quarter of 2012.

The Group's operations and investments have been substantially within the Asia region. Despite the Asia region maintaining steady growth overall, the Group's performance has been hindered by the weak property sector in the key markets following certain cooling measures implemented by the local governments. Against this background, the Group recorded an unaudited consolidated loss attributable to shareholders of approximately HK\$112 million for the twelve months ended 31st December, 2012, as compared to a consolidated profit of HK\$1,022 million (restated) recorded for the corresponding period in 2011. The loss was mainly attributable to the non-recurrence in 2012 of a significant fair value gain of an investment property held by the Group's associate following completion of its development in 2011.

In Singapore, the 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 2012.

"Marina Collection", in which the Group has a 50 per cent. interest, is located at Sentosa Cove, Sentosa Island, Singapore. This property development project was completed in 2011 and provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres. Up to 31st December, 2012, 74 units have been sold of which 30 units were sold in 2012 and profits arising therefrom have been recognised in the period under review.

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

In December 2012, the Group completed the sale of its property located at 259 Ocean Drive, Sentosa Cove in Sentosa Island, Singapore for a consideration of S\$22 million.

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 and hospitality service businesses in the Asia region. As at 31st December, 2012, the LAAP Group had an aggregate equity interest of approximately 68 per cent. 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 and Crowne Plaza Changi Airport in Singapore. The Mandarin Gallery at the Mandarin Orchard Singapore, a premier luxury retail mall with retail space of around 11,639 square metres, is enjoying nearly full occupancy. 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 for the commercial zone have been completed and that of the residential zone are in progress. The whole project is expected to be completed in 2013. Pre-sale was launched in the third quarter of 2011 and the project has been well received. As at 31st December, 2012, about 73 per cent. of the total saleable area has been pre-sold.

The site situated at 83 Estrada de Cacilhas, Macau, with a site area of approximately 3,398 square metres, is being developed into a residential development now named as “M Residences”. The Group has a 100 per cent. interest in this project which will be developed into 311 residential units with a total saleable area of approximately 26,025 square metres. Foundation works have been completed. With completion expected to be in 2014, pre-sale had been launched and as at 31st December, 2012, about 92 per cent. of the total saleable area has been pre-sold.

The Macau Chinese Bank Limited (“MCB”), a wholly-owned subsidiary of the Company, maintained a steady performance in 2012 amidst 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 new business opportunities for MCB and enhance its competitiveness in the Macau banking sector. To cater for its ongoing business development, a capital injection of MOP80 million into MCB was made at the end of 2012.

The local stock market remained sluggish and inactive in the first half of 2012 with low initial public offering activities. Towards the end of 2012, local stock market environment gradually improved but participation from retail investors remained cautious given the present market conditions. 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 mainland China and economic developments globally, especially in Europe and the U.S.

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

Prospects

Prospects for Asia remain positive but the growth momentum could be hindered by the continuing economic uncertainty in the U.S. and Europe. Since mid 2012, most of the stock markets have rebounded and such rebound is expected to continue in 2013 in tandem with the expected global economic recovery and gradual stabilisation of the Eurozone debt crisis. However, the strength of economic recovery will be soft. Though the issue of U.S. fiscal cliff appeared to have been resolved, its aftermath may still provoke uncertainty and turbulence over the U.S. economy. Hopefully, with the threat of inflation being brought under control, the continuing low interest rate environment and the expected global economic recovery should help to promote stronger investor confidence and create new business opportunities.

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

Additional Information

Interim Distribution

The Directors do not recommend the payment of an interim distribution for the twelve months ended 31st December, 2012 (2011 — No interim distribution was declared and a final distribution of HK2 cents per share and a special final distribution of HK1 cent per share, amounting in aggregate to approximately HK\$60 million, was paid on 6th July, 2012 for the year ended 31st December, 2011). No interim distribution was declared for the six months ended 30th June, 2012.

Change of Financial Year End Date

As announced on 28th December, 2012, the Company had resolved to change its financial year end date from 31st December to 31st March. Accordingly the next financial year end date of the Company will be 31st March, 2013 and the next published audited consolidated financial statements of the Company will cover fifteen months from 1st January, 2012 to 31st March, 2013. Following the change of financial year end date, the Company will:

- (a) announce its consolidated final results for the fifteen months from 1st January, 2012 to 31st March, 2013 on or before 30th June, 2013;
- (b) despatch its audited consolidated financial statements for the fifteen months from 1st January, 2012 to 31st March, 2013 to the shareholders on or before 31st July, 2013; and
- (c) hold its annual general meeting for 2013 in or around early September 2013 to approve its audited consolidated financial statements for the fifteen months from 1st January, 2012 to 31st March, 2013.

The reason for the change of financial year end date was stated in the Company's announcement dated 28th December, 2012.

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

As at 31st December, 2012, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

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

(a) The Company

Name of Director	Number of 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	Total interests	
Stephen Riady	—	—	1,120,987,842	1,120,987,842	56.10
			<i>Note (i)</i>		
John Lee Luen Wai	2,000,270	270	—	2,000,540	0.10
Tsui King Fai	600,000	75,000	—	675,000	0.03
Kor Kee Yee	606,000	—	—	606,000	0.03

(b) Lippo Limited ("Lippo")

Name of Director	Number of ordinary shares of HK\$0.10 each in Lippo			Approximate percentage of total interests in the issued share capital
	Personal interests (held as beneficial owner)	Other interests	Total interests	
Stephen Riady	—	319,322,219	319,322,219	64.75
		<i>Notes (i) and (ii)</i>		
John Lee Luen Wai	1,031,250	—	1,031,250	0.21

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		Approximate percentage of total interests in the issued share capital
	Other interests	Total interests	
Stephen Riady	6,544,696,389	6,544,696,389	71.24
	<i>Notes (i), (ii) and (iii)</i>		

Note:

- (i) As at 31st December, 2012, 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 56.10 per cent. of the issued share capital of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the holder of 705,690,001 ordinary shares of HK\$1.00 each in, representing the entire issued share capital of, Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family. Mr. Stephen Riady was taken to be interested in Lippo Capital under the provisions of the SFO.
- (ii) As at 31st December, 2012, Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares of HK\$0.10 each in, representing approximately 64.75 per cent. of the issued share capital of, Lippo.
- (iii) As at 31st December, 2012, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.24 per cent. of the issued share capital of, LCR.
- (iv) Certain Directors were granted options to subscribe for shares in the Company under the share option scheme adopted by the Company (the "Share Option Scheme"). All the outstanding options granted under the Share Option Scheme, which remained unexercised, expired on 16th December, 2012 and lapsed accordingly. Details of the interests of Directors in the underlying shares in respect of options are disclosed in Note 17 to the interim financial statements.

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)

- (v) Certain Directors were granted options to subscribe for shares in Lippo under the share option scheme adopted by Lippo (the "Lippo Share Option Scheme"). Details of the movement of underlying shares in respect of the options granted to the Directors under the Lippo Share Option Scheme during the period are 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 had been granted		
		Balance as at 1st January, 2012	Lapsed during the period	Balance as at 31st December, 2012
	HK\$			
John Lee Luen Wai	5.58	1,125,000	1,125,000	—
Leon Chan Nim Leung	5.58	193,750	193,750	—
Victor Yung Ha Kuk	5.58	162,500	162,500	—
Tsui King Fai	5.58	162,500	162,500	—

The above options granted under the Lippo Share Option Scheme, which remained unexercised, expired on 16th December, 2012 and lapsed accordingly.

- (vi) Certain Directors were granted options to subscribe for shares in LCR under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). Details of the movement of underlying shares in respect of the options granted to the Directors under the LCR Share Option Scheme during the period are as follows:

Name of Director	Exercise price per share	Number of underlying ordinary shares of HK\$0.10 each in LCR in respect of which options had been granted		
		Balance as at 1st January, 2012	Lapsed during the period	Balance as at 31st December, 2012
	HK\$			
John Lee Luen Wai	0.267	22,000,000	22,000,000	—
Leon Chan Nim Leung	0.267	3,000,000	3,000,000	—
Victor Yung Ha Kuk	0.267	2,300,000	2,300,000	—
Tsui King Fai	0.267	2,300,000	2,300,000	—

The above options granted under the LCR Share Option Scheme, which remained unexercised, expired on 16th December, 2012 and lapsed accordingly.

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
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
Lippo Assets (International) Limited	Ordinary shares	1	100
	Non-voting deferred shares	15,999,999	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Prime Success Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	100,000	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	Ordinary shares	1	100

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 31st December, 2012, 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 31st December, 2012, 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 31st December, 2012, save as disclosed herein, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2012, 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 31st December, 2012, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted), were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31st December, 2012, 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	56.10
Prime Success Limited (“Prime Success”)	1,120,987,842	56.10
Lippo Limited (“Lippo”)	1,120,987,842	56.10
Lippo Capital Limited (“Lippo Capital”)	1,120,987,842	56.10
Lanius Limited (“Lanius”)	1,120,987,842	56.10
Dr. Mochtar Riady	1,120,987,842	56.10
Madam Lidya Suryawaty	1,120,987,842	56.10
<i>Other persons:</i>		
Paul G. Desmarais	156,460,000	8.01
Nordex Inc. (“Nordex”)	156,460,000	8.01
Gelco Enterprises Ltd (“Gelco”)	156,460,000	8.01
Power Corporation of Canada (“PCC”)	156,460,000	8.01
Power Financial Corporation (“PFC”)	156,460,000	8.01
IGM Financial Inc. (“IGM”)	156,460,000	8.01
Farallon Capital Management, L.L.C. (“Farallon”)	99,932,650	5.01
Noonday Asset Management Asia Pte. Ltd. (“Noonday”)	99,932,650	5.01

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

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

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,120,987,842 ordinary shares of HK\$1.00 each in, representing approximately 56.10 per cent. of the issued share capital of, the Company.
2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.
3. Lippo Capital, the holding company of Lippo, together with its wholly-owned subsidiary, J & S Company Limited, owns ordinary shares representing approximately 64.75 per cent. of the issued share capital of Lippo.
4. Lanius is the holder of the entire issued share capital of Lippo Capital and is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. Dr. Mochtar Riady and his wife Madam Lidya Suryawaty were taken to be interested in Lippo Capital under the provisions of the SFO.
5. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 1,120,987,842 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 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. Farallon, through the entities and accounts managed by it as investment adviser, namely Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital (AM) Investors, L.P., Farallon Capital Offshore Investors II, L.P., Nooday Capital Partners, L.L.C. and Nooday Offshore, Inc., was indirectly interested in an aggregate of 99,932,650 ordinary shares of HK\$1.00 each in, representing approximately 5.01 per cent. of the issued share capital of, the Company. Nooday, as sub-adviser to Farallon, has an indirect interest in the above 99,932,650 ordinary shares of the Company.
8. The percentages of interests of "other persons" in the issued share capital stated in this section are based on the respective disclosure forms filed with the Company.

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

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

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2012, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Updated 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:

- (a) On 23rd November, 2012, Mr. Leon Chan Nim Leung was appointed as an independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee of Midland Holdings Limited, a public listed company in Hong Kong.
- (b) Mr. John Lee Luen Wai retired as a member of the Hospital Authority and the Chairman of its Finance Committee with effect from 1st December, 2012 and Mr. Lee also retired as a member of Non-local Higher and Professional Education Appeal Board with effect from 8th December, 2012.
- (c) On 20th December, 2012, Mr. Albert Saychuan Cheok was appointed as an independent non-executive director of Adavale Resources Limited, a company listed on Australian Securities Exchange.

Share Option Scheme

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

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

During the twelve months ended 31st December, 2012, the Company had repurchased a total of 8,816,000 shares of HK\$1.00 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases are as follows:

	Number of shares of HK\$1.00 each repurchased	Highest price paid per share	Lowest price paid per share	Total price paid
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
2012				
January	1,514,000	1.33	1.31	1,997,820
April	482,000	1.25	1.23	598,040
May	1,414,000	1.25	1.16	1,701,100
June	1,348,000	1.23	1.16	1,621,520
July	260,000	1.25	1.24	324,280
August	3,096,000	1.23	1.08	3,648,520
September	702,000	1.22	1.18	852,980
Total	<u>8,816,000</u>			10,744,260
		Expenses incurred for shares repurchased		<u>50,186</u>
				<u>10,794,446</u>

The above repurchases were effected by the Directors with a view to benefiting the shareholders as a whole in enhancing the net asset value per share of the Company.

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the twelve months ended 31st December, 2012. Further details of the repurchases are set out in Note 17 to the interim financial statements.

Audit Committee

The Company has established an audit committee (the “Committee”). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Tsui King Fai (Chairman), Mr. Albert Saychuan Cheok and Mr. Victor Yung Ha Kuk and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the twelve months ended 31st December, 2012.

Corporate Governance

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

To the best knowledge and belief of the Directors, the Directors consider that, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices for the period from 1st January, 2012 to 31st March, 2012 and the Corporate Governance Code (the “CG Code”) for the period from 1st April, 2012 to 31st December, 2012 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The CG Code is the new edition of the Code on Corporate Governance Practices and is applicable to financial reports covering a period after 1st April, 2012. Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings. One of the non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 5th June, 2012 as he was stranded in overseas due to an unexpected yacht sunken incident.

Additional Information *(Continued)*

Model Code for Securities Transactions by Directors

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

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

Hong Kong, 27th February, 2013

Corporate Information

Board of Directors

Executive Directors

Mr. Stephen Riady (*Chairman*)

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

Mr. Kor Kee Yee

Non-executive Director

Mr. Leon Chan Nim Leung

Independent non-executive Directors

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

Committees

Audit Committee

Mr. Tsui King Fai (*Chairman*)

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Remuneration Committee

Mr. Tsui King Fai (*Chairman*)

Mr. Stephen Riady

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Nomination Committee

Mr. Tsui King Fai (*Chairman*)

Mr. Stephen Riady

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Secretary

Mr. Andrew Hau Tat Kwong

Auditors

Ernst & Young

Principal Bankers

China CITIC Bank International Limited

Standard Chartered Bank

Bank of Beijing Co., Ltd.

The Bank of East Asia, Limited

Raiffeisen Bank International AG,
Singapore Branch

Oversea-Chinese Banking Corporation Limited

Solicitors

Howse Williams Bowers

Principal Share Registrars and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East, Wanchai, Hong Kong

Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

24th Floor, Tower One, Lippo Centre

89 Queensway, Hong Kong

Stock Code

655

Website

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