Hongkong Chinese Limited

香港華人有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 655)

2012/2013

Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Stephen Riady *(Chairman)*
Mr. John Lee Luen Wai, BBS, JP
(Chief Executive Officer)
Mr. Kor Kee Yee

Non-executive Director

Mr. Leon Chan Nim Leung

Independent non-executive Directors

Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

COMMITTEES

Audit Committee

Mr. Tsui King Fai *(Chairman)*
Mr. Leon Chan Nim Leung
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk

Remuneration Committee

Mr. Tsui King Fai *(Chairman)*
Mr. Stephen Riady
Mr. Leon Chan Nim Leung
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk

Nomination Committee

Mr. Tsui King Fai *(Chairman)*
Mr. Stephen Riady
Mr. Leon Chan Nim Leung
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk

SECRETARY

Mr. Andrew Hau Tat Kwong

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

China CITIC Bank International Limited
Standard Chartered Bank
Bank of Beijing Co., Ltd.
The Bank of East Asia, Limited
Raiffeisen Bank International AG,
Singapore Branch
Oversea-Chinese Banking Corporation Limited

SOLICITORS

Howse Williams Bowers

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

655

WEBSITE

www.hkchinese.com.hk

Chairman's Statement

On behalf of the Board of Directors, I would like to present the annual report of the Company for the fifteen months ended 31st March, 2013.

BUSINESS REVIEW

During 2012 and the first quarter of 2013 (the "Period"), the world economy continued to be held back by the Eurozone financial crisis. Though concern about a potential "fiscal cliff" in the U.S. eased by late 2012, that concern had led to the further deferment of substantive economic recovery in the U.S. On the other hand, the major economies in the Asia region were able to maintain their growth momentum which contributed to a better economic environment in Asia, with mainland China continuing to be the Asia's leading economic performer.

The Group's operations and investments are substantially within the Asia region. Despite the Asia region maintaining steady growth overall, the Group's performance has been affected by the weak property sector in the key markets. Against this background, the Group recorded a consolidated loss attributable to shareholders of approximately HK$209 million for the fifteen months ended 31st March, 2013, as compared to a consolidated profit of approximately HK$1,022 million (restated) for the year ended 31st December, 2011. During the year ended 31st December, 2011, the Group's share of results of associates was approximately HK$1,125 million (restated) which was mainly attributable to the fair value gain of a property held by an associate which was completed in that year and the share of profit recognized from the sale of properties by another associate. However, during the current reporting period, neither the Group nor its associates had any fair value gain arisen from completion of their property projects, and less profit was recognized from the sale of properties and higher finance costs were incurred by the associates.

In Singapore, the strong tourist arrivals, and its continuing role as one of the major financial centres in Asia have contributed to the country's stable economic environment during the Period. According to the advanced estimates announced by the Ministry of Trade and Industry of Singapore ("MTI"), the Singapore economy contracted by 0.6 per cent. on a year-on-year basis in the first quarter of 2013, as compared to the growth of 1.5 per cent. in the previous quarter. For the whole of 2013, MTI is maintaining its forecast that the Singapore economy is to grow between 1.0 per cent. to 3.0 per cent. as global economic conditions are expected to improve gradually.

"Marina Collection", in which the Group has a 50 per cent. interest, is located at Sentosa Cove, Sentosa Island, Singapore. This property development project was completed in 2011 and provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres. As at 31st March, 2013, 80 units have been sold of which 36 units were sold during the Period and profits arising therefrom have been recognised in the Period.

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

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

BUSINESS REVIEW *(continued)*

During the Period, as part of the internal group restructuring, the Group, through a property fund, set up Lippo ASM Asia Property Limited ("LAAPL"), a joint venture, to hold the controlling stake of Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investment and development and hotel operations. The Group's economic interest in OUE remains unchanged after the above group restructuring. As at 31st March, 2013, LAAPL had an aggregate interest of approximately 68.02 per cent. in OUE (excluding treasury shares).

OUE has interests in prime office buildings in the Central Business District in Singapore like One Raffles Place, OUE Bayfront and 6 Shenton Way Towers One and Two as well as hotels in the Asia region, including the famous Mandarin Orchard Singapore ("Mandarin Orchard") and Crowne Plaza Changi Airport in Singapore. The Mandarin Gallery at Mandarin Orchard ("Mandarin Gallery"), a premier luxury retail mall with retail space of around 11,639 square metres, is enjoying nearly full occupancy. This bespoke portfolio of well diversified and high quality properties will help to generate substantial and stable recurrent income for OUE. To further strengthen OUE's commercial property portfolio, in June 2013, a subsidiary of OUE completed the acquisition of U.S. Bank Tower, a Class A office property located in Los Angeles and the tallest iconic building in California, U.S., and the related properties.

In order to enable OUE to unlock the value of some of the properties at fair value, OUE proposed to dispose of its interest in Mandarin Orchard and Mandarin Gallery to a proposed real estate investment trust to be known as OUE Hospitality Real Estate Investment Trust at a minimum consideration of S$1,705 million (the "Disposal"). OUE will maintain the ability to operate Mandarin Orchard and manage Mandarin Gallery. The consideration of the Disposal will be paid in combination of cash and stapled securities in OUE Hospitability Trust (the "OUE H-REIT"). With the approval of the shareholders of OUE on 25th June, 2013, completion of the Disposal is subject to the listing of and commencement of trading of the staple securities in the OUE H-REIT on the Singapore Exchange Securities Trading Limited.

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in Beijing (the "BDA Project"). The Group has an 80 per cent. interest in the BDA Project, which, with a total site area of approximately 51,209 square metres, 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. The project is expected to be completed later this year. As at 31st March, 2013, about 82 per cent. of the total saleable area has been pre-sold.

Superstructure works for the residential development "M Residences" at 83 Estrada de Cacilhas, Macau, in which the Group has 100 per cent. interest, are expected to be commenced in the second half of the year. "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. The above development is scheduled to be completed in 2014. As at 31st March, 2013, about 92 per cent. of the total saleable area of the residential units has been pre-sold.

BUSINESS REVIEW *(continued)*

The Macau Chinese Bank Limited ("MCB"), a wholly-owned subsidiary of the Company, maintained a steady performance during the Period amidst the strong performance of the Macau economy. To cater for its ongoing business development, a capital injection of MOP80 million into MCB was made at the end of 2012. The Group will continue to seek new business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

The local stock market remained sluggish and inactive in the first half of 2012 with low initial public offering activities. Towards the end of 2012, local stock market environment gradually improved but participation from retail investors remained cautious given the present market conditions. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on the market conditions in mainland China and economic developments globally, especially in Europe and the U.S.

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

PROSPECTS

The economic prospects for Asia remain positive with the growth momentum dependent on the pace of economic recovery in the U.S. and Europe. Since mid 2012, the major stock markets in U.S. and Europe have rebounded and continued into the first quarter of 2013 with the expected global economic recovery and gradual stabilisation of the Eurozone debt crisis. However, overall, the strength of economic recovery will likely be slow. Hopefully, with the threat of inflation being brought under control, the continuing low interest rate environment should help to promote stronger investor confidence and create new business opportunities.

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

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank our shareholders for their continuing support. I would also like to thank my fellow Directors for their dedication, wise counsel and guidance. Last but not least, I extend our appreciation to the management and staff for their hard work, contributions and commitment.

Stephen Riady
Chairman

27th June, 2013

Discussion and Analysis of Results

In 2012, under the headwinds of unresolved eurozone sovereign debt crisis and slowdown of U.S. recovery, global economy is subdued and the growth in Singapore and emerging economies like mainland China fell lower than the original forecast. Until the end of 2012, macroeconomic conditions showed signs of improvement, the global economic growth is expected to improve gradually this year.

Pursuant to a resolution of the Board of Directors passed on 28th December, 2012, the Company's financial year end date was changed from 31st December to 31st March. Accordingly, the current financial period covers a fifteen-month period from 1st January, 2012 to 31st March, 2013, and the comparative figures cover a twelve-month period from 1st January, 2011 to 31st December, 2011 ("year 2011"), which may not be comparable with amounts shown for the current period.

For the fifteen months ended 31st March, 2013, the Group reported a loss attributable to shareholders of HK$209 million (year 2011 — profit of HK$1,022 million, restated). The profit for year 2011 was mainly due to the significant fair value gain of an investment property held by the Group's associate following completion of its development in that year and the share of profit from property sale by another associate. In the current financial period, neither the Group nor its associates had any property projects under completion, and less profit was generated from property sale and higher finance costs were incurred by the Group's associates.

RESULTS FOR THE FINANCIAL PERIOD

Property investment

The revenue of the property investment business amounted to HK$17 million for the fifteen months ended 31st March, 2013 (year 2011 — HK$12 million). Benefited from the revaluation gain of the Group's investment properties and the profit from disposal of a property in Singapore, the segment registered a profit of HK$62 million for the period (year 2011 — HK$10 million).

The Group, through a property fund, invested in a joint venture, Lippo ASM Asia Property Limited, which has a majority interest 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 Grade A office building near Marina Bay, 6 Shenton Way Towers One and Two (formerly known as DBS Building Towers One and Two) and Mandarin Gallery at Orchard Road, provided a strong recurring source of revenue to OUE. Plans are underway to convert the podium of 6 Shenton Way Towers One and Two into a retail space with a wide range of options including retail, food and beverage and a supermarket. Subsequent to the period end, OUE proposed to dispose of its interest in Mandarin Orchard Singapore and Mandarin Gallery to a proposed real estate investment trust (the "Disposal") with more details mentioned under section headed "Chairman's Statement". OUE also holds interests in One Raffles Place (comprising Tower One and the newly-completed Tower Two) which is located at the central financial and business district of Singapore. The retail mall at One Raffles Place is under refurbishment which is expected to be completed in early 2014. Pre-sale of a residential property development project, named as Twin Peaks, at 33 Leonie Hill Road in Singapore is still in progress. The Group registered a share of loss of HK$272 million from the investment during the period (year 2011 — share of profit of HK$855 million, restated). The change was mainly due to the absence of the significant fair value gain recognised upon completion of any investment property and the higher finance costs incurred in this period. As a result of the share buy-back by OUE during the period, the fund's interest in OUE increased from approximately 65.55 per cent. as at 31st December, 2011 to approximately 68.02 per cent. as at 31st March, 2013 and recorded a net increase of share of equity interest of HK$193 million. Together with the share of other reserves and taking into account the above share of loss, the Group's interest in the investment increased to HK$8.2 billion (31st December, 2011 — HK$7.8 billion, restated).

RESULTS FOR THE FINANCIAL PERIOD *(continued)*

Property development

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

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area (the "BDA Project") is progressing well. Pre-sale has been launched since July 2011. A substantial part of the residential units, office blocks and the retail mall have been sold out. Approximately 82 per cent. of the total saleable area have been pre-sold up to 31st March, 2013 at a total consideration of approximately RMB3.1 billion. This project is expected to be completed later this year and construction works have been substantially finished as at 31st March, 2013.

In Macau, main contract works of "M Residences", a property development project, 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 saleable area of the residential units have been pre-sold as at 31st March, 2013 at a total consideration of approximately HK$1.1 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 of HK$64 million (year 2011 — HK$36 million) is mainly due to marketing and selling expenses incurred for the pre-sale activities charged to the income statement during the period. As a result of the project cost incurred during the period, the Group's property under development increased to HK$2.4 billion as at 31st March, 2013 (31st December, 2011 — HK$1.5 billion).

The Group has interests in "Marina Collection" in Sentosa Cove, Singapore, a joint venture development project completed in April 2011. For the fifteen months ended 31st March, 2013, a further share of profit of HK$125 million (year 2011 — HK$264 million) was recorded from this project, mainly arising from the sale of properties during the period. All the units of Centennia Suites, another joint venture property development project at Kim Seng Road, Singapore, have been sold out during the pre-sale in 2010. Centennia Suites is scheduled to be completed in the second half of 2013, and profit arising therefrom will be recognised upon completion of the development.

Treasury and securities investments

The investment market continues to be challenging and full of uncertainties. The Group cautiously managed its investment portfolio and looked for opportunities to realise its profit. For the fifteen months ended 31st March, 2013, treasury and securities investments business recorded a revenue of HK$28 million (year 2011 — HK$21 million), with a profit of HK$19 million (year 2011 — HK$2 million).

Corporate finance and securities broking

During the current financial period, the sentiments in the investment markets were affected by uncertainties resulting from unresolved eurozone sovereign debt 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$42 million for the fifteen months ended 31st March, 2013 (year 2011 — HK$44 million) and a loss of HK$15 million was derived from this segment (year 2011 — HK$21 million).

RESULTS FOR THE FINANCIAL PERIOD *(continued)*

Banking business

The Macau Chinese Bank Limited ("MCB"), a licensed bank in Macau, is a wholly-owned subsidiary of the Company. The operating environment is still challenging because of strong competition, high operating costs and subdued global economic activities. Nevertheless, MCB remains positive to the development and growth in the region, continues to focus on customers need, and seeks opportunities to launch new products and services to enlarge its customer base. In this regards, the Group injected approximately HK$78 million capital into MCB to strengthen its financial position during the period.

FINANCIAL POSITION

As at 31st March, 2013, the Group's total assets increased to HK$14.7 billion (31st December, 2011 — HK$12.4 billion, restated). Property-related assets increased to HK$13.3 billion (31st December, 2011 — HK$10.9 billion, restated), representing 90 per cent. (31st December, 2011 — 88 per cent., restated) of the total assets. Total liabilities increased to HK$4.4 billion (31st December, 2011 — HK$2.4 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 March, 2013, the bank loans of the Group (other than those attributable to banking business) amounted to HK$509 million (31st December, 2011 — HK$709 million). The bank loans were denominated in Hong Kong dollars and Renminbi and were secured by certain properties and certain bank deposits of the Group. The bank loans carried interest at floating rates and approximately 56 per cent. (31st December, 2011 — 10 per cent.) of the bank loans were repayable within one year. The Group's other borrowings as at 31st December, 2011 comprised of unsecured loans advanced from Lippo Limited of HK$57 million, such advance was fully repaid during the period. At the end of the period, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 4.4 per cent. (31st December, 2011 — 6.9 per cent., restated).

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

The net asset value of the Group remained strong and increased to HK$10.3 billion (31st December, 2011 — HK$9.9 billion, restated). This was equivalent to HK$5.1 per share (31st December, 2011 — HK$5.0 per share, restated).

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (31st December, 2011 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding as at 31st March, 2013 (31st December, 2011 — Nil).

As at 31st March, 2013, the Group's total commitment increased to HK$798 million (31st December, 2011 — HK$715 million), mainly arising from the property development projects in Macau and Beijing. The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

STAFF AND REMUNERATION

The Group had 210 employees as at 31st March, 2013 (31st December, 2011 — 220 employees). Staff costs (including directors' emoluments) charged to the income statement during the period amounted to HK$90 million (year 2011 — HK$71 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options in prior years under the share option scheme of the Company. All outstanding options which remained unexercised by the expiry date in December 2012 lapsed accordingly.

BUSINESS STRATEGY

The business activities of the Group are diversified. The principal activities of the subsidiaries, associates and jointly controlled entities of the Company are investment holding, property investment, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The Group is committed to achieve long term sustainable growth of its businesses in preserving and enhancing the shareholders' value. The Group is focused on selecting attractive investment opportunities to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

OUTLOOK

Looking ahead, growth is expected to be in modest pace. 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.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the fifteen months ended 31st March, 2013 (the "Period"), the Company continued to take measures to closely monitor and enhance its corporate governance practices so as to comply with the requirements of the code provisions of the Code on Corporate Governance Practices (the "Code on CGP") 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 March, 2013 contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The CG Code is the new edition of the Code on CGP and is applicable to financial reports covering a period after 1st April, 2012.

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 CGP and the CG Code (as the case may be) for the Period. 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 (the "2012 AGM") as he was stranded in overseas due to an unexpected yacht sunken incident.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have fully complied with the required standard set out in the Model Code throughout the Period.

To enhance corporate governance, the Company has also established written guidelines no less exacting than the Model Code for the relevant employees of the Group in respect of their dealings in the Company's securities.

BOARD OF DIRECTORS

The Board currently comprises seven members (the composition of the Board is shown on page 20), including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 21 to 23). A list containing the names of the Directors and their roles and functions can also be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). To the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Company has three independent non-executive Directors, representing more than one-third of the Board. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise under rule 3.10 of the Listing Rules. All the independent non-executive Directors have signed the annual confirmation of independence pursuant to rule 3.13 of the Listing Rules to confirm their independence. The Company considers that all independent non-executive Directors have met the independence guidelines of rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS *(continued)*

Mr. Albert Saychuan Cheok, who is to retire by rotation at the forthcoming 2013 annual general meeting of the Company (the "2013 AGM"), has served as an independent non-executive Director of the Company for more than nine years. In addition to his confirmation of independence in accordance with rule 3.13 of the Listing Rules, Mr. Albert Saychuan Cheok continues to demonstrate the attributes of an independent non-executive Director by providing independent views and advice and there is no evidence that his tenure has had any impact on his independence. The Directors are of the opinion that Mr. Albert Saychuan Cheok remains independent notwithstanding the length of his service and they believe that his valuable knowledge and experience in the Group's business and his external experience continue to generate significant contribution to the Company and its shareholders as a whole.

Under the Company's Bye-laws, one-third of the Directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors. Under the Listing Rules, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. All the Directors have entered into employment agreements or letter agreements with the Company setting out the key terms and conditions of their respective appointment as directors of the Company.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. The Board has delegated certain functions to the relevant Board committees, details of which are disclosed below. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive Directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, dividend policy, material policies and decisions, significant changes in accounting policies, material contracts, major investments and approval of interim reports, annual reports and announcements of interim and final results. Management provides the Directors with management updates of the Group's operation, performance and position. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner. Legal and regulatory updates are provided to the Directors from time to time for their information so as to keep them abreast of the latest rule requirements and assist them in fulfilling their responsibilities. The Company Secretary may advise the Directors on queries raised or issues which arise in performance of their duties as directors. The Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

Three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, have been established to oversee particular aspects of the Group's affairs.

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Five Board meetings were held during the Period of which four were held in the year 2012.

In the year 2012, the Chairman held a meeting with the non-executive Directors (including independent non-executive Directors) without the executive Directors present.

BOARD OF DIRECTORS *(continued)*

Individual attendance of each Director at the Board meetings and general meeting and each committee member at meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee during the Period are set out below:

	Attendance/Number of Meetings				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting***
Executive Directors					
Mr. Stephen Riady *(Chairman)*	5/5	N/A	2/2	2/2	1/1
Mr. John Lee Luen Wai *(Chief Executive Officer)*	5/5	N/A	N/A	N/A	1/1
Mr. Kor Kee Yee	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Leon Chan Nim Leung *(ceased to be the Chairman of the Remuneration Committee and Nomination Committee on 29th March, 2012 but remains as a member of both Committees)*	5/5	4/5	2/2	2/2	0/1
Independent Non-executive Directors					
Mr. Tsui King Fai *(Chairman of the Audit Committee and on 29th March, 2012, also appointed as the Chairman of the Remuneration Committee and Nomination Committee)*	5/5	5/5	2/2	2/2	1/1
Mr. Albert Saychuan Cheok	5/5	4/5	1/2	1/2	1/1
Mr. Victor Yung Ha Kuk	5/5	5/5	2/2	2/2	1/1

* the only general meeting of the Company held during the Period was the 2012 AGM

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Mr. Stephen Riady is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr. John Lee Luen Wai is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

There are currently four non-executive Directors of whom three are independent. Under the Company's Bye-laws, every Director, including the non-executive Directors, shall be subject to retirement by rotation at least once every three years. All the non-executive Directors have a fixed term of contract of two years with the Company.

REMUNERATION OF DIRECTORS

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). In order to comply with the amendments to certain provisions in the Listing Rules which took effect on 1st April, 2012 (the "Amendments"), the terms of reference of the Remuneration Committee had been revised in March 2012. The Committee has been delegated with the authority and responsibility to determine the remuneration packages of individual Directors and senior management. Senior management of the Company comprises Directors of the Company only.

The principal role of the Committee is to exercise the powers of the Board to review and determine or make recommendations to the Board on the remuneration packages of individual Directors and senior management, including salaries, bonuses, share options and benefits in kind. Salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the Period, the Remuneration Committee reviewed and determined, with delegated responsibility, inter alia, (i) the remuneration packages of the Directors and senior staff; and (ii) service contracts of certain Directors.

Majority of the Committee members are non-executive Directors and three of them are independent. To comply with the Amendments, on 29th March, 2012, Mr. Tsui King Fai, an independent non-executive Director, was appointed as the Chairman of the Remuneration Committee and Mr. Leon Chan Nim Leung, a non-executive Director, ceased to be the Chairman of the Remuneration Committee but remains as a member of the Remuneration Committee. The Remuneration Committee currently comprises five members including three independent non-executive Directors, namely Messrs. Tsui King Fai (being the Chairman of the Remuneration Committee), Albert Saychuan Cheok and Victor Yung Ha Kuk, a non-executive Director, namely Mr. Leon Chan Nim Leung and an executive Director, namely Mr. Stephen Riady. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. Two meetings were held during the Period and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 7 and 2.4(u) to the financial statements, respectively.

NOMINATION OF DIRECTORS

The Board has the power to appoint Director(s) pursuant to the Company's Bye-laws. No new Director was appointed during the Period.

A Nomination Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). In order to comply with the Amendments, the terms of reference of the Nomination Committee had been revised in March 2012. The principal role of the Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; assessment of the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman of the Board and the chief executive. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee and recommendation of the Nomination Committee is then put to the Board for decision. During the Period, the Nomination Committee reviewed, inter alia, the eligibility of the Directors seeking for re-election at the 2012 AGM and assessed the independence of the independent non-executive Directors. The Nomination Committee also reviewed the existing structure, size, composition and efficiency of the Board.

NOMINATION OF DIRECTORS *(continued)*

Majority of the Committee members are non-executive Directors and three of them are independent. To comply with the Amendments, on 29th March, 2012, Mr. Tsui King Fai, an independent non-executive Director, was appointed as the Chairman of the Nomination Committee and Mr. Leon Chan Nim Leung, a non-executive Director, ceased to be the Chairman of the Nomination Committee but remains as a member of the Nomination Committee. The Nomination Committee currently comprises five members including three independent non-executive Directors, namely Messrs. Tsui King Fai (being the Chairman of the Nomination Committee), Albert Saychuan Cheok and Victor Yung Ha Kuk, a non-executive Director, namely Mr. Leon Chan Nim Leung and an executive Director, namely Mr. Stephen Riady. The composition of the Nomination Committee meets the requirements of chairmanship and independence of the Listing Rules. Two meetings were held during the Period and the individual attendance of each member is set out above.

Shareholders may propose a candidate for election as a Director in accordance with the Bye-laws of the Company. The procedures for such proposal are published on the Company's website (www.hkchinese.com.hk).

DIRECTORS' TIME COMMITMENT AND TRAINING

The Company has received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the Period. Directors are encouraged to participate in professional, public and community organisations. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. They are also reminded to notify the Company in a timely manner of any change of such information. In respect of those Directors who would stand for re-election at the 2013 AGM, all their directorships held in listed public companies in the past three years are to be set out in the circular to shareholders regarding, inter alia, proposed re-election of retiring Directors. Other details of Directors are set out in the brief biographical details of Directors and senior management on pages 21 to 23.

Directors are also encouraged to attend seminars and conferences to enrich their knowledge in discharging their duties as a director. The Company has arranged from time to time at its cost seminars and/or conferences conducted by professional bodies for the Directors relating to, inter alia, directors' duties, corporate governance and regulatory updates. Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

(1) participation in continuous professional training seminars and/or conferences and/or courses and/or workshops on subjects relating to, inter alia, corporate governance, directors' duties and legal and regulatory changes organised and/or arranged by the Company and/or professional bodies and/or lawyers;

(2) reading materials provided from time to time by the Company to the Directors regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties; and

(3) reading news, journals, magazines and/or other reading materials regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

DIRECTORS' TIME COMMITMENT AND TRAINING *(continued)*

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development during the Period through the above means (1), (2) and (3). Records of the Directors' training during the Period are as follows:

Directors	Training received
Executive Directors	
Mr. Stephen Riady *(Chairman)*	(1), (2) and (3)
Mr. John Lee Luen Wai *(Chief Executive Officer)*	(1), (2) and (3)
Mr. Kor Kee Yee	(1), (2) and (3)
Non-executive Director	
Mr. Leon Chan Nim Leung	(1), (2) and (3)
Independent non-executive Directors	
Mr. Albert Saychuan Cheok	(1), (2) and (3)
Mr. Victor Yung Ha Kuk	(1), (2) and (3)
Mr. Tsui King Fai	(1), (2) and (3)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged directors' and officers' liability insurance for years to indemnify the Directors and officers against any potential liability arising from the Company's activities which such Directors and officers may be held liable.

AUDITORS' REMUNERATION

Messrs. Ernst & Young has been appointed by the shareholders annually as the Company's auditors. During the Period, the fees charged to the financial statements of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK$3.0 million (year 2011 — HK$2.4 million) and approximately HK$0.1 million (year 2011 — HK$0.4 million), respectively.

AUDIT COMMITTEE

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). In order to comply with the Amendments, the terms of reference of the Audit Committee had been revised in March 2012. The Audit Committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The Audit Committee is also responsible for the Company's corporate governance functions. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including three independent non-executive Directors, namely Messrs. Tsui King Fai (being the Chairman of the Audit Committee), Albert Saychuan Cheok and Victor Yung Ha Kuk and a non-executive Director, namely Mr. Leon Chan Nim Leung. Five meetings were held during the Period and the individual attendance of each member is set out above.

The Committee members possess diversified industry experience and the Chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters. Under its current terms of reference, the Committee will meet at least twice each year. Management and auditors shall normally attend the meetings.

AUDIT COMMITTEE *(continued)*

During the Period, the Audit Committee discharged its duties by reviewing financial, audit and corporate governance matters of the Group, including management accounts, financial statements, interim and annual reports, corporate governance report and internal audit reports and discussing with executive Directors, management, external auditors and internal audit department (the "IA Department") regarding financial matters, corporate governance policies and practices and internal audit, control and risk management matters of the Group, and making recommendations to the Board on financial-related matters. The Audit Committee also recommended to the Board that, subject to the shareholders' approval at the 2013 AGM, Messrs. Ernst & Young be re-appointed as the Company's external auditors for the ensuing year; and reviewed the fees charged by the Company's external auditors. The Audit Committee reviewed and adopted the whistleblowing policy of the Group during the Period.

INTERNAL CONTROLS

The Board recognises its responsibility for maintaining an adequate system of internal control and prompt and transparent reporting of the Company's activities to the shareholders and to the public.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations.

During the Period, a review of the effectiveness of the Group's internal control system covering all material controls and risk management functions was conducted.

The Board approved and adopted the Inside Information Policy during the Period which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) (the "Inside Information") of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also established Group Internal Notification Policies and Procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules). During the Period, a whistleblowing policy of the Group was adopted.

Also, during the Period, the Board reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The review will be conducted annually in accordance with the requirements of the CG Code.

INTERNAL AUDIT

The IA Department was set up in 2007 to perform internal audit and to review the internal control system of the Group.

The principal roles of the internal audit are to ensure the effectiveness of internal control procedures and strict compliance with different standards and policies across different businesses and operations of the Group. The IA Department audits and evaluates the Group's internal control operation and management activities so as to establish that there are no significant misrepresentations of risks and faults in the Group. The Board and the Audit Committee will actively take actions based on the findings from the IA Department. The IA Department is also responsible for providing improvement procedures to different operation teams and departments so as to minimise the risk exposure in the future. Ongoing enhancement and revision on the internal control system will have to be made from time to time so as to cope with the growth of the Group.

COMPANY SECRETARY

The Company Secretary is an employee of the Company. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. During the Period, the Company Secretary had taken the necessary professional training.

COMMUNICATION WITH SHAREHOLDERS

The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

The Company's Annual General Meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. Board members, including the Chairmen of the Board and Board committees, and the Company's external auditors attended the 2012 AGM and were available to answer questions from shareholders.

Under the Listing Rules, all resolutions proposed at shareholders' meetings must be voted by poll except where the chairman of a general meeting, in good faith and in compliance with the Listing Rules, decides to allow resolutions to be voted on by the shareholders on a show of hands. Details of the poll procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkchinese.com.hk).

To provide effective communication, the Company maintains a website at www.hkchinese.com.hk. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices and Memorandum of Association and Bye-laws are available on the Company's website.

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (the "Registrar") or contact the Customer Service Hotline of the Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the principal place of business of the Company at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

SHAREHOLDERS' RIGHTS

Under Bye-law 58 of the Bye-laws of the Company, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda.

Shareholders may send the requisition and request to the Board or the Company Secretary in written form to the principal place of business of the Company at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

FAIR DISCLOSURE AND INVESTOR RELATIONS

The Company uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. When announcements are made through the Stock Exchange, the same information will be available to the public on the Company's website. The Company recognises its responsibility to disclose its activities to those with a legitimate interest and to respond to their questions. In all cases, great care has been taken in handling Inside Information of the Group. The Board approved and adopted the Inside Information Policy during the Period which sets out guidelines to ensure Inside Information of the Group is to be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

Management of the Group maintains regular contacts with the investment community. The Group had adopted a shareholders' communication policy during the Period.

FAIR DISCLOSURE AND INVESTOR RELATIONS *(continued)*

In light of (i) the amendments to the Listing Rules relating to, inter alia, the Code on CGP (now renamed as CG Code) and the rules pertaining to corporate governance and (ii) the enactment of the Companies Amendment (No. 2) Act 2011 of Bermuda which provided for certain amendments to the Companies Act 1981 of Bermuda, the principal statute governing the formation and operation of Bermuda companies (the "Bermuda Act Amendments"), a special resolution was proposed and passed at the 2012 AGM for the amendments to the Bye-laws of the Company to bring the Bye-laws in line with the amended Listing Rules and the Bermuda Act Amendments and to incorporate certain housekeeping amendments. The major amendments to the Bye-laws during the Period included the following:

(1) to allow the chairman of a general meeting, acting in good faith and in compliance with the Listing Rules, to allow resolutions to be voted on by the Shareholders on a show of hands;

(2) to clarify that no person other than a Director retiring at the meeting, shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, unless notice in writing by a Shareholder of his intention to propose that person for election as a Director and notice in writing signed by that person of his willingness to be elected shall have been given to the Company during the prescribed notice period;

(3) to remove the 5 per cent. interest exemption for voting by a director on a board resolution in which he has an interest;

(4) to clarify the method of attendance in a board meeting;

(5) to clarify that the auditors of the Company shall be removed in accordance with the Listing Rules;

(6) to remove prohibitions on providing financial assistance;

(7) to permit paperless share transfers for the Company; and

(8) to amend the applicable solvency test, allowing the Company to declare dividends or distributions when recording a profit, notwithstanding that the Company may carry a negative retained earnings balance.

An updated and consolidated version of the Company's Memorandum of Association and Bye-laws is available on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

FINANCIAL REPORTING

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 31st March, 2013, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The external auditors are responsible for audit and report, if any, material misstatement or non-compliance with Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the auditors with respect to financial reporting are set out in the Independent Auditors' Report on pages 34 and 35.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community well-being from time to time, and supported the Group's volunteer team in serving the disadvantaged groups and the community as a whole.

Report of the Directors

The Directors hereby present their report together with the audited financial statements for the fifteen months ended 31st March, 2013 (the "Period").

CHANGE OF FINANCIAL YEAR END DATE

In December 2012, the Directors resolved to change the Company's financial year end date from 31st December to 31st March. The reason for the change of financial year end date was stated in the Company's announcement dated 28th December, 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

RESULTS AND DISTRIBUTIONS

The results of the Group for the Period and the state of affairs of the Group and the Company as at 31st March, 2013 are set out in the financial statements on pages 36 to 128.

The Directors have resolved to recommend the payment of a final distribution of HK2 cents per share (year 2011 — a final distribution of HK2 cents per share and a special final distribution of HK1 cent per share) amounting to approximately HK$40 million for the Period (year 2011 — approximately HK$60 million). No interim distribution was declared for the Period (year 2011 — Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 132.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 31 to the financial statements.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 32 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and of the Group during the Period and details of the distributable reserves are set out in Note 33 to the financial statements and in the consolidated statement of changes in equity on page 41, respectively.

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the Period are set out in Note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in Note 17 to the financial statements.

EVENT AFTER THE REPORTING PERIOD

Details of a significant event after the reporting period of the Group are set out in Note 43 to the financial statements.

DONATIONS

During the Period, the Group made charitable and other donations of HK$10,612,000 (year 2011 — HK$15,904,000).

DIRECTORS

The Directors of the Company during the Period were as follows:

Executive Directors

Mr. Stephen Riady *(Chairman)*
Mr. John Lee Luen Wai, BBS, JP *(Chief Executive Officer)*
Mr. Kor Kee Yee

Non-executive Director

Mr. Leon Chan Nim Leung

Independent non-executive Directors

Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

In accordance with Bye-law 87 of the Bye-laws of the Company (the "Bye-laws"), Messrs. John Lee Luen Wai and Albert Saychuan Cheok will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Messrs. Leon Chan Nim Leung and Albert Saychuan Cheok entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1st January, 2012. Following the expiry of the term under their respective former letter agreements with the Company, each of Messrs. Victor Yung Ha Kuk and Tsui King Fai entered into a new letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2012. All the above letter agreements are terminable by either party by giving three months' prior written notice. Their terms of services are also subject to the provisions of the Bye-laws. Each of Messrs. John Lee Luen Wai and Kor Kee Yee has an employment agreement with the Company, which are terminable by either party by giving three months' prior written notice. During the Period, Mr. Stephen Riady entered into a letter agreement with the Company setting out the key terms and conditions for serving as a Director of the Company. Mr. Stephen Riady was not appointed for a specific term but his term of service is subject to the relevant provisions of the Bye-laws. In accordance with the Bye-laws, one-third of the Directors of the Company must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Company considers such Directors to be independent.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Stephen Riady, aged 53, was appointed a Director of the Company in 1992 and is the Chairman of the board of directors of the Company. He is also an executive director and the Chairman of the board of directors of each of Lippo Limited ("Lippo") and Lippo China Resources Limited ("LCR"), both are public listed companies in Hong Kong. Mr. Riady is a director of Lanius Limited and Lippo Capital Limited. He is a member of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He also holds directorship in certain subsidiaries of the Company, Lippo and LCR. Mr. Riady is the Executive Chairman of Overseas Union Enterprise Limited and an executive director of Auric Pacific Group Limited ("Auric"), both are public listed companies in Singapore. He serves as a member of the nomination committee of Auric. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Mr. Riady is a son of Dr. Mochtar Riady and Madam Lidya Suryawaty. The interests of Dr. Mochtar Riady and Madam Lidya Suryawaty in the Company are disclosed in the section headed "Interests and short positions of shareholders discloseable under the Securities and Futures Ordinance" below.

Mr. John Lee Luen Wai, BBS, JP, aged 64, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo and a director and the Chief Executive Officer of LCR. He is a director of Prime Success Limited and Hennessy Holdings Limited. Mr. Lee is also an authorised representative of the Company, Lippo and LCR. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company, Lippo and LCR. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited, both are public listed companies in Hong Kong. Mr. Lee is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an Associate Member of The Institute of Chartered Accountants in England and Wales. He was a partner of Pricewaterhouse in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong and a Justice of Peace in Hong Kong. He is active in public service and currently serves as a member on a number of Public Boards and Committees including the Chairman of the Board of Trustees of the Hospital Authority Provident Fund Scheme, the Chairman of the Queen Elizabeth Hospital Governing Committee and the Chairman of the Treasury Panel of the Hospital Authority. In addition, Mr. Lee serves as a member of the Appeal Boards Panel (Education). Mr. Lee was awarded the Bronze Bauhinia Star by Hong Kong Government in 2011.

Mr. Leon Chan Nim Leung, aged 57, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of Lippo and LCR. He is also a director of a subsidiary of the Company and the Chairman of the supervisory board of a subsidiary of the Company. Mr. Chan is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. Mr. Chan is an independent non-executive director of Midland Holdings Limited, a public listed company in Hong Kong. Mr. Chan was also appointed as an independent non-executive director of PanAsialum Holdings Company Limited which was listed on The Stock Exchange of Hong Kong Limited in February 2013.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Mr. Albert Saychuan Cheok, aged 62, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a Fellow of the Australian Society of Certified Public Accountants and is a banker with over 30 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Philippines and Malaysia. Mr. Cheok is the Chairman of Auric. Mr. Cheok is the Chairman of AcrossAsia Limited, a public listed company in Hong Kong. He is also the Chairman of Bowsprit Capital Corporation Limited ("Bowsprit"), the Manager of First REIT, a listed healthcare REIT in Singapore and the independent non-executive Chairman of Amplefield Limited ("Amplefield"). Both Bowsprit and Amplefield are public listed companies in Singapore. Mr. Cheok is the independent non-executive Chairman of LMIRT Management Limited, the Manager of Lippo Malls Indonesia Retail Trust which is a listed Singapore based real estate investment trust. He resigned as a non-executive director of IPP Financial Services Holdings Ltd in Singapore with effect from 18th June, 2013. Mr. Cheok is a director of Metal Reclamation Berhad, a public listed company in Malaysia. Mr. Cheok is an independent non-executive director of Adavale Resources Limited, a company listed on Australian Securities Exchange. Mr. Cheok is currently a member of the Board of Governors of the Malaysian Institute of Corporate Governance in Malaysia. Mr. Cheok is an independent non-executive director of MIDAN City Development Co., Ltd. in Korea. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005.

Mr. Kor Kee Yee, aged 65, was appointed a Director of the Company in 2002. He also holds directorship in certain subsidiaries of the Company. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

Mr. Victor Yung Ha Kuk, aged 59, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. Mr. Yung holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and LCR. Mr. Yung is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. Mr. Yung is an independent non-executive director of Travel Expert (Asia) Enterprises Limited, a public listed company in Hong Kong.

Mr. Tsui King Fai, aged 63, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He is an independent non-executive director of Vinda International Holdings Limited, China Aoyuan Property Group Limited and Newton Resources Ltd, all are public listed companies in Hong Kong. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in mainland China. Mr. Tsui worked for two of the Big Four audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. Mr. Tsui is also an independent non-executive director of Lippo and LCR. He is the Chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Details of the interests of the Directors in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below.

Save as disclosed herein and in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below, the Directors do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the emoluments of the Directors on a named basis and the five highest paid employees in the Group are set out in Notes 7 and 8 to the financial statements, respectively.

The emoluments of the Directors are determined by reference to the market rates, time commitment and their duties and responsibilities as well as employment conditions elsewhere in the Group.

The emoluments of the Directors for the Period have been covered by their respective employment agreements or letter agreements (as applicable) with the Company and/or paid under the relevant statutory requirement save for those as disclosed hereinbelow:

(a) the director's fees and fringe benefits of Mr. John Lee Luen Wai in the total amount of approximately HK$66,000;

(b) the director's fees of Mr. Leon Chan Nim Leung in the total amount of approximately HK$49,000; and

(c) the director's fee of Mr. Albert Saychuan Cheok in an amount of approximately HK$19,000.

Further details of the above Directors' emoluments are disclosed in Note 7 to the financial statements.

With effect from 1st April, 2013, the fees payable to the non-executive Directors have been adjusted to HK$192,000 per annum. A non-executive Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and/or members of various Board committees of the Company. With effect from 1st April, 2013, the fees payable per annum to non-executive Directors for serving as the Chairmen and/or members of various Board committees of the Company are as follows:

	HK$
Audit Committee	
Chairman	48,000
Member	24,000
Other Committees	
Chairman	24,000
Member	24,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st March, 2013, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK$1.00 each in the Company					
Stephen Riady	–	–	1,120,987,842 *Note (i)*	1,120,987,842	56.10
John Lee Luen Wai	2,000,270	270	–	2,000,540	0.10
Tsui King Fai	600,000	75,000	–	675,000	0.03
Kor Kee Yee	606,000	–	–	606,000	0.03
Number of ordinary shares of HK$0.10 each in Lippo Limited ("Lippo")					
Stephen Riady	–	–	319,322,219 *Notes (i) and (ii)*	319,322,219	64.75
John Lee Luen Wai	1,031,250	–	–	1,031,250	0.21
Number of ordinary shares of HK$0.10 each in Lippo China Resources Limited ("LCR")					
Stephen Riady	–	–	6,544,696,389 *Notes (i), (ii) and (iii)*	6,544,696,389	71.24

Note:

(i) As at 31st March, 2013, Lippo Capital Limited ("Lippo Capital"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 1,120,987,842 ordinary shares of HK$1.00 each in, representing approximately 56.10 per cent. of the issued share capital of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the holder of 705,690,001 ordinary shares of HK$1.00 each in, representing the entire issued share capital of, Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family. Mr. Stephen Riady was taken to be interested in Lippo Capital under the provisions of the SFO.

(ii) As at 31st March, 2013, Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares of HK$0.10 each in, representing approximately 64.75 per cent. of the issued share capital of, Lippo.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

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

Note: (continued)

(iii) As at 31st March, 2013, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK$0.10 each in, representing approximately 71.24 per cent. of the issued share capital of, LCR.

(iv) Certain Directors were granted options to subscribe for shares in the Company under the share option scheme adopted by the Company (the "Share Option Scheme"). All the outstanding options granted under the Share Option Scheme, which remained unexercised, expired on 16th December, 2012 and lapsed accordingly. Details of the interests of Directors in the underlying shares in respect of options are disclosed in Note 32 to the financial statements.

(v) Certain Directors were granted options to subscribe for shares in Lippo under the share option scheme adopted by Lippo (the "Lippo Share Option Scheme"). Details of the movements of underlying shares in respect of the options granted to the Directors under the Lippo Share Option Scheme during the Period are as follows:

		Number of underlying ordinary shares of HK$0.10 each in Lippo in respect of which options had been granted		
Name of Director	**Exercise price per share**	**Balance as at 1st January, 2012**	**Lapsed during the Period**	**Balance as at 31st March, 2013**
	HK$			
John Lee Luen Wai	5.58	1,125,000	1,125,000	–
Leon Chan Nim Leung	5.58	193,750	193,750	–
Victor Yung Ha Kuk	5.58	162,500	162,500	–
Tsui King Fai	5.58	162,500	162,500	–

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

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

		Number of underlying ordinary shares of HK$0.10 each in LCR in respect of which options had been granted		
Name of Director	**Exercise price per share**	**Balance as at 1st January, 2012**	**Lapsed during the Period**	**Balance as at 31st March, 2013**
	HK$			
John Lee Luen Wai	0.267	22,000,000	22,000,000	–
Leon Chan Nim Leung	0.267	3,000,000	3,000,000	–
Victor Yung Ha Kuk	0.267	2,300,000	2,300,000	–
Tsui King Fai	0.267	2,300,000	2,300,000	–

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	10	100
	Non-voting deferred shares	1,000	100
Broadwell Overseas Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenorth Holdings Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1	100
HKCL Holdings Limited	Ordinary shares	50,000	100
Honix Holdings Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Kingaroy Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1	100
	Non-voting deferred shares	15,999,999	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Prime Success Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	100,000	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	Ordinary shares	1	100

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

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

As at 31st March, 2013, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK$1.00 each in, representing approximately 16.67 per cent. of, the issued share capital of, Lanius which is the holder of the entire issued share capital of Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady (father of Mr. Stephen Riady), who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family.

As at 31st March, 2013, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st March, 2013, 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 March, 2013, 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 March, 2013, 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).

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the Period was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31st March, 2013, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

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

Name	Number of ordinary shares of HK$1.00 each	Approximate percentage of interests in the issued share capital
Substantial shareholders:		
Hennessy Holdings Limited ("Hennessy")	1,120,987,842	56.10
Prime Success Limited ("Prime Success")	1,120,987,842	56.10
Lippo Limited ("Lippo")	1,120,987,842	56.10
Lippo Capital Limited ("Lippo Capital")	1,120,987,842	56.10
Lanius Limited ("Lanius")	1,120,987,842	56.10
Dr. Mochtar Riady	1,120,987,842	56.10
Madam Lidya Suryawaty	1,120,987,842	56.10
Other persons:		
Paul G. Desmarais	156,460,000	8.01
Nordex Inc. ("Nordex")	156,460,000	8.01
Gelco Enterprises Ltd ("Gelco")	156,460,000	8.01
Power Corporation of Canada ("PCC")	156,460,000	8.01
Power Financial Corporation ("PFC")	156,460,000	8.01
IGM Financial Inc. ("IGM")	156,460,000	8.01
Farallon Capital Management, L.L.C. ("Farallon")	123,284,650	6.17
Noonday Asset Management Asia Pte. Ltd. ("Noonday")	123,284,650	6.17

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE *(continued)*

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

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,120,987,842 ordinary shares of HK$1.00 each in, representing approximately 56.10 per cent. of the issued share capital of, the Company.

2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.

3. Lippo Capital, the holding company of Lippo, together with its wholly-owned subsidiary, J & S Company Limited, owns ordinary shares representing approximately 64.75 per cent. of the issued share capital of Lippo.

4. Lanius is the holder of the entire issued share capital of Lippo Capital and is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. Dr. Mochtar Riady and his wife Madam Lidya Suryawaty were taken to be interested in Lippo Capital under the provisions of the SFO.

5. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 1,120,987,842 ordinary shares in the Company related to the same block of shares that Mr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Dr. Mochtar Riady, his wife Madam Lidya Suryawaty and Mr. Stephen Riady were taken to be interested in the shares of the Company under the provisions of the SFO.

6. Mackenzie Financial Corporation in its capacity as trustee and portfolio manager for certain mutual fund trusts, through its wholly-owned subsidiary Mackenzie Financial Capital Corporation which is a mutual fund corporation for which it acts as portfolio manager and through certain Bermuda-based mutual funds for which another wholly-owned subsidiary Mackenzie Cundill Investment Management (Bermuda) Limited acts as manager and for which it acts as sub-adviser, was directly interested in an aggregate of 156,460,000 ordinary shares of HK$1.00 each in, representing approximately 8.01 per cent. of the then issued share capital of, the Company. Paul G. Desmarais as controlling shareholder and Nordex, Gelco, PCC, PFC and IGM as intermediate holding companies to Mackenzie Financial Corporation, each has an indirect interest in the above 156,460,000 ordinary shares of the Company.

7. Farallon, through the entities and accounts managed by it as investment adviser, namely Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital (AM) Investors, L.P., Farallon Capital Offshore Investors II, L.P., Noonday Capital Partners, L.L.C. and Noonday Offshore, Inc., was indirectly interested in an aggregate of 123,284,650 ordinary shares of HK$1.00 each in, representing approximately 6.17 per cent. of the issued share capital of, the Company. Noonday, as a wholly-owned subsidiary of Farallon, has an indirect interest in the above 123,284,650 ordinary shares of the Company.

8. The percentages of interests of "other persons" in the issued share capital stated in this section are based on the respective disclosure forms filed with the Company.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st March, 2013, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Lippo Group (a general reference to the companies in which Mr. Stephen Riady and his family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31st March, 2013, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

Other than the independent non-executive Directors, Messrs. Stephen Riady, John Lee Luen Wai and Leon Chan Nim Leung are also directors of Lippo Limited ("Lippo"), an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company. Further details of the Directors' interests in Lippo and LCR 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". Subsidiaries of Lippo and LCR are also engaged in property investment and property development.

The Directors of the Company are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and its Directors would comply with the relevant requirements of the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") whenever a Director has any conflict of interest in the transaction(s) with the Company.

Save as disclosed herein, during the Period and up to the date of this report, none of the Directors are considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group required to be disclosed under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions disclosed in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are as follows:

(A) On 14th September, 2010, a tenancy agreement was entered into between the Company and Porbandar Limited ("Porbandar"), a fellow subsidiary of the Company, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,686 square feet for a term of two years from 16th September, 2010 to 15th September, 2012, both days inclusive, at a monthly rental of HK$230,000 (equivalent to HK$2,760,000 per annum), exclusive of rates, service charges and all other outgoings or HK$253,260 (equivalent to HK$3,039,120 per annum), inclusive of an initial monthly service charge of HK$23,260, for office use. The service charge of HK$23,260 per calendar month (subject to adjustment) payable by the Company to Porbandar was applied by Porbandar in payment of applicable service charges of the manager of the building relating to the above property provided that such service charge did not exceed HK$30,000 per calendar month unless agreed by both parties in writing (the "Maximum Service Charge"). The maximum aggregate rental, inclusive of the Maximum Service Charge, was HK$2,210,000 for the period from 1st January, 2012 to 15th September, 2012. The rental was determined by reference to the then prevailing open market rentals.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(B) On 7th September, 2012, a tenancy agreement was entered into between the Company and Porbandar, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,686 square feet for a term of two years from 16th September, 2012 to 15th September, 2014, both days inclusive, at a monthly rental of HK$223,050 (equivalent to HK$2,676,600 per annum), exclusive of rates, service charges and all other outgoings or HK$248,405 (equivalent to HK$2,980,860 per annum), inclusive of an initial monthly service charge of HK$25,355, for office use. The service charge of HK$25,355 per calendar month (subject to adjustment) payable by the Company to Porbandar shall be applied by Porbandar in payment of applicable service charges of the manager of the building relating to the above property provided that such service charge may not exceed HK$35,000 per calendar month unless agreed by both parties in writing (the "New Maximum Service Charge"). The maximum aggregate rental, inclusive of the New Maximum Service Charge, was HK$1,677,325 for the period from 16th September, 2012 to 31st March, 2013. The rental was determined by reference to the then prevailing open market rentals.

The independent non-executive Directors have confirmed that the above tenancies have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Messrs. Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with rule 14A.38 of the Listing Rules, Messrs. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company and a copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Further details of the above tenancies are disclosed in Note 39(a) to the financial statements.

The Company has complied with all the reporting, announcement and other requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions disclosed herein.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed above and in Note 39 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the Period or at any time during the Period, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the Period, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period.

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

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

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

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 31 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the Period, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined were less than 30 per cent. of the Group's aggregate purchases and sales, respectively.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's retirement benefits costs charged to the consolidated income statement for the Period are set out in Notes 2.4(u) and 6 to the financial statements, respectively.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 10 to 18.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

The financial statements for the Period were audited by Messrs. Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board
John Lee Luen Wai
Chief Executive Officer

Hong Kong, 27th June, 2013

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Hongkong Chinese Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 128, which comprise the consolidated and company statements of financial position as at 31st March, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2013, and of the Group's loss and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Hong Kong, 27th June, 2013

Consolidated Income Statement

For the fifteen months ended 31st March, 2013

	Note	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated)
Revenue	5	**133,989**	103,269
Cost of sales		**(19,601)**	(19,304)
Gross profit		**114,388**	83,965
Administrative expenses		**(130,439)**	(106,725)
Other operating expenses		**(86,994)**	(67,802)
Fair value gains on investment properties		**26,351**	5,314
Gain on disposal of fixed assets		**8,822**	10
Net fair value loss on financial assets at fair value through profit or loss		**(1,230)**	(18,511)
Write-back of allowance/(Allowance) for bad and doubtful debts		**5,328**	(5,475)
Finance costs	9	**(4,675)**	(8,098)
Share of results of associates	10	**(140,108)**	1,124,765
Share of results of jointly controlled entities		**(352)**	17,180
Profit/(Loss) before tax	6	**(208,909)**	1,024,623
Income tax	11	**(9,361)**	(1,180)
Profit/(Loss) for the period/year		**(218,270)**	1,023,443
Attributable to:			
Equity holders of the Company	12	**(209,464)**	1,022,294
Non-controlling interests		**(8,806)**	1,149
		(218,270)	1,023,443
		HK cents	HK cents (Restated)
Earnings/(Loss) per share attributable to equity holders of the Company	13		
Basic		**(10.5)**	52.7
Diluted		**(10.5)**	52.6

Details of the distributions payable and proposed for the period/year are disclosed in Note 14 to the financial statements.

Consolidated Statement of Comprehensive Income

For the fifteen months ended 31st March, 2013

	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated)
Profit/(Loss) for the period/year	**(218,270)**	1,023,443
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	**5,363**	(1,078)
Reclassification adjustments for disposal	**1,632**	85
Income tax effect	**(1,635)**	(213)
	5,360	(1,206)
Surplus on revaluation of leasehold land and buildings	**8,885**	–
Income tax effect	**(1,066)**	–
	7,819	–
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	**105,638**	(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	**298,599**	(82,832)
	408,573	(82,568)
Exchange differences on translation of foreign operations	**15,110**	(1,593)
Other comprehensive income/(loss) for the period/year, net of tax	**436,862**	(85,367)
Total comprehensive income for the period/year	**218,592**	938,076
Attributable to:		
Equity holders of the Company	**225,831**	933,934
Non-controlling interests	**(7,239)**	4,142
	218,592	938,076

Consolidated Statement of Financial Position

As at 31st March, 2013

	Note	31st March, 2013 HK$'000	31st December, 2011 HK$'000 (Restated)	1st January, 2011 HK$'000 (Restated)
Non-current assets				
Goodwill	15	**71,485**	71,485	71,485
Fixed assets	16	**15,729**	137,169	139,397
Investment properties	17	**210,172**	171,408	162,055
Interests in associates	18	**8,938,536**	8,381,354	7,280,375
Interests in jointly controlled entities	19	**15,712**	185,613	303,600
Held-to-maturity financial assets	20	**–**	27,265	11,832
Available-for-sale financial assets	21	**106,370**	46,304	90,513
Loans and advances	22	**65,321**	41,541	34,197
		9,423,325	9,062,139	8,093,454
Current assets				
Properties held for sale		**9,005**	8,545	8,554
Properties under development	23	**2,410,402**	1,465,655	906,477
Loans and advances	22	**267,160**	199,578	183,528
Debtors, prepayments and deposits	24	**365,939**	117,323	102,287
Financial assets at fair value through profit or loss	25	**69,027**	92,442	50,936
Client trust bank balances		**356,002**	550,716	560,850
Restricted cash	26	**1,054,374**	466,295	308
Treasury bills		**9,700**	–	9,700
Cash and bank balances		**781,648**	406,508	493,134
		5,323,257	3,307,062	2,315,774
Current liabilities				
Bank and other borrowings	27	**286,915**	67,349	291,771
Creditors, accruals and deposits received	28	**3,584,286**	1,432,115	870,014
Current, fixed, savings and other deposits of customers	29	**266,786**	120,225	138,772
Tax payable		**2,445**	1,821	3,146
		4,140,432	1,621,510	1,303,703
Net current assets		**1,182,825**	1,685,552	1,012,071
Total assets less current liabilities		**10,606,150**	10,747,691	9,105,525

	Note	31st March, 2013 HK$'000	31st December, 2011 HK$'000 (Restated)	1st January, 2011 HK$'000 (Restated)
Non-current liabilities				
Bank and other borrowings	27	**222,582**	699,057	240,927
Deferred tax liabilities	30	**45,174**	35,808	34,292
		267,756	734,865	275,219
Net assets		**10,338,394**	10,012,826	8,830,306
Equity				
Equity attributable to equity holders of the Company				
Issued capital	31	**1,998,280**	2,003,215	1,816,715
Reserves	33	**8,278,346**	7,920,458	6,900,999
		10,276,626	9,923,673	8,717,714
Non-controlling interests		**61,768**	89,153	112,592
		10,338,394	10,012,826	8,830,306

Stephen Riady
Director

John Lee Luen Wai
Director

Statement of Financial Position

As at 31st March, 2013

	Note	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Non-current assets			
Fixed assets	16	**2,133**	62
Interests in subsidiaries	34	**2,973,478**	3,178,882
Available-for-sale financial assets	21	**3,075**	3,165
		2,978,686	3,182,109
Current assets			
Debtors, prepayments and deposits	24	**1,534**	1,604
Financial assets at fair value through profit or loss	25	**6,063**	4,877
Cash and bank balances		**175,029**	98,371
		182,626	104,852
Current liabilities			
Creditors, accruals and deposits received	28	**7,711**	12,476
Net current assets		**174,915**	92,376
Total assets less current liabilities		**3,153,601**	3,274,485
Non-current liabilities			
Bank and other borrowings	27	**–**	57,608
Net assets		**3,153,601**	3,216,877
Equity			
Issued capital	31	**1,998,280**	2,003,215
Reserves	33	**1,155,321**	1,213,662
		3,153,601	3,216,877

Stephen Riady
Director

John Lee Luen Wai
Director

Consolidated Statement of Changes in Equity

For the fifteen months ended 31st March, 2013

	Attributable to equity holders of the Company													
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve *(Note 33(d))*	Legal reserve *(Note 33(e))*	Regulatory reserve *(Note 33(f))*	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve *(Note 33(g))*	Exchange equalisation reserve	Distributable reserves *(Note 33(b))*	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
At 1st January, 2012														
As previously reported	**2,003,215**	**90,667**	**7,219**	**13,328**	**7,534**	**891**	**225,921**	**28,255**	**(4,336)**	**738,510**	**6,020,609**	**9,131,813**	**89,153**	**9,220,966**
Prior year adjustments	–	–	–	–	–	–	–	–	–	**35,310**	**756,550**	**791,860**	–	**791,860**
As restated	**2,003,215**	**90,667**	**7,219**	**13,328**	**7,534**	**891**	**225,921**	**28,255**	**(4,336)**	**773,820**	**6,777,159**	**9,923,673**	**89,153**	**10,012,826**
Loss for the period	–	–	–	–	–	–	–	–	–	–	**(209,464)**	**(209,464)**	**(8,806)**	**(218,270)**
Other comprehensive income/(loss) for the period:														
Available-for-sale financial assets:														
Changes in fair value	–	–	–	–	–	–	**5,363**	–	–	–	–	**5,363**	–	**5,363**
Reclassification adjustments for disposal	–	–	–	–	–	–	**1,632**	–	–	–	–	**1,632**	–	**1,632**
Income tax effect	–	–	–	–	–	–	**(1,635)**	–	–	–	–	**(1,635)**	–	**(1,635)**
Surplus on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	**8,885**	–	–	–	**8,885**	–	**8,885**
Income tax effect on surplus on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	**(1,066)**	–	–	–	**(1,066)**	–	**(1,066)**
Share of other comprehensive income of associates	–	–	–	–	–	–	**105,638**	–	**4,336**	**298,599**	–	**408,573**	–	**408,573**
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	**13,543**	–	**13,543**	**1,567**	**15,110**
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	**110,998**	**7,819**	**4,336**	**312,142**	**(209,464)**	**225,831**	**(7,239)**	**218,592**
Repurchases of shares	**(8,816)**	–	–	**8,816**	–	–	–	–	–	–	**(10,794)**	**(10,794)**	–	**(10,794)**
Issuance of shares upon exercise of share options	**3,881**	**2,108**	**(1,339)**	–	–	–	–	–	–	–	–	**4,650**	–	**4,650**
Transfer of share option reserve upon expiry of share options	–	–	**(5,880)**	–	–	–	–	–	–	–	**5,880**	–	–	–
Share of equity movements arising on equity transactions of associates	–	–	–	–	–	–	–	–	–	–	**193,254**	**193,254**	–	**193,254**
Repayment to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	**(20,146)**	**(20,146)**
Transfer of reserve	–	–	–	–	**320**	**1,800**	–	–	–	–	**(2,120)**	–	–	–
2011 final and special final distributions, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	–	–	**(59,988)**	**(59,988)**	–	**(59,988)**
At 31st March, 2013	**1,998,280**	**92,775**	–	**22,144**	**7,854**	**2,691**	**336,919**	**36,074**	–	**1,085,962**	**6,693,927**	**10,276,626**	**61,768**	**10,338,394**
At 1st January, 2011														
As previously reported	1,816,715	44,042	7,219	13,328	7,142	891	229,686	28,255	(7,159)	813,240	5,095,590	8,048,949	112,592	8,161,541
Prior year adjustments	–	–	–	–	–	–	–	–	–	47,998	620,767	668,765	–	668,765
As restated	1,816,715	44,042	7,219	13,328	7,142	891	229,686	28,255	(7,159)	861,238	5,716,357	8,717,714	112,592	8,830,306
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	–	1,022,294	1,022,294	1,149	1,023,443
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	–	–	–	–	–	–	(1,078)	–	–	–	–	(1,078)	–	(1,078)
Reclassification adjustments for disposal	–	–	–	–	–	–	85	–	–	–	–	85	–	85
Income tax effect	–	–	–	–	–	–	(213)	–	–	–	–	(213)	–	(213)
Share of other comprehensive income/(loss) of associates (restated)	–	–	–	–	–	–	(2,559)	–	2,823	(82,832)	–	(82,568)	–	(82,568)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(4,586)	–	(4,586)	2,993	(1,593)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	(3,765)	–	2,823	(87,418)	1,022,294	933,934	4,142	938,076
Issuance of shares upon exercise of warrants	186,500	46,625	–	–	–	–	–	–	–	–	–	233,125	–	233,125
Share of equity movements arising on equity transactions of associates (restated)	–	–	–	–	–	–	–	–	–	–	78,232	78,232	–	78,232
Repayment to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(27,581)	(27,581)
Transfer of reserve	–	–	–	–	392	–	–	–	–	–	(392)	–	–	–
2010 final distribution, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	–	–	(39,332)	(39,332)	–	(39,332)
At 31st December, 2011 (restated)	2,003,215	90,667	7,219	13,328	7,534	891	225,921	28,255	(4,336)	773,820	6,777,159	9,923,673	89,153	10,012,826

Consolidated Statement of Cash Flows

For the fifteen months ended 31st March, 2013

	Note	Period ended 31st March, 2013 HK$'000	Year ended, 31st December, 2011 HK$'000 (Restated)
Cash flows from/(used in) operating activities			
Cash generated from/(used in) operations	35	**496,185**	(495,673)
Interest received		**35,061**	17,852
Dividends received from:			
Listed and unlisted investments		**4,919**	1,638
A jointly controlled entity		**3,165**	–
Taxes paid:			
Hong Kong		**(485)**	(1,437)
Overseas		**(1,802)**	(256)
Net cash flows from/(used in) operating activities		**537,043**	(477,876)
Cash flows from investing activities			
Proceeds from disposal of:			
Fixed assets		**136,779**	10
Held-to-maturity financial assets		**17,686**	–
Available-for-sale financial assets		**8,457**	58,788
Payments to acquire:			
Fixed assets		**(13,850)**	(8,607)
Held-to-maturity financial assets		**(18,418)**	(15,960)
Available-for-sale financial assets		**(35,741)**	(11,027)
Advances to associates		**(77,424)**	–
Repayments from jointly controlled entities		**184,104**	129,448
Decrease/(Increase) in time deposits with original maturity of more than three months		**(200,988)**	56,367
Net cash flows from investing activities		**605**	209,019
Cash flows from/(used in) financing activities			
Interest paid		**(3,446)**	(7,246)
Drawdown of bank and other borrowings *(Note)*		**457,405**	671,510
Repayment of bank and other borrowings *(Note)*		**(716,007)**	(441,504)
Issuance of shares upon exercise of share options		**4,650**	–
Issuance of shares upon exercise of warrants		**–**	233,125
Repurchase of shares		**(10,794)**	–
Repayment to non-controlling shareholders of subsidiaries		**(20,146)**	(27,581)
Distributions paid to shareholders of the Company		**(59,988)**	(39,332)
Increase in pledged bank deposits		**(6,509)**	(168,265)
Net cash flows from/(used in) financing activities		**(354,835)**	220,707

	Period ended 31st March, 2013 HK$'000	Year ended, 31st December, 2011 HK$'000 (Restated)
Net increase/(decrease) in cash and cash equivalents	**182,813**	(48,150)
Cash and cash equivalents at beginning of period/year	**406,508**	449,132
Exchange realignments	**1,039**	5,526
Cash and cash equivalents at end of period/year	**590,360**	406,508
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**781,648**	406,508
Treasury bills	**9,700**	–
Time deposits with original maturity of more than three months	**(200,988)**	–
	590,360	406,508

Note: The amounts exclude bank loans drawn down by the Group for lending to its margin clients in respect of the initial public offerings. All such bank loans were fully repaid during the period/year.

Notes to the Financial Statements

1. CORPORATE INFORMATION

Hongkong Chinese Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The immediate holding company of the Company is Hennessy Holdings Limited which is incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Capital Limited which is incorporated in the Cayman Islands.

2.1 BASIS OF PREPARATION

Change of financial year end date

Pursuant to a resolution of the Board of Directors passed on 28th December, 2012, the Company's financial year end date was changed from 31st December to 31st March. Accordingly, the current financial period covers a fifteen-month period from 1st January, 2012 to 31st March, 2013 (the "period ended 31st March, 2013"). The comparative figures cover a twelve-month period from 1st January, 2011 to 31st December, 2011 (the "year ended 31st December, 2011"), which may not be comparable with amounts shown for the current period.

Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period from 1st January, 2012 to 31st March, 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or distributable reserves, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs 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 revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and 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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(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 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:

	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Consolidated income statement		
Increase/(Decrease) in share of results of associates and profit for the period/year	**(10,067)**	151,375
Increase/(Decrease) in basic earnings per share (HK cents)	**(0.5)**	7.8
Increase/(Decrease) in diluted earnings per share (HK cents)	**(0.5)**	7.8
Consolidated statement of other comprehensive income		
Increase/(Decrease) in profit for the period/year	**(10,067)**	151,375
Increase/(Decrease) in share of other comprehensive income of associates	**35,603**	(12,688)
Increase in total comprehensive income for the period/year	**25,536**	138,687

	31st March, 2013 HK$'000	31st December, 2011 HK$'000	1st January, 2011 HK$'000
Consolidated statement of financial position			
Increase in interests in associates and net assets	**850,340**	791,860	668,765
Increase in exchange equalisation reserve	**70,913**	35,310	47,998
Increase in distributable reserves	**779,427**	756,550	620,767
Increase in equity	**850,340**	791,860	668,765

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

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 consolidated statement of financial position which would be transferred to properties under development in current assets when the construction was expected to be completed within one year from the end of the reporting period. Under the revised accounting policy, properties under development intended for sale are classified as current assets. In the opinion of the Directors, the financial statements according to the revised policy will provide more relevant information to the users of the financial statements and bring the Group in line with the treatment adopted by other entities in the real estate industry. This change in policy has been applied retrospectively and comparative amounts have been restated. The above change has had no effect on the consolidated income statement and the net assets of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 and HKFRS 7 — *Mandatory Effective Date of HKFRS 9 and Transition Disclosures* [4]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [2]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
Amendments to HKAS 36	*Recoverable amount disclosures for non-financial assets* [2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
HK(IFRIC)-Int 21	*Levies* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

1 Effective for annual periods beginning on or after 1st July, 2012
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2014
4 Effective for annual periods beginning on or after 1st January, 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those HKFRSs that are expected to significantly affect the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1st April, 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1st April, 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Based on the preliminary analyses performed, HKFRS 10 may affect the accounting for the Group's interests in Lippo ASM Asia Property LP ("LAAP"). LAAP is a limited partnership of which a subsidiary of the Group is a limited partner since 2005. LAAP has been regarded as an associate of the Group and accounted for using the equity method of accounting. Having considered the new definition of control and the additional guidance on the principal-agency relationship set out in HKFRS 10, the Group has determined that its interest held would be sufficient to give it control over LAAP since 2005 under HKFRS 10. Upon the adoption of HKFRS 10 on 1st April, 2013, LAAP will be treated as a subsidiary of the Group and consolidated as if HKFRS 10 had always been effective and retrospective adjustments will be made to the relevant previous accounting periods. The assets (mainly interests in jointly-controlled entities and bank balances) and liabilities as well as income and expenses (mainly the results in jointly-controlled entities) of LAAP will be presented as separate line items in the consolidated statement of financial position and in the consolidated statement of comprehensive income respectively, rather than being presented as one line item in the Group's consolidated financial statements.

The Group is in the process of conducting a detailed review to determine and quantify the overall impact on the application of HKFRS 10 to the financial statements of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1st April, 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1st April, 2013.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1st April, 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. Interests in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

(b) Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(ii) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20 per cent. of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20 per cent. of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's interests in jointly controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly controlled entities is included as part of the Group's interests in jointly controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

(d) Associates

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20 per cent. of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

(e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Business combinations and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

(f) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties, properties held for sale and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of non-financial assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of fixed assets are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases and buildings	Over the remaining lease terms
Leasehold improvements	Over the unexpired terms of the leases
Furniture, fixtures and equipment	10 per cent. to $33^1/_3$ per cent.
Motor vehicles	20 per cent. to 25 per cent.

Where parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of fixed assets including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. When fair value is not reliably determinable for the properties under development, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to properties under development or owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Fixed assets and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the other asset revaluation reserve. On disposal of the asset, the relevant portion of the other asset revaluation reserve realised in respect of previous valuations is transferred to the distributable reserves as a movement in reserves.

(i) Properties under development

Properties under development intended for sale are classified as current assets and stated at the lower of cost and net realisable value. Properties being constructed or developed as investment properties are classified as investment properties and accounted for in accordance with the policy stated under "Investment properties". Other properties under development are stated at cost less any impairment losses. Costs comprise the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(j) Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets at fair value through profit or loss which are under regular way of purchases or sales are recognised on the trade date, that is, the date the Group commits to purchase or sell the asset. All regular way purchases or sales of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets are recognised on the settlement date, that is, the date the asset is received or delivered by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity financial assets depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using FVO at designation, as these instruments cannot be reclassified after initial recognition.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments and other financial assets *(continued)*

Subsequent measurement (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities, debt securities and investment funds. Equity investments and investment funds classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the financial assets are derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the financial assets are determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Revenue" in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities, debt securities and investment funds cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that financial asset, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities and funds are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of financial assets *(continued)*

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(l) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include bank and other borrowings, creditors, accruals and deposits received and current, fixed, savings and other deposits of customers.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

(q) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis.

(r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(ii) income from the sale of properties, on the exchange of legally binding unconditional sales contracts or when the relevant completion certificates are issued by the respective government authorities, whichever is later;

(iii) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instruments to the net carrying amount of the financial assets;

(v) dividend income, when the shareholders' right to receive payment has been established;

(vi) commission income, in the period when receivable, unless it is charged to cover the costs of a continuing service to, or risk borne for, customers, or is interest income in nature. In this case, commission income is recognised on a pro rata basis over the relevant period; and

(vii) investment advisory, management and service fee income, when the services have been rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

(u) Employee benefits

Paid leave entitlement

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of each reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward at the end of each reporting period.

Retirement benefits

The Group operates defined contribution Mandatory Provident Fund retirement benefit schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions or to offset against future administration expenses, in accordance with the rules of the MPF Schemes.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made to the central pension scheme based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Employee benefits *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an adjusted Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(w) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

(x) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks, demand deposits, treasury bills, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand, cash at banks, demand deposits and treasury bills which are not restricted as to use.

The carrying amounts of cash and bank balances, treasury bills and restricted cash approximate to their fair values.

(y) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries, jointly controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows or at an approximation thereto, the weighted average exchange rates for the year. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(z) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Dividends and distributions

Final dividends and distributions proposed by the Directors after the end of the reporting period are not recognised as a liability at the end of the reporting period. When these dividends and distributions have been approved by the shareholders and declared in a general meeting, they are recognised as a liability.

Interim dividends and distributions are simultaneously proposed and declared because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividends and distributions. Consequently, interim dividends and distributions are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill arising from acquisition of a subsidiary at 31st March, 2013 was HK$71,485,000 (31st December, 2011 — HK$71,485,000). Further details are given in Note 15 to the financial statements.

Estimation of fair value of investment properties

The best evidence of fair value is the current prices in an active market for similar lease terms and other contracts. In the absence of such information, the Group considers information from a variety of sources, including (i) by reference to independent valuations; (ii) the current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (iii) the recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts, and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the income statement. Impairment loss of HK$90,000 (year ended 31st December, 2011 — Nil) has been recognised for available-for-sale financial assets for the period. The carrying amount of available-for-sale financial assets as at 31st March, 2013 was HK$106,370,000 (31st December, 2011 — HK$46,304,000).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

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

(a) the property investment segment includes letting and resale of properties;

(b) the property development segment includes development and sale of properties;

(c) the treasury investment segment includes investments in cash and bond markets;

(d) the securities investment segment includes dealings in securities and disposals of investments;

(e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;

(f) the banking business segment engages in the provision of commercial and retail banking services;

(g) the project management segment engages in the provision of project management, marketing, sales and administrative and other related services; and

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

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

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

4. SEGMENT INFORMATION *(continued)*

Period ended 31st March, 2013

	Property investment HK$'000	Property development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue										
External	16,626	–	13,376	14,223	41,828	19,124	15,134	13,678	–	133,989
Inter-segment	–	–	–	–	–	–	750	8,379	(9,129)	–
Total	16,626	–	13,376	14,223	41,828	19,124	15,884	22,057	(9,129)	133,989
Segment results	61,859	(64,000)	13,012	6,166	(14,746)	612	(1,587)	1,653	(9,129)	(6,160)
Unallocated corporate expenses										(57,614)
Finance costs										(4,675)
Share of results of associates	(271,560)	124,598	–	–	–	–	–	6,854	–	(140,108)
Share of results of jointly controlled entities	–	(352)	–	–	–	–	–	–	–	(352)
Loss before tax										(208,909)
Segment assets	227,318	4,083,806	415,655	175,397	449,713	391,854	10,902	27,811	–	5,782,456
Interests in associates	8,251,319	686,166	–	–	778	–	–	273	–	8,938,536
Interests in jointly controlled entities	–	15,712	–	–	–	–	–	–	–	15,712
Unallocated assets										9,878
Total assets										14,746,582
Segment liabilities	13,805	3,160,963	–	–	387,826	274,927	209	4,993	–	3,842,723
Unallocated liabilities										565,465
Total liabilities										4,408,188
Other segment information:										
Capital expenditure	–	307	–	–	542	2,328	16	17	–	3,210
Depreciation	(1,004)	(540)	–	–	(632)	(1,312)	(76)	(75)	–	(3,639)
Write-back of allowance for bad and doubtful debts relating to:										
Banking operation	–	–	–	–	–	558	–	–	–	558
Non-banking operations	–	–	–	–	4,770	–	–	–	–	4,770
Write-back of provision/(Provisions) for impairment losses:										
A jointly controlled entity	–	(2,219)	–	–	–	–	–	–	–	(2,219)
Available-for-sale financial assets	–	–	–	(90)	–	–	–	–	–	(90)
Properties held for sale	465	–	–	–	–	–	–	–	–	465
Properties under development	–	(156)	–	–	–	–	–	–	–	(156)
Net fair value loss on financial assets at fair value through profit or loss	–	–	–	(1,230)	–	–	–	–	–	(1,230)
Fair value gains on investment properties	26,351	–	–	–	–	–	–	–	–	26,351
Unallocated:										
Capital expenditure										10,640
Depreciation										(6,059)

4. SEGMENT INFORMATION *(continued)*

Year ended 31st December, 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	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue										
External	11,543	–	4,708	15,972	43,831	11,393	4,806	11,016	–	103,269
Inter-segment	–	–	–	–	–	–	4,329	6,898	(11,227)	–
Total	11,543	–	4,708	15,972	43,831	11,393	9,135	17,914	(11,227)	103,269
Segment results	10,257	(35,805)	4,254	(2,253)	(21,281)	136	(8,305)	9,664	(11,227)	(54,560)
Unallocated corporate expenses										(54,664)
Finance costs										(8,098)
Share of results of associates	854,866	264,331	–	–	–	–	–	5,568	–	1,124,765
Share of results of jointly controlled entities	–	17,180	–	–	–	–	–	–	–	17,180
Profit before tax										1,024,623
Segment assets	287,492	2,081,212	256,675	166,011	674,841	267,081	11,659	27,576	–	3,772,547
Interests in associates	7,843,726	536,412	–	–	778	–	–	438	–	8,381,354
Interests in jointly controlled entities	–	185,613	–	–	–	–	–	–	–	185,613
Unallocated assets										29,687
Total assets										12,369,201
Segment liabilities	5,430	811,080	–	–	597,098	122,958	136	2,954	–	1,539,656
Unallocated liabilities										816,719
Total liabilities										2,356,375
Other segment information:										
Capital expenditure	–	377	–	–	792	535	137	6	–	1,847
Depreciation	(1,083)	(660)	–	–	(377)	(1,620)	(63)	(82)	–	(3,885)
Write-back of allowance/(Allowance) for bad and doubtful debts relating to:										
Banking operation	–	–	–	–	–	111	–	–	–	111
Non-banking operations	–	–	–	–	(12,214)	–	–	6,628	–	(5,586)
Provision for impairment losses on properties under development	–	(189)	–	–	–	–	–	–	–	(189)
Net fair value loss on financial assets at fair value through profit or loss	–	–	–	(18,511)	–	–	–	–	–	(18,511)
Fair value gains on investment properties	5,314	–	–	–	–	–	–	–	–	5,314
Unallocated:										
Capital expenditure										6,760
Depreciation										(5,943)

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Hong Kong	**56,757**	60,756
Macau	**24,718**	14,184
Mainland China	**21,544**	10,267
Republic of Singapore	**19,073**	11,085
Other	**11,897**	6,977
	133,989	103,269

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000 (Restated)
Hong Kong	**3,423**	1,658
Macau	**153,280**	132,224
Mainland China	**101,178**	92,436
Republic of Singapore	**8,942,671**	8,675,764
Other	**51,082**	44,947
	9,251,634	8,947,029

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about a major customer

No revenue from a single customer accounted for 10 per cent. or more of the total revenue for the period ended 31st March, 2013 and the year ended 31st December, 2011.

5. 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 revenue from a banking subsidiary, gross income from project management, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

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

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Property investment	**16,626**	11,543
Treasury investment	**13,376**	4,708
Securities investment	**14,223**	15,972
Corporate finance and securities broking	**41,828**	43,831
Banking business	**19,124**	11,393
Project management	**15,134**	4,806
Other	**13,678**	11,016
	133,989	103,269

Revenue attributable to the banking business represents revenue generated from The Macau Chinese Bank Limited ("MCB"), a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Revenue attributable to the banking business is analysed as follows:

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Interest income	**14,847**	9,199
Commission income	**3,619**	1,916
Other revenue	**658**	278
	19,124	11,393

6. PROFIT/(LOSS) BEFORE TAX

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

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Gross rental income	**16,626**	11,543
Less: Outgoings	**(3,051)**	(2,450)
Net rental income	**13,575**	9,093
Employee benefit expense *(Note (a))*:		
Wages and salaries	**(84,903)**	(68,299)
Retirement benefits costs *(Note (b))*	**(4,603)**	(2,848)
Total staff costs	**(89,506)**	(71,147)
Interest income:		
Unlisted financial assets at fair value through profit or loss	**51**	324
Listed available-for-sale financial assets	**4,039**	1,526
Listed held-to-maturity financial assets	**1,030**	1,770
Loans and advances	**1,578**	1,831
Banking business	**14,847**	9,199
Other	**13,376**	4,708
Dividend income:		
Listed investments	**1,460**	1,247
Unlisted investments	**3,459**	391
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**1,644**	5,230
Unlisted financial assets at fair value through profit or loss	**2,540**	5,484
Listed available-for-sale financial assets	**309**	–
Unlisted available-for-sale financial assets	**(1,957)**	4,767
Listed held-to-maturity financial assets	**570**	–
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	**(5,841)**	(21,339)
Unlisted	**4,611**	2,828
Write-back of provision/(Provisions) for impairment losses *(Note (c))*:		
A jointly controlled entity	**(2,219)**	–
Unlisted available-for-sale financial assets	**(90)**	–
Properties held for sale	**465**	–
Properties under development	**(156)**	(189)
Interest expense attributable to the banking business	**(2,640)**	(738)
Depreciation	**(9,698)**	(9,828)
Gain/(Loss) on disposal of fixed assets:		
Leasehold property	**8,826**	–
Other items of fixed assets	**(4)**	10
Foreign exchange gains — net	**20,979**	7,588
Auditors' remuneration	**(4,130)**	(2,526)
Minimum lease payments under operating lease rentals in respect of land and buildings	**(27,104)**	(23,224)

Note:

(a) The amounts include the Directors' emoluments disclosed in Note 7 to the financial statements.

(b) The amounts of forfeited voluntary contributions available to offset future employer contributions against the pension schemes were not material at the period/year end.

(c) The amounts are included in "Other operating expenses" in the consolidated income statement.

7. DIRECTORS' EMOLUMENTS

Directors' emoluments for the period/year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Directors' fees	**1,216**	1,033
Basic salaries, housing and other allowances and benefits in kind	**4,434**	2,433
Retirement benefits costs	**51**	24
	5,701	3,490

The emoluments paid to each of the directors during the period ended 31st March, 2013 are as follows:

Period ended 31st March, 2013	**Directors' fees HK$'000**	**Basic salaries, housing and other allowances and benefits in kind HK$'000**	**Retirement benefits costs HK$'000**	**Total HK$'000**
Executive directors:				
Stephen Riady	**–**	**1,307**	**15**	**1,322**
John Lee Luen Wai	**59**	**1,132**	**18**	**1,209**
Kor Kee Yee	**–**	**1,995**	**18**	**2,013**
	59	**4,434**	**51**	**4,544**
Non-executive director:				
Leon Chan Nim Leung	**314**	**–**	**–**	**314**
Independent non-executive directors:				
Albert Saychuan Cheok	**282**	**–**	**–**	**282**
Victor Yung Ha Kuk	**263**	**–**	**–**	**263**
Tsui King Fai	**298**	**–**	**–**	**298**
	843	**–**	**–**	**843**
	1,216	**4,434**	**51**	**5,701**

7. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid to each of the directors during the year ended 31st December, 2011 are as follows:

Year ended 31st December, 2011	Directors' fees HK$'000	Basic salaries, housing and other allowances and benefits in kind HK$'000	Retirement benefits costs HK$'000	Total HK$'000
Executive directors:				
Stephen Riady	–	–	–	–
John Lee Luen Wai	59	907	12	978
Kor Kee Yee	–	1,526	12	1,538
	59	2,433	24	2,516
Non-executive directors:				
Mochtar Riady *(Note)*	36	–	–	36
Leon Chan Nim Leung	269	–	–	269
	305	–	–	305
Independent non-executive directors:				
Albert Saychuan Cheok	229	–	–	229
Victor Yung Ha Kuk	210	–	–	210
Tsui King Fai	230	–	–	230
	669	–	–	669
	1,033	2,433	24	3,490

Note: Mochtar Riady resigned as a non-executive director of the Company on 25th March, 2011.

There were no arrangements under which a Director waived or agreed to waive any emoluments during the period/year.

Details of the share options granted to the Directors are set out in Note 32 to the financial statements.

8. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the current period and the prior year did not include any Director, details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the five (year ended 31st December, 2011 — five) non-director, highest paid employees for the period/year are as follows:

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Basic salaries, housing and other allowances and benefits in kind	**10,920**	7,898
Discretionary bonuses paid and payable	**3,024**	10,200
Retirement benefits costs	**41**	152
	13,985	18,250

The number of non-director, highest paid employees whose emoluments fell within the following bands is as follows:

	Group	
Emoluments bands (HK$):	**Period ended 31st March, 2013 Number of employees**	Year ended 31st December, 2011 Number of employees
1,500,001 – 2,000,000	**–**	1
2,000,001 – 2,500,000	**2**	–
2,500,001 – 3,000,000	**1**	1
3,000,001 – 3,500,000	**1**	1
3,500,001 – 4,000,000	**1**	–
4,500,001 – 5,000,000	**–**	1
5,500,001 – 6,000,000	**–**	1
	5	5

9. FINANCE COSTS

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**63,464**	32,415
Less: Interest capitalised	**(58,789)**	(24,317)
	4,675	8,098

The amount excluded interest expense incurred by a banking subsidiary of the Group.

10. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates included the Group's share of loss in LAAP of approximately HK$271,560,000 (year ended 31st December, 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$124,598,000 (year ended 31st December, 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 and the higher finance costs incurred during the period. Lippo Marina was set up for the purpose of a property development project in Singapore, namely Marina Collection. The share of profit mainly arose from the sale of properties during the period.

11. INCOME TAX

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Hong Kong:		
Charge for the period/year	**427**	477
Underprovision/(Overprovision) in prior years	**(24)**	172
	403	649
Overseas:		
Charge for the period/year	**1,499**	97
Underprovision/(Overprovision) in prior years	**1,009**	(378)
Deferred *(Note 30)*	**6,450**	812
	8,958	531
Total charge for the period/year	**9,361**	1,180

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (year ended 31st December, 2011 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the period/year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

11. INCOME TAX *(continued)*

A reconciliation of the tax charge applicable to profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated)
Profit/(Loss) before tax	**(208,909)**	1,024,623
Tax at the statutory tax rate of 16.5 per cent. (year ended 31st December, 2011 — 16.5 per cent.)	**(34,470)**	169,063
Effect of different tax rates in other jurisdictions	**(313)**	754
Adjustments in respect of current tax of previous years	**985**	(206)
Profits and losses attributable to jointly controlled entities and associates	**23,176**	(188,421)
Income not subject to tax	**(8,391)**	(4,988)
Expenses not deductible for tax	**8,555**	4,854
Tax losses utilised from previous years	**(3,426)**	(13)
Tax losses not recognised	**23,245**	20,137
Tax charge at the Group's effective rate	**9,361**	1,180

For the companies operating in the Republic of Singapore and Macau, corporate taxes have been calculated on the estimated assessable profits for the period at the rates of 17 per cent. and 12 per cent. (year ended 31st December, 2011 — 17 per cent. and 12 per cent.), respectively.

The share of tax credit attributable to associates amounting to HK$5,552,000 (year ended 31st December, 2011 — charge of HK$50,446,000, restated) and the share of tax credit attributable to a jointly controlled entity of HK$97,000 (year ended 31st December, 2011 — charge of HK$2,462,000) are included in "Share of results of associates" and "Share of results of jointly controlled entities" on the face of the consolidated income statement, respectively.

12. RESULTS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated results attributable to equity holders of the Company for the period includes a profit of HK$2,856,000 (year ended 31st December, 2011 — HK$2,702,000) which has been dealt with in the financial statements of the Company as set out in Note 33 to the financial statements.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the period/year attributable to equity holders of the Company; and (ii) the weighted average number of 1,998,497,000 ordinary shares (year ended 31st December, 2011 — 1,939,183,000 ordinary shares) in issue during the period/year.

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic loss per share amount presented for the period ended 31st March, 2013 as the share options outstanding during the period had no dilutive effect on the basic loss per share amount presented.

Diluted earnings per share for the year ended 31st December, 2011 is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company; and (ii) the weighted average number of 1,942,256,000 ordinary shares, as follows:

	Number of shares Year ended 31st December, 2011
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,939,183,000
Effect of dilution — weighted average number of ordinary shares: Share options	3,073,000
	1,942,256,000

14. DISTRIBUTIONS

	Group and Company	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Final distribution, proposed, of HK2 cents (year ended 31st December, 2011 — HK2 cents) per ordinary share	**39,966**	40,034
2011 special final distribution, proposed, of HK1 cent per ordinary share	**–**	20,017
	39,966	60,051

The proposed final distribution for the period is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15. GOODWILL

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Cost:		
Balance at beginning and end of period/year	**74,815**	74,815
Accumulated impairment:		
Balance at beginning and end of period/year	**3,330**	3,330
Net carrying amount	**71,485**	71,485

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the banking business cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of the banking business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projection is 8 per cent. (31st December, 2011 — 5 per cent.). The growth rate used to extrapolate the cash flows of the banking business beyond the five-year period is assumed to be nil.

16. FIXED ASSETS

Group

Period ended 31st March, 2013	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2012	108,464	103,297	211,761
Additions during the period	–	13,850	13,850
Surplus on revaluation	8,885	–	8,885
Reclassified to investment properties	(11,568)	–	(11,568)
Disposals during the period	(101,661)	(40,995)	(142,656)
Exchange adjustments	3,931	1,328	5,259
At 31st March, 2013	**8,051**	**77,480**	**85,531**
Accumulated depreciation:			
At 1st January, 2012	1,913	72,679	74,592
Depreciation provided for the period	1,097	8,601	9,698
Reclassified to investment properties	(219)	–	(219)
Disposals during the period	(2,084)	(12,615)	(14,699)
Exchange adjustments	42	388	430
At 31st March, 2013	**749**	**69,053**	**69,802**
Net book value:			
At 31st March, 2013	**7,302**	**8,427**	**15,729**

16. FIXED ASSETS *(continued)*

Group

Year ended 31st December, 2011	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2011	109,432	102,183	211,615
Additions during the year	–	8,607	8,607
Disposals during the year	–	(7,283)	(7,283)
Exchange adjustments	(968)	(210)	(1,178)
At 31st December, 2011	108,464	103,297	211,761
Accumulated depreciation:			
At 1st January, 2011	760	71,458	72,218
Depreciation provided for the year	1,190	8,638	9,828
Disposals during the year	–	(7,283)	(7,283)
Exchange adjustments	(37)	(134)	(171)
At 31st December, 2011	1,913	72,679	74,592
Net book value:			
At 31st December, 2011	106,551	30,618	137,169

The net book value of the leasehold land and buildings comprises:

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Long term leasehold land and buildings situated outside Hong Kong	**–**	96,684
Medium term leasehold land and buildings situated outside Hong Kong	**7,302**	9,867
	7,302	106,551

16. FIXED ASSETS *(continued)*

Company

	Furniture, fixtures, equipment and motor vehicles	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Cost:		
Balance at beginning of period/year	**6,949**	6,922
Additions during the period/year	**2,248**	27
Disposal during the period/year	**(396)**	–
Balance at end of period/year	**8,801**	6,949
Accumulated depreciation:		
Balance at beginning of period/year	**6,887**	6,816
Depreciation provided for the period/year	**177**	71
Disposal during the period/year	**(396)**	–
Balance at end of period/year	**6,668**	6,887
Net book value	**2,133**	62

17. INVESTMENT PROPERTIES

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Balance at beginning of period/year	**171,408**	162,055
Fair value adjustments	**26,351**	5,314
Reclassified from fixed assets	**11,349**	–
Exchange adjustments	**1,064**	4,039
Balance at end of period/year	**210,172**	171,408
Investment properties situated outside Hong Kong held under the following lease terms:		
Leasehold	**171,111**	139,585
Freehold	**39,061**	31,823
	210,172	171,408

Based on professional valuations as at 31st March, 2013 made by Asian Appraisal Company, Inc., CBRE, Inc. and RHL Appraisal Limited, independent qualified valuers on an open market, existing use basis and by reference to the disposal value of an investment property which will be disposed of to an independent third party subsequent to the end of the reporting period, the investment properties situated outside Hong Kong were revalued at HK$210,172,000 (31st December, 2011 — HK$171,408,000).

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 27 to the financial statements.

18. INTERESTS IN ASSOCIATES

	Group		
	31st March, 2013 HK$'000	31st December, 2011 HK$'000 (Restated)	1st January, 2011 HK$'000 (Restated)
Share of net assets in unlisted investments	**8,444,240**	7,977,813	6,873,555
Due from associates	**509,282**	418,527	421,986
	8,953,522	8,396,340	7,295,541
Provisions for impairment losses	**(14,986)**	(14,986)	(15,166)
	8,938,536	8,381,354	7,280,375

The balance as at 31st March, 2013 included the Group's interest in LAAP of approximately HK$8,245,354,000 (31st December, 2011 — HK$7,837,681,000, restated). Certain bank facilities under LAAP were secured by certain listed shares held under it. The Group and LAAP underwent a corporate restructuring which was completed in April 2013, upon which LAAP became a wholly-owned subsidiary of the Group. As part of the corporate restructuring, a joint venture was set up under LAAP to hold the controlling stake in OUE.

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, such balances are considered as quasi-equity investments in the associates.

The following table illustrates the summarised financial information of the Group's associates:

	Group		
	31st March, 2013 HK$'000	31st December, 2011 HK$'000 (Restated) *(Note)*	1st January, 2011 HK$'000 (Restated) *(Note)*
Assets	**9,689,981**	10,178,021	9,105,463
Liabilities	**(884,086)**	(1,979,806)	(2,234,865)

18. INTERESTS IN ASSOCIATES *(continued)*

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated) *(Note)*
Revenue	**961,991**	1,630,057
Profit/(Loss)	**(22,252)**	1,348,618

Note:

An investee company of an associate was treated as a subsidiary of the associate and was consolidated by the associate in prior years. In the current period, it was considered that the investee entity should be treated as a jointly controlled entity of the associate and equity accounted for. Such change has been applied retrospectively and reflected in the comparative summarised financial information.

Details of the principal associates are set out on page 127.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Share of net assets in unlisted investments	**2,677**	36,940
Due from jointly controlled entities	**15,254**	149,701
	17,931	186,641
Provisions for impairment losses	**(2,219)**	(1,028)
	15,712	185,613

The balances with the jointly controlled entities include a loan of HK$3,981,000 (31st December, 2011 — HK$3,984,000), which is secured by certain shares of a jointly controlled entity, bears interest at the United States dollar prime rate plus 2 per cent. per annum and has no fixed terms of repayment. The loan is neither overdue nor impaired and the carrying amount approximates to its fair value.

The remaining balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, such balances are considered as quasi-equity investments in the jointly controlled entities.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The following table illustrates the summarised financial information of the Group's jointly controlled entities:

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**341,498**	487,273
Non-current assets	**3,065**	2,114
Current liabilities	**(60,132)**	(59,260)
Non-current liabilities	**(266,500)**	(243,486)
Net assets	**17,931**	186,641
Share of the jointly controlled entities' capital commitments	**56,291**	170,333
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Share of the jointly controlled entities' results:		
Revenue	**–**	329,730
Total expenses	**(352)**	(312,550)
Profit/(Loss) after tax	**(352)**	17,180

Details of the principal jointly controlled entities are set out on page 128.

20. HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'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

20. HELD-TO-MATURITY FINANCIAL ASSETS *(continued)*

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

During the period ended 31st March, 2013, 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 assets, which amounted to HK$28,363,000.

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

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Corporate entities	**–**	15,889
Banks and other financial institutions	**–**	11,376
	–	27,265

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		**Company**	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000	**31st March, 2013 HK$'000**	31st December, 2011 HK$'000
Financial assets stated at fair value:				
Equity securities listed overseas	**53**	–	**–**	–
Debt securities listed in Hong Kong	**51,609**	3,407	**–**	–
Debt securities listed overseas	**18,018**	18,388	**–**	–
Unlisted investment funds	**16,250**	14,936	**–**	–
	85,930	36,731	**–**	–
Financial assets stated at cost:				
Unlisted equity securities	**81,365**	70,408	**–**	–
Unlisted debt securities	**3,165**	3,165	**3,165**	3,165
Provision for impairment losses	**(64,090)**	(64,000)	**(90)**	–
	20,440	9,573	**3,075**	3,165
	106,370	46,304	**3,075**	3,165

The debt securities bear interest at effective rates ranging from nil to 10 per cent. (31st December, 2011 — nil to 10 per cent.) per annum.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

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

	Group		Company	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000	**31st March, 2013 HK$'000**	31st December, 2011 HK$'000
Equity securities:				
Corporate entities	**81,418**	70,408	**–**	–
Debt securities:				
Club debenture	**3,165**	3,165	**3,165**	3,165
Corporate entities	**52,583**	11,704	**–**	–
Banks and other financial institutions	**17,044**	10,091	**–**	–
	72,792	24,960	**3,165**	3,165

During the period, the gross gain in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK$5,363,000 (year ended 31st December, 2011 — loss of HK$1,078,000), of which loss of HK$1,632,000 (year ended 31st December, 2011 — loss of HK$85,000) was reclassified from consolidated other comprehensive income to the consolidated income statement for the period/year upon disposal.

The available-for-sale financial assets consist of investments in equity securities and investment funds which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

Apart from the above, certain unlisted available-for-sale financial assets issued by private entities are measured at cost less impairment at the end of the reporting period. The Directors consider that information to be applied in the valuation techniques cannot be reliably obtained on a continuous basis. The fair values of these unlisted available-for-sale financial assets cannot be reliably measured.

During the period, the Directors reviewed the carrying amount of available-for-sale financial assets with reference to their business performances prepared by the investees' management. Impairment loss of HK$90,000 (year ended 31st December, 2011 — Nil) has been charged to the consolidated income statement for the period/year.

During the year ended 31st December, 2008, the Group had reclassified certain of its debt instruments from the fair value through profit or loss category into the available-for-sale category due to the change of its intention from holding these debt instruments for the purpose of trading in the near term to holding them for the foreseeable future. As at 31st March, 2013, these debt instruments were stated at fair value of HK$974,000 (31st December, 2011 — HK$8,297,000). Had the reclassification not taken place, the Group would have recognised a fair value gain of HK$108,000 (year ended 31st December, 2011 — loss of HK$23,000) and the gain on disposal of available-for-sale financial assets would be decreased by HK$325,000 (year ended 31st December, 2011 — Nil) in the consolidated income statement for the period/year.

22. LOANS AND ADVANCES

The loans and advances to customers of the Group bear interest at effective rates ranging from 3 per cent. to 9 per cent. (31st December, 2011 — 3 per cent. to 8 per cent.) per annum. The carrying amounts of loans and advances approximate to their fair values. Certain balances arising from securities broking and banking operations are secured by clients' properties, deposits and securities being held as collaterals with a carrying amount of HK$1,090,619,000 (31st December, 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/year are as follows:

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Balance at beginning of period/year	**8,450**	13,294
Allowance for bad and doubtful debts	**–**	156
Impairment allowance released	**(695)**	(5,000)
Amount written-off as uncollectible	**(985)**	–
Balance at end of period/year	**6,770**	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 is no recent history of default.

23. PROPERTIES UNDER DEVELOPMENT

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated)
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of period/year	**1,480,818**	920,748
Additions during the period/year	**948,994**	536,819
Exchange adjustments	**(6,757)**	23,251
Balance at end of period/year	**2,423,055**	1,480,818
Provisions for impairment losses:		
Balance at beginning of period/year	**(15,163)**	(14,271)
Impairment during the period/year	**(156)**	(189)
Exchange adjustments	**2,666**	(703)
Balance at end of period/year	**(12,653)**	(15,163)
	2,410,402	1,465,655
Land and buildings situated outside Hong Kong held under the following lease terms:		
Medium term leases	**2,376,430**	1,424,529
Freehold	**33,972**	41,126
	2,410,402	1,465,655

Certain properties under development have been mortgaged to secure banking facilities made available to the Group as set out in Note 27 to the financial statements.

24. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Outstanding balances with ages:		
Repayable on demand	**30,993**	50,076
Within 30 days	**14,574**	5,649
Between 61 and 90 days	**23**	–
Between 91 and 180 days	**–**	125
Over 180 days	**–**	9
	45,590	55,859

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

At the end of the reporting period, the individually impaired receivables relate to securities broking operation and a property development project with an aggregate carrying amount of HK$25,650,000 (31st December, 2011 — HK$26,460,000). The Group does not hold sufficient collateral or other credit enhancements over these balances. Movements in the allowance for bad and doubtful debts for these individually impaired receivables during the period/year are as follows:

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Balance at beginning of period/year	**26,460**	15,874
Allowance for bad and doubtful debts	**1,205**	12,214
Impairment allowance released	**(5,790)**	(1,628)
Balance at end of period/year	**21,875**	26,460

Except for the above, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there is 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. The carrying amounts of debtors and deposits approximate to their fair values.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000	**31st March, 2013 HK$'000**	31st December, 2011 HK$'000
Held for trading:				
Equity securities:				
Listed in Hong Kong	**36,011**	26,396	**2,962**	2,268
Listed overseas	**3,101**	36,902	**3,101**	2,609
	39,112	63,298	**6,063**	4,877
Unlisted investment funds	**29,915**	29,144	**–**	–
	69,027	92,442	**6,063**	4,877

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

	Group		Company	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000	**31st March, 2013 HK$'000**	31st December, 2011 HK$'000
Equity securities:				
Corporate entities	**38,380**	60,380	**6,063**	4,877
Banks and other financial institutions	**732**	703	**–**	–
Public sector entities	**–**	2,215	**–**	–
	39,112	63,298	**6,063**	4,877

26. RESTRICTED CASH

The balance includes:

(a) certain amount of the pre-sale proceeds received by a subsidiary of the Group engaging in property development that was placed with designated bank accounts under supervision pursuant to relevant rules and regulations; and

(b) bank deposits pledged to secure banking facilities made available to the Group as set out in Note 27 to the financial statements.

27. BANK AND OTHER BORROWINGS

	Group		Company	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000	**31st March, 2013 HK$'000**	31st December, 2011 HK$'000
Secured bank loans *(Note (a))*	**509,497**	708,798	**–**	–
Unsecured other borrowings *(Note (b))*	**–**	57,608	**–**	57,608
	509,497	766,406	**–**	57,608
Less: Amount classified under current portion	**(286,915)**	(67,349)	**–**	–
Non-current portion	**222,582**	699,057	**–**	57,608
Bank and other borrowings by currency:				
Hong Kong dollar	**222,582**	328,963	**–**	57,608
Renminbi	**286,915**	437,443	**–**	–
	509,497	766,406	**–**	57,608
Bank loans repayable:				
Within one year or on demand	**286,915**	67,349	**–**	–
In the second year	**–**	370,094	**–**	–
In the third to fifth years, inclusive	**222,582**	271,355	**–**	–
	509,497	708,798	**–**	–
Other borrowings repayable:				
In the second year	**–**	57,608	**–**	57,608

Note:

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

(i) first legal mortgages over certain investment properties and properties under development of the Group with carrying amounts of HK$100,301,000 (31st December, 2011 — HK$91,279,000) and HK$1,476,611,000 (31st December, 2011 — HK$1,306,333,000), respectively; and

(ii) certain bank deposits of the Group with a carrying amount of HK$176,123,000 (31st December, 2011 — HK$168,588,000).

(b) The Group's and the Company's other borrowings as at 31st December, 2011 comprised unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, of HK$57,608,000 and was fully repaid during the period.

The Group's and the Company's bank and other borrowings bear interest at floating rates ranging from 3.6 per cent. to 6.8 per cent. (31st December, 2011 — 2.7 per cent. to 7.4 per cent.) per annum. The carrying amounts of the bank and other borrowings approximate to their fair values.

28. 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$2,820,004,000 (31st December, 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$384,309,000 (31st December, 2011 — HK$593,250,000). As at 31st March, 2013, total client trust bank balances amounted to HK$356,002,000 (31st December, 2011 — HK$550,716,000).

An aged analysis of trade creditors are as follows:

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Outstanding balances with ages:		
Repayable on demand	**373,411**	435,334
Within 30 days	**109,004**	169,644
	482,415	604,978

Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation which are interest-bearing, the balances of trade creditors are non-interest-bearing. The carrying amounts of creditors, accruals and deposits received and client trust bank balances approximate to their fair values.

29. CURRENT, FIXED, SAVINGS AND OTHER DEPOSITS OF CUSTOMERS

The current, fixed, savings and other deposits of customers attributable to banking operation bear interest at effective rates ranging from 0.01 per cent. to 4.0 per cent. (31st December, 2011 — 0.02 per cent. to 2.75 per cent.) per annum. The carrying amounts approximate to their fair values.

30. DEFERRED TAX

The movements in deferred tax liabilities during the period/year are as follows:

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Fair value gains on available-for-sale financial assets HK$'000	Total HK$'000
Period ended 31st March, 2013				
At 1st January, 2012	**497**	**32,609**	**2,702**	**35,808**
Deferred tax charged to the income statement during the period *(Note 11)*	**2,590**	**3,860**	**–**	**6,450**
Deferred tax debited to equity during the period	**–**	**1,066**	**1,635**	**2,701**
Exchange adjustments	**143**	**72**	**–**	**215**
At 31st March, 2013	**3,230**	**37,607**	**4,337**	**45,174**
Year ended 31st December, 2011				
At 1st January, 2011	497	31,306	2,489	34,292
Deferred tax charged to the income statement during the year *(Note 11)*	–	812	–	812
Deferred tax debited to equity during the year	–	–	213	213
Exchange adjustments	–	491	–	491
At 31st December, 2011	497	32,609	2,702	35,808

The Group has tax losses of HK$439,680,000 (31st December, 2011 — HK$328,361,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except tax losses of HK$72,664,000 (31st December, 2011 — HK$43,984,000) which will expire in one to five years. Deferred tax assets have not been recognised in respect of these tax losses at the end of the reporting period due to the unpredictability of future profit streams.

At 31st March, 2013, there were no significant unrecognised deferred tax liabilities (31st December, 2011 — Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly controlled entities as the Group has no liability to additional tax should such amounts be remitted.

31. SHARE CAPITAL

	Group and Company			
	Period ended 31st March, 2013		Year ended 31st December, 2011	
	No. of shares of HK$1.00 each	**Share capital HK$'000**	No. of shares of HK$1.00 each	Share capital HK$'000
Authorised:				
Balance at beginning and end of period/year	**4,000,000,000**	**4,000,000**	4,000,000,000	4,000,000
Issued and fully paid:				
At beginning of period/year	**2,003,215,097**	**2,003,215**	1,816,714,924	1,816,715
Share repurchases	**(8,816,000)**	**(8,816)**	–	–
Share options exercised	**3,881,000**	**3,881**	–	–
Warrants exercised	**–**	**–**	186,500,173	186,500
At end of period/year	**1,998,280,097**	**1,998,280**	2,003,215,097	2,003,215

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

(a) The Company had repurchased a total of 8,816,000 ordinary shares of HK$1.00 each in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The premium of HK$1,978,000 arising from such repurchases has been charged to the distributable reserves of the Company and an amount of HK$8,816,000 was transferred from distributable reserves to the capital redemption reserve as set out in the consolidated statement of changes in equity on page 41. The repurchases of the Company's shares during the period were effected by the Directors with a view to benefiting shareholders as a whole by enhancing the net asset value per share of the Company.

(b) A total of 3,881,000 ordinary shares of HK$1.00 each in the Company were issued upon exercise in cash by option holders of their rights to subscribe for 3,206,000 ordinary shares and 675,000 ordinary shares at an exercise price of HK$1.24 per share and HK$1.00 per share respectively. An amount of HK$3,881,000 was credited to the issued share capital and the balance of HK$769,000 was credited to the share premium account. HK$1,339,000 was transferred from the share option reserve to the share premium account upon the exercise of the options.

32. SHARE OPTION SCHEME

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

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

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

32. SHARE OPTION SCHEME *(continued)*

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

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

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

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

			Number of Option Shares			
Participants	**Date of grant**	**Exercise price per Share HK$**	**Balance as at 1st January, 2012**	**Exercised during the period**	**Lapsed during the period**	**Balance as at 31st March, 2013**
Directors:						
John Lee Luen Wai	17th December, 2007	1.24	**4,590,000**	**2,000,000**	**2,590,000**	**–**
Leon Chan Nim Leung	17th December, 2007	1.24	**810,000**	**–**	**810,000**	**–**
Kor Kee Yee	17th December, 2007	1.24	**607,500**	**606,000**	**1,500**	**–**
Albert Saychuan Cheok	17th December, 2007	1.24	**607,500**	**–**	**607,500**	**–**
Victor Yung Ha Kuk	17th December, 2007	1.24	**607,500**	**–**	**607,500**	**–**
Tsui King Fai	17th December, 2007	1.24	**607,500**	**600,000**	**7,500**	**–**
Employees *(Note)*	17th December, 2007	1.24	**7,179,300**	**–**	**7,179,300**	**–**
Others	17th December, 2007	1.24	**2,835,000**	**–**	**2,835,000**	**–**
	1st August, 2008	1.00	**2,025,000**	**675,000**	**1,350,000**	**–**
Total			**19,869,300**	**3,881,000**	**15,988,300**	**–**
Weighted average exercise price per Share (HK$)			**1.22**	**1.20**	**1.22**	**–**

Note: Employees refer to the employees of the Group as at 31st March, 2013 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.

During the period, options were exercised to subscribe for 3,206,000 Shares and 675,000 Shares at an exercise price of HK$1.24 per Share and HK$1.00 per Share, respectively. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$1.29 per Share (year ended 31st December, 2011 — No options were exercised).

32. SHARE OPTION SCHEME *(continued)*

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

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

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 130,801,909 Shares, representing approximately 6.5 per cent. of the existing issued share capital of the Company.

33. RESERVES

Group

The amounts of the Group's reserves and movements therein for the current period and the prior year are presented in the consolidated statement of changes in equity on page 41 of the financial statements.

Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve *(Note (d))* HK$'000	Distributable reserves *(Note (c))* HK$'000	Total HK$'000
Period ended 31st March, 2013					
At 1st January, 2012	90,167	7,219	13,328	1,102,948	1,213,662
Profit for the period and total comprehensive income for the period *(Note 12)*	–	–	–	2,856	2,856
Repurchases of shares	–	–	8,816	(10,794)	(1,978)
Issuance of shares upon exercise of share options	2,108	(1,339)	–	–	769
Transfer of share option reserve upon expiry of share options	–	(5,880)	–	5,880	–
2011 final and special final distributions, declared and paid to shareholders of the Company	–	–	–	(59,988)	(59,988)
At 31st March, 2013	92,275	–	22,144	1,040,902	1,155,321

33. RESERVES *(continued)*

Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve *(Note (d))* HK$'000	Distributable reserves *(Note (c))* HK$'000	Total HK$'000
Year ended 31st December, 2011					
At 1st January, 2011	43,542	7,219	13,328	1,139,578	1,203,667
Profit for the year and total comprehensive income for the year *(Note 12)*	–	–	–	2,702	2,702
Issuance of shares upon exercise of warrants	46,625	–	–	–	46,625
2010 final distribution, declared and paid to shareholders of the Company	–	–	–	(39,332)	(39,332)
At 31st December, 2011	90,167	7,219	13,328	1,102,948	1,213,662

Note:

(a) Cancellation of the share premium account and transfer to distributable reserves:
Pursuant to a special resolution passed at a special general meeting of the Company on 2nd December,1997, the entire amount standing to the credit of the share premium account of HK$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.

(b) Distributable reserves of the Group at 31st March, 2013 comprised retained profits of HK$5,749,122,000 (31st December, 2011 — HK$5,761,572,000, restated) and the remaining balance arising from the Cancellation of HK$944,805,000 (31st December, 2011 — HK$1,015,587,000). Included in the distributable reserves of the Group at 31st March, 2013 were amounts of final distribution for the period then ended of HK$39,966,000 (year ended 31st December, 2011 — final distribution and special final distribution of HK$40,034,000 and HK$20,017,000, respectively) proposed after the end of the reporting period.

(c) Distributable reserves of the Company at 31st March, 2013 comprised contributed surplus of HK$134,329,000 (31st December, 2011 — HK$134,329,000), accumulated losses of HK$38,232,000 (31st December, 2011 — HK$46,968,000) and the remaining balance arising from the Cancellation of HK$944,805,000 (31st December, 2011 — HK$1,015,587,000). Included in the distributable reserves of the Company at 31st March, 2013 were amounts of final distribution for the period then ended of HK$39,966,000 (year ended 31st December, 2011 — final distribution and special final distribution of HK$40,034,000 and HK$20,017,000, respectively) proposed after the end of the reporting period.

(d) The capital redemption reserve is not available for distribution to shareholders.

33. RESERVES *(continued)*

Note: (continued)

(e) 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.

(f) 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.

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

34. INTERESTS IN SUBSIDIARIES

	Company	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**3,431,270**	3,555,212
Due to subsidiaries	**(341,266)**	(262,224)
	3,090,005	3,292,989
Provisions for impairment losses	**(116,527)**	(114,107)
	2,973,478	3,178,882

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Certain balances bear interest at rates reflecting the respective costs of funds within the Group. In the opinion of the Directors, these balances are considered as quasi-equity investments in subsidiaries.

Details of the principal subsidiaries are set out on pages 123 to 126.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit/(loss) before tax to cash generated from/(used in) operations

	Note	Group	
		Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated)
Profit/(Loss) before tax		**(208,909)**	1,024,623
Adjustments for:			
Share of results of associates		**140,108**	(1,124,765)
Share of results of jointly controlled entities		**352**	(17,180)
Loss/(Gain) on disposal of:			
Fixed assets		**(8,822)**	(10)
An associate		**163**	9
Available-for-sale financial assets		**1,648**	(4,767)
Held-to-maturity financial assets	6	**(570)**	–
Provisions/(Write-back of provision) for impairment losses:			
A jointly controlled entity	6	**2,219**	–
Available-for-sale financial assets	6	**90**	–
Properties held for sale	6	**(465)**	–
Properties under development	6	**156**	189
Net fair value loss on financial assets at fair value through profit or loss		**1,230**	18,511
Allowance/(Write-back of allowance) for bad and doubtful debts		**(5,328)**	5,475
Fair value gains on investment properties		**(26,351)**	(5,314)
Finance costs		**4,675**	8,098
Interest income		**(34,921)**	(19,358)
Dividend income		**(4,919)**	(1,638)
Depreciation	6	**9,698**	9,828
		(129,946)	(106,299)
Decrease/(Increase) in financial assets at fair value through profit or loss		**22,185**	(60,017)
Increase in properties under development		**(948,994)**	(536,819)
Decrease in held-to-maturity financial assets		**–**	57
Increase in restricted cash		**(580,034)**	(297,707)
Increase in loans and advances		**(90,667)**	(18,515)
Increase in debtors, prepayments and deposits		**(236,390)**	(14,150)
Decrease in client trust bank balances		**194,345**	9,543
Increase in creditors, accruals and deposits received		**2,119,125**	546,781
Increase/(Decrease) in current, fixed, savings and other deposits of customers		**146,561**	(18,547)
Cash generated from/(used in) operations		**496,185**	(495,673)

36. CONTINGENT LIABILITIES

Group

As at 31st March, 2013, the Group had contingent liabilities relating to its banking subsidiary of HK$20,882,000 (31st December, 2011 — HK$24,834,000) comprising guarantees and other endorsements of HK$15,191,000 (31st December, 2011 — HK$15,278,000) and liabilities under letters of credit on behalf of customers of HK$5,691,000 (31st December, 2011 — HK$9,556,000).

Company

As at 31st March, 2013, guarantees provided by the Company in respect of banking facilities granted to its subsidiaries amounted to HK$910,663,000 (31st December, 2011 — HK$958,509,000), which were utilised to an extent of HK$231,745,000 (31st December, 2011 — HK$289,364,000).

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. As at 31st March, 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Within one year	**10,023**	10,659
In the second to fifth years, inclusive	**4,608**	11,080
	14,631	21,739

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 31st January, 2015 and the leases for properties contain provision for rental adjustments. As at 31st March, 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group		Company	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000	**31st March, 2013 HK$'000**	31st December, 2011 HK$'000
Within one year	**17,628**	17,101	**2,677**	1,955
In the second to fifth years, inclusive	**5,995**	18,870	**1,227**	–
	23,623	35,971	**3,904**	1,955

38. COMMITMENTS

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

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
Commitments in respect of properties under development:		
Contracted, but not provided for	**722,895**	643,046
Other capital commitments:		
Contracted, but not provided for *(Note)*	**74,995**	72,082
	797,890	715,128

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in the Republic of Singapore of approximately HK$74 million (31st December, 2011 — HK$71 million).

The Company did not have any material commitments at the end of the reporting period (31st December, 2011 — Nil).

39. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the period/year:

(a) During the period, the Company paid rental expenses (including service charges) of HK$3,785,000 (year ended 31st December, 2011 — HK$3,062,000) to Porbandar Limited, a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 15th September, 2014. The Group expects the total future minimum lease payments for the year ending 31st March, 2014 and 31st March, 2015 to be approximately HK$2,677,000 and HK$1,227,000, respectively.

(b) During the period, the Group paid rental expenses (including service charges) of HK$4,703,000 (year ended 31st December, 2011 — HK$2,186,000) to an associate of the Group. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31st May, 2014. The Group expects the total future minimum lease payments for the year ending 31st March, 2014 and 31st March, 2015 to be approximately HK$3,335,000 and HK$556,000, respectively.

(c) During the period, the Company paid finance cost to Lippo of HK$2,614,000 (year ended 31st December, 2011 — HK$1,425,000) in respect of the loan advanced to the Company. The loan was fully repaid during the period.

(d) During the period, the Group received investment advisory income of HK$13,920,000 (year ended 31st December, 2011 — HK$11,196,000) from an associate of the Group.

(e) During the period, the Group received project management income of HK$12,345,000 (year ended 31st December, 2011 — HK$2,847,000) and HK$1,959,000 (year ended 31st December, 2011 — HK$5,812,000) from associates and jointly controlled entities of the Group, respectively.

(f) As at 31st March, 2013, the Group had balances with its associates and jointly controlled entities, further details of which are set out in Notes 18 and 19 to the financial statements, respectively.

(g) The key management personnel of the Group are its Directors. Details of the Directors' emoluments are disclosed in Note 7 to the financial statements.

39. RELATED PARTY TRANSACTIONS *(continued)*

The transaction in respect of item (a) above is also a continuing connected transaction as defined under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the transaction are disclosed in the section headed "Continuing connected transactions" in the Report of the Directors.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group
At 31st March, 2013

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amount due from a jointly controlled entity	–	3,981	–	3,981
Available-for-sale financial assets	–	–	106,370	106,370
Financial assets at fair value through profit or loss	69,027	–	–	69,027
Loans and advances	–	332,481	–	332,481
Debtors and deposits	–	62,902	–	62,902
Client trust bank balances	–	356,002	–	356,002
Restricted cash	–	1,054,374	–	1,054,374
Treasury bills	–	9,700	–	9,700
Cash and bank balances	–	781,648	–	781,648
	69,027	2,601,088	106,370	2,776,485

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	509,497
Creditors, accruals and deposits received	764,282
Current, fixed, savings and other deposits of customers	266,786
	1,540,565

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Group

At 31st December, 2011

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Held-to-maturity financial assets HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amount due from a jointly controlled entity	–	–	3,984	–	3,984
Held-to-maturity financial assets	–	27,265	–	–	27,265
Available-for-sale financial assets	–	–	–	46,304	46,304
Financial assets at fair value through profit or loss	92,442	–	–	–	92,442
Loans and advances	–	–	241,119	–	241,119
Debtors and deposits	–	–	75,561	–	75,561
Client trust bank balances	–	–	550,716	–	550,716
Restricted cash	–	–	466,295	–	466,295
Cash and bank balances	–	–	406,508	–	406,508
	92,442	27,265	1,744,183	46,304	1,910,194

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	766,406
Creditors, accruals and deposits received	756,034
Current, fixed, savings and other deposits of customers	120,225
	1,642,665

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Company
At 31st March, 2013

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amount due from a subsidiary	–	12,014	–	12,014
Available-for-sale financial assets	–	–	3,075	3,075
Financial assets at fair value through profit or loss	6,063	–	–	6,063
Debtors and deposits	–	1,534	–	1,534
Cash and bank balances	–	175,029	–	175,029
	6,063	188,577	3,075	197,715

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Creditors, accruals and deposits received	7,711

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Company

At 31st December, 2011

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amount due from a subsidiary	–	14,219	–	14,219
Available-for-sale financial assets	–	–	3,165	3,165
Financial assets at fair value through profit or loss	4,877	–	–	4,877
Debtors and deposits	–	971	–	971
Cash and bank balances	–	98,371	–	98,371
	4,877	113,561	3,165	121,603

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	57,608
Creditors, accruals and deposits received	12,476
	70,084

41. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value

Group
As at 31st March, 2013

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Available-for-sale financial assets:				
Equity securities	**53**	**–**	**–**	**53**
Debt securities	**69,627**	**–**	**–**	**69,627**
Investment funds	**–**	**3,604**	**12,646**	**16,250**
Financial assets at fair value through profit or loss:				
Equity securities	**39,112**	**–**	**–**	**39,112**
Investment funds	**–**	**372**	**29,543**	**29,915**
	108,792	**3,976**	**42,189**	**154,957**

As at 31st December, 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets:				
Debt securities	21,795	–	–	21,795
Investment funds	–	2,914	12,022	14,936
Financial assets at fair value through profit or loss:				
Equity securities	63,298	–	–	63,298
Investment funds	–	409	28,735	29,144
	85,093	3,323	40,757	129,173

41. FAIR VALUE HIERARCHY *(continued)*

Assets measured at fair value *(continued)*

Group

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

	Available-for-sale investment funds HK$'000	Investment funds at fair value through profit or loss HK$'000
Period ended 31st March, 2013		
At 1st January, 2012	**12,022**	**28,735**
Total gains recognised in the income statement	**–**	**4,614**
Total gains recognised in other comprehensive income	**2,971**	**–**
Purchases	**334**	**–**
Disposals	**(2,670)**	**(3,786)**
Exchange adjustments	**(11)**	**(20)**
At 31st March, 2013	**12,646**	**29,543**
Year ended 31st December, 2011		
At 1st January, 2011	59,306	29,665
Total gains recognised in the income statement	–	2,756
Total gains recognised in other comprehensive income	378	–
Purchases	499	–
Disposals	(48,148)	(3,664)
Exchange adjustments	(13)	(22)
At 31st December, 2011	12,022	28,735

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31st December, 2011 — Nil).

41. FAIR VALUE HIERARCHY *(continued)*

Assets measured at fair value *(continued)*

Company
As at 31st March, 2013

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Equity securities	**6,063**	**–**	**–**	**6,063**

As at 31st December, 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Equity securities	4,877	–	–	4,877

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31st December, 2011 — Nil).

42. 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Credit risk *(continued)*

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.

The Group's exposure to credit risk arising from loans and advances and trade debtors at the end of the reporting period based on the information provided to key management is as follows:

	Group	
	31st March, 2013 HK$'000	31st December, 2011 HK$'000
By geographical area:		
Hong Kong	**120,883**	130,741
Macau	**248,278**	155,707
Others	**8,910**	10,530
	378,071	296,978

The bank balances are deposited with creditworthy banks with no recent history of default.

(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 the 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. 56 per cent. of the Group's debts would mature in less than one year as at 31st March, 2013 (31st December, 2011– 9 per cent.) based on the carrying values of bank and other borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

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

Group

	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Undated HK$'000	Total HK$'000
At 31st March, 2013							
Assets							
Amount due from a jointly controlled entity	–	–	–	–	–	3,981	3,981
Debt securities:							
Available-for-sale financial assets	–	–	–	34,322	24,307	14,073	72,702
Loans and advances	197,067	41,531	28,562	45,730	19,591	–	332,481
Debtors and deposits	33,432	18,268	421	–	–	10,781	62,902
Client trust bank balances	292,735	63,267	–	–	–	–	356,002
Restricted cash	1,054,025	349	–	–	–	–	1,054,374
Treasury bills	–	9,700	–	–	–	–	9,700
Cash and bank balances	295,330	403,004	83,314	–	–	–	781,648
	1,872,589	536,119	112,297	80,052	43,898	28,835	2,673,790
Liabilities							
Bank and other borrowings	9,163	277,752	–	222,582	–	–	509,497
Creditors, accruals and deposits received	378,673	131,720	3,232	–	–	250,657	764,282
Current, fixed, savings and other deposits of customers	103,335	142,586	20,865	–	–	–	266,786
	491,171	552,058	24,097	222,582	–	250,657	1,540,565

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

Group

	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	21,553	24,960
Loans and advances	155,236	33,005	11,337	19,201	22,340	–	241,119
Debtors and deposits	52,679	8,179	371	–	–	14,332	75,561
Client trust bank balances	126,934	423,782	–	–	–	–	550,716
Restricted cash	465,964	331	–	–	–	–	466,295
Cash and bank balances	240,865	165,643	–	–	–	–	406,508
	1,041,678	630,940	11,708	19,201	53,012	39,869	1,796,408
Liabilities							
Bank and other borrowings	18,009	–	49,340	699,057	–	–	766,406
Creditors, accruals and deposits received	437,977	177,519	588	–	–	139,950	756,034
Current, fixed, savings and other deposits of customers	57,478	58,566	4,181	–	–	–	120,225
	513,464	236,085	54,109	699,057	–	139,950	1,642,665

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

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

Company

	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	Undated HK$'000	Total HK$'000
At 31st March, 2013						
Assets						
Amount due from a subsidiary	–	–	–	–	12,014	12,014
Debt securities:						
Available-for-sale financial assets	–	–	–	–	3,075	3,075
Debtors and deposits	37	–	–	–	1,497	1,534
Cash and bank balances	4,511	170,518	–	–	–	175,029
	4,548	170,518	–	–	16,586	191,652
Liabilities						
Creditors, accruals and deposits received	1,580	2,330	–	–	3,801	7,711
Guarantees given to banks in connection with facilities granted to subsidiaries	231,745	–	–	–	–	231,745
	233,325	2,330	–	–	3,801	239,456
At 31st December, 2011						
Assets						
Amount due from a subsidiary	–	–	–	–	14,219	14,219
Debt securities:						
Available-for-sale financial assets	–	–	–	–	3,165	3,165
Debtors and deposits	–	–	–	–	971	971
Cash and bank balances	4,057	94,314	–	–	–	98,371
	4,057	94,314	–	–	18,355	116,726
Liabilities						
Bank and other borrowings	–	–	–	57,608	–	57,608
Creditors, accruals and deposits received	–	29	–	–	12,447	12,476
Guarantees given to banks in connection with facilities granted to subsidiaries	289,364	–	–	–	–	289,364
	289,364	29	–	57,608	12,447	359,448

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Interest rate risk

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

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax and equity (through the impact on interest-bearing monetary assets and liabilities).

	Period ended 31st March, 2013			Year ended 31st December, 2011		
	Increase/ Decrease in basis points	**Increase/ (Decrease) in profit before tax HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Increase/ Decrease in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
Group						
Hong Kong dollar	**+50**	**(401)**	**(401)**	+50	(352)	(352)
United States dollar	**+50**	**323**	**(1,326)**	+50	393	(868)
Singapore dollar	**+50**	**713**	**713**	+50	228	228
Renminbi	**+50**	**4,673**	**4,364**	+50	337	337
Hong Kong dollar	**–50**	**401**	**401**	–50	352	352
United States dollar	**–50**	**(323)**	**1,487**	–50	(393)	1,020
Singapore dollar	**–50**	**(713)**	**(713)**	–50	(228)	(228)
Renminbi	**–50**	**(4,673)**	**(4,360)**	–50	(337)	(337)
Company						
Hong Kong dollar	**+50**	**6**	**6**	+50	(113)	(113)
United States dollar	**+50**	**188**	**188**	+50	31	31
Singapore dollar	**+50**	**651**	**651**	+50	209	209
Hong Kong dollar	**–50**	**(6)**	**(6)**	–50	113	113
United States dollar	**–50**	**(188)**	**(188)**	–50	(31)	(31)
Singapore dollar	**–50**	**(651)**	**(651)**	–50	(209)	(209)

42. 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 was managed and monitored on an on-going basis by senior management of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Singapore dollar exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(Decrease) in profit before tax	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000
Group		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**9,341**	11,417
— weakened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**(9,341)**	(11,417)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**4,140**	1,430
— weakened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**(4,140)**	(1,430)
Company		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**1,124**	194
— weakened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**(1,124)**	(194)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**4,002**	1,321
— weakened 3 per cent. (year ended 31st December, 2011 — 3 per cent.)	**(4,002)**	(1,321)

The Group has a banking subsidiary in Macau with certain monetary assets and liabilities denominated in Hong Kong dollar and United States dollar. The Directors consider that the foreign currency risk of this subsidiary is immaterial as no material fluctuation of exchange rates between Pataca and Hong Kong dollar and between Pataca and United States dollar is expected.

At the end of the reporting period, the cash and bank balances of the Group's subsidiaries in mainland China denominated in Renminbi amounted to HK$313,901,000 (31st December, 2011 — HK$106,704,000). The conversion of these Renminbi balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government in mainland China.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk mainly arising from individual financial assets classified as available-for-sale financial assets (Note 21) and financial assets at fair value through profit or loss (Note 25) as at 31st March, 2013. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day to the end of the reporting period, and their respective highest and lowest points during the period/year were as follows:

	31st March, 2013	**High/Low Period ended 31 March, 2013**	31st December, 2011	High/Low Year ended 31 December, 2011
Hong Kong — Hang Seng Index	**22,300**	**23,822/18,185**	18,434	24,420/16,250
Republic of Singapore — Straits Times Index	**3,308**	**3,313/2,688**	2,646	3,281/2,522

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 from the past two years. The VaR model that the Group adopted is an estimate, using a confidence level of 95 per cent. of the potential loss that is not expected to be exceeded if the current market risk positions held unchanged for 10 days. 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.

The amounts of VaR for the investment portfolios of the Group stated at fair value are shown as follows:

	Carrying amount HK$'000	**VaR HK$'000**
31st March, 2013		
By geographical area:		
Hong Kong	**36,011**	**722**
Republic of Singapore	**3,101**	**62**
Global and other	**46,218**	**928**
31st December, 2011		
By geographical area:		
Hong Kong	26,396	1,689
Republic of Singapore	36,392	2,328
Global and other	44,590	2,852

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. Management monitors, on a daily basis, these subsidiaries' liquid capital to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rule.

Under the terms of Macau banking legislation, MCB is required to transfer to a legal reserve an amount equal to a minimum of 20 per cent. of its annual profit after tax until the amount of the reserve is equal to 50 per cent. of its issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10 per cent. of its annual profit after tax until the reserve is equal to MCB's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. MCB monitors solvency ratio under the requirement of Autoridade Monetária de Macau, the Monetary Authority of Macau, and keeps the ratio at not less than 8 per cent. throughout the current period.

No changes were made in the objectives, policies or processes for managing capital during the period ended 31st March, 2013 and the year ended 31st December, 2011.

The Group monitors capital using a gearing ratio, which is calculated by dividing its total borrowings, net of non-controlling interests by total shareholders' equity. Total borrowings include current and non-current bank and other borrowings. Total shareholders' equity represents equity attributable to equity holders of the Company.

	Group	
	Period ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated)
Bank and other borrowings *(Note 27)*	**509,497**	766,406
Less: Non-controlling interests in bank and other borrowings	**(55,550)**	(83,886)
Bank and other borrowings, net of non-controlling interests	**453,947**	682,520
Equity attributable to equity holders of the Company	**10,276,626**	9,923,673
Gearing ratio	**4 per cent.**	7 per cent.

43. EVENT AFTER THE REPORTING PERIOD

In June 2013, OUE, in which the Group has interests through LAAP, issued a circular to its shareholders stating that, amongst other things, OUE proposed to (i) dispose of its interest in the hotel known as Mandarin Orchard Singapore and the retail mall known as Mandarin Gallery, both are located in Singapore, to a proposed real estate investment trust to be known as OUE Hospitality Real Estate Investment Trust at a minimum consideration of S$1,705 million, which will be paid in combination of cash and stapled securities in OUE Hospitality Trust (the "Disposal"); and (ii) subject to the completion of the Disposal, declare a special one-tier tax exempt dividend in favour of all shareholders of OUE. The Disposal was approved by the shareholders of OUE in June 2013. However, the completion of the Disposal is subject to the listing of, and commencement of trading of, the stapled securities in the OUE Hospitality Trust on the Singapore Exchange Securities Trading Limited.

44. COMPARATIVE FIGURES

As explained in Note 2.2 to the financial statements, due to the adoption of revised HKFRSs and certain change of accounting policy during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment, and a third statement of financial position as at 1st January, 2011 has been presented.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27th June, 2013.

Particulars of Principal Subsidiaries

PARTICULARS OF PRINCIPAL SUBSIDIARIES AS AT 31ST MARCH, 2013 ARE AS SET OUT BELOW.

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield Limited	British Virgin Islands	US$1	–	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US$50,000	–	100	Property investment
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US$3,000,000*	–	100	Property investment and management
Conrich Inc.	British Virgin Islands	US$1	–	100	Investment holding
Cyberspot Limited	British Virgin Islands	US$1	–	100	Investment holding
Cyfield Limited	British Virgin Islands	US$1	–	100	Property investment
Dragonjoy Investment Limited	Hong Kong	HK$10,000	–	100	Securities trading
Everwin Pacific Ltd.	British Virgin Islands	US$1	–	100	Property investment
Fiatsco Limited	British Virgin Islands	US$1	–	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	–	100	Property development
HCL Management Limited	Hong Kong	HK$1	–	100	Management services
HKC Property Investment Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
HKC Realty LLC**	United States of America	US$2,250,000*	–	100	Property investment
HKCL Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Hong Kong Housing Loan Limited	Hong Kong	HK$40,000,000	–	100	Money lending

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
ImPac Asset Management (HK) Limited	Hong Kong	HK$8,500,000	–	100	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US$2,000,100	–	100	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US$13,000	–	100	Fund management
Lippo Asia Limited	Hong Kong	HK$120,000,000	–	100	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK$400,000	–	100	Fund management
Lippo Futures Limited	Hong Kong	US$2,000,000	–	100	Commodities brokerage
Lippo General Partner Limited	Cayman Islands	US$100	–	100	General partner of a limited partnership
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S$2	–	100	Project management
Lippo Securities Holdings Limited	Hong Kong	US$23,000,000	–	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	–	100	Investment holding
Lippo Securities Limited	Hong Kong	HK$220,000,000	–	100	Securities brokerage
Lippo (S) Pte. Ltd.**	Republic of Singapore	S$2,000,000	–	100	Property investment
L.S. Finance Limited	Hong Kong	HK$5,000,000	–	100	Money lending
Masta Limited	British Virgin Islands	US$1	–	100	Investment holding

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Masuda Limited	British Virgin Islands	US$10,000	–	100	Investment holding
MGS Ltd.	British Virgin Islands	US$1	–	100	Investment holding
Norfyork International Limited	Hong Kong	HK$25,000,000	–	100	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Pacific Bond Limited	British Virgin Islands	US$1	–	100	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US$1	–	100	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US$1	–	100	Investments
Rosery Inc.	British Virgin Islands	US$1	–	100	Investment holding
Sinogain Asia Limited	British Virgin Islands	US$1	–	100	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investments
Stargala Limited	British Virgin Islands	US$1	–	100	Property investment
The Macau Chinese Bank Limited**	Macau	MOP260,000,000	–	100	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US$1	–	100	Investments
Uchida Limited	British Virgin Islands	US$1	–	100	Investment holding
Wealtop Limited	British Virgin Islands	US$1	–	100	Investment holding
Winluck Asia Limited	British Virgin Islands	US$1	–	100	Property investment
Winluck Pacific Limited	British Virgin Islands	US$1	–	100	Property investment

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Winrider Limited	British Virgin Islands	US$1	–	100	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US$1	–	100	Investments
Yield Point Limited	British Virgin Islands	US$1	–	100	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)**	People's Republic of China	US$36,000,000*	–	80	Property development
TechnoSolve Limited	Hong Kong	HK$26,296,000	–	68.65	Development of computer hardware and software
科慧(珠海)軟件有限公司**	People's Republic of China	RMB800,000*	–	68.65	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US$100	–	60	Investment holding

\# *represents the effective holding of the Group after non-controlling interests therein*
* *paid up registered capital*
** *audited by certified public accountants other than Ernst & Young, Hong Kong*

Note:

MOP — Macau patacas
Pesos — Philippines pesos
RMB — People's Republic of China renminbi
S$ — Singapore dollars
US$ — United States dollars

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

In December 2012, the Directors of the Company resolved to change the financial year end date of the Company from 31st December to 31st March. However, in order to comply with the relevant local statutory and/or regulatory requirements, the financial year end date of certain subsidiaries of the Company remained on 31st December which did not coincide with the financial year end date of the Company. The Company consolidated the results, assets and liabilities of such subsidiaries made up to the financial year end date of the Company.

Particulars of Principal Associates

PARTICULARS OF PRINCIPAL ASSOCIATES AS AT 31ST MARCH, 2013 ARE AS SET OUT BELOW.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Greenix Limited	Corporate	British Virgin Islands	US$100,000	50	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US$100	49	Investment management
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US$15,036.58	39.90	Investment holding
Lippo ASM Asia Property LP**	Limited partnership	Cayman Islands	N/A	N/A	Investment in real estate and hospitality service businesses

\# *represents the effective holding of the Group after non-controlling interests therein*

** *Lippo ASM Asia Property LP is a limited partnership of which a wholly-owned subsidiary of the Company is the limited partner*

Note:

S$ — Singapore dollars
US$ — United States dollars

The above table includes the associates of the Company which, in the opinion of the Directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of all associates would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of Principal Jointly Controlled Entities

PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES AS AT 31ST MARCH, 2013 ARE AS SET OUT BELOW.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Sunning Asia Limited	Corporate	British Virgin Islands	US$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	50	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US$2	30	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S$2	30	Property development

represents the effective holding of the Group after non-controlling interests therein

Note:

S$ — Singapore dollars
US$ — United States dollars

Schedule of Major Properties

(1) PROPERTIES HELD FOR INVESTMENT AS AT 31ST MARCH, 2013

Description	Use	Approximate gross floor area	Status	Percentage of the Group's interest
		(square metres)		
PEOPLE'S REPUBLIC OF CHINA				
5 floors of Unit 1 Building 1, Lippo Tower No. 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	100
2nd to 6th Floors The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,590	Rental	100
OVERSEAS				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	100
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	100
Apartment No. 2 Blumenthalstrasse 22 69120 Heidelberg, Germany	Residential	153 (net floor area)	Rental	100

(2) PROPERTY HELD AS FIXED ASSET AS AT 31ST MARCH, 2013

Description	Use	Approximate gross floor area	Percentage of the Group's interest
		(square metres)	
PEOPLE'S REPUBLIC OF CHINA			
Basement, Ground Floor and 1st Floor The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	1,558	100

(3) PROPERTIES HELD FOR DEVELOPMENT AS AT 31ST MARCH, 2013

Description	Use	Approximate site area	Approximate gross floor area	Percentage of the Group's interest	Estimated completion date	Stage of development at 31st March, 2013
		(square metres)	*(square metres)*			
PEOPLE'S REPUBLIC OF CHINA						
No. 8 Ronghua Middle Road Yizhuang Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Multi-use	51,209	275,000	80	2013	Interior finishing works and external works in progress
83 Estrada de Cacilhas Macau	Residential	3,398	26,025 (total saleable area)	100	2014	Foundation works substantially completed
OVERSEAS						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land

(4) PROPERTY HELD FOR SALE AS AT 31ST MARCH, 2013

Description	Use	Approximate gross floor area	Percentage of the Group's interest
		(square metres)	
OVERSEAS			
854 West Adams Boulevard Los Angeles, CA 90007 United States of America	Residential	723	100

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Fifteen-month ended 31st March, 2013 HK$'000	Year ended 31st December, 2011 HK$'000 (Restated)	Year ended 31st December, 2010 HK$'000 (Restated)	Year ended 31st December, 2009 HK$'000 (Restated)	Year ended 31st December, 2008 HK$'000 (Restated)
Profit/(Loss) attributable to equity holders of the Company	**(209,464)**	1,022,294	2,614,827	(359,343)	(212,032)
Total assets	**14,746,582**	12,369,201	10,409,228	6,191,312	6,406,028
Total liabilities	**(4,408,188)**	(2,356,375)	(1,578,922)	(1,386,844)	(1,362,439)
Net assets	**10,338,394**	10,012,826	8,830,306	4,804,468	5,043,589
Non-controlling interests	**(61,768)**	(89,153)	(112,592)	(189,516)	(191,327)
Equity attributable to equity holders of the Company	**10,276,626**	9,923,673	8,717,714	4,614,952	4,852,262