Lippo Limited

力寶有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 226)

SECOND INTERIM REPORT

2012

Contents

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

Condensed Consolidated Income Statement

For the twelve months ended 31st December, 2012

	Note	**2012** **HK$'000** **(Unaudited)**	2011 HK$'000 (Restated)
Revenue	3	**428,911**	338,162
Cost of sales		**(94,531)**	(38,219)
Gross profit		**334,380**	299,943
Administrative expenses		**(236,939)**	(206,030)
Other operating expenses		**(156,611)**	(158,659)
Fair value gains on investment properties		**529,214**	368,397
Gain/(Loss) on disposal of investment properties		**65,275**	(231)
Gain on disposal of fixed assets		**16,622**	10,103
Gain/(Loss) on disposal of subsidiaries	20	**69,279**	(15,776)
Gain on deemed disposal of an associate		**24,065**	—
Loss on derecognition of associates		**(61,526)**	—
Net fair value loss on financial instruments at fair value through profit or loss		**(58,505)**	(26,917)
Provisions for impairment losses:			
Associates		**(33,356)**	(419)
Available-for-sale financial assets		**(23,729)**	—
Properties under development		**—**	(49,954)
Finance costs		**(80,309)**	(67,231)
Share of results of associates	4	**(137,224)**	1,126,176
Share of results of jointly controlled entities		**(883)**	18,777
Profit before tax	5	**249,753**	1,298,179
Income tax	6	**(139,440)**	(55,199)
Profit for the period		**110,313**	1,242,980
Attributable to:			
Equity holders of the Company		**73,578**	698,327
Non-controlling interests		**36,735**	544,653
		110,313	1,242,980
		HK cents **(Unaudited)**	*HK cents* (Restated)
Earnings per share attributable to equity holders of the Company	7		
Basic		**15**	140
Diluted		**15**	140

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

Condensed Consolidated Statement of Comprehensive Income

For the twelve months ended 31st December, 2012

	Note	2012 *HK$'000* (Unaudited)	2011 *HK$'000* (Restated)
Profit for the period		**110,313**	1,242,980
Other comprehensive income/(loss)			
Available-for-sale financial assets:			
Changes in fair value		**45,461**	(81,935)
Reclassification adjustments for disposal		**(325)**	85
Reclassification adjustment relating to disposal of a subsidiary	*20*	**(78,020)**	—
Income tax effect		**(1,838)**	(213)
		(34,722)	(82,063)
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		**405,516**	(88,673)
		520,559	(88,409)
Exchange differences on translation of foreign operations		**91,297**	100,492
Reclassification adjustment relating to deemed disposal of a foreign associate		**10,504**	—
Reclassification adjustment relating to derecognition of a foreign associate		**61,363**	—
Other comprehensive income/(loss) for the period, net of tax		**656,820**	(69,980)
Total comprehensive income for the period		**767,133**	1,173,000
Attributable to:			
Equity holders of the Company		**451,187**	661,407
Non-controlling interests		**315,946**	511,593
		767,133	1,173,000

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		**146,660**	271,012
Investment properties		**4,732,216**	4,688,129
Interests in associates	*4*	**10,086,012**	9,254,430
Interests in jointly controlled entities		**20,161**	194,396
Held-to-maturity financial assets	*9*	**—**	27,265
Available-for-sale financial assets	*10*	**307,260**	407,916
Loans and advances	*11*	**72,235**	41,541
Other financial asset	*12*	**10,576**	—
		15,446,605	14,956,174
Current assets			
Properties held for sale		**22,525**	77,882
Properties under development		**2,274,684**	1,347,459
Deposits paid for properties under development		**306,666**	192,624
Loans and advances	*11*	**292,106**	204,678
Debtors, prepayments and deposits	*13*	**424,410**	166,519
Financial assets at fair value through profit or loss	*14*	**280,907**	228,517
Other financial asset	*12*	**9,521**	18,625
Client trust bank balances		**417,293**	550,716
Restricted cash		**866,592**	466,295
Treasury bills		**4,850**	—
Cash and bank balances		**2,398,426**	1,085,542
		7,297,980	4,338,857
Current liabilities			
Deposits and balances of banks and other financial institutions		**5,000**	—
Bank loans	*15*	**752,675**	290,689
Creditors, accruals and deposits received	*16*	**3,462,978**	1,545,517
Current, fixed, savings and other deposits of customers	*17*	**246,133**	120,225
Tax payable		**47,614**	53,966
		4,514,400	2,010,397
Net current assets		**2,783,580**	2,328,460
Total assets less current liabilities		**18,230,185**	17,284,634

	Note	**2012** **HK$'000** **(Unaudited)**	2011 *HK$'000* (Restated)
Non-current liabilities			
Bank loans	*15*	**2,314,076**	2,294,405
Other financial liabilities	*12*	**26,582**	—
Deferred tax liabilities		**683,111**	558,297
		3,023,769	2,852,702
Net assets		**15,206,416**	14,431,932
Equity			
Equity attributable to equity holders of the Company			
Issued capital	*18*	**49,316**	50,044
Reserves	*19*	**8,950,692**	8,452,088
		9,000,008	8,502,132
Non-controlling interests		**6,206,408**	5,929,800
		15,206,416	14,431,932

Condensed Consolidated Statement of Changes in Equity

For the twelve months ended 31st December, 2012

	Unaudited														
	Attributable to equity holders of the Company														
	Issued capital	Share premium account	Share option reserve	Special capital reserve *(Note 19 (a))*	Capital redemption reserve	Legal reserve *(Note 19 (b))*	Regulatory reserve *(Note 19 (c))*	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve *(Note 19 (d))*	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2012															
As previously reported	50,044	914,519	24,955	1,709,202	22,035	3,876	458	216,195	25,634	(2,416)	634,562	4,291,440	7,890,504	5,514,733	13,405,237
Prior year adjustments	—	—	—	—	—	—	—	—	—	—	19,668	591,960	611,628	415,067	1,026,695
As restated	50,044	914,519	24,955	1,709,202	22,035	3,876	458	216,195	25,634	(2,416)	654,230	4,883,400	8,502,132	5,929,800	14,431,932
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	73,578	73,578	36,735	110,313
Other comprehensive income/(loss) for the period:															
Available-for-sale financial assets:															
Changes in fair value	—	—	—	—	—	—	—	31,576	—	—	—	—	31,576	13,885	45,461
Reclassification adjustments for disposal	—	—	—	—	—	—	—	(182)	—	—	—	—	(182)	(143)	(325)
Reclassification adjustment relating to disposal of a subsidiary	—	—	—	—	—	—	—	(55,597)	—	—	—	—	(55,597)	(22,423)	(78,020)
Income tax effect	—	—	—	—	—	—	—	(1,030)	—	—	—	—	(1,030)	(808)	(1,838)
Surplus on revaluation of leasehold land and buildings	—	—	—	—	—	—	—	—	4,976	—	—	—	4,976	3,909	8,885
Income tax effect on surplus on revaluation of leasehold land and buildings	—	—	—	—	—	—	—	—	(597)	—	—	—	(597)	(469)	(1,066)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	62,211	—	2,416	227,399	—	292,026	228,533	520,559
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	52,206	—	52,206	39,091	91,297
Reclassification adjustment relating to deemed disposal of a foreign associate	—	—	—	—	—	—	—	—	—	—	10,504	—	10,504	—	10,504
Reclassification adjustment relating to derecognition of a foreign associate	—	—	—	—	—	—	—	—	—	—	43,727	—	43,727	17,636	61,363
Total comprehensive income for the period	—	—	—	—	—	—	—	36,978	4,379	2,416	333,836	73,578	451,187	315,946	767,133
Repurchases of shares	(728)	—	—	—	728	—	—	—	—	—	—	(22,563)	(22,563)	—	(22,563)
Repurchases of shares by subsidiaries *(Note 21)*	—	—	—	—	—	—	—	—	—	—	—	20,820	20,820	(32,818)	(11,998)
Changes in non-controlling interests from the exercise of share options of subsidiaries *(Note 21)*	—	—	(861)	—	—	—	—	—	—	—	—	(9,416)	(10,277)	15,316	5,039
Transfer of share option reserve upon expiry of share options	—	—	(23,057)	—	—	—	—	—	—	—	—	23,057	—	—	—
Share of equity movements arising on equity transactions of associates	—	—	141	—	—	—	—	—	—	—	—	108,338	108,479	85,148	193,627
Repayment to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(19,775)	(19,775)
Transfer of reserve	—	—	—	—	—	179	1,028	—	—	—	—	(1,207)	—	—	—
2011 final and special final dividends, declared and paid to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	—	(34,972)	(34,972)	—	(34,972)
2012 interim dividend, declared and paid to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	—	(14,798)	(14,798)	—	(14,798)
Dividends and distributions, declared and paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(87,209)	(87,209)
At 31st December, 2012	49,316	914,519	1,178	1,709,202	22,763	4,055	1,486	253,173	30,013	—	988,066	5,026,237	9,000,008	6,206,408	15,206,416

Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the twelve months ended 31st December, 2012

	Unaudited														
	Attributable to equity holders of the Company														
	Issued capital	Share premium account	Share option reserve	Special capital reserve *(Note 19 (a))*	Capital redemption reserve	Legal reserve *(Note 19 (b))*	Regulatory reserve *(Note 19 (c))*	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve *(Note 19 (d))*	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2011															
As previously reported	50,043	914,507	23,920	1,709,202	22,035	3,658	458	275,895	25,634	(3,997)	606,537	3,636,186	7,264,078	5,137,413	12,401,491
Prior year adjustments	—	—	—	—	—	—	—	—	—	—	26,494	495,762	522,256	355,649	877,905
As restated	50,043	914,507	23,920	1,709,202	22,035	3,658	458	275,895	25,634	(3,997)	633,031	4,131,948	7,786,334	5,493,062	13,279,396
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	698,327	698,327	544,653	1,242,980
Other comprehensive income/(loss) for the period:															
Available-for-sale financial assets:															
Changes in fair value	—	—	—	—	—	—	—	(58,207)	—	—	—	—	(58,207)	(23,728)	(81,935)
Reclassification adjustments for disposal	—	—	—	—	—	—	—	50	—	—	—	—	50	35	85
Income tax effect	—	—	—	—	—	—	—	(107)	—	—	—	—	(107)	(106)	(213)
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	—	(1,436)	—	1,581	(49,356)	—	(49,211)	(39,198)	(88,409)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	70,555	—	70,555	29,937	100,492
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	(59,700)	—	1,581	21,199	698,327	661,407	511,593	1,173,000
Issuance of shares upon exercise of warrants	1	12	—	—	—	—	—	—	—	—	—	—	13	—	13
Changes in non-controlling interests from the exercise of warrants of a subsidiary *(Note 21)*	—	—	—	—	—	—	—	—	—	—	—	13,420	13,420	86,249	99,669
Changes in non-controlling interests without change in control *(Note 21)*	—	—	—	—	—	—	—	—	—	—	—	4,447	4,447	(129,850)	(125,403)
Share of equity movements arising on equity transactions of associates	—	—	1,035	—	—	—	—	—	—	—	—	45,485	46,520	34,400	80,920
Repayment to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(27,581)	(27,581)
Transfer of reserve	—	—	—	—	—	218	—	—	—	—	—	(218)	—	—	—
2010 final dividend, declared and paid to shareholders of the Company	—	—	—	—	—	—	—	—	—	—	—	(10,009)	(10,009)	—	(10,009)
Dividend and distribution, declared and paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(38,073)	(38,073)
At 31st December, 2011 (restated)	50,044	914,519	24,955	1,709,202	22,035	3,876	458	216,195	25,634	(2,416)	654,230	4,883,400	8,502,132	5,929,800	14,431,932

Condensed Consolidated Statement of Cash Flows

For the twelve months ended 31st December, 2012

	2012 ***HK$'000*** **(Unaudited)**	2011 *HK$'000* (Restated)
Net cash flows from/(used in) operating activities	**295,299**	(552,156)
Net cash flows from investing activities	**524,314**	527,787
Net cash flows from financing activities	**193,061**	170,227
Net increase in cash and cash equivalents	**1,012,674**	145,858
Cash and cash equivalents at 1st January	**1,085,542**	925,162
Exchange realignments	**2,123**	14,522
Cash and cash equivalents at 31st December	**2,100,339**	1,085,542
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**2,398,426**	1,085,542
Treasury bills	**4,850**	—
Time deposits with original maturity of more than three months	**(302,937)**	—
	2,100,339	1,085,542

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

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	2011
	HK$'000	*HK$'000*
Increase/(Decrease) in share of results of associates	**(10,067)**	151,375
Decrease/(Increase) in income tax expense	**(65,666)**	25,695
Increase/(Decrease) in share of other comprehensive income of associates	**48,484**	(12,688)
Increase/(Decrease) in profit for the period attributable to:		
Equity holders of the Company	**(52,453)**	103,794
Non-controlling interests	**(23,280)**	73,276
Increase/(Decrease) in total comprehensive income for the period attributable to:		
Equity holders of the Company	**(25,230)**	96,968
Non-controlling interests	**(2,019)**	67,414
Increase/(Decrease) in basic earnings per share *(HK cents)*	**(11)**	21
Increase/(Decrease) in diluted earnings per share *(HK cents)*	**(11)**	21
Increase in interests in associates	**863,221**	791,860
Decrease in deferred tax liabilities	**169,169**	234,835
Increase in exchange equalisation reserve	**46,891**	19,668
Increase in retained profits	**558,068**	591,960
Increase in non-controlling interests	**427,431**	415,067

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.

1. Principal Accounting Policies *(Continued)*

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
Decrease in deposits paid for properties under development	**306,666**	192,624
Current Assets		
Increase in properties under development	**2,274,684**	1,347,459
Increase in deposits paid for properties under development	**306,666**	192,624

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; and

(g) the "other" segment comprises principally mineral exploration, extraction and processing, food business, the development of computer hardware and software, money lending and the provision of property, project and fund management and investment advisory services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that 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 HK$'000	Property development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	227,608	77,515	12,983	19,321	32,287	14,431	44,766	—	428,911
Inter-segment	10,529	—	—	—	—	—	7,460	(17,989)	—
Total	238,137	77,515	12,983	19,321	32,287	14,431	52,226	(17,989)	428,911
Segment results	748,018 *(Note)*	(11,741)	12,649	19,737	(16,416)	338	(40,002)	(7,460)	705,123
Unallocated corporate expenses									(236,954)
Finance costs									(80,309)
Share of results of associates	(204,024)	52,117	—	—	—	—	14,683	—	(137,224)
Share of results of jointly controlled entities	—	(855)	—	—	—	—	(28)	—	(883)
Profit before tax									249,753

2011 (Restated)

	Property investment HK$'000	Property development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	222,446	—	8,029	18,364	43,831	11,393	34,099	—	338,162
Inter-segment	10,693	—	—	—	—	—	11,227	(21,920)	—
Total	233,139	—	8,029	18,364	43,831	11,393	45,326	(21,920)	338,162
Segment results	541,262 *(Note)*	(96,055)	7,064	(8,267)	(21,281)	136	(18,327)	(11,227)	393,305
Unallocated corporate expenses									(172,848)
Finance costs									(67,231)
Share of results of associates	854,863	240,701	—	—	—	—	30,612	—	1,126,176
Share of results of jointly controlled entities	—	18,786	—	—	—	—	(9)	—	18,777
Profit before tax									1,298,179

Note: The amount included fair value gains on investment properties of HK$529,214,000 (2011 — HK$368,397,000).

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 property and project management, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

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

	2012	2011
	HK$'000	*HK$'000*
Property investment	**227,608**	222,446
Property development	**77,515**	—
Treasury investment	**12,983**	8,029
Securities investment	**19,321**	18,364
Corporate finance and securities broking	**32,287**	43,831
Banking business	**14,431**	11,393
Other	**44,766**	34,099
	428,911	338,162

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	2011
	HK$'000	*HK$'000*
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.

4. Share of Results of Associates/Interests in Associates *(Continued)*

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 before Tax

Profit 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	**1,754**	2,009
Banking business	**10,991**	9,199
Other	**12,983**	8,029
Dividend income:		
Listed investments	**2,353**	3,281
Unlisted investments	**2,172**	749
Gain on disposal of:		
Listed financial assets at fair value through profit or loss	**8,223**	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	**1,300**	4,767
Listed held-to-maturity financial assets	**570**	—
Net fair value gain/(loss) on:		
Listed financial assets at fair value through profit or loss	**(38,024)**	(21,150)
Unlisted financial assets at fair value through profit or loss	**4,918**	(1,194)
Unlisted derivative financial instruments	**(25,399)**	(4,573)
Provision for impairment losses on unlisted available-for-sale financial assets	**(23,729)**	—
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**	10,294
Other items of fixed assets	**(86)**	(191)
Gain on disposal of properties held for sale	**19,571**	—
Interest expense attributable to banking business	**(2,008)**	(738)
Depreciation	**(14,565)**	(14,859)
Foreign exchange gains — net	**20,309**	9,275

6. Income Tax

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Hong Kong:		
Charge for the period	**4,638**	4,333
Overprovision in prior periods	**(24)**	(4,884)
Deferred	**1,909**	371
	6,523	(180)
Overseas:		
Charge for the period	**12,755**	14,976
Underprovision/(Overprovision) in prior periods	**767**	(378)
Deferred	**119,395**	40,781
	132,917	55,379
Total charge for the period	**139,440**	55,199

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 Per Share Attributable to Equity Holders of the Company

Basic earnings per share is calculated based on (i) the consolidated profit for the period attributable to equity holders of the Company; and (ii) the weighted average number of 497,565,000 ordinary shares (2011 — 500,435,000 ordinary shares) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the twelve months ended 31st December, 2012 and 2011 as the share options and warrants outstanding during the periods had no dilutive effect on the basic earnings per share amounts presented.

8. Dividends

	2012 *HK$'000*	2011 *HK$'000*
First interim dividend, declared, of HK3 cents (2011 — Nil) per ordinary share	**14,955**	—
Second interim dividend, declared — Nil (2011 — N/A)	—	—
2011 final dividend, proposed, of HK4 cents per ordinary share	—	20,017
2011 special final dividend, proposed, of HK3 cents per ordinary share	—	15,013
	14,955	35,030

9. Held-to-maturity Financial Assets

	2012 *HK$'000*	2011 *HK$'000*
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 *HK$'000*	2011 *HK$'000*
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 *HK$'000*	2011 *HK$'000*
Financial assets stated at fair value:		
Equity securities listed overseas	**138,274**	300,925
Debt securities listed in Hong Kong	**42,918**	3,407
Debt securities listed overseas	**18,009**	18,388
Unlisted investment funds	**21,549**	52,943
	220,750	375,663
Financial assets stated at cost:		
Unlisted equity securities	**190,757**	113,546
Unlisted debt securities	**11,663**	11,663
Unlisted investment funds	**16,236**	15,461
	218,656	140,670
Provision for impairment losses	**(132,146)**	(108,417)
	86,510	32,253
	307,260	407,916

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 *HK$'000*	2011 *HK$'000*
Equity securities:		
Corporate entities	**329,031**	414,471
Debt securities:		
Club debentures	**11,663**	11,663
Corporate entities	**43,889**	11,704
Banks and other financial institutions	**17,038**	10,091
	72,590	33,458

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 ***HK$'000***	2011 *HK$'000*
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. Other Financial Assets/(Liabilities)

	2012		2011	
	Assets ***HK$'000***	**Liabilities** ***HK$'000***	Assets *HK$'000*	Liabilities *HK$'000*
Derivative financial instruments				
Non-current portion				
Forward currency contracts	**10,576**	**24,209**	—	—
Interest rate swap	**—**	**2,373**	—	—
	10,576	**26,582**	—	—
Current portion				
Call option	**9,521**	**—**	18,625	—
	20,097	**26,582**	18,625	—

The notional amount of the outstanding forward currency contract under other financial assets as at 31st December, 2012 was HK$776,000,000 (2011 — Nil). The notional amount of the outstanding forward currency contract and interest rate swap under other financial liabilities as at 31st December, 2012 was HK$776,000,000 (2011 — Nil) and HK$776,000,000 (2011 — Nil), respectively.

13. Debtors, Prepayments and Deposits

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

	2012	2011
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Repayable on demand	**42,682**	50,076
Within 30 days	**5,900**	8,031
Between 31 and 60 days	**100**	587
Between 61 and 90 days	**94**	14
Between 91 and 180 days	**297**	125
Over 180 days	**—**	9
	49,073	58,842

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

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

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of period	**53,105**	42,519
Allowance for bad and doubtful debts	**—**	12,214
Impairment allowance released	**(2,910)**	(1,628)
Amount written-off as uncollectible	**(8,557)**	—
Balance at end of period	**41,638**	53,105

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.

14. 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	**47,155**	99,439
	85,723	125,835
Listed investment funds	**91,453**	—
Unlisted investment funds	**103,731**	102,682
	195,184	102,682
	280,907	228,517

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	**85,014**	122,917
Banks and other financial institutions	**709**	703
Public sector entities	**—**	2,215
	85,723	125,835

15. Bank Loans

	2012	2011
	HK$'000	*HK$'000*
Bank loans:		
Secured *(Note)*	**3,056,751**	2,585,094
Unsecured	**10,000**	—
	3,066,751	2,585,094
Less: Amount classified under current portion	**(752,675)**	(290,689)
Non-current portion	**2,314,076**	2,294,405
Bank loans by currency:		
Hong Kong dollar	**2,315,379**	1,797,355
Renminbi	**751,372**	787,739
	3,066,751	2,585,094
Bank loans repayable:		
Within one year or on demand	**752,675**	290,689
In the second year	**1,025,633**	689,434
In the third to fifth years, inclusive	**1,288,443**	1,501,375
After five years	**—**	103,596
	3,066,751	2,585,094

Note:

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

(i) shares in certain listed subsidiaries of the Group with market value of HK$2,620,086,000 (2011 — HK$2,434,934,000);

(ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development of the Group with carrying amounts of HK$4,037,617,000 (2011 — HK$4,036,890,000), HK$121,862,000 (2011 — HK$124,940,000) and HK$1,242,707,000 (2011 — HK$1,306,333,000), respectively; and

(iii) certain bank deposits of the Group with carrying amount of HK$192,411,000 (2011 — HK$168,588,000).

The Group's bank loans bear interest at floating rates ranging from 2.5 per cent. to 8.0 per cent. (2011 — 1.8 per cent. to 7.4 per cent.) per annum.

16. 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	**237,075**	169,677
	536,925	605,011

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.

17. 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.

18. Share Capital

Shares

	2012 *HK$'000*	2011 *HK$'000*
Authorised:		
30,000,000,000 (2011 — 30,000,000,000) ordinary shares of HK$0.10 each	**3,000,000**	3,000,000
Issued and fully paid:		
493,154,032 (2011 — 500,436,032) ordinary shares of HK$0.10 each	**49,316**	50,044

During the period, the Company had repurchased a total of 7,282,000 ordinary shares (2011 — Nil) of HK$0.10 each in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The premium of HK$21,835,000 arising from such repurchases has been charged to the retained profits of the Company and an amount of HK$728,000 was transferred from retained profits to the capital redemption reserve as set out in the condensed consolidated statement of changes in equity on pages 6 and 7.

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.

18. Share Capital *(Continued)*

Share Option Schemes

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

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

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

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date, that is 43,373,501 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed 1 per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company on the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; (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.

18. Share Capital *(Continued)*

Share Option Schemes (Continued)

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

On 17th December, 2007, options were granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors of the Company and employees of the Group to subscribe for a total of 4,337,000 ordinary shares of HK$0.10 each in the Company (the "Shares") at an initial exercise price of HK$6.98 per Share (subject to adjustment). Due to the rights issue of new shares of the Company in June 2008 in the proportion of one rights share for every four 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 5,421,250 Shares at an exercise price of HK$5.58 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 625,000 Shares at an exercise price of HK$3.95 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 62,500 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 5,983,750 Shares (the "Option Shares").

During the period, details of movement in the Option Shares granted under the Share Option Scheme are summarised as follows:

			Number of Option Shares		
Participants	**Date of grant**	**Exercise price per Share** *HK$*	**Balance as at 1st January, 2012**	**Lapsed during the period**	**Balance as at 31st December, 2012**
Directors:					
John Luen Wai Lee	17th December, 2007	5.58	**1,125,000**	**1,125,000**	—
Leon Nim Leung Chan	17th December, 2007	5.58	**193,750**	**193,750**	—
Jark Pui Lee	17th December, 2007	5.58	**162,500**	**162,500**	—
Edwin Neo	17th December, 2007	5.58	**162,500**	**162,500**	—
King Fai Tsui	17th December, 2007	5.58	**162,500**	**162,500**	—
Victor Ha Kuk Yung	17th December, 2007	5.58	**162,500**	**162,500**	—
Employees *(Note)*	17th December, 2007	5.58	**3,390,000**	**3,390,000**	—
	1st August, 2008	3.95	**625,000**	**625,000**	—
Total			**5,983,750**	**5,983,750**	—
Weighted average exercise price per Share *(HK$)*			**5.41**	**5.41**	—

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.

18. Share Capital *(Continued)*

Share Option Schemes (Continued)

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

Options to subscribe for a total of 5,983,750 Option Shares, which remained unexercised, expired on 16th December, 2012 and lapsed accordingly.

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

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

The principal terms of the rules of the share option scheme of Lippo China Resources Limited ("LCR"), a listed subsidiary of the Company, adopted and approved by the shareholders of LCR and the Company on 7th June, 2007 (the "LCR Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above.

On 17th December, 2007, options were granted under the LCR Share Option Scheme without consideration to eligible persons of the LCR Share Option Scheme including, inter alia, certain directors and employees of LCR to subscribe for a total of 92,010,000 ordinary shares of HK$0.10 each in LCR (the "LCR Shares") at an exercise price of HK$0.267 per share (subject to adjustment). 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 LCR Share Option Scheme without consideration to an Eligible Person to subscribe for 7,000,000 LCR Shares at an exercise price of HK$0.169 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.

Options to subscribe for a total of 8,000,000 LCR Shares lapsed in 2009 and 2010.

As at 1st January, 2012, there were outstanding options granted under the LCR Share Option Scheme to subscribe for a total of 91,010,000 LCR Shares (the "LCR Option Shares").

18. Share Capital *(Continued)*

Share Option Schemes (Continued)

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

During the period, details of movement in the LCR Option Shares granted under the LCR Share Option Scheme are summarised as follows:

Participants	Date of grant	Exercise price per share *HK$*	Number of LCR Option Shares Balance as at 1st January, 2012	Exercised during the period	Lapsed during the period	Balance as at 31st December, 2012
Directors:						
John Luen Wai Lee	17th December, 2007	0.267	**22,000,000**	**—**	**22,000,000**	**—**
Leon Nim Leung Chan	17th December, 2007	0.267	**3,000,000**	**—**	**3,000,000**	**—**
Edwin Neo	17th December, 2007	0.267	**2,300,000**	**—**	**2,300,000**	**—**
King Fai Tsui	17th December, 2007	0.267	**2,300,000**	**—**	**2,300,000**	**—**
Victor Ha Kuk Yung	17th December, 2007	0.267	**2,300,000**	**—**	**2,300,000**	**—**
Employees *(Note)*	17th December, 2007	0.267	**20,660,000**	**—**	**20,660,000**	**—**
	1st August, 2008	0.169	**7,000,000**	**2,300,000**	**4,700,000**	**—**
Others	17th December, 2007	0.267	**31,450,000**	**—**	**31,450,000**	**—**
Total			**91,010,000**	**2,300,000**	**88,710,000**	**—**
Weighted average exercise price per share *(HK$)*			**0.259**	**0.169**	**0.262**	**—**

Note: Employees refer to the employees of LCR and its subsidiaries 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 of LCR immediately before the date on which the option was exercised was HK$0.208 per share (2011 — No options of LCR were exercised).

Options to subscribe for a total of 88,660,000 LCR Option Shares, which remained unexercised, expired on 16th December, 2012 and lapsed accordingly. Together with an option held by a former employee to subscribe for 50,000 LCR Option Shares which lapsed on 1st July, 2012, options to subscribe for a total of 88,710,000 LCR Option Shares lapsed during the period.

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

18. Share Capital *(Continued)*

Share Option Schemes (Continued)

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

The principal terms of the rules of the share option scheme of Hongkong Chinese Limited ("HKC"), a listed subsidiary of the Company, adopted and approved by the shareholders of HKC, LCR and the Company on 7th June, 2007 (the "HKC Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above.

On 17th December, 2007, options were granted under the HKC Share Option Scheme without consideration to eligible persons of the HKC Share Option Scheme including, inter alia, certain directors and employees of HKC to subscribe for a total of 13,468,000 ordinary shares of HK$1.00 each in HKC (the "HKC Shares") at an initial exercise price of HK$1.68 per share (subject to adjustment). Due to the rights issue of new shares of HKC in June 2008 in the proportion of seven rights shares for every twenty shares held, adjustments were made to the number of HKC Shares subject to the options of HKC and the exercise price, resulting in options to subscribe for a total of 18,181,800 HKC 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 HKC Share Option Scheme without consideration to an Eligible Person to subscribe for 2,025,000 HKC 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 HKC Shares lapsed in 2010.

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

18. Share Capital *(Continued)*

Share Option Schemes (Continued)

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

During the period, details of movement in the HKC Option Shares granted under the HKC Share Option Scheme are summarised as follows:

Participants	Date of grant	Exercise price per share *HK$*	Number of HKC Option Shares: Balance as at 1st January, 2012	Exercised during the period	Lapsed during the period	Balance as at 31st December, 2012
Directors:						
John Luen Wai Lee	17th December, 2007	1.24	4,590,000	2,000,000	2,590,000	—
Leon Nim Leung Chan	17th December, 2007	1.24	810,000	—	810,000	—
King Fai Tsui	17th December, 2007	1.24	607,500	600,000	7,500	—
Victor Ha Kuk Yung	17th December, 2007	1.24	607,500	—	607,500	—
Other directors of HKC	17th December, 2007	1.24	1,215,000	606,000	609,000	—
Employees *(Note)*	17th December, 2007	1.24	7,179,300	—	7,179,300	—
Others	17th December, 2007	1.24	2,835,000	—	2,835,000	—
	1st August, 2008	1.00	2,025,000	675,000	1,350,000	—
Total			19,869,300	3,881,000	15,988,300	—
Weighted average exercise price per share *(HK$)*			1.22	1.20	1.22	—

Note: Employees refer to the employees of HKC and its subsidiaries 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 of HKC immediately before the dates on which the options were exercised was HK$1.29 per share (2011 — No options of HKC were exercised).

Options to subscribe for a total of 15,920,800 HKC 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 HKC Option Shares which lapsed on 1st July, 2012, options to subscribe for a total of 15,988,300 HKC Option Shares lapsed during the period.

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

19. 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 pages 6 and 7.

(a) Special capital reserve

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

The credit arising from the Cancellation was transferred to a special capital reserve account.

(b) Legal reserve

The legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.

(c) Regulatory reserve

The regulatory reserve represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.

(d) Hedging reserve

The hedging reserve relates to the Group's share of the hedging reserve of an associate.

20. Disposal of Subsidiaries

	2012	2011
	HK$'000	*HK$'000*
Net assets disposal of:		
Available-for-sale financial assets	**202,820**	—
Loans and advances	**—**	15,876
	202,820	15,876
Release of cumulative fair value change on available-for-sale financial assets attributable to:		
Equity holders of the Company	**(55,597)**	—
Non-controlling interests	**(22,423)**	—
	(78,020)	—
	124,800	15,876
Gain/(Loss) on disposal	**69,279**	(15,776)
	194,079	100
Satisfied by:		
Cash consideration received	**173,779**	100
Deposits received in prior period	**20,300**	—
	194,079	100

21. Changes in Non-controlling Interests without Change in Control

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

2012

(a) During the period, HKC had repurchased a total of 8,816,000 HKC Shares for a total consideration (including expenses) of approximately HK$10,794,000. In December 2012, HKC had issued 3,881,000 HKC Shares upon the exercise in cash by the option holders of their rights to subscribe for HKC Shares at a total consideration of approximately HK$4,650,000. The Group's effective ownership in HKC increased from approximately 56.0 per cent. as at 31st December, 2011 to approximately 56.1 per cent. as at 31st December, 2012. The Group recognised a decrease in non-controlling interests of HK$15,747,000 and an increase in retained profits of HK$10,356,000.

(b) During the period, LCR had repurchased a total of 6,640,000 LCR Shares for a total consideration (including expenses) of approximately HK$1,204,000. In December 2012, LCR had issued 2,300,000 LCR Shares upon the exercise in cash by an option holder of his right to subscribe for LCR Shares at a total consideration of approximately HK$389,000. The Group's effective ownership in LCR increased from approximately 71.21 per cent. as at 31st December, 2011 to approximately 71.24 per cent. as at 31st December, 2012. The Group recognised a decrease in non-controlling interests of HK$1,755,000 and an increase in retained profits of HK$1,048,000.

21. Changes in Non-controlling Interests without Change in Control *(Continued)*

2011

(a) In 2011, Hennessy Holdings Limited, a wholly-owned subsidiary of the Company, and the other holders of warrants issued by HKC ("HKC warrants") exercised 106,764,864 HKC warrants and 79,735,309 HKC warrants to subscribe for a total of 106,764,864 HKC Shares and 79,735,309 HKC Shares for a total cash consideration of approximately HK$133,456,000 and HK$99,669,000, respectively. The Group's effective ownership in HKC increased from approximately 55.8 per cent. as at 31st December, 2010 to approximately 56.0 per cent. as at 31st December, 2011. The Group recognised an increase in non-controlling interests of HK$86,249,000 (restated) and an increase in retained profits of HK$13,420,000 (restated).

(b) In January 2011, Win Joyce Limited ("Win Joyce"), a wholly-owned subsidiary of LCR, and Jeremiah Holdings Limited ("Jeremiah"), a 60 per cent. subsidiary of LCR, completed an agreement for the acquisition of the entire issued share capital of Pantogon Holdings Pte Ltd ("Pantogon") by a wholly-owned subsidiary of Win Joyce from Jeremiah, and the assignment of the shareholder's loans owed by Pantogon to Jeremiah, from Jeremiah to a wholly-owned subsidiary of Win Joyce, for a total consideration of approximately HK$150,267,000 (the "Transaction"). The carrying amount of the non-controlling interests in Pantogon on the date of completion of the Transaction was HK$43,782,000. The Group recognised a decrease in non-controlling interests of HK$43,782,000 and an increase in retained profits of HK$43,782,000.

(c) In April 2011, 力寶置業(上海)有限公司 (Lippo Realty (Shanghai) Limited) ("Lippo Realty"), a subsidiary of LCR, completed a capital reduction exercise (the "Completion") pursuant to which the 5 per cent. registered capital of Lippo Realty was reduced at a cash consideration of approximately HK$125,403,000. After the Completion, Lippo Realty has become an indirect wholly-owned subsidiary of LCR. The carrying amount of the non-controlling interests in Lippo Realty on the date of the Completion was HK$85,778,000. The Group recognised a decrease in non-controlling interests of HK$85,778,000 and a decrease in retained profits of HK$39,625,000.

22. Contingent Liabilities

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

	2012	2011
	HK$'000	*HK$'000*
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

23. Capital Commitments

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

	2012	2011
	HK$'000	*HK$'000*
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**865,249**	864,263
Other capital commitments:		
Contracted, but not provided for *(Note)*	**82,875**	80,627
	948,124	944,890

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).

24. Related Party Transactions

(a) 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.

(b) During the period, the Group received rental income of HK$7,632,000 (2011 — HK$6,483,000) from associates of the Group. The rentals were determined by reference to the then prevailing open market rentals.

(c) 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.

(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) As at 31st December, 2012, the Group had amounts due from associates in a total of HK$649,816,000 (2011 — HK$548,002,000) 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 included a loan of HK$36,479,000 (2011 — HK$36,558,000), which bears interest at 8.5 per cent. per annum and is repayable on demand. The balances with the associates also included a loan of HK$11,627,000 (2011 — Nil), which bears interest at five-year United States Treasury bill rate per annum and is repayable in 2013. The remaining 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.

25. Financial Risk Management Objectives and Policies

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

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

25. Financial Risk Management Objectives and Policies *(Continued)*

(b) *Liquidity risk (Continued)*

An analysis of the maturity profile of non-derivative 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	22,498	72,500
Loans and advances	194,002	71,544	26,560	51,700	20,535	—	364,341
Debtors and deposits	46,760	10,137	1,609	—	—	35,030	93,536
Client trust bank balances	320,387	96,906	—	—	—	—	417,293
Restricted cash	852,089	14,503	—	—	—	—	866,592
Treasury bills	—	4,850	—	—	—	—	4,850
Cash and bank balances	510,671	1,687,549	200,206	—	—	—	2,398,426
	1,923,909	1,885,489	228,375	77,565	44,672	61,503	4,221,513
Liabilities							
Deposits and balances of banks and other financial institutions	—	5,000	—	—	—	—	5,000
Bank loans	12,086	135,485	605,104	2,314,076	—	—	3,066,751
Creditors, accruals and deposits received	306,602	278,138	4,042	—	—	2,874,196	3,462,978
Current, fixed, savings and other deposits of customers	106,823	125,131	14,179	—	—	—	246,133
	425,511	543,754	623,325	2,314,076	—	2,874,196	6,780,862

25. Financial Risk Management Objectives and Policies *(Continued)*

(b) Liquidity risk (Continued)

	Repayable on demand *HK$'000*	3 months or less *HK$'000*	1 year or less but over 3 months *HK$'000*	5 years or less but over 1 year *HK$'000*	After 5 years *HK$'000*	Undated *HK$'000*	Total *HK$'000*
At 31st 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	30,051	33,458
Loans and advances	155,236	33,005	16,437	19,201	22,340	—	246,219
Debtors and deposits	53,643	11,236	1,241	—	—	40,910	107,030
Client trust bank balances	126,934	423,782	—	—	—	—	550,716
Restricted cash	465,964	331	—	—	—	—	466,295
Cash and bank balances	469,361	616,181	—	—	—	—	1,085,542
	1,271,138	1,084,535	17,678	19,201	53,012	74,945	2,520,509
Liabilities							
Bank loans	18,009	—	272,680	2,190,809	103,596	—	2,585,094
Creditors, accruals and deposits received	437,977	191,549	688	—	—	915,303	1,545,517
Current, fixed, savings and other deposits of customers	57,478	58,566	4,181	—	—	—	120,225
	513,464	250,115	277,549	2,190,809	103,596	915,303	4,250,836

(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.

25. Financial Risk Management Objectives and Policies *(Continued)*

(d) Foreign currency risk

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

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

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk 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 14) as at 31st December, 2012. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore, Australia and Indonesia 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.

26. Event after the Reporting Period

In February 2013, the Group entered into a conditional subscription agreement in relation to the subscription of 184,653,669 new shares in GSH Corporation Limited, a listed company in Singapore, for an aggregate subscription price of approximately S$17,542,000 under a private placement.

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 recorded a profit attributable to shareholders of HK$74 million (2011 — HK$698 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$429 million (2011 — HK$338 million). Property investment and property development were the principal sources of revenue of the Group, representing 71 per cent. (2011 — 66 per cent.) of the turnover.

Property investment

Property investment business continued to provide stable and recurring revenue to the Group. Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, being the landmarks of the Group in Hong Kong and in mainland China respectively, continued to contribute remarkable results to the Group. Rental income registered an increase of approximately 3 per cent. from both properties. Given the quality and strategic location of the investment properties, the Group recorded revaluation gains on its investment properties of a total of HK$529 million (2011 — HK$368 million) during the period.

In 2012, the Group completed the disposal of a number of residential units in Hong Kong at an aggregate consideration of approximately HK$568 million and recognised a gain of HK$65 million. The disposal of another residential unit in Hong Kong with a consideration of HK$54 million was completed in February 2013. The disposals represented a good opportunity for the Group to realise the profits.

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.

During the period, the Group sold a property in Singapore at HK$78 million and recognised a gain of HK$20 million.

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. The Group also participated in other development projects in Huai An City ("Huai An Project") and Taizhou City ("Taizhou Project"), both in Jiangsu Province. Huai An Project will be developed into an integrated residential, commercial and retail complex, whereas Taizhou Project is a residential project comprising townhouses and residential apartments. Both projects are currently under planning and design stage.

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. The segment loss for the period is mainly due to certain pre-operating costs and marketing expenses incurred for the pre-sale activities that charged to the income statement during the period.

The Group has interests in Marina Collection in Sentosa Cove, Singapore, 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 Group is interested in a development project at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the "MIDAN City Project"). The MIDAN City Project is a comprehensive property project to be developed into a self-contained community with an approved total gross floor area of approximately three million square metres. In order to strengthen the working capital, capital injection is made by one of the existing shareholders in April 2012. As a result, the Group's interest in the MIDAN City Project is reduced from 47.9 per. cent. to 38.5 per. cent.. The marketing of the project is in progress.

Treasury and securities investments

The investment markets are challenging and full of uncertainties. During the period, the Group invested HK$78 million in Lippo Select HK & Mainland Property ETF fund (stock code: 2824) and further invested approximately HK$58 million in Haranga Resources Limited, a listed company in Australia engaged in the acquisition, exploration and development of iron ore projects in Mongolia. At the same time, the Group cautiously managed its investment portfolio and looked for opportunities to realise its profit. In 2012, the Group recognised a gain of HK$71 million (2011 — HK$5 million), mainly from the disposal of a subsidiary holding certain financial assets available for sale. The performance of the securities investments was diverse in the highly volatile investment markets and an unrealised net fair value loss was recorded. As a result, profit attributable to treasury and securities investments business recorded for 2012 amounted to HK$32 million (2011 — net loss of HK$1 million), with a revenue of HK$32 million (2011 — HK$26 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 Hongkong Chinese Limited ("HKC", a listed 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.

Other businesses

The growth and recovery of the Group's various investments was hindered by the external uncertainties of the developed economies and provision was made. As a result, the other business segment recorded a loss of HK$40 million (2011 — HK$18 million).

The Group invests in food manufacturing, wholesale and distribution, food retail and food court operation in Singapore, China and other Asian regions through its interests in Auric Pacific Group Limited ("Auric"), which in turn has a controlling stake in Food Junction Holdings Limited, both being listed companies in Singapore. Anticipating the operating conditions to remain challenging in the markets Auric operate in, Auric will remain focus on its core business and cautiously expand its business operations.

The Group also owns interests in Asia Now Resources Corp. ("Asia Now"), a company listed on the TSX Venture Exchange of Canada and is primarily engaged in the business of exploration of mineral deposits in mainland China. Asia Now is currently focusing on the exploration of the site at Beiya (the "Beiya Project") in Yunnan Province. Based on the strategic evaluation of the Beiya Project, further works are required to obtain sufficient detailed information in order to make a decision on methodology and clarify the project viability.

In 2012, the Group invested HK$75 million in Skye Mineral Partners, LLC ("Skye") which is interested in a few copper ore deposits in State of Utah in the United States of America. Flotation mill started operation in September 2012 after the formal approval of mill operation was obtained.

The Group made an initial investment in Export and Industry Bank, Inc. ("EIB"), a commercial bank incorporated in the Philippines, in 1996, but over the years the investment in EIB was fully written down. During the period under review, Bangko Sentral ng Pilipinas issued a resolution placing EIB under receivership and Philippine Deposit Insurance Corporation took over EIB to implement this. As such, all the investments in EIB are derecognised and the loss on derecognition of HK$61 million represented the related cumulative foreign exchange translation loss reclassified from the equity to the income statement.

Financial Position

As at 31st December, 2012, the Group's total assets increased to HK$22.7 billion (2011 — HK$19.3 billion, restated). Property-related assets increased to HK$18.2 billion (2011 — HK$15.9 billion, restated), representing 80 per cent. (2011 — 82 per cent., restated) of the total assets. Total liabilities increased to HK$7.5 billion (2011 — HK$4.9 billion, restated), 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 loans of the Group (other than those attributable to banking business) increased to HK$3,067 million (2011 — HK$2,585 million), comprising secured bank loans of HK$3,057 million (2011 — HK$2,585 million) and an unsecured bank loan of HK$10 million (2011 — Nil). The increase was mainly attributable to the additional bank loans drawn from the refinancing completed during the period. The bank loans were denominated in Hong Kong dollars and Renminbi and were secured by certain properties and shares in certain subsidiaries of the Group. Certain bank deposits were also pledged after the loan refinancing as mentioned above. The Group aims to limit interest rate exposure through management of choice of fixed or floating interest rates and uses interest rate swaps to modify the interest rate characteristics of its borrowings. As at 31st December, 2012, 25 per cent. of the Group's total borrowings were effectively paying fixed rate of interest and the remaining were effectively carried interest at floating rates. Approximately 25 per cent. (2011 — 11 per cent.) of the bank loans were repayable within one year. At the end of the reporting period, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 24.1 per cent. (2011 — 21.5 per cent., restated).

The net asset value of the Group remained strong and increased to HK$9.0 billion (2011 — HK$8.5 billion, restated). This was equivalent to HK$18.2 per share (2011 — HK$17.0 per share, restated).

During the period, the Company repurchased 7,282,000 shares of the Company at a total consideration of approximately HK$22.6 million.

Besides, HKC repurchased 8,816,000 shares and Lippo China Resources Limited ("LCR", a listed subsidiary of the Company) repurchased 6,640,000 shares at a total consideration of approximately HK$10.8 million and HK$1.2 million respectively. In December 2012, HKC and LCR have issued 3,881,000 shares and 2,300,000 shares respectively upon the exercise of share options by the option holders and received a total cash consideration of approximately

HK$5.0 million. As a consequent, the Group's interest in HKC slightly increased from approximately 56.0 per cent. as at 31st December, 2011 to approximately 56.1 per cent. as at 31st December, 2012 and the Group's interest in LCR slightly increased from approximately 71.21 per cent. as at 31st December, 2011 to approximately 71.24 per cent. as at 31st December, 2012.

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency risk. During the period, the Group has entered into forward contracts to manage exposures to fluctuations of foreign exchange rates. When appropriate, additional 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 amounted to HK$948 million (2011 — HK$945 million), mainly related to the property development projects held by the Group. The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Staff and Remuneration

The Group had approximately 459 employees as at 31st December, 2012 (2011 — 422 employees). Staff costs (including directors' emoluments) charged to the income statement during the period amounted to HK$191 million (2011 — HK$158 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

Overview

During 2012, the global 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 has contributed to a better economic environment in Asia, with mainland China continuing to be Asia's leading economic performer. In mainland China, the pace of economic growth has slowed down since the beginning of 2012 as a result of weakening domestic and global markets, but recent figures show that the economic momentum in mainland China began to pick up in the last quarter of 2012.

Results

The Group's operations and investments have been substantially within the Asia region. Despite the region maintaining steady growth overall, the Group's performance has been hindered by the weak property sector in certain key markets. Against this backdrop, the Group recorded an unaudited consolidated profit attributable to shareholders of approximately HK$74 million for the twelve months ended 31st December, 2012, as compared to a profit of HK$698 million (restated) for the corresponding period in 2011. Hongkong Chinese Limited ("HKC", together with its subsidiaries, the "HKC Group"), a 56.1 per cent. listed subsidiary of the Company, 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 profit of HK$1,022 million (restated) for the corresponding period in 2011. The decrease in profit of the Group and the loss of the HKC Group were mainly attributable to the non-recurrence in 2012 of a significant fair value gain of an investment property held by the HKC Group's associate following completion of its development in 2011. On the other hand, Lippo China Resources Limited ("LCR", together with its subsidiaries, the "LCR Group"), a 71.2 per cent. listed subsidiary of the Company, recorded an unaudited consolidated profit attributable to shareholders of approximately HK$291 million for the twelve months ended 31st December, 2012, as compared with a profit of approximately HK$317 million (restated) for the corresponding period in 2011. The profit of the LCR Group was mainly attributable to the fair value gains of the LCR Group's investment properties.

Property investment and property development

The Group's investment properties continued to enjoy satisfactory occupancy and provided the Group with stable recurrent income. Rental income from Lippo Centre in Hong Kong and Lippo Plaza in Shanghai increased moderately. During the period under review, the LCR Group completed the disposal of a number of residential units in Hong Kong for an aggregate consideration of approximately HK$568 million. Subsequent to the period under review, the LCR Group also completed the disposal of a residential unit in Hong Kong for a consideration of HK$54 million. Such disposals reflect the LCR Group's seizing good opportunities to realise its property portfolio at favourable market prices. The proceeds were applied towards the general working capital and development projects of the LCR Group.

The LCR Group has two major development projects on the pipeline in Jiangsu Province, mainland China. The project situated in Huai An City (the "Huai An Project") shall be developed into an integrated residential, commercial and retail complex with a total permissible gross floor area (above ground) of approximately 185,000 square metres on a site of approximately 41,000 square metres. The Huai An Project is well-located in the central business district of Qing He District which itself is the political, commercial, business, financial and cultural centre of Huai An City. Another project is located in China Medical City (中國醫藥城) ("CMC"), Taizhou City (the "Taizhou Project") with a site area of approximately 80,615 square metres and a total permissible gross floor area (above ground) of approximately 161,230 square metres. The Taizhou Project is a residential development comprising townhouses and residential apartments. CMC, with an area of approximately 25 square kilometers, is the only national level development zone focused on high-tech medical related industries in mainland China. The design concept submissions for the Huai An Project and the Taizhou Project are in the process of being approved. The above two projects support the LCR Group's strategic growth in property development business and allow the LCR Group to expand its footprint in mainland China.

The HKC Group 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) (the "BDA Project"). With a total site area of approximately 51,209 square metres, the BDA Project, of which the HKC Group has an 80 per cent. interest, is being 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 of the commercial zone have been completed and that of the residential zone are in progress. The whole development 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.

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

"Marina Collection", in which the HKC Group has a 50 per cent. interest, is located at Sentosa Cove in 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 recognized in the period under review.

Construction works for "Centennia Suites" at 100 Kim Seng Road, Singapore, a residential development with a saleable area of approximately 16,182 square metres, have been progressing well, and it is expected that completion will take place in 2013. All the 97 residential units have been pre-sold, and the HKC Group has a 50 per cent. interest in this project.

In December 2012, the HKC 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 (together with its subsidiaries, the "LAAP Group"), of which a wholly-owned subsidiary of HKC is the limited partner, was set up with the objective of investing in real estate and hospitality businesses in the Asia region. As at 31st December, 2012, the LAAP Group held 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 operation. OUE has interest 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 generate substantial and stable recurrent income for OUE.

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

In January 2013, the Group together with other joint venture partners, including Caesars Entertainment Corporation ("Caesars"), a company listed on the NASDAQ Stock Market, entered into various agreements which established the terms on which the parties agreed to seek preliminary governmental approval that would allow the parties to design, develop, construct and own an integrated resort located in Incheon, Korea which will include, inter alia, hotels and service apartments (the "Project"). The joint venture entity is intended to be owned by the Group as to 20 per cent. and by Caesars as to 40 per cent. In the event the series of transactions related to the Project (the "Transactions") are concluded, it is intended that Caesars or its affiliate(s) would construct and operate an integrated hotel-casino to be located in the Project. The Group will not participate or engage in any gaming business in the Project. There is no certainty that the Transactions will proceed. Matters are currently at a very preliminary stage and are subject to the satisfaction of a number of conditions, including without limitation receipt of the above governmental approval on acceptable terms and the parties' entry into definitive agreements governing the Project if preliminary approval is obtained.

Mineral resource investment

Asia Now Resources Corp. ("Asia Now"), in which the LCR Group is interested in approximately 49.9 per cent. of its issued share capital, has focused its efforts in exploration of the site at Qinhe district in Beiya in Yunnan Province, mainland China (the "Beiya Project"). An independent technical report prepared in accordance with the National Instrument 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Standard Definitions for Mineral Projects on the initial mineral resource estimate for the deposit in Beiya Project was obtained in January 2012. In the second half of 2012, Asia Now retained an independent contractor (the "Contractor") to assist it with a strategic review of the Beiya Project. The Contractor referenced that, due to the geology of the deposit and ground conditions of the site, the expenditures required for the development might be higher and concluded that further detailed work would be required to clarify the project viability. Asia Now is listed on the TSX Venture Exchange of Canada, and is primarily engaged in the business of exploration of mineral deposits in mainland China.

In March 2012, the LCR Group entered into a subscription agreement with Haranga Resources Limited ("Haranga") for the subscription of 15,000,000 new ordinary shares in Haranga at an aggregate subscription price of A$6 million. Following the above subscription and the subsequent acquisition of 3,000,000 shares from the market, the LCR Group is interested in a total of 32,470,000 shares in, representing approximately 13.43 per cent. of, the existing issued share capital of Haranga. Haranga is listed on the Australian Securities Exchange and is primarily engaged in the acquisition, exploration and development of iron ore projects in Mongolia, and owns a controlling interest in four separate iron ore projects in Mongolia.

In addition, the LCR Group further increased its interest in Skye Mineral Partners, LLC ("Skye") in 2012. It entered into a membership unit purchase agreement in February 2012 (the "February 2012 Purchase Agreement") for the acquisition of a further 3,600 Class A units in Skye for a total consideration of US$8 million, of which the acquisition of 1,900 Class A units for a total consideration of approximately US$4.2 million was completed in February 2012. In order to provide additional funding for working capital of Skye, the LCR Group entered into another membership unit purchase agreement in August 2012 (the "August 2012 Purchase Agreement") for the acquisition of 1,674 Class A units in Skye for a consideration of approximately US$3.7 million. Concurrently, an amendment to the February 2012 Purchase Agreement (the "Amendment Agreement") was also entered into by the LCR Group to reduce its purchase under the February 2012 Purchase Agreement from the remaining 1,700 Class A units to 782 Class A units for a total consideration of US$1.7 million. Following the completion of the August 2012 Purchase Agreement and the Amendment Agreement in August 2012, the LCR Group had an effective interest of 7,956 Class A units in Skye, representing approximately 16.7 per cent. of the then total issued and outstanding Class A units in Skye and approximately 15.8 per cent. of the then total issued and outstanding units in Skye. In January 2013, the LCR Group subscribed for an additional 450 Class A units in Skye for a total consideration of US$1 million. To date, the LCR Group has an effective interest of 8,406 Class A units in Skye, representing approximately 17.1 per cent. of the total issued and outstanding Class A units in Skye and approximately 16.3 per cent. of the total issued and outstanding units in Skye. Through CS Mining, LLC ("CS Mining"), its majority owned subsidiary, Skye owns and controls a number of copper ore deposits located in the Milford Mineral Belt in Beaver County, State of Utah in the U.S., and is engaged in the business of mining and processing primarily copper, with additional recoveries of silver, gold and iron ore. CS Mining obtained all its required operating permits for mining and flotation processing by September 2012 and started commercial operation shortly thereafter.

Other businesses

Auric Pacific Group Limited (together with its subsidiaries, the "APG Group"), a listed company in Singapore in which the LCR Group is interested in approximately 49.3 per cent. of its issued share capital, recorded a consolidated profit attributable to shareholders of approximately S$14,613,000 for the year ended 31st December, 2012, as compared with a profit of S$8,566,000 for the year ended 31st December, 2011. Rising cost of raw materials and operating expenses will continue to be a challenge to the F&B industry. The APG Group will focus on its existing core businesses through building its competitive edges, offering wider range of products and expanding more sales channels.

Food Junction Holdings Limited ("Food Junction"), a listed company in Singapore, in which the APG Group is interested in approximately 61.4 per cent. of its issued share capital (excluding treasury shares), recorded a consolidated loss attributable to shareholders of approximately S$6,917,000 for the year ended 31st December, 2012, as compared with a profit of S$828,000 for the year ended 31st December, 2011. Food Junction is a regional foodservice company which operates and manages food courts and restaurants in Singapore, Malaysia, Indonesia, Hong Kong and mainland China. While Food Junction expects the operating environment continue to be challenging, it remains committed to prudently grow its food court and F&B operations.

In August 2012, Lippo Investments Management Limited ("LIM"), a wholly-owned subsidiary of the Company, successfully launched the Lippo Select HK & Mainland Property Index. Such index adopts fundamental indexing with a free-float adjusted market capitalisation-weighted methodology and comprises property related securities listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including property stocks and real estate investment trusts from Hong Kong and the mainland China region. In September 2012, Lippo Select HK & Mainland Property ETF (the "ETF") (stock code: 2824), an exchange traded fund managed by LIM, was successfully launched and listed on the Stock Exchange. The performance of the ETF is satisfactory. The LCR Group acquired units in the ETF in September 2012 for a total consideration of approximately HK$78 million.

In February 2013, the LCR Group entered into a conditional subscription agreement in relation to the subscription of 184,653,669 new shares (the "Subscription Shares") in GSH Corporation Limited ("GSH") for an aggregate subscription price of approximately S$17.5 million under a private placement. The Subscription Shares would represent approximately 3.7 per cent. of the enlarged issued and paid-up share capital of GSH upon the completion of the private placements, as announced by GSH in February 2013. GSH, the shares of which are listed on the Main Board of the Singapore Exchange Securities Trading Limited, is primarily engaged in the business of distribution of IT, photographic and timepiece products with distribution networks spanning many emerging markets in Asia, the Middle East and Central Asia. GSH is looking to diversify into the real estate business, which is in line with GSH's inorganic growth strategy to increase the breadth and depth of businesses in developing economies.

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 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 mild. Though the issue of U.S. fiscal cliff appears to have been resolved, its aftermath may still provoke uncertainty and turbulence in 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 its existing businesses in the Asia-Pacific region for its long term growth. Management is watchful of the economic challenges ahead, and will accordingly continue to take a cautious and prudent approach in managing the Group's investment portfolio and businesses and in assessing new investment opportunities.

Additional Information

Second Interim Dividend

The Directors do not recommend the payment of a second interim dividend for the twelve months ended 31st December, 2012 (2011 — N/A). Together with the first interim dividend of HK3 cents per share (2011 — Nil) paid on 18th October, 2012, total dividends for the twelve months ended 31st December, 2012 will be HK3 cents per share (Financial year 2011 — HK7 cents per share) amounting to approximately HK$14.8 million (Financial year 2011 — HK$35 million).

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

	Number of ordinary shares of HK$0.10 each in the Company				
Name of Director	**Personal interests (held as beneficial owner)**	**Family interests (interest of spouse)**	**Other interests**	**Total interests**	**Approximate percentage of total interests in the issued share capital**
Stephen Riady	—	—	319,322,219 *Note (i)*	319,322,219	64.75
Jark Pui Lee	—	60	—	60	0.00
John Luen Wai Lee	1,031,250	—	—	1,031,250	0.21

(b) Lippo China Resources Limited ("LCR")

	Number of ordinary shares of HK$0.10 each in LCR		
Name of Director	**Other interests**	**Total interests**	**Approximate percentage of total interests in the issued share capital**
Stephen Riady	6,544,696,389 *Notes (i) and (ii)*	6,544,696,389	71.24

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) Hongkong Chinese Limited ("HKC")

	Number of ordinary shares of HK$1.00 each in HKC				
Name of Director	**Personal interests (held as beneficial owner)**	**Family interests (interest of spouse)**	**Other interests**	**Total interests**	**Approximate percentage of total interests in the issued share capital**
Stephen Riady	—	—	1,120,987,842 *Notes (i) and (iii)*	1,120,987,842	56.10
Jark Pui Lee	469	469	—	938	0.00
John Luen Wai Lee	2,000,270	270	—	2,000,540	0.10
King Fai Tsui	600,000	75,000	—	675,000	0.03

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, 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, 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 included, 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, the Company 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.

(iii) As at 31st December, 2012, 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, HKC.

(iv) Certain Directors were granted options to subscribe for shares in the Company, LCR and HKC under the share option schemes adopted by the Company, LCR and HKC respectively. All the outstanding options granted under the above share option schemes, 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 18 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)*

For the reasons outlined above, through his deemed interests 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
Grand Peak Investment Limited	Ordinary shares	2	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenorth Holdings Limited	Ordinary shares	1	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
SCR Ltd.	Ordinary shares	1	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 included, inter alia, Mr. Stephen Riady and other members of the family.

As at 31st December, 2012, Mr. Stephen Riady was interested in 27,493,311 ordinary shares in Auric Pacific Group Limited ("APG"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, held by Goldstream Capital Limited, which in turn is a wholly-owned subsidiary of Bravado International Ltd. ("Bravado"). Mr. Stephen Riady is the beneficial owner of the entire issued capital of Bravado. For the reasons outlined above, through his deemed interest in Lippo Capital, Mr. Stephen Riady was also taken to be interested in 61,927,335 ordinary shares in APG. Accordingly, Mr. Stephen Riady was interested and taken to be interested in an aggregate of 89,420,646 ordinary shares in, representing approximately 71.16 per cent. of the issued share capital of, APG.

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 persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") as follows:

Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK$0.10 each	Approximate percentage of the issued share capital
Lippo Capital Limited ("Lippo Capital")	319,322,219	64.75
Lanius Limited ("Lanius")	319,322,219	64.75
Dr. Mochtar Riady	319,322,219	64.75
Madam Lidya Suryawaty	319,322,219	64.75

Note:

1. Lippo Capital, through its wholly-owned subsidiary, J & S Company Limited, was indirectly interested in 14,699,997 ordinary shares of the Company. Together with 304,622,222 ordinary shares of the Company owned by Lippo Capital directly as beneficial owner, Lippo Capital was interested in an aggregate of 319,322,219 ordinary shares of HK$0.10 each in, representing approximately 64.75 per cent. of the issued share capital of, the Company.

2. 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 the shares of the Company under the provisions of the SFO.

3. Lippo Capital's interests in the ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 319,322,219 ordinary shares of the Company related to the same block of shares that 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".

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

Interests of substantial shareholders 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 or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or 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 followings 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) Mr. John Luen Wai Lee 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.

(b) On 23rd November, 2012, Mr. Leon Nim Leung Chan 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.

Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are disclosed in Note 18 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 7,282,000 shares of HK$0.10 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$0.10 each repurchased	Highest price paid per share	Lowest price paid per share	Total price paid
		HK$	*HK$*	*HK$*
2012				
May	616,000	2.80	2.69	1,693,100
June	1,196,000	3.13	2.75	3,437,750
July	139,000	3.32	3.19	458,960
August	2,621,000	3.13	3.05	8,121,340
September	2,582,000	3.34	3.14	8,308,200
October	128,000	3.50	3.50	448,000
Total	7,282,000			22,467,350
			Expenses incurred for shares repurchased	95,221
				22,562,571

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 period. Further details of the repurchases are set out in Note 18 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. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the twelve months ended 31st December, 2012.

Corporate Governance

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

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.

Model Code for Securities Transactions by Directors

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

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

Hong Kong, 27th February, 2013

Corporate Information

Honorary Chairman*
Dr. Mochtar Riady

Board of Directors
Executive Directors
Mr. Stephen Riady *(Chairman)*
Mr. John Luen Wai Lee, BBS, JP
(Managing Director and Chief Executive Officer)
Mr. Jark Pui Lee, SBS, OBE, JP

Non-executive Director
Mr. Leon Nim Leung Chan

Independent non-executive Directors
Mr. Edwin Neo
Mr. King Fai Tsui
Mr. Victor Ha Kuk Yung

Committees
Audit Committee
Mr. Victor Ha Kuk Yung *(Chairman)*
Mr. Leon Nim Leung Chan
Mr. Edwin Neo
Mr. King Fai Tsui

Remuneration Committee
Mr. King Fai Tsui *(Chairman)*
Mr. Leon Nim Leung Chan
Mr. Victor Ha Kuk Yung
Mr. Edwin Neo
Mr. Stephen Riady

Nomination Committee
Mr. King Fai Tsui *(Chairman)*
Mr. Leon Nim Leung Chan
Mr. Victor Ha Kuk Yung
Mr. Edwin Neo
Mr. Stephen Riady

Secretary
Mr. Davy Kwok Fai Lee

Auditors
Ernst & Young

Principal Bankers
China CITIC Bank International Limited
Standard Chartered Bank
Fubon Bank (Hong Kong) Limited
Chong Hing Bank Limited
Bank of Beijing Co., Ltd.
The Bank of East Asia, Limited

Solicitors
Howse Williams Bowers

Registrars
Tricor Progressive Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office
24th Floor, Tower One
Lippo Centre
89 Queensway
Hong Kong

Stock Code
226

Website
www.lippoltd.com.hk

* *non-officer position*