



廖創興企業有限公司
LIU CHONG HING INVESTMENT LIMITED

LIU CHONG HING

Interim Report 2013

Stock Code: 194

CORPORATE INFORMATION

HONORARY CHAIRMAN

Mr. Liu Lit Man, GBS, J.P., F.I.B.A.

BOARD OF DIRECTORS

Executive Directors

Dr. Liu Lit Mo, LL.D., MBE, J.P.
(*Chairman and Managing Director*)

Mr. Liu Lit Chi

Mr. Liu Kam Fai, Winston
(*Deputy Managing Director*)

Mr. Liu Kwun Shing, Christopher
(*also alternate director to Dr. Liu Lit Chung*)

Mr. Lee Wai Hung

Non-executive Directors

Dr. Liu Lit Chung,
MBBS (Lon), MRCP(UK), F.R.C.P. (Lon)

Mr. Andrew Liu

Mr. Liu Chun Ning, Wilfred

Mr. Kho Eng Tjoan, Christopher
BES, M. Arch, HKIA, RIBA, ARAIA, MRAIC,
Assoc. AIA, Registered Architect,
A.P. (Architect), MHKIoD

Independent Non-executive Directors

Mr. Ng Ping Kin, Peter, MSc., J.P.

Dr. Cheng Mo Chi, Moses,
GBS, OBE, LLB (HK), J.P.

Mr. Tong Tsin Ka, FCA (AUST.), FCPA, FCIS

Mr. Au Kam Yuen, Arthur

Dr. Ma Hung Ming, John, PhD, BBS

COMPANY SECRETARY

Mr. Lee Wai Hung

AUDIT COMMITTEE

Mr. Tong Tsin Ka (*Chairman*)

Mr. Ng Ping Kin, Peter

Dr. Cheng Mo Chi, Moses

Mr. Kho Eng Tjoan, Christopher

Mr. Au Kam Yuen, Arthur

Dr. Ma Hung Ming, John

Mr. Lee Wai Hung (*Secretary*)

NOMINATION COMMITTEE

Dr. Liu Lit Mo (*Chairman*)

Dr. Cheng Mo Chi, Moses

Mr. Ng Ping Kin, Peter

Mr. Tong Tsin Ka

Mr. Kho Eng Tjoan, Christopher

Mr. Au Kam Yuen, Arthur

Dr. Ma Hung Ming, John

Mr. Lee Wai Hung (*Secretary*)

REMUNERATION COMMITTEE

Dr. Cheng Mo Chi, Moses (*Chairman*)

Mr. Ng Ping Kin, Peter

Mr. Tong Tsin Ka

Mr. Kho Eng Tjoan, Christopher

Mr. Au Kam Yuen, Arthur

Dr. Ma Hung Ming, John

Ms. Cavior Liu (*Secretary*)

CORPORATE GOVERNANCE COMMITTEE

Dr. Liu Lit Mo (*Chairman*)

Dr. Cheng Mo Chi, Moses

Mr. Tong Tsin Ka

Mr. Liu Kam Fai, Winston

Mr. Liu Kwun Shing, Christopher

Mr. Lee Wai Hung

SOLICITORS

Deacons
Gallant Y.T. Ho & Co.
P.C. Woo & Co.

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

BANKERS

Chong Hing Bank Limited
Australia and New Zealand Banking Group Limited
Bank of China (Hong Kong) Limited
Bank of Communications Company, Limited
Citibank N.A., Hong Kong
China CITIC Bank International Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Shanghai Pudong Development Bank Company, Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
The Hong Kong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland
Wing Hang Bank, Limited
Wing Lung Bank Limited

REGISTERED OFFICE

25th Floor, Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong
Tel: (852) 3768 9038
Fax: (852) 3768 9008

GUANGZHOU OFFICE

18A, Office Tower A
339 Huan Shi Dong Road
Yue Xiu District
Guangzhou, P.R.C.
Tel: (8620) 8375 8993
Fax: (8620) 8375 8997

SHANGHAI OFFICE

Room 3105, Chong Hing Finance Center
288 Nanjing Road West
Shanghai, P.R.C.
Tel: (8621) 6359 1000
Fax: (8621) 6327 6299

FOSHAN OFFICE

First Phase, The Grand Riviera
1 Guilong Road
Luocun Social Management Office,
ShiShan Town
Nanhai District, Foshan
Guangdong Province, P.R.C.
Tel: (86757) 8126 6688
Fax: (86757) 8126 6669

SHAREHOLDERS' INFORMATION

FINANCIAL CALENDAR

As at 7 August 2013

Annual General Meeting	:	Held on 8 May 2013
Interim Results for six-month ended 30 June 2013	:	Announced on 7 August 2013
Dividends		
Interim cash dividend	:	HK\$0.10 per share
Payable on	:	26 September 2013
Ex-dividend date of interim dividend	:	13 September 2013
Latest time to lodge transfer forms	:	4:30 p.m. on 16 September 2013
Closure of Register of Members	:	From 17 September 2013 to 19 September 2013 (both days inclusive)
Share Registrars and transfer office	:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Share listing	:	The Company's shares are listed on The Stock Exchange of Hong Kong Limited
Stock Code	:	194
Board lot	:	2,000 shares
No. of issued ordinary share	:	378,583,440 shares
Company's e-mail address	:	info@lchi.com.hk
Investors and Shareholders contact	:	Attention: Mr. Lee Wai Hung/Ms. Nelly Ng 23rd Floor, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong Tel: (852) 3768 9050 Fax: (852) 3768 9009 Website: http://www.lchi.com.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited) (restated)
Total operating revenue	7	1,164,125	1,134,694
Interest income		761,171	781,738
Interest expense		(284,880)	(380,981)
Net interest income	8	476,291	400,757
Fee and commission income		140,228	122,059
Fee and commission expense		(34,351)	(30,182)
Net fee and commission income	9	105,877	91,877
Other operating revenue	7	262,726	230,897
Direct expenses		(52,719)	(39,487)
Other income — non-financial services		792,175	684,044
Other operating expenses	10	5,476	6,646
Net (impairment allowance) reversal of impairment allowances on loans and advances — financial services		(428,934)	(456,584)
Other gains and losses	11	(17,592)	34,432
Other gains and losses	11	141,928	199,854
Finance costs — non-financial services		(49,093)	(52,638)
Share of profits of joint ventures		58	56
Share of profits of associates		8,348	10,387

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited) (restated)
Profit before tax		452,366	426,197
Income tax expense	12	(68,766)	(54,409)
Profit for the period		383,600	371,788
Profit for the period attributable to:			
Owners of the Company		245,068	241,178
Non-controlling interests		138,532	130,610
		383,600	371,788
Basic earnings per share	13	HK\$0.65	HK\$0.64

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited) (restated)
Profit for the period	383,600	371,788
Other comprehensive income (expense)		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation	76,677	(27,376)
Fair value (losses) gains on available-for-sale investments	(46,105)	63,474
Income tax effect relating to fair value change of available-for-sale investments	11,873	(10,733)
Amount reclassified to the profit or loss upon disposal of available-for-sale investments	(38,130)	(468)
Income tax effect relating to disposal of available-for-sale investments	8	77
Share of other comprehensive (expense) income of associates	(230)	250
Other comprehensive income for the period (net of tax)	4,093	25,224
Total comprehensive income for the period	387,693	397,012
Total comprehensive income attributable to:		
Owners of the Company	275,049	239,895
Non-controlling interests	112,644	157,117
	387,693	397,012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	NOTES	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Assets			
Cash and short-term funds	15	12,406,144	17,845,583
Placements with banks and other financial institutions maturing between one to twelve months		8,424,194	4,844,115
Derivative financial instruments	16	107,669	187,911
Investments in securities	17	16,646,672	15,504,832
Advances and other accounts — financial services	18	43,626,138	42,069,072
Advances to an investee company		223,039	322,539
Trade and other receivables — non-financial services	19	90,810	91,292
Properties under development for sale		1,210,856	1,159,817
Properties held for sale		591,012	584,722
Inventories		17,257	17,417
Interests in joint ventures		2,719	2,661
Interests in associates		186,888	182,970
Investment properties	20	5,966,194	5,868,769
Property, plant and equipment		951,383	966,907
Prepaid lease payments		2,417	2,423
Deferred tax assets		2,155	2,182
Goodwill		50,606	50,606
Total assets		90,506,153	89,703,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2013

	NOTES	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Liabilities			
Deposits and balances of banks and other financial institutions		2,080,049	1,843,477
Financial assets sold under repurchase agreements	21	437,349	433,681
Deposits from banking customers	22	68,451,755	67,361,446
Certificates of deposit	23	177,511	667,636
Derivative financial instruments	16	194,445	248,656
Trade and other payables	24	880,265	979,327
Taxation payable		80,514	34,480
Loan capital	25	1,794,150	1,898,957
Borrowings	26	3,665,289	3,730,120
Deferred tax liabilities		208,074	213,009
Total liabilities		77,969,401	77,410,789
Equity			
Share capital		378,583	378,583
Reserves		8,424,591	8,217,687
Equity attributable to:			
Owners of the Company		8,803,174	8,596,270
Non-controlling interests		3,733,578	3,696,759
Total equity		12,536,752	12,293,029
Total liabilities and equity		90,506,153	89,703,818

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Special reserve	Property revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Exchange reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note c)	HK\$'000		
At 1 January 2012	378,583	75,747	1,711,859	93,514	2,962	497,696	5,366,417	8,126,768	3,531,812	11,658,580
Profit for the period	-	-	-	-	-	-	241,178	241,178	130,610	371,788
Exchange differences arising on translation	-	-	-	-	-	(25,738)	-	(25,738)	(1,638)	(27,376)
Fair value gains on available-for-sale investments	-	-	-	29,789	-	-	-	29,789	33,665	63,474
Income tax effect relating to fair value change of available-for-sale investments	-	-	-	(5,269)	-	-	-	(5,269)	(5,464)	(10,733)
Amount reclassified to the profit or loss upon disposal of available-for-sale investments	-	-	-	(230)	-	-	-	(230)	(238)	(468)
Income tax effect relating to disposal of available-for-sale investments	-	-	-	38	-	-	-	38	39	77
Share of other comprehensive income of associates	-	-	-	127	-	-	-	127	123	250
Total comprehensive income for the period	-	-	-	24,455	-	(25,738)	241,178	239,895	157,117	397,012
Acquisition of additional interests	-	-	-	-	-	-	-	-	-	-
in subsidiaries	-	(61,832)	-	-	-	(4,452)	-	(66,284)	(26,492)	(92,776)
Dividends recognised as distribution	-	-	-	-	-	-	(68,145)	(68,145)	-	(68,145)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(77,510)	(77,510)
At 30 June 2012 (unaudited and restated)	378,583	13,915	1,711,859	117,969	2,962	467,506	5,539,450	8,232,234	3,584,927	11,817,161
Profit for the period	-	-	-	-	-	-	238,832	238,832	147,684	386,516
Exchange differences arising on translation	-	-	-	-	-	32,376	-	32,376	4,879	37,255
Fair value gains on available-for-sale investments	-	-	-	140,152	-	-	-	140,152	59,226	199,378
Income tax effect relating to fair value change of available-for-sale investments	-	-	-	(9,499)	-	-	-	(9,499)	(9,682)	(19,181)
Amount reclassified to the profit or loss upon disposal of available-for-sale investments	-	-	-	(63)	-	-	-	(63)	(63)	(126)
Income tax effect relating to disposal of available-for-sale investments	-	-	-	11	-	-	-	11	10	21
Share of other comprehensive income of associates	-	-	-	85	-	-	-	85	95	180
Total comprehensive income for the period	-	-	-	130,666	-	32,376	238,832	401,894	202,149	604,043
Acquisition of additional interests	-	-	-	-	-	-	-	-	(65,957)	(65,957)
in subsidiaries	-	-	-	-	-	-	-	-	-	-
Dividends recognised as distribution	-	-	-	-	-	-	(37,858)	(37,858)	-	(37,858)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(24,360)	(24,360)
At 31 December 2012 (audited)	378,583	13,915	1,711,859	248,655	2,962	499,882	5,740,424	8,596,270	3,696,759	12,293,029

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Special reserve	Property revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Exchange reserve	Accumulated profits			
	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note c)			
Profit for the period	-	-	-	-	-	-	245,068	245,068	188,532	383,800
Exchange differences arising on translation	-	-	-	-	-	-	73,132	73,132	3,545	76,677
Fair value losses on available-for-sale investments	-	-	-	(10,895)	-	-	-	(10,895)	(35,210)	(46,105)
Income tax effect relating to fair value change of available-for-sale investments	-	-	-	5,960	-	-	-	5,960	5,913	11,873
Amount reclassified to the profit or loss upon disposal of available-for-sale investments	-	-	-	(38,105)	-	-	-	(38,105)	(25)	(38,130)
Income tax effect relating to disposal of available-for-sale investments	-	-	-	4	-	-	-	4	4	8
Share of other comprehensive expense of associates	-	-	-	(115)	-	-	-	(115)	(115)	(230)
Total comprehensive income for the period	-	-	-	(43,151)	-	73,132	245,068	275,049	112,644	387,693
Dividends recognised as distribution	-	-	-	-	-	-	(68,145)	(68,145)	-	(68,145)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(75,825)	(75,825)
At 30 June 2013 (unaudited)	378,583	13,915	1,711,859	205,504	2,952	573,014	5,917,347	8,803,174	3,733,578	12,536,752

Notes:

- Special reserve represents the difference between the consideration paid and the carrying values of the underlying assets and liabilities attributable to the additional interest in a subsidiary acquired during the year ended 31 December 2004 and the year ended 31 December 2012.
- Property revaluation reserve represents the reserve arising from revaluation of properties under property, plant and equipment upon transfer to investment properties in previous years.
- The regulatory reserve is set up in compliance with the requirement of the Hong Kong Monetary Authority ("HKMA") and is distributable to owners of Chong Hing Bank Limited subject to consultation with the HKMA. As at 30 June 2013, regulatory reserve of HK\$212,336,000 (2012: HK\$194,265,000) and HK\$210,664,000 (2012: HK\$192,735,000) are included under accumulated profits and non-controlling interests, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(2,972,120)	592,112
INVESTING ACTIVITIES		
Purchase of held-to-maturity securities	(12,987,556)	(10,512,040)
Additional investments in available-for-sale investments	(555,474)	(1,074,371)
Purchase of property, plant and equipment	(18,763)	(64,985)
Increase in bank deposits with more than three months to maturity when raised	(102,817)	(39,144)
Purchase of investment properties	–	(36,801)
Advance to an investee company	–	(5,000)
Repayment from an investee company	100,000	–
Proceeds from redemption of held-to-maturity securities	11,030,602	8,101,919
Proceeds from sale and redemption of available-for-sale investments	72,590	8,813
Interest received on available-for-sale investments and held-to-maturity securities	170,783	112,589
Dividend received from associates	4,200	–
Proceeds from disposal of investment properties	3,927	4,316
Proceeds from disposal of property, plant and equipment	199	3
NET CASH USED IN INVESTING ACTIVITIES	(2,282,309)	(3,504,701)
FINANCING ACTIVITIES		
New borrowings raised	200,257	759,066
Repayments of borrowings	(259,300)	(499,134)
Dividend paid	(143,970)	(145,655)
Additional investment in a subsidiary	–	(87,843)
Interest paid on borrowings	(54,697)	(51,495)
Interest paid on loan capital	(31,806)	(32,820)
NET CASH USED IN FINANCING ACTIVITIES	(289,516)	(57,881)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited) (restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,543,945)	(2,970,470)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15,382,661	17,489,556
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,374)	(4,097)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,835,342	14,514,989
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by:		
Money at call and short notice with original maturity of three months or less	6,489,238	6,466,078
Cash and balances with banks and other financial institutions	4,043,359	6,088,794
Placements with banks and other financial institutions with original maturity of three months or less	827,166	1,462,188
Exchange fund bills with original maturity of three months or less	49,999	1,799,972
Deposits and balances of banks and other financial institutions with original maturity of three months or less	(1,574,420)	(1,302,043)
	9,835,342	14,514,989

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 13	Fair Value Measurement
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 4.

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. Disclosures are set out in note 6.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 34 *Interim Financial Reporting*

(as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group’s reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

HKFRSs that had been early applied in preceding year

During the year ended 31 December 2012, the Group had early applied the following HKFRSs:

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures

In order to conform with the accounting policies applied for the preparation of the Group’s annual financial statements for the year ended 31 December 2012, the results for the preceding interim period ended 30 June 2012 have been adjusted.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The effect of the change in accounting policy described above on the results for the preceding interim period by line items presented in the “condensed consolidated statement of profit or loss” and “condensed consolidated statement of profit or loss and other comprehensive income” is as follows:

Impacts on the condensed consolidated statement of profit or loss for the six month ended 30 June 2012

	As originally stated HK\$'000	HKFRS 10 adjustments HK\$'000	Restated amounts after HKFRS 10 adjustments HK\$'000	Reclassification HK\$'000 (Note)	As restated HK\$'000
Total operating revenue	-	-	-	1,134,694	1,134,694
Interest income	-	781,738	781,738	-	781,738
Interest expense	-	(380,981)	(380,981)	-	(380,981)
Net interest income	-	400,757	400,757	-	400,757
Fee and commission income	-	122,059	122,059	-	122,059
Fee and commission expense	-	(30,182)	(30,182)	-	(30,182)
Net fee and commission income	-	91,877	91,877	-	91,877
Other operating revenue	180,058	50,839	230,897	-	230,897
Direct expenses	(38,963)	(524)	(39,487)	-	(39,487)
Investment income	141,095	542,949	684,044	-	684,044
Other income — non-financial services	1,280	-	1,280	(1,280)	-
Administrative and operating expenses	5,921	202	6,123	523	6,646
Other operating expenses	(79,513)	(375,974)	(455,487)	455,487	-
Promotion and selling expenses on properties held for sale	-	-	-	(456,584)	(456,584)
Reversal of impairment allowances on loans and advances	(194)	-	(194)	194	-
Gain on changes in fair value on investment properties	-	34,432	34,432	-	34,432
Other gains and losses	101,551	6,646	108,197	(108,197)	-
Finance costs — non-financial services	-	89,444	89,444	110,410	199,854
Share of profits of joint ventures	(53,575)	937	(52,638)	-	(52,638)
Share of profits of associates	56	-	56	-	56
Gain on changes in fair value of investments held for trading	127,512	(117,125)	10,387	-	10,387
Profit before tax	244,686	181,511	426,197	-	426,197
Income tax expenses	(5,135)	(49,274)	(54,409)	-	(54,409)
Profit for the period	239,551	132,237	371,788	-	371,788
Profit for the period attributable to:					
Owners of the company	241,178	-	241,178	-	241,178
Non-controlling interests	(1,627)	132,237	130,610	-	130,610
	239,551	132,237	371,788	-	371,788
Basic earnings per share	HK\$0.64	-	-	-	HK\$0.64

Note: Upon consolidation of the Chong Hing Bank Limited and its subsidiaries (“CHB” and collectively the “CHB Group”), certain amounts in the condensed consolidated statement of profit or loss are reclassified and regrouped for the presentation of the condensed consolidated financial statements of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2012

	As originally stated HK\$'000	HKFRS 10 adjustments HK\$'000	Restated amounts after HKFRS 10 adjustments HK\$'000	As restated HK\$'000
Profit for the period	239,551	132,237	371,788	371,788
Other comprehensive income (expense)				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Exchange differences arising on translation	(23,748)	(3,628)	(27,376)	(27,376)
Fair value (losses) gains on available for sales investment	(2,684)	66,158	63,474	63,474
Income tax effect relating to fair value change of available-for-sale investments	–	(10,733)	(10,733)	(10,733)
Amount reclassified to the profit and loss upon disposal of available-for-sales investments	–	(468)	(468)	(468)
Income tax effect relating to disposal of available-for-sale investments	–	77	77	77
Share of other comprehensive income of associates	30,589	(30,339)	250	250
Income tax effect relating to components of other comprehensive income	(5,231)	5,231	–	–
Other comprehensive (expense) income for the period	(1,074)	26,298	25,224	25,224
Total comprehensive income for the period	238,477	158,535	397,012	397,012
Total comprehensive income attributable to:				
Owners of the Company	239,895	–	239,895	239,895
Non-controlling interests	(1,418)	158,535	157,117	157,117
	238,477	158,535	397,012	397,012

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the CODM, for the purposes of resources allocation or assessment of segment performance focuses on types of goods and services delivered or provided. No operating segment identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

1. Financial services — provision of banking services, securities trading, stockbroking, futures broking, investment holding, insurance and other investment advisory services
2. Property investment — investment and letting of properties
3. Property development — development and sale of properties
4. Property management — provision of property management services
5. Treasury investment — dealings and investments in securities and other financial instruments
6. Trading and manufacturing — manufacture and sale of magnetic products
7. Hotel operation — management and operation of hotels

Upon the adoption of HKFRS 10, CHB Group is regarded as the subsidiary of the Company throughout the periods presented and a new segment of financial services was presented to reflect the CHB Group's entire operations as the CODM of the Group reviewed the operations of the CHB Group as a whole. Therefore, the segment information in respect of the six months ended 30 June 2012 was restated.

3. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Financial services HK\$'000	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000	Treasury investment HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended										
30 June 2013										
Operating revenue	972,138	132,600	5,185	8,191	9,872	22,253	24,598	1,174,837	(10,712)	1,164,125
Comprising:										
– segment revenue from customers	966,828	132,359	5,185	4,513	8,389	22,253	24,598			
– inter-segment transactions (Note)	5,310	241	-	3,678	1,483	-	-			
Operating expenses	(598,354)	(58,456)	(6,151)	(11,748)	(1,300)	(21,544)	(26,481)	(724,034)	9,782	(714,252)
Net charge of impairment allowances on loans and advances	(17,592)	-	-	-	-	-	-	(17,592)	-	(17,592)
Net exchange gains and net gains (losses) from foreign currency contracts	158,881	(862)	1,995	(112)	3,898	-	-	163,800	-	163,800
Net losses on disposal of property, plant and equipment	(978)	-	(293)	-	(271)	-	-	(1,542)	-	(1,542)
Net gains on disposal of available-for-sale investments	51	-	-	-	43,863	-	-	43,914	-	43,914
Net gains on disposal of investment properties	2,327	-	-	-	-	-	-	2,327	-	2,327
Gain on changes of fair value on investment properties	1,910	45,818	-	-	-	-	-	47,728	-	47,728
Net (losses) gains on financial instruments at fair value through profit or loss	(116,056)	-	-	-	2,019	-	-	(114,037)	-	(114,037)
Net losses on fair value hedge	(262)	-	-	-	-	-	-	(262)	-	(262)
Segment profit (loss)	402,065	119,100	736	(3,669)	58,081	709	(1,883)	575,139	(930)	574,209
Finance costs – non-financial services										(49,093)
Unallocated corporate expenses										(81,156)
Share of profits of joint ventures										443,960
Share of profits of associates										58
Profit before tax										8,348
										452,366

Note: Inter-segment sales are charged at prevailing market rates.

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Financial services HK\$'000	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000	Treasury investment HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2012 (restated)										
Operating revenue	967,590	133,086	-	8,279	7,477	10,479	24,241	1,151,152	(16,458)	1,134,694
Comprising:										
— segment revenue from customers	962,138	128,649	-	2,853	6,334	10,479	24,241			
— inter-segment transactions (Note)	5,452	4,437	-	5,426	1,143	-	-			
Operating expenses	(695,544)	(63,751)	(12,563)	(11,202)	(2,039)	(10,637)	(26,112)	(811,748)	15,521	(796,227)
Net reversal of impairment allowances on loans and advances	34,432	-	-	-	-	-	-	34,432	-	34,432
Net exchange gains and net gains from foreign currency contracts	60,328	113	466	34	(815)	-	-	60,126	-	60,126
Net losses on disposal of property, plant and equipment	(8)	-	-	-	(227)	-	-	(235)	-	(235)
Net gains on disposal of and fair value adjustment of available-for-sale investments	468	-	-	-	757	-	-	1,225	-	1,225
Net gains on disposal of investment properties	2,816	-	-	-	-	-	-	2,816	-	2,816
Gain on changes of fair value on investment properties	3,830	101,551	-	-	-	-	-	105,381	-	105,381
Net gains on financial instruments at fair value through profit or loss	28,358	-	-	-	1,456	-	-	29,814	-	29,814
Net gains on fair value hedge	727	-	-	-	-	-	-	727	-	727
Segment profit (loss)	402,997	180,999	(12,097)	(2,889)	6,609	(58)	(1,871)	573,690	(937)	572,753
Finance costs — non-financial services										(52,638)
Unallocated corporate expenses										(104,361)
Share of profits of joint ventures										415,754
Share of profits of associates										56
Profit before tax										10,387
										426,197

Note: Inter-segment sales are charged at prevailing market rates.

Segment profit/loss represents the profit earned by/loss from each segment without allocation of share of profits of associates and joint ventures, finance costs arising from non-financial services and unallocated corporate expenses, which include support functions' costs related to corporate activities that cannot be reasonably allocated to segments. In addition, administrative costs incurred by the treasury investment segment on behalf of other segments are allocated to respective operating segments on the basis of revenues earned by individual operating segments other than financial services segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the condensed consolidated statement of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2013

	Fair value hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets held for trading (Note 17)	9,983	-	-	9,983
Financial assets designated at fair value through profit or loss (Note 17)				
Convertible bonds	-	91,149	-	91,149
Structured products	-	38,519	-	38,519
Available-for-sale investments (Note 17)				
Equity securities	195,701	-	270,835	466,536
Investment funds	-	-	111,720	111,720
Other debt securities	1,164	4,330,389	4,169	4,335,722
Derivative financial assets not used for hedging (Note 16)	-	2,359	-	2,359
Derivative financial assets used for hedging (Note 16)	-	105,310	-	105,310
Derivative financial liabilities not used for hedging (Note 16)	-	(140,291)	-	(140,291)
Derivative financial liabilities used for hedging (Note 16)	-	(54,154)	-	(54,154)
Total	206,848	4,373,281	386,724	4,966,853

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the condensed consolidated statement of financial position (continued)

There were no transfers between Levels 1, 2 and 3 during the six-month period ended 30 June 2013.

The fair value of listed equity securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair values of convertible bonds designated as financial assets at fair value through profit or loss, debt securities classified as available-for-sale securities, held-to-maturity securities and loan capital are calculated based on quoted market prices provided by pricing service providers, dealers, brokers and other service providers. Valuation models using discounted cash flows are derived to substantiate the indicative prices of the debt securities. Inputs to valuation models are determined from observable market interest rate data, whenever possible.

The fair value of structured products designated as financial assets at fair value through profit or loss are calculated using discounted cash flows analysis derived from quoted interest rates, which are observable at the end of the reporting period.

The fair value of investment funds is determined by using valuation technique of market approach, which included some assumptions that are not supportable by observable market prices or rates. The inputs used in estimating the value of investment funds include the original transaction price, recent transactions and market-multiple of the same or similar instruments, completed or pending third-party transactions in the underlying investment.

The fair value of unlisted equity securities is determined with reference to market values of underlying assets, which mainly include investment properties held by the investee company. The valuation of the properties was principally arrived at using the basis of comparison method, in which property is valued on the assumption that the property can be sold with the benefit of vacant possession. Comparison based on prices realised on actual sales of comparable properties is made for similar properties in the similar location.

The fair value of foreign currency forward contracts is measured by comparing the contracted forward rates and the quoted forward exchange rates, which is observable at the end of the reporting period.

The fair value of interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, which is observable at the end of the reporting period.

Except as detailed in the following table, the directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

Fair value measurements recognised in the condensed consolidated statement of financial position (continued)

At 30 June 2013

	Carrying value HK\$'000	Fair value HK\$'000
Financial assets		
— Held-to-maturity securities	11,556,974	11,570,770
Financial liabilities		
— Loan capital	1,794,150	1,771,024

Reconciliation of Level 3 fair value measurements of financial assets as at 30 June 2013.

	Financial assets designated at fair value through profit or loss HK\$'000	Available- for-sale investments HK\$'000	Total HK\$'000
Balance at 1 January 2013	419,101	404,595	823,696
Total net losses recognised in profit or loss	(493)	—	(493)
Total net gains recognised in other comprehensive income	—	29,204	29,204
Purchases	—	21,803	21,803
Disposals	(418,608)	(66,608)	(485,216)
Return of capital contributions	—	(2,271)	(2,271)
Balance at 30 June 2013	—	386,723	386,723

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

Fair value measurements recognised in the condensed consolidated statement of financial position *(continued)*

Included in other comprehensive income is a gain of HK\$26,745,000 related to available-for-sale investments held at the end of the reporting period and is reported as changes of investment revaluation reserve.

The majority of the Group's investments are valued based on quoted market information or observable market data. A small percentage, 0.4% of total assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a material impact on the Group's financial position.

Fair value measurements and valuation process

The management performs regular reviews to determine the appropriate valuation techniques and inputs for fair value measurement.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers or other service providers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The respective management team reports the findings to the board of directors of the Company and the Asset and Liability Management Committee of the CHB Group regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed above.

5. TRANSFER OF FINANCIAL ASSETS

The following were the Group's debt securities classified as held-to-maturity and available-for-sale as at 30 June 2013 and 31 December 2012 that were transferred to an entity with terms to repurchase these debt securities at the agreed dates and prices. As the Group has not transferred the significant risks and rewards relating to these debt securities to the entity, the full carrying amount of these debt securities continued to be recognised. The cash received on the transfer was reported as liabilities under "Financial assets sold under repurchase agreements" (see Note 21). The transferred debt securities serve as collateral to secure these liabilities. During the covered period, the legal title of the debt securities is transferred to the counterparty entity and there is no restriction for the counterparty entity to sell or repledge the collateral. These debt securities are either measured at amortised cost or carried at fair value in the Group's condensed consolidated statement of financial position.

	30 June 2013		
	Available- for-sale debt securities HK\$'000	Held-to- maturity debt securities HK\$'000	Total HK\$'000
Carrying amount of transferred assets	378,479	117,528	496,007
Carrying amount of associated liabilities (Note 21)	329,313	108,036	437,349

	31 December 2012		
	Available- for-sale debt securities HK\$'000	Held-to- maturity debt securities HK\$'000	Total HK\$'000
Carrying amount of transferred assets	393,490	117,621	511,111
Carrying amount of associated liabilities (Note 21)	326,687	106,994	433,681

6. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has financial assets and financial liabilities that:

- are offset in the Group's condensed consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the condensed consolidated statement of financial position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for derivatives and sales and repurchase agreements. In addition, the Group receives and pledges collateral in the form of cash in respect of its derivative transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral received or pledged must be returned on maturity of the transactions, giving each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

Under the Continuous Net Settlement, money obligations receivable and payable with the Hong Kong Securities Clearing Company Limited on the same settlement date are settled on a net basis.

7. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Financial services revenue		
Interest income (Note 8)	761,171	781,738
Fee and commission income (Note 9)	140,228	122,059
Safe deposit box rentals	19,072	16,366
Insurance underwriting premium less claims and commission expense	11,095	10,616
Other financial services income	24,411	22,220
Others	1,533	1,590
	957,510	954,589
Non-financial services revenue		
Gross rental income	136,431	130,162
Sales of properties held for sale	5,185	–
Sales of goods	22,253	10,479
Interest income on structured deposits, available-for-sale investments, bank deposits and bank balances	8,306	6,288
Property management and agency fees	4,513	2,853
Hotel operation income	24,598	24,241
Dividend income from listed investments held for trading	83	46
Dividend income from an unlisted available-for-sale investment	5,246	6,036
	206,615	180,105
Total operating revenue	1,164,125	1,134,694
Attributable to:		
Interest income	761,171	781,738
Fee and commission income	140,228	122,059
Other operating revenue	262,726	230,897
	1,164,125	1,134,694

8. NET INTEREST INCOME

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Interest income		
Balances and placements with banks and other financial institutions	119,853	168,401
Investments in securities	146,717	135,176
Loans and advances	480,098	434,612
Interest rate swaps	14,503	43,549
	761,171	781,738
Interest expense		
Deposits and balances from banks and customers	(242,953)	(298,647)
Financial assets sold under repurchase agreements	(928)	(3,759)
Certificates of deposit	(2,408)	(17,861)
Loan capital	(31,761)	(33,653)
Interest rate swaps	(6,830)	(27,061)
	(284,880)	(380,981)
Net interest income	476,291	400,757
Included within interest income		
Interest income on impaired loans and advances	99	312

Included within interest income and interest expense are HK\$749,420,000 (2012: HK\$735,029,000) and HK\$279,533,000 (2012: HK\$355,063,000) attributable to financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

Also, included above is interest income of HK\$146,717,000 (2012: HK\$135,176,000) from unlisted investments in securities.

9. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Fee and commission income		
Securities dealings	64,440	56,691
Credit lines	7,799	7,445
Trade finance	5,829	5,425
Credit card services	37,137	32,863
Agency services	17,219	12,095
Others	7,804	7,540
Total fee and commission income	140,228	122,059
Less: Fee and commission expense	(34,351)	(30,182)
Net fee and commission income	105,877	91,877

10. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Auditor's remuneration	2,721	2,430
Staff costs	260,415	253,329
Depreciation of property, plant and equipment	34,138	35,973
Release of prepaid lease payments for land	33	33
Operating lease rentals in respect of land and buildings	33,299	27,680
Others	98,328	137,139
	428,934	456,584

11. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Net (losses) gains on financial instruments at fair value through profit or loss	(114,037)	29,814
Net (losses) gains on fair value hedge	(262)	727
Net exchange gains and net gains from foreign currency contracts	163,800	60,126
Net losses on disposal of property, plant and equipment	(1,542)	(235)
Net gains on disposal of available-for-sale investments	43,914	1,225
Net gains on disposal of investment properties	2,327	2,816
Gain on changes of fair value on investment properties	47,728	105,381
	141,928	199,854

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Current tax:		
Hong Kong	51,308	45,831
Overseas Tax	10,485	9,461
	61,793	55,292
Deferred taxation	6,973	(883)
Income tax expense	68,766	54,409

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits of those subsidiaries that are subject to Hong Kong Profits Tax.

12. INCOME TAX EXPENSE *(continued)*

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

13. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following information:

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Profit for the period attributable to owners of the Company	245,068	241,178
Number of ordinary shares for the purpose of basic earnings per share	378,583,440	378,583,440

No diluted earnings per share has been presented as there were no potential ordinary shares in issue during both periods.

14. DIVIDENDS

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared and paid for 2012 — HK\$0.18 per share (2012: declared and paid for 2011 HK\$0.18 per share)	68,145	68,145
Dividend declared in respect of current period:		
Interim dividend declared for 2013 — HK\$0.10 per share (2012: HK\$0.10 per share)	37,858	37,858

On 7 August 2013, the Board of Directors has approved an interim cash dividend of HK\$0.10 per share (2012: HK\$0.10 per share), which will be paid to the Company's shareholders whose names appear on the Register of Members on 19 September 2013.

15. CASH AND SHORT-TERM FUNDS

	30 June	31 December
	2013 HK\$'000	2012 HK\$'000
Cash and balances with banks and other financial institutions	4,043,359	6,574,516
Money at call and short notice	8,064,296	10,472,554
Exchange fund bills	298,489	798,513
	12,406,144	17,845,583

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional Amount HK\$'000	30 June 2013 Fair Values	
		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading			
– Foreign currency forward contracts	5,015,635	760	129,106
– Interest rate swaps	170,000	1,599	11,185
		2,359	140,291
Derivatives designated as hedging instruments			
– Interest rate swaps	5,809,619	105,310	47,573
– Cross-currency interest rate swaps	233,306	–	6,581
		105,310	54,154
		107,669	194,445
	Notional Amount HK\$'000	31 December 2012 Fair Values	
		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading			
– Foreign currency forward contracts	6,037,758	16,584	21,380
– Interest rate swaps	796,280	4,562	95,192
– Cross-currency interest rate swaps	36,040	–	1,582
		21,146	118,154
Derivatives designated as hedging instruments			
– Interest rate swaps	5,286,864	166,765	120,792
– Cross-currency interest rate swaps	233,306	–	9,710
		166,765	130,502
		187,911	248,656

As at 30 June 2013, the currencies of foreign currency forward buy contracts mainly comprise Hong Kong dollars and Australian dollars (2012: Hong Kong dollars and Australian dollars), and the currencies of foreign currency forward sale contracts mainly comprise United States dollars (2012: Renminbi and United States dollars). As at 30 June 2013 and 31 December 2012, all of these contracts have a settlement date within one year from the end of the reporting period.

17. INVESTMENTS IN SECURITIES

	Notes	Financial assets at fair value through profit or loss		Available-for-sale investments HK\$'000	Held-to-maturity securities HK\$'000	Total HK\$'000
		Held for trading HK\$'000	Designated at fair value HK\$'000			
30 June 2013						
Equity securities:						
Listed in Hong Kong	(a)	9,983	-	186,465	-	196,448
Listed overseas		-	-	9,236	-	9,236
		9,983	-	195,701	-	205,684
Unlisted	(b)	-	-	306,904	-	306,904
		9,983	-	502,605	-	512,588
Debt securities:						
Certificates of deposit	(c)	-	-	-	6,865,282	6,865,282
Structured products	(d)	-	38,519	-	-	38,519
Convertible bonds	(e)	-	91,149	-	-	91,149
Other debt securities	(f)	-	-	-	-	-
– Listed	(g)	-	-	1,164	-	1,164
– Unlisted		-	-	4,334,558	4,691,692	9,026,250
		-	129,668	4,335,722	11,556,974	16,022,364
Investment funds:	(h)	-	-	111,720	-	111,720
Total:						
Listed in Hong Kong		9,983	-	186,465	-	196,448
Listed overseas		-	-	10,400	-	10,400
Unlisted		-	129,668	4,753,182	11,556,974	16,439,824
		9,983	129,668	4,950,047	11,556,974	16,646,672
Market value of listed securities:						
Listed in Hong Kong		9,983	-	186,465	-	196,448
Listed overseas		-	-	10,400	-	10,400
		9,983	-	196,865	-	206,848
As analysed by issuing entities:						
Central governments and central banks		-	-	-	5,740	5,740
Public sector entities		-	-	55,525	191,759	247,284
Banks and other financial institutions		6,610	38,519	469,218	9,836,141	10,350,488
Corporate entities		3,373	91,149	4,419,372	1,523,334	6,037,228
Others		-	-	5,932	-	5,932
		9,983	129,668	4,950,047	11,556,974	16,646,672

17. INVESTMENTS IN SECURITIES (continued)

	Notes	Financial assets at fair value through profit or loss		Available-for-sale investments HK\$'000	Held-to-maturity securities HK\$'000	Total HK\$'000
		Held for trading HK\$'000	Designated at fair value HK\$'000			
31 December 2012						
Equity securities:						
Listed in Hong Kong	(a)	8,917	–	184,012	–	192,929
Listed overseas		–	–	9,741	–	9,741
		8,917	–	193,753	–	202,670
Unlisted	(b)	–	–	302,751	–	302,751
		8,917	–	496,504	–	505,421
Debt securities:						
Certificates of deposit	(c)	–	–	–	3,693,321	3,693,321
Structured products	(d)	–	475,896	–	–	475,896
Convertible bonds	(e)	–	794,048	–	–	794,048
Other debt securities	(f)	–	–	–	–	–
– Listed	(g)	–	–	1,164	–	1,164
– Unlisted		–	–	3,993,540	5,906,699	9,900,239
		–	1,269,944	3,994,704	9,600,020	14,864,668
Investment funds:	(h)	–	–	134,743	–	134,743
Total:						
Listed in Hong Kong		8,917	–	184,012	–	192,929
Listed overseas		–	–	10,905	–	10,905
Unlisted		–	1,269,944	4,431,034	9,600,020	15,300,998
		8,917	1,269,944	4,625,951	9,600,020	15,504,832
Market value of listed securities:						
Listed in Hong Kong		8,917	–	184,012	–	192,929
Listed overseas		–	–	10,905	–	10,905
		8,917	–	194,917	–	203,834
As analysed by issuing entities:						
Central governments and central banks		–	–	–	3,382	3,382
Public sector entities		–	–	56,016	196,401	252,417
Banks and other financial institutions		6,093	475,896	489,792	7,809,345	8,781,126
Corporate entities		2,824	794,048	4,075,623	1,590,892	6,463,387
Others		–	–	4,520	–	4,520
		8,917	1,269,944	4,625,951	9,600,020	15,504,832

17. INVESTMENTS IN SECURITIES *(continued)*

Notes:

- (a) For the equity securities classified as available-for-sale financial instruments, accumulated impairment losses of HK\$44,879,000 (2012: HK\$44,879,000) has been provided by the Group as at 30 June 2013.
- (b) As at 30 June 2013, unlisted equity securities classified as available-for-sale held by the Group amounting to approximately HK\$270,835,000 (2012: HK\$267,180,000) are carried at fair value at the end of the reporting period. No impairment has been recognised.

Unlisted equity securities classified as available-for-sale held by the Group amounting to HK\$36,069,000 (2012: HK\$35,571,000) are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the management is of the opinion that the fair values cannot be measured reliably, and the management has no plan to dispose the unlisted equity securities. No impairment has been recognised in respect of these securities.

- (c) As at 30 June 2013, certain held-to-maturity certificates of deposit of approximately HK\$17,064,000 (2012: HK\$17,054,000) held by the San Francisco Branch of CHB have been pledged to the State of California of the United States of America in compliance with the requirements of the California Financial Code.
- (d) All structured products held by the CHB Group have been disposed during the six months ended 30 June 2013. As at 31 December 2012, included in structured products are credit linked notes of HK\$419,101,000. The credit linked notes held by the CHB Group bore three-month London Interbank Offered Rate ("LIBOR") with spreads ranging from 1.3% to 2.0% per annum and maturity dates ranging from 2015 to 2016. The note issuers were not obligated to repay the debt to the CHB Group if the reference entities (rated A1 or above by Moody's as at 31 December 2012) defaulted.

As at 30 June 2013, structured deposits of HK\$38,519,000 (2012: HK\$56,795,000) held by the Group have maturity dates ranging from 2013 to 2015 and carry interest rates at LIBOR or LIBOR plus a variable margin per annum. Such structured deposits are designated as financial assets at fair value through profit or loss.

- (e) The convertible bonds and the debt securities classified as available-for-sale investments and held-to-maturity securities held by the Group are mainly guaranteed or issued by corporates and financial institutions from the People's Republic of China ("PRC"), Hong Kong and Australia.

17. INVESTMENTS IN SECURITIES *(continued)*

Notes: *(continued)*

- (f) As at 30 June 2013, debt securities classified as held-to-maturity amounted to HK\$5,740,000 (2012: HK\$3,382,000) were issued by the Government of Hong Kong Special Administrative Region and the Government of the PRC.

In addition, the certificates of deposit classified as held-to-maturity securities are mainly issued by banks from the PRC, Japan and Hong Kong. As at 30 June 2013, held-to-maturity certificates of deposit amounting to HK\$2,313,005,000 (2012: HK\$1,731,693,000) and held-to-maturity debt securities amounting to HK\$806,273,000 (2012: HK\$900,850,000) held by the Group are with credit exposures to the PRC.

- (g) As at 30 June 2013 and 31 December 2012, debt securities listed outside Hong Kong comprise a debenture with fixed interest rate of 9.5% and maturity date on 24 December 2014.
- (h) The investment funds invest in unlisted equity securities issued by private entities incorporated in Asia Pacific region. They are measured at fair value at the end of the reporting period. Investment funds with less than 12 months operation period before voluntary liquidation from the end of reporting period are classified as current portion in the condensed consolidated statement of financial position. The Group has committed to contribute a pre-determined capital amount in these investment funds and the realised gains or losses of these funds are recognised in the profit or loss. During the six-month period ended 30 June 2013, the investment funds returned capital of HK\$2,271,000 (2012: HK\$21,697,000) to the Group and they may call upon further capital contribution if required up to the pre-determined capital amount.

18. ADVANCES AND OTHER ACCOUNTS – FINANCIAL SERVICES

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Advances to customers		
Bills receivable	449,920	373,401
Trade bills	660,579	453,669
Other advances to customers	41,480,617	38,330,527
	42,591,116	39,157,597
Interest receivable	182,128	232,270
Impairment allowances		
— Individually assessed	(26,339)	(24,054)
— Collectively assessed	(178,888)	(164,506)
	42,568,017	39,201,307
Advances to banks and other financial institutions	418,371	2,164,842
	42,986,388	41,366,149
Other accounts	639,750	702,923
	43,626,138	42,069,072

Included in the "Other Accounts" of the Group is an amount of approximately HK\$246,957,000 (2012: HK\$246,484,000) placed as reserve funds with the financial institutions in the PRC by the Shantou Branch of the CHB. Such reserve funds include the mandatory reserve deposits and surplus reserve deposits placed with the People's Bank of China, amounting to HK\$50,629,000 (2012: HK\$64,861,000) and HK\$26,613,000 (2012: HK\$13,699,000) respectively. The mandatory reserve deposits are not available for the Group's daily operation. The balance of HK\$169,715,000 (2012: HK\$167,924,000) comprises fixed deposits placed with other financial institutions in the PRC in compliance with the requirements of Regulations Governing Foreign Financial Institutions of the PRC.

The remaining balance of "Other Accounts" of the Group amounting to HK\$392,793,000 (2012: HK\$456,439,000) mainly comprises accounts receivable from customers in relation to securities dealing of HK\$230,854,000 (2012: HK\$200,377,000) and a variation margin of HK\$21,015,000 (2012: HK\$94,479,000) deposited in a bank for certain interest rate swaps, foreign currency forward contracts and repurchase agreements.

18. ADVANCES AND OTHER ACCOUNTS – FINANCIAL SERVICES*(continued)*

Details of the impaired loans are as follows:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Gross impaired loans	32,200	24,194
Less: Impairment allowances under individual assessment	(26,339)	(24,054)
Net impaired loans	5,861	140
Gross impaired loans as a percentage of gross advances to customers	0.08%	0.06%
Market value of collateral pledged	64,524	76,635

In addition to the individually assessed loans impairment allowance, the Group has also provided collectively assessed loans impairment allowance for loans that are individually insignificant or advances where no impairment has been identified individually.

19. TRADE AND OTHER RECEIVABLES – NON-FINANCIAL SERVICES

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade receivables	17,250	15,461
Deposits for construction costs	12,750	18,800
Other deposits, prepayments and receivables	60,810	57,031
	90,810	91,292

The Group's credit policy allows its trade customers an average credit period of 30 – 90 days, other than customers from sales of properties which the proceeds are settled in accordance with the sale and purchase agreement, normally within 60 days from the date of agreement.

19. TRADE AND OTHER RECEIVABLES – NON-FINANCIAL SERVICES

(continued)

The following is an analysis of trade receivables by age, presented based on the invoice date:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Within 30 days	6,201	6,785
Between 31 days to 90 days	5,292	5,214
Over 90 days	5,757	3,462
	17,250	15,461

20. MOVEMENTS IN INVESTMENT PROPERTIES

The Group's investment properties as at the end of current interim period were fair valued by Vigers Appraisal & Consulting Ltd. and Vigers Hong Kong Limited (collectively referred to as "Vigers"), independent firms of professional valuers not connected with the Group. The directors of Vigers are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The resulting increase in fair value of investment properties of approximately HK\$47,728,000 (2012: HK\$108,197,000) has been recognised directly in profit or loss. During the current period, there is an addition of investment properties amounting to HK\$nil (2012: HK\$36,801,000).

During the period ended 30 June 2012, the Group transferred an investment property located in Hong Kong amounting to HK\$702,200,000 to properties under development for sale as the Group had obtained the approval from the government to redevelop the land. The carrying amount of the properties as at date of transfer approximated to the fair value of the properties.

21. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Analysed by collateral type:		
Debt securities classified as:		
Available-for-sale	329,313	326,687
Held-to-maturity	108,036	106,994
	437,349	433,681

As at 30 June 2013, debt securities which are classified as available-for-sale and held-to-maturity with carrying amounts of HK\$378,479,000 (2012: HK\$393,490,000) and HK\$117,528,000 (2012: HK\$117,621,000) respectively were sold under repurchase agreements with other banks. All repurchase agreements are due within 12 months from the end of the reporting period.

22. DEPOSITS FROM BANKING CUSTOMERS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Demand deposits and current accounts	5,235,516	5,189,096
Savings deposits	20,598,770	21,460,179
Time, call and notice deposits	42,617,469	40,712,171
	68,451,755	67,361,446

23. CERTIFICATES OF DEPOSIT

The Group has issued certificates of deposit which are measured at amortised cost with a total carrying amount of HK\$177,511,000 as at 30 June 2013 (2012: HK\$667,636,000). Included in certificates of deposit are certificates of deposit of HK\$100,000,000 (2012: HK\$100,000,000) issued at the rate of three-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1% which will mature in August 2013 and certificates of deposit of HK\$77,511,000 (2012: HK\$567,636,000) issued at interest rate of 1% (2012: 1.0% to 2.9%) per annum which will mature in October 2013 (2012: January 2013 to October 2013). All certificates of deposit issued are not secured by any collateral.

24. TRADE AND OTHER PAYABLES

The trade payables of HK\$11,620,000 (2012: HK\$11,304,000) at the end of reporting periods are aged within 30 days (2012: 30 days).

25. LOAN CAPITAL

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
US\$225 million fixed rate subordinated note due 2020 under fair value hedge (after adjustment of hedged interest rate risk) (Notes (a) & (b))	1,794,150	1,898,957

Notes:

- (a) As at 30 June 2013 and 31 December 2012, this represents a subordinated note qualifying as tier 2 capital with face value of US\$225,000,000 issued on 5 November 2010. The note will mature on 4 November 2020. If at any time (on or) after 1 January 2013, the note no longer fully qualifies as term subordinated debt for inclusion in Category II — Supplementary Capital of the Bank upon changes to regulatory requirements, the Bank may, at its option and subject to the prior written approval of the HKMA, exercise a change of the status of the note by serving the “Change in Status Notice” to the noteholders. Upon a “Change in Status Notice” becoming effective, the note shall thereafter constitute unsubordinated obligations and the rate of interest on the note shall be reduced from 6% per annum to 5.5% per annum. As the “Change in Status Notice” has not been served during the reporting period, the rate of interest on the note remains at 6% per annum.
- (b) The subordinated note issued is not secured by any collateral.

26. BORROWINGS

During the current period, the Group obtained bank loans of approximately HK\$200,257,000 (2012: HK\$759,066,000) and repaid bank loans of approximately HK\$259,300,000 (2012: HK\$499,134,000). As at 30 June 2013, all of the bank loans are variable-rate borrowings which carry interest at HIBOR or prevailing interest rates offered by the People's Bank of China, plus a margin. The effective interest rates range from 1.55% to 7.68% (2012: 0.98% to 8.28%) per annum and are repayable in instalments over a period of 1 to 5 years. The proceeds were used for general working capital purposes.

27. CAPITAL COMMITMENTS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— Property, plant and equipment	7,493	7,864
— Contributions to the capital of investment funds	86,281	174,858

28. MATURITY PROFILES

The maturity analysis of financial assets and liabilities shown on the condensed consolidated statement of financial position are presented based on maturity information provided to and reviewed by management, is shown below.

	Repayable on demand HK\$'000	Repayable within 1 month (except those repayable on demand) HK\$'000	Repayable after 1 month but within 3 months HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30 June 2013								
Assets								
Cash and short-term funds	3,675,203	8,161,124	390,744	179,073	-	-	-	12,406,144
Placements with banks and other financial institutions between one to twelve months	-	-	5,389,761	3,034,433	-	-	-	8,424,194
— banking operations	-	123	43	623	16,798	90,082	-	107,669
Derivative financial instruments	-	-	20,142	91,149	18,377	-	9,983	139,651
Financial assets at fair value through profit or loss	-	-	-	-	3,248,164	1,356,911	344,972	4,950,047
Available-for-sale investments	-	1,817,246	2,494,888	3,938,535	2,567,225	739,080	-	11,556,974
Held-to-maturity securities	2,096,968	2,810,336	4,417,429	7,583,538	12,171,759	13,422,817	88,269	42,591,116
Advances to customers	-	-	418,371	-	-	-	-	418,371
Advances to banks and other financial institutions	-	-	-	-	-	-	223,039	223,039
Advances to an investee company	348,159	269,351	123,848	398,015	498	-	(179,174)	960,697
Other financial assets	-	-	-	-	-	-	-	-
Total financial assets	6,120,330	13,058,180	13,255,226	15,225,366	18,022,821	15,608,890	487,089	81,777,902
Liabilities								
Deposits and balances of banks and other financial institutions	14,092	1,833,262	-	232,695	-	-	-	2,080,049
Financial assets sold under repurchase agreements	-	358,423	-	78,926	-	-	-	437,349
Deposits from banking customers	25,854,716	19,854,312	14,042,266	8,618,689	81,772	-	-	68,451,755
Certificates of deposit	-	-	100,000	77,511	-	-	-	177,511
Derivative financial instruments	-	22,705	88,369	27,818	46,610	8,943	-	194,445
Loan capital	-	-	-	-	-	1,794,150	-	1,794,150
Bank borrowings	-	-	-	1,759,969	653,969	1,099,663	-	3,513,601
Bank borrowings with repayable on demand clause	130,000	-	-	-	-	-	-	130,000
Other financial liabilities	381,840	124,349	87,639	177,311	19,073	-	-	790,212
Total financial liabilities	26,380,648	22,193,051	14,318,274	10,972,919	801,424	2,902,756	-	77,569,072
Net position — total financial assets and liabilities	(20,260,318)	(9,134,871)	(1,063,048)	4,252,447	17,221,397	12,706,134	487,089	4,208,830
Of which certificates of deposit included in:								
Held-to-maturity securities	-	1,739,681	2,156,110	2,969,491	-	-	-	6,865,282
Of which debt securities included in:								
Financial assets at fair value through profit or loss	-	-	20,142	91,149	18,377	-	-	129,668
— Designated at fair value	-	-	-	-	3,248,164	1,087,558	-	4,335,722
Available-for-sale investments	-	-	-	-	-	-	-	-
Held-to-maturity securities	-	1,817,246	2,494,888	3,938,535	2,567,225	739,080	-	11,556,974
	-	1,817,246	2,515,030	4,029,684	5,833,766	1,826,638	-	16,022,364

28. MATURITY PROFILES (continued)

	Repayable on demand HK\$'000	Repayable within 1 month (except those repayable on demand) HK\$'000	Repayable after 1 month but within 3 months HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2012								
Assets								
Cash and short-term funds	6,137,235	11,147,922	461,895	98,531	-	-	-	17,845,583
Placements with banks and other financial institutions between one to twelve months	-	-	3,948,937	895,178	-	-	-	4,844,115
— banking operations	-	-	3,948,937	895,178	-	-	-	4,844,115
Derivative financial instruments	-	6,562	3,987	6,106	-	171,256	-	187,911
Financial assets at fair value through profit or loss	-	-	15,531	235,450	1,018,963	-	8,917	1,278,861
Available-for-sale investments	-	-	-	-	2,625,897	1,635,948	364,106	4,625,951
— Held-to-maturity securities	-	1,225,799	2,576,757	2,538,779	2,519,363	739,322	-	9,600,020
Advances to customers	1,600,361	2,284,996	2,398,222	7,369,363	12,717,092	12,619,406	168,157	39,157,597
Advances to banks and other financial institutions	-	105,497	1,364,831	694,514	-	-	-	2,164,842
Advances to an investee company	-	-	-	-	-	-	322,539	322,539
Other financial assets	321,586	196,652	193,336	181,311	94,216	-	(171,946)	815,155
Total financial assets	8,059,182	14,967,428	10,963,496	12,019,232	18,975,531	15,165,932	691,773	80,842,574
Liabilities								
Deposits and balances of banks and other financial institutions	35,287	803,806	659,900	344,484	-	-	-	1,843,477
Financial assets sold under repurchase agreements	-	354,801	-	78,880	-	-	-	433,681
Deposits from banking customers	26,690,300	19,872,678	13,961,059	6,748,437	88,972	-	-	67,361,446
Certificates of deposit	-	99,991	390,267	177,378	-	-	-	667,636
Derivative financial instruments	-	3,131	17,943	27,942	142,985	56,655	-	248,656
Loan capital	-	-	-	-	-	1,898,957	-	1,898,957
Bank borrowings	299,067	-	-	-	-	-	-	299,067
Bank borrowings with repayable on demand clause	180,000	-	-	-	-	-	-	180,000
Bank borrowings with breach of covenants	3,229,623	-	-	-	-	-	-	3,229,623
Other financial liabilities	422,895	210,398	102,005	161,879	15,004	-	-	912,181
Total financial liabilities	30,857,172	21,344,805	15,131,174	7,539,000	246,961	1,955,612	-	77,074,724
Net position — total financial assets and liabilities	(22,797,990)	(6,377,377)	(4,167,678)	4,480,232	18,728,570	13,210,320	691,773	3,767,850
Of which certificates of deposit included in:								
Held-to-maturity securities	-	225,243	2,110,648	1,357,430	-	-	-	3,693,321
Of which debt securities included in:								
Financial assets at fair value through profit or loss	-	-	15,531	235,450	1,018,963	-	-	1,269,944
— Designated at fair value	-	-	-	-	2,625,897	1,368,807	-	3,994,704
Available-for-sale investments	-	-	-	-	-	-	-	-
Held-to-maturity securities	-	1,225,799	2,576,757	2,538,779	2,519,363	739,322	-	9,600,020
	-	1,225,799	2,592,288	2,774,229	6,164,223	2,108,129	-	14,864,668

29. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the period, the Group entered into the following significant transactions with related parties:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Income received and receivable from associates		
Interest income	199	161
Commission income	14,140	9,155
	14,339	9,316
Expenses paid and payable to associates		
Interest expenses	164	271
Other service expenses	1,227	1,143
	1,391	1,414
Income received and receivable from key management personnel and close family members		
Interest income	2,704	2,733
Expenses paid and payable to key management personnel and close family members		
Interest expenses	5,202	5,385

29. RELATED PARTY DISCLOSURES (continued)**(b) Related party balances**

At the end of the reporting period, the Group had the following material outstanding balances with related parties:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Loan to associates	14,337	14,337
Loan to key management personnel and close family members	487,178	417,568
Deposit from associates	153,153	97,147
Deposit from key management personnel and close family members	675,340	653,558

(c) Compensation of key management personnel

The emoluments of key management personnel of the Group during the period were as follows:

	Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
Short-term benefits	50,063	44,302
Post-employment benefits	3,182	2,715
	53,245	47,017

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

Deloitte.

德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF LIU CHONG HING INVESTMENT LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Liu Chong Hing Investment Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 47, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

7 August 2013

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim cash dividend for 2013 of HK\$0.10 per share (2012: HK\$0.10 per share), payable on 26 September 2013 to the Company's shareholders registered on 19 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 17 September 2013 to Thursday, 19 September 2013, both days inclusive. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged for registration with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2013, the consolidated profits of the Company and its subsidiaries (the "Group") amounted to approximately HK\$383.6 million (basic earnings per share of HK\$0.65) comparing to 2012 of approximately HK\$371.8 million (basic earnings per share of HK\$0.64), representing an increase of approximately 3.2%.

We analyze the changes of the financial results by financial services and non-financial services businesses. For the financial services business, it mainly relates to the results of Chong Hing Bank Group ("CHB Group"); and for the non-financial services business, the business activities were carried out by Liu Chong Hing Investment Limited and its subsidiaries (excluding CHB Group).

FINANCIAL SERVICES BUSINESS

1. Net interest income increased by 18.8% from approximately HK\$400.8 million in 2012 to approximately HK\$476.3 million in 2013. Total loans and advances to customers had increased by 8.8% to approximately HK\$42.6 billion from approximately HK\$39.2 billion in 2012. The net interest margin was widened 13 basis points to 1.19% from 1.06% in 2012.
2. Net fee and commission income increased by 15.2% to approximately HK\$105.9 million from approximately HK\$91.9 million in 2012. The changes were due to 13.7% up of commission income from customer securities dealings and 42.4% up of commission income from agency services, which including the sales of life insurance products.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL SERVICES BUSINESS *(continued)*

3. Other operating revenue of approximately HK\$262.7 million comprised of non-financial and other financial services revenue. Non-financial services revenue mainly referred to the revenues generated from property investment, property development, property management, treasury investment, trading & manufacturing and hotel operations.
4. Other financial services revenue referred to the income from insurance underwriting premium and the safe deposit box rentals. For the period ended, these revenue had increased by 10.5% from approximately HK\$50.8 million to approximately HK\$56.1 million.
5. Other operating expenses decreased by 6.1% from approximately HK\$456.6 million in 2012 to approximately HK\$428.9 million in 2013.
6. Net impairment allowance on loans and advances of approximately HK\$17.6 million represented new impairment allowances of approximately HK\$28.3 million, offset by reversal of approximately HK\$10.7 million in the first half of 2013.
7. Other gains and losses of approximately HK\$141.9 million comprised of net gains (losses) on financial instruments at fair value through profit or loss, net exchange gain and net gain from dealing in foreign currency contracts, net gains (losses) on fair value hedge, net loss on disposal of property, plant and equipment, net gains on disposal of available-for-sale investments, net gains on disposal of investments properties, gain on changes in fair value on other investment properties.
8. As at 30 June 2013, total customer deposits showed modest increase of 1.8% to approximately HK\$68.8 billion.
9. Chong Hing Bank's core business and overall financial position are healthy and sound. Its non-performing loan ratio is low and asset quality is good. Both the capital adequacy and liquidity ratios are well above the relevant statutory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

NON-FINANCIAL SERVICES BUSINESS

Property Investment

Overall rental revenue

For the period ended 30 June 2013, the Group recorded rental revenue of HK\$132.6 million, similar to the corresponding period in 2012. Increase of rental revenue of HK\$7.4 million (17.4% up) from Chong Hing Square was offset by the decrease of rental revenue of HK\$7.3 million from Western Harbour Centre since all tenants had been moved out in May 2012.

Overall occupancies

The Group's overall occupancies from their major investment properties maintained at 88% as at 30 June 2013. If adding the leasing area of retail shops of The Grand Riviera in Foshan, the overall occupancies was lowered to 80%.

Hong Kong Properties

Chong Hing Square

For the period ended 30 June 2013, Chong Hing Square was well performed. This ginza type entertainment building generated revenue of HK\$50.2 million, representing an increase of HK\$7.4 million (17.4% up) and the building was 93% let as at period end.

Western Harbour Centre

The management planned to renovate the Western Harbour Centre into a lifestyle business hotel or serviced apartment. Application to Town Planning Board for changing the existing usage into hotel use by the Group has been approved. Since all tenants had been moved out the building in May 2012, no rental revenue was booked in 2013.

Chong Yip Shopping Centre

For the period ended 30 June 2013, this retail shopping centre generated rental revenue of HK\$9.9 million with 96% occupancy.

Fairview Court

Fairview Court recorded rental revenue of HK\$2.8 million in the first half of 2013 as comparing to HK\$3.4 million in 2012. It achieved 60% occupancy as at 30 June 2013.

PRC Properties

Chong Hing Finance Center, Shanghai

For the period ended 30 June 2013, this grade-A commercial and office building generated rental revenue of HK\$67.0 million, similar to the corresponding period in 2012. Office tower was 84% let and commercial and retail areas were fully let as at 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROPERTY DEVELOPMENT

PRC

The Grand Riviera, Foshan

In 2007, the Group acquired a plot of land with site area of over 260,000 square meters in Luocun, Foshan through government land auction at a cash consideration of RMB476 million. This is a comprehensive development and will be developed by phases. The first phase development has constructed 12 blocks of 6-14 storey high class residential flats above the ground. A total of 847 residential flat units with sizes ranging from 55 to 400 square meters were provided. It also provides retail and commercial areas of approximately 8,600 square meters and a stand-alone clubhouse of approximately 6,800 square meters, if including other recreational facilities areas and 1,246 car parking spaces mainly built at the basement level, total construction areas was over 181,000 square meters.

The construction of phase 1 development was completed and the flat units were handover to buyers in December 2011, thus sales revenue was started to recognize in the year of 2011.

Up to 30 June 2013, a total of 410 residential flat units (representing 43% of the total units) and 148 car parking units (representing 13% of the total units) were successfully sold out fetching total cash proceeds of approximately RMB333.2 million.

BUDGET HOTEL PROJECT

In 2013, the Group continued to operate four budget hotels, two in Shanghai, one in Beijing and one in Guangzhou. All of these budget hotels are managed by and under the brand name of Hanting.

For the period ended 30 June 2013, all hotels recorded positive EBITDA with total revenue of HK\$24.6 million, similar to that in 2012. Occupancies and room rate maintained at a steady level.

LOOKING AHEAD

The Group will continue to look for good investment opportunities in the year ahead, acting with prudence and diversity.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, the long/short positions of each of the directors and chief executives and their associates in the shares and underlying shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, are set out below:

(I) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) The Company — Liu Chong Hing Investment Limited

Name of Director	Number of ordinary shares held			Total Interests	Total Interests as approximate % of the relevant issued share capital
	Personal Interests (held as beneficial owner)	Family Interests (Interests of spouse or child under 18)	Corporate Interests (Interests of controlled corporation)		
Dr. Liu Lit Mo, Chairman and Managing Director	795,600	–	171,840,189 (Notes 1 & 2)	172,635,789	45.60%
Mr. Liu Lit Chi	141,668	–	210,963,253 (Notes 1 & 3)	211,104,921	55.76%
Mr. Liu Kam Fai, Winston Deputy Managing Director	3,270,400	–	–	3,270,400	0.86%
Dr. Liu Lit Chung	–	–	165,840,189 (Note 1)	165,840,189	43.81%
Mr. Andrew Liu	3,479,905	–	–	3,479,905	0.92%
Mr. Ng Ping Kin, Peter	20,000	–	–	20,000	0.01%

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(continued)

(I) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

(a) The Company — Liu Chong Hing Investment Limited (continued)

Note 1: 165,840,189 shares in the Company are beneficially held by Liu's Holdings Limited, of which Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated under the corporate interests for each of these directors.

Note 2: Eternal Wealth Limited, of which Dr. Liu Lit Mo and his associates are shareholders, beneficially holds 6,000,000 shares in the Company, and thus is included in the corporate interests of Dr. Liu Lit Mo.

Note 3: Alba Holdings Limited, of which Mr. Liu Lit Chi and his associates are shareholders, beneficially holds 45,123,064 shares in the Company, and thus is included in the corporate interests of Mr. Liu Lit Chi.

(b) Subsidiary — Chong Hing Bank Limited

Name of Director	Number of ordinary shares held			Total Interests	Total Interests as approximate % of the relevant issued share capital
	Personal Interests (held as beneficial owner)	Family Interests (Interests of spouse or child under 18)	Corporate Interests (Interests of controlled corporation)		
Dr. Liu Lit Mo, Chairman	1,002,450	–	258,359,628 (Note 1)	259,362,078	59.62%
Mr. Liu Lit Chi, Deputy Chairman and Managing Director	313,248	–	260,622,839 (Notes 1 & 2)	260,936,087	59.99%

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(continued)

(I) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

(b) Subsidiary – Chong Hing Bank Limited *(continued)*

Note 1: The corporate interests in 258,359,628 shares are attributed as follows:

- (i) 218,359,628 shares held by the Company's wholly-owned subsidiary, Liu Chong Hing Estate Company, Limited ("Liu Chong Hing Estate"), in which each of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung is deemed under the SFO to be interested through Liu's Holdings Limited, a private company holding approximately 43.81% of the Company's issued and fully-paid share capital; and
- (ii) 40,000,000 shares held by The Bank of Tokyo-Mitsubishi UFJ, Limited ("BTMU"). Pursuant to an agreement in 1994, BTMU has granted an option to Liu Chong Hing Estate exercisable at any time during the term of that agreement to purchase all such shares and BTMU is required to offer to sell all such shares to Liu Chong Hing Estate in certain circumstances. By virtue of the interests of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung in Liu Chong Hing Estate through Liu's Holdings Limited, each of them is deemed under the SFO to be interested in such shares.

Note 2: 2,263,211 shares are held by Alba Holdings Limited, shareholders of which include Mr. Liu Lit Chi and his associates. Accordingly, Mr. Liu Lit Chi is deemed under the SFO to be interested in such shares.

(II) SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Other than as stated above, as at 30 June 2013, no director, chief executive nor their associates of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or the underlying shares of equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2013, the following person (other than the directors or the chief executives 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 SFO or as otherwise notified to the Company was as follows:

Name of Substantial Shareholders	Capacity	No. of ordinary shares held	% of the issued share capital
Liu's Holdings Limited	Beneficial owner	165,840,189 (Note 1)	43.81%
Alba Holdings Limited	Beneficial owner	45,123,064 (Note 2)	11.92%

All interests disclosed above represent long positions in the shares of the Company.

Note 1: Liu's Holdings Limited, a private company incorporated in Hong Kong, of which Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung are amongst its shareholders. Such corporate interests are also disclosed in the sub-section under "Directors' Interests in Share Capital of the Company and its Associated Corporations".

Note 2: Alba Holdings Limited, a private company incorporated in Hong Kong, is owned by Mr. Liu Lit Chi and his associates. Such corporate interests are also disclosed in the sub-section under "Directors' Interests in Share Capital of the Company and its Associated Corporations".

Save as disclosed above, the Company had not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company of 5% or more as at 30 June 2013 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the period under review, the Company had substantially complied with the provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), saved for the followings:

CHAIRMAN AND MANAGING DIRECTOR: CLEAR DIVISION OF RESPONSIBILITIES

The roles of Chairman and the Managing Director of the Company have not been segregated as required by the code provision A.2.1 of the Code. The Board considers this arrangement is in the best interest of the Company that by nature of the group’s business which requires considerable market expertise and Dr. Liu Lit Mo, with his profound expertise in the property and banking business, shall continue in his dual capacity as the Chairman and Managing Director.

APPOINTMENT, RE-ELECTION AND REMOVAL: ROTATION AT LEAST ONCE EVERY THREE YEARS

Code provision A.4.2 stipulates that every director shall be subject to retirement by rotation at least once every three years. Under the existing Company’s articles of association, all directors are subject to retirement by rotation except the Managing Director who shall not be subject to retirement by rotation under Articles 107 of the Companies articles of association.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2012 Annual Report:

DIRECTORS' EMOLUMENTS

As the directors' fee for 2013 were reviewed and approved by shareholders at the 2013 Annual General Meeting which was held on 8 May 2013, the directors' emoluments for the year ending 31 December 2013 have been changed. The Chairman director's fee for 2013 has been changed from HK\$200,000 to HK\$250,000; directors' fee for 2013 on each of the Independent Non-executive Directors' and the Non-executive Director with committee responsibilities has been changed from HK\$200,000 to HK\$250,000; and each of the Non-executive directors for 2013 has been changed from HK\$100,000 to HK\$150,000.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

All directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the review period.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2013, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares in the Company.

REVIEW OF UNAUDITED INTERIM ACCOUNTS

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report. In addition, the condensed consolidated financial statements of the Company for the six months ended 30 June 2013 have been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and an unqualified review report is issued.

PUBLICATION OF RESULTS ON THE WEBSITE

This results announcement, containing the relevant information required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, is published on the website of the HKExnews (www.hkexnews.hk) and the website of the Company (www.lchi.com.hk). The company’s interim report for 2013 will be dispatched to the shareholders of the Company and available on the above websites on or about 23 August 2013.

BOARD OF DIRECTORS

As the date of this interim report, the Board comprises the following Executive Directors: Dr. Liu Lit Mo (Chairman and Managing Director), Mr. Liu Lit Chi, Mr. Liu Kam Fai, Winston (Deputy Managing Director), Mr. Liu Kwun Shing, Christopher (also alternate director to Dr. Liu Lit Chung) and Mr. Lee Wai Hung; the following Non-executive Directors: Dr. Liu Lit Chung, Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred and Mr. Kho Eng Tjoan, Christopher and the following Independent Non-executive Directors: Mr. Ng Ping Kin, Peter, Dr. Cheng Mo Chi, Moses, Mr. Tong Tsin Ka, Mr. Au Kam Yuen, Arthur and Dr. Ma Hung Ming, John.

By Order of the Board

Dr. Liu Lit Mo

Chairman and Managing Director

Hong Kong, 7 August 2013