HONGKONG CHINESE LIMITED
香港華人有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 655)

FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2007

FINAL RESULTS

The Directors of Hongkong Chinese Limited (the "Company") are pleased to announce the consolidated final results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31st December, 2007 together with the comparative figures for the corresponding period in 2006 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2007** ***HK$'000***	2006 *HK$'000*
Revenue	*2*	**898,384**	1,099,028
Cost of sales		**(656,741)**	(934,659)
Gross profit		**241,643**	164,369
Administrative expenses		**(132,399)**	(114,516)
Other operating expenses		**(50,488)**	(35,890)
Fair value gains on investment properties		**25,106**	207,276
Gain on disposal of associates		**57,620**	—
Gain on disposal of subsidiaries	*4*	**101,956**	848
Gain on disposal of available-for-sale financial assets		**724**	86,238
Net fair value gain on financial assets at fair value through profit or loss		**52,276**	216,728
Provisions for impairment losses:			
Associates		**(23,008)**	—
Available-for-sale financial assets		**—**	(5,797)
Properties held for sale		**(10,090)**	—
Properties under development		**(26,780)**	—
Finance costs		**(70,674)**	(49,064)
Share of results of associates	*5*	**1,110,830**	(4,014)
Share of results of jointly controlled entities		**(1,974)**	(2,644)
Profit before tax	*6*	**1,274,742**	463,534
Tax	*7*	**(6,615)**	(46,975)
Profit for the year		**1,268,127**	416,559

	Note	2007 HK$'000	2006 HK$'000
Attributable to:			
Equity holders of the Company		**1,267,271**	391,472
Minority interests		**856**	25,087
		1,268,127	416,559
		HK cents	*HK cents*
Earnings per share attributable to equity holders of the Company	8		
Basic		**94.1**	29.1
Diluted		**N/A**	N/A
Distributions per share			
Interim, declared and paid		**1.75**	1.5
Final, proposed/paid after the balance sheet date		**5**	5

CONSOLIDATED BALANCE SHEET

	Note	**2007** **HK$'000**	2006 HK$'000
Non-current assets			
Goodwill		**71,485**	57,285
Fixed assets		**44,810**	47,443
Investment properties		**524,709**	1,136,256
Properties under development		**137,766**	160,115
Interests in associates		**3,433,610**	1,961,964
Interests in jointly controlled entities		**183,964**	49,299
Available-for-sale financial assets		**126,958**	102,869
Held-to-maturity financial assets		**9,572**	9,582
Loans and advances		**27,884**	27,066
		4,560,758	3,551,879
Current assets			
Properties held for sale		**9,751**	19,223
Properties under development		**47,725**	—
Available-for-sale financial assets		**2,454**	—
Financial assets at fair value through profit or loss		**398,808**	821,025
Loans and advances		**237,332**	273,324
Debtors, prepayments and deposits	*9*	**171,176**	179,171
Client trust bank balances		**730,995**	582,905
Treasury bills		**34,920**	194,970
Cash and bank balances		**399,663**	363,487
		2,032,824	2,434,105

	Note	2007 HK$'000	2006 HK$'000
Current liabilities			
Bank and other borrowings		**587,934**	942,205
Creditors, accruals and deposits received	*10*	**877,370**	832,729
Current, fixed, savings and other deposits of customers		**165,223**	305,521
Tax payable		**11,036**	8,265
		1,641,563	2,088,720
Net current assets		**391,261**	345,385
Total assets less current liabilities		**4,952,019**	3,897,264
Non-current liabilities			
Bank and other borrowings		**225,705**	547,368
Deferred tax liabilities		**28,911**	58,207
		254,616	605,575
Net assets		**4,697,403**	3,291,689
Equity			
Equity attributable to equity holders of the Company			
Share capital		**1,346,829**	1,346,829
Reserves		**3,338,496**	1,845,575
		4,685,325	3,192,404
Minority interests		**12,078**	99,285
		4,697,403	3,291,689

Note:

1. PRINCIPAL ACCOUNTING POLICIES

The final results have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation adopted in the preparation of these final results are consistent with those used in the Group's audited financial statements for the year ended 31st December, 2006 except in relation to the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new/revised HKFRSs") which have become effective for accounting periods beginning on or after 1st January, 2007, that are adopted for the first time for the current year's final results:

HKFRS 7	Financial Instruments : Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new/revised HKFRSs has had no material effect on these final results.

The Group has not applied the following new/revised HKFRSs, that have been issued but are not yet effective, in these final results:

HKFRS 2 (Amendments)	Share-based Payment — Vesting Conditions and Cancellation*1
HKFRS 3 (Revised)	Business Combinations*2
HKFRS 8	Operating Segments*1
HKAS 1 (Revised)	Presentation of Financial Statements*1
HKAS 23 (Revised)	Borrowing Costs*1
HKAS 27 (Revised)	Consolidated and Separate Financial Statements*2
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions*3
HK(IFRIC) — Int 12	Service Concession Arrangements*4
HK(IFRIC) — Int 13	Customer Loyalty Programmes*5
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*4

*1 Effective for annual periods beginning on or after 1st January, 2009
*2 Effective for annual periods beginning on or after 1st July, 2009
*3 Effective for annual periods beginning on or after 1st March, 2007
*4 Effective for annual periods beginning on or after 1st January, 2008
*5 Effective for annual periods beginning on or after 1st July, 2008

2. REVENUE

Revenue, which is also the Group's turnover, representing the aggregate of gross rental income, gross income on treasury investment which includes interest income on bank deposits and debt securities, gross income from securities investment which includes proceeds from sales of investments, dividend income and related interest income, gross income from underwriting and securities broking, gross income from project management, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, and interest and other income from money lending and other businesses.

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

	2007 *HK$'000*	2006 *HK$'000*
Property investment and development	**27,867**	35,734
Treasury investment	**9,475**	15,825
Securities investment	**607,661**	903,504
Corporate finance and securities broking	**158,871**	95,614
Banking business	**27,338**	28,965
Project management	**52,655**	161
Other	**14,517**	19,225
	898,384	1,099,028

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

	2007 *HK$'000*	2006 *HK$'000*
Interest income	**21,253**	23,916
Commission income	**4,923**	3,915
Other revenues	**1,162**	1,134
	27,338	28,965

3. SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary segment reporting format. Descriptions of the business segments are as follows:

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

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

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

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

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

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

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

An analysis of the Group's segment information by business segment is set out as follows:

2007	Property investment and development *HK$'000*	Treasury investment *HK$'000*	Securities investment *HK$'000*	Corporate finance and securities broking *HK$'000*	Banking business *HK$'000*	Project management *HK$'000*	Other *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue									
External	27,867	9,475	607,661	158,871	27,338	52,655	14,517	—	898,384
Inter-segment	—	15	—	174	—	3,353	932	(4,474)	—
Total	27,867	9,490	607,661	159,045	27,338	56,008	15,449	(4,474)	898,384
Segment results	97,389	8,897	65,454	42,686	4,173	30,270	26,113	(3,588)	271,394
Unallocated corporate expenses									(60,819)
Finance costs									(44,689)
Share of results of associates	1,104,022	—	—	—	—	—	6,808	—	1,110,830
Share of results of jointly controlled entities	(679)	—	—	—	—	—	(1,295)	—	(1,974)
Profit before tax									1,274,742
Tax									(6,615)
Profit for the year									1,268,127
Segment assets	792,705	247,503	539,012	937,874	418,745	10,188	18,885	—	2,964,912
Interests in associates	3,379,037	—	—	814	—	—	53,759	—	3,433,610
Interests in jointly controlled entities	181,485	—	—	—	—	—	2,479	—	183,964
Unallocated assets									11,096
Total assets									6,593,582
Segment liabilities	10,174	—	56,313	830,022	167,982	9,007	1,818	—	1,075,316
Unallocated liabilities									820,863
Total liabilities									1,896,179

2006	Property investment and development *HK$'000*	Treasury investment *HK$'000*	Securities investment *HK$'000*	Corporate finance and securities broking *HK$'000*	Banking business *HK$'000*	Project management *HK$'000*	Other *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue									
External	35,734	15,825	903,504	95,614	28,965	161	19,225	—	1,099,028
Inter-segment	—	1,003	—	1,065	—	233	6,691	(8,992)	—
Total	35,734	16,828	903,504	96,679	28,965	394	25,916	(8,992)	1,099,028
Segment results	218,622	16,095	324,780	17,616	7,271	394	4,423	(7,414)	581,787
Unallocated corporate expenses									(76,122)
Finance costs									(35,473)
Share of results of associates	(17,702)	—	—	—	—	—	13,688	—	(4,014)
Share of results of jointly controlled entities	(572)	—	—	—	—	—	(2,072)	—	(2,644)
Profit before tax									463,534
Tax									(46,975)
Profit for the year									416,559
Segment assets	1,424,556	262,469	933,694	786,732	541,361	1,232	12,086	—	3,962,130
Interests in associates	1,835,329	—	—	814	—	—	125,821	—	1,961,964
Interests in jointly controlled entities	45,642	—	—	—	—	—	3,657	—	49,299
Unallocated assets									12,591
Total assets									5,985,984
Segment liabilities	16,405	—	46,968	767,974	308,875	—	2,966	—	1,143,188
Unallocated liabilities									1,551,107
Total liabilities									2,694,295

An analysis of the Group's segment information by geographical segment is set out as follows:

2007	**Hong Kong**	**Macau**	**Republic of Singapore**	**Japan**	**Other**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**273,794**	**27,338**	**551,927**	**21,055**	**24,270**	**898,384**
Segment assets	**1,377,998**	**788,984**	**384,405**	**42,396**	**382,225**	**2,976,008**
Interests in associates	**93**	**—**	**3,379,038**	**—**	**54,479**	**3,433,610**
Interests in jointly controlled entities	**—**	**—**	**172,187**	**—**	**11,777**	**183,964**
Total assets						**6,593,582**

2006	Hong Kong	Macau	Republic of Singapore	Japan	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	641,854	28,965	198,525	58,504	171,180	1,099,028
Segment assets	1,206,879	895,717	1,512,158	62,845	297,122	3,974,721
Interests in associates	27,450	—	1,835,329	—	99,185	1,961,964
Interests in jointly controlled entities	—	—	35,568	—	13,731	49,299
Total assets						5,985,984

4. GAIN ON DISPOSAL OF SUBSIDIARIES

In June 2007, the Group disposed of its entire interest in a joint venture, which held twenty-two strata lots in a commercial building located at 79 Anson Road in Singapore. The disposal resulted in a gain on disposal of subsidiaries of HK$101,956,000.

5. SHARE OF RESULTS OF ASSOCIATES

The amount included the Group's share of profit in Lippo ASM Asia Property LP, a property fund which carries the objective of investing in real estates in the East Asia Region, of approximately HK$1,104 million (2006 — loss of HK$18 million).

6. PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Interest income:		
Listed financial assets at fair value through profit or loss	**1,951**	5,650
Unlisted financial assets at fair value through profit or loss	**324**	758
Listed held-to-maturity financial assets	**853**	884
Loan and receivables	**1,336**	1,093
Banking operation	**21,253**	23,916
Other	**9,475**	15,825
Dividend income:		
Listed investments	**805**	771
Unlisted investments	**5,716**	2,291
Other unlisted investment income	**86**	664
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**7,749**	11,217
Unlisted financial assets at fair value through profit or loss	**27**	10,322
Listed available-for-sale financial assets	**—**	112,923
Unlisted available-for-sale financial assets	**724**	(26,685)
Net fair value gain on financial assets at fair value through profit or loss:		
Listed	**29,115**	25,188
Unlisted	**23,161**	191,540
Provision for impairment losses on unlisted available-for-sale financial assets	**—**	(5,797)
Depreciation	**(7,509)**	(6,988)
Loss on disposal of fixed assets	**(445)**	(67)

7. TAX

	2007	2006
	HK$'000	*HK$'000*
Hong Kong:		
Charge for the year	**130**	1,435
Underprovision in prior years	**—**	2,269
Deferred	**3,020**	1,179
	3,150	4,883
Overseas:		
Charge for the year	**5,819**	4,207
Underprovision/(Overprovision) in prior years	**(249)**	919
Deferred	**(2,105)**	36,966
	3,465	42,092
Total charge for the year	**6,615**	46,975

Hong Kong profits tax has been provided at the rate of 17.5 per cent. (2006 — 17.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profits for the year at the tax rates prevailing in the countries/jurisdictions in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company of HK$1,267,271,000 (2006 — HK$391,472,000); and (ii) the weighted average number of 1,346,829,000 ordinary shares (2006 — 1,346,829,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share is presented for the years ended 31st December, 2007 and 2006 as the share options outstanding during these years had no dilutive effect on the basic earnings per share for these years.

9. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	2007	2006
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Repayable on demand	**44,416**	45,809
Within 30 days	**36,660**	39,602
Between 31 and 60 days	**272**	969
Between 61 and 90 days	**53**	184
	81,401	86,564

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

Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are non-interest-bearing. The carrying amounts of debtors and deposits are approximate to their fair values.

10. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

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

	2007	2006
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Repayable on demand	**767,208**	637,860
Within 30 days	**45,641**	108,336
	812,849	746,196

The outstanding balances that are repayable on demand include client payable relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 31st December, 2007, total client trust bank balances amounted to HK$730,995,000 (2006 — HK$582,905,000).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong's economy stayed vibrant in 2007. The Asia region also sustained healthy economic growth.

The Group achieved excellent results in 2007 with strong performance on its major core businesses. Property investment and development sector, being the main growth driver for the year, performed well and sustained impressive returns to the Group. Corporate finance and securities broking business also recorded a substantial growth on the back of the robust local investment market. The Group took advantage of the positive global and local market conditions and realised a substantial part of its investment portfolio at profit. Meanwhile, the Group continued to strengthen its core businesses and explore overseas investment markets.

For the year ended 31st December, 2007, the Group's profit attributable to shareholders increased sharply to HK$1,267 million (2006 — HK$391 million).

Results for the year

Turnover for the year 2007 totalled HK$898 million, which was 18 per cent. lower than the HK$1,099 million recorded in 2006.

Despite the drop in turnover, the Group reported a substantial growth in profit for the year of HK$1,268 million (2006 — HK$417 million). Property investment and development was the main contributor.

Property investment and development

The Group's earnings from property investment and development continued to benefit from the buoyant property market in Singapore. In June 2007, the Group disposed of its entire interest in a joint venture, which held twenty-two strata lots in a commercial building located at 79 Anson Road in Singapore (the "Anson Road Properties") at a net profit of HK$102 million. Given the increase in Singapore property values, the disposal enabled the Group to realise the gain from its investment in the Anson Road Properties.

The Group's investment in a property fund (the "Property Fund"), carrying the objective of investing in real estates in the East Asia Region, registered remarkable results for the year. The Property Fund's investment in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in hotel operations and property investments, recorded a strong growth for the year as a result of the escalating property market and booming tourist demand in Singapore. The Group registered a share of profit of HK$1,104 million from the investment. Currently, OUE has seven prestigious hotels, carries the "Mandarin" and "Meritus" brand, which are strategically located in various famous tourist districts of Singapore, Malaysia and China. With the strong demand for hospitality services, the hotels recorded higher average room rates and occupancy during the year. OUE also holds a number of prime office buildings in central financial and business districts of Singapore. Meanwhile, OUE has recently participated in various new property development and investment projects, which included the redevelopment projects at Collyer Quay, Angullia Park and Leonie Hill Road, Singapore, etc, to capture the robust prime office and luxury residential property demand. It is expected that these investments have strong value appreciation potential.

With a positive outlook in both regional and local property markets, the Group recorded a total revaluation gain on investment properties of HK$25 million during the year.

Additionally, the Group has participated in various well-located development projects in Macau, Singapore, Thailand and Japan. Meanwhile, the Group also plans to expand its property portfolio in China in the coming years. The Chinese government recently implemented measures to prevent the overheating of the property market and sharp increases in property prices. It is believed that in the long-term, with the continuing development of the Chinese economy, market demand for quality properties remains strong. The Group will therefore focus on such opportunities in the commercial and residential sectors and explore joint ventures to complete or expand their development.

Treasury and securities investments

Entering 2007, the Group redeemed its investment in a real estate fund for a net proceed of S$92 million. The redemption enabled the Group to realise the gain made pursuant to the subscription in the real estate fund, which has been recognised as unrealised gain in the past years. Turnover and profits attributable to treasury and securities investments for the year amounted to HK$617 million (2006 — HK$919 million) and HK$74 million (2006 — HK$341 million) respectively.

Looking ahead, the investment market would still be challenging and full of uncertainty. Foreseeing the global investment market continued to be volatile with the shadow over the US sub-prime mortgage issues, the Group took necessary steps to restructure and refine its composition of investment portfolio in the securities investment segment so as to improve overall asset quality.

Corporate finance and securities broking

The performance of the local stock market in 2007 was unprecedented. The exceptional price movements of H-shares, as well as some of the large local stocks offered a rare window of opportunity, boosting the volume of local stock market to record high. The corporate finance and securities broking business has benefited from this favourable environment, registering a remarkable increase in turnover to HK$159 million (2006 — HK$96 million), although challenges of varying degrees in terms of increasing competition, mounting volatility of the global investment market and the rise in global and local inflation were also experienced. Profit derived from this segment improved substantially to HK$43 million (2006 — HK$18 million).

Banking business

The bank sustained stable results in 2007. Credit quality overall remained sound for the year. Management continued to lend conservatively and strived to improve asset quality. Turnover and profit derived from the banking segment amounted to HK$27 million (2006 — HK$29 million) and HK$4.2 million (2006 — HK$7.3 million) respectively.

Other businesses

With the Singapore property market performed well, the Group's income base has further been widening by participating in certain property project management in Singapore. Revenue of HK$53 million was generated in the current year.

In May 2007, the Group disposed of its 34.34 per cent. interest in the Convoy Group, which engaged in the provision of independent financial planning services in Hong Kong, at a net profit of HK$58 million. The disposal is in line with the Group's strategy of focusing on core businesses of the Group.

Financial position

As at 31st December, 2007, the Group's total assets increased to HK$6.6 billion (2006 — HK$6.0 billion). Property-related assets increased significantly to HK$4.4 billion (2006 — HK$3.3 billion), representing 66 per cent. (2006 — 55 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced to HK$0.5 billion (2006 — HK$0.9 billion), comprising debt and equity securities of HK$0.1 billion (2006 — HK$0.1 billion) and investment funds of HK$0.4 billion (2006 — HK$0.8 billion). The investment portfolio represented 8 per cent. (2006 — 16 per cent.) of the Group's total assets.

Various new property projects have been financed by proceeds derived from sales of certain investments, new bank loans and other borrowings. Total liabilities dropped to HK$1.9 billion (2006 — HK$2.7 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.2 to 1 (2006 — 1.2 to 1).

As at 31st December, 2007, the bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK$814 million (2006 — HK$1,490 million). As at 31st December, 2007, total bank loans amounted to HK$288 million (2006 — HK$604 million), comprising secured bank loans of HK$266 million (2006 — HK$594 million) and unsecured bank loans of HK$22 million (2006 — HK$10 million), which were denominated in Hong Kong dollars, United States dollars or Renminbi (2006 — denominated in Hong Kong dollars, United States dollars or Singapore dollars). The bank loans were secured by first legal mortgages over certain investment properties and certain securities of the Group. The bank loans carried interest at floating rates and 96 per cent. of the bank loans (2006 — 9 per cent.) were repayable within one year. During the year, the Group received loans from Lippo Limited ("Lippo") and a third party of HK$214 million and HK$312 million, respectively. The advance from Lippo would be repayable on or before 30th June, 2009. While the third party's advance would be repayable on 26th June, 2008 and subject to renewal for one additional year on terms mutually agreed with the lender. Meanwhile, the Group had fully repaid the loan advanced from Lippo China Resources Limited during the year. At the end of the year, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) dropped to 17 per cent. (2006 — 45 per cent.).

During the year, the Company made the 2006 final distribution of HK$0.05 per share and 2007 interim distribution of HK$0.0175 per share to its shareholders, amounting to a total of HK$90.9 million. The net asset value of the Group remained strong and increased to HK$4.7 billion (2006 — HK$3.2 billion). This was equivalent to HK$3.5 per share (2006 — HK$2.4 per share).

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (2006 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2006 — Nil).

As at 31st December, 2007, the Group's total capital commitment decreased to HK$0.4 billion (2006 — HK$0.6 billion). The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Staff and remuneration

The Group had approximately 185 employees as at 31st December, 2007 (2006 — 212 employees). Total staff costs (including directors' emoluments) during the year amounted to HK$104 million (2006 — HK$91 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option scheme of the Company.

Outlook

The US sub-prime mortgage crisis, which began in August 2007, has caused greater volatility in financial markets worldwide. While the Asia economy was relatively unscathed, the external trading environment has turned more uncertain, and the repercussions of the credit market turbulence have yet to play out fully. The operating environment of the Group remains challenging. Overall, the Group is cautiously optimistic for the year ahead. Economic fundamentals in Hong Kong and the Asia Pacific Region remain sound. While striving to continue to improve internal operational efficiencies, the Group will keep on refining its existing core businesses and seeking new investment opportunities with long-term growth potential. Given its own strong financial position, the Group is confident that it would be able to take advantage of new business opportunities in its pursuit of enhancing shareholders' value.

BUSINESS REVIEW

The Hong Kong economy continued to perform well in 2007. Falling unemployment rate, continuing strong domestic consumption and improving market confidence provided continuing momentum for local economic growth. The strong growth of the surrounding Asian economies has also helped boost business and investment opportunities. However, the US sub-prime mortgage crisis and the resultant volatility in the international financial markets have dampened global economic growth towards the end of 2007. In Mainland China, prospective macro-economic tightening measures may affect the pace of economic growth.

The Group had a remarkable performance in 2007, achieving a consolidated profit attributable to shareholders of approximately HK$1,267 million for the year ended 31st December, 2007, which was a marked increase over the profit of HK$391 million in 2006.

During the year, the Group continued to seek new businesses and investments as well as potential acquisition and alliance opportunities which are compatible with its long-term growth strategy. To enhance its asset portfolio, the Group continued with its quest to acquire quality property interests in Singapore and elsewhere in Asia.

The Group participated in a joint venture, in which the Group has a 50 per cent. interest, established for the acquisition and development of the property known as Kim Seng Plaza located at No. 100, Kim Seng Road, Singapore (the "Kim Seng Property"). The Kim Seng Property has a site area of approximately 5,611 square metres. It is currently intended that the Kim Seng Property will be re-developed into a luxury residential development.

At the end of 2006, the Group participated in a joint venture, in which the Group has a 50 per cent. interest, established for the acquisition and development of the property located at Sentosa Cove, Sentosa Island, Singapore (the "Sentosa Cove Property"). The Sentosa Cove Property comprises two parcels of land with total site area of approximately 22,222 square metres and maximum permissible gross floor area of approximately 26,667 square metres. It is planned that a total of one hundred and twenty four high-end luxury residential units will be constructed on the Sentosa Cove Property. Pre-sale of the residential units started before the end of 2007 and the response has been encouraging.

In June 2007, the Group won the tender for the acquisition of the site approximating 3,319 square metres and located at 53 Holland Road, Singapore (the "Aura Park Property") for a consideration of S$55.5 million. Partners were invited to participate in a joint venture to undertake the development of the Aura Park Property. As at 31st December, 2007, the Group had a 30 per cent. beneficial interest in this joint venture.

The Group's investment in Lippo ASM Asia Property LP ("LAAP") recorded welcoming results in 2007. LAAP is a property fund set up in 2005, of which a wholly-owned subsidiary of the Company is the founding limited partner, and carries the investment objective of investing in real estate in the East Asia Region. LAAP has an indirect ownership interest in Golden Concord Asia Limited which is the majority shareholder of a joint venture which in turn is a majority shareholder in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investments and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore as well as hotels in the Asia region, including Meritus Mandarin, which is located at Orchard Road, a prime shopping district in Singapore. These high quality properties generate stable recurrent rental income for OUE. Benefiting from the booming property market in Singapore, OUE has produced a remarkable performance in 2007 which in turn has helped to boost the profitability of LAAP and the Group.

The Group also participated in a number of property projects in Mainland China, including Lippo Tower in Chengdu and the development project (the "BDA Project") at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) ("BDA"). The BDA Project is located in the state-level economic-technological development area in Beijing which is approximately ten miles south east of Beijing city centre. The BDA Project , with a total site area of approximately 51,209 square metres, is currently planned to comprise office buildings, apartments, hotels and shopping malls with a total gross floor area of not less than 170,000 square metres. The project company has been formed in late January 2008.

A number of Fortune 500 companies and multinational corporations have presence in the neighbourhood. The property prices in BDA have risen considerably and the Group sees significant long term potential for the BDA Project. The economy in China continued to show impressive growth in 2007. With continuing growth in purchasing power and improvement in living standards, the outlook remains good for the property market in China.

The Macau Chinese Bank Limited ("MCB") continued to be a net income contributor to the Group. Following the Group's acquisition of the remaining 15 per cent. equity interest held by the minority shareholder, MCB became a wholly-owned subsidiary of the Company in September 2007. The Macau economy continued to grow firmly in 2007. MCB maintained steady results in all aspects of its business. The tourist and gaming sectors continued to do well. A number of additional new large-scale hotels and gaming and entertainment centres came into stream in 2007. This has further helped to improve the banking, financing and property mortgage financing sectors in Macau. A conditional sale and purchase agreement was entered into on 28th September, 2007 (the "SPA") for the sale by the Group to an independent third party of 60 per cent. of its beneficial interest in MCB. However, certain conditions precedent set out in the SPA regarding local regulatory approvals could not be obtained by the prospective buyer by the long stop date and accordingly, the SPA lapsed in February 2008. The Group will continue to seek strategic partners and business opportunities for MCB so as to enhance its competitiveness in the Macau banking sector.

The local stock market continued to perform well in 2007. The high market turnover and active initial public offering activities boosted the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services.

Taking advantage of the improving market conditions, the Group realised its gain in certain investments during 2007. At the beginning of the year, the Group realised its gain on its investment in Ferrell Real Estate Investment Fund ("Ferrell Fund"), a property fund, by termination of a discretionary management arrangement with the investment manager of the Ferrell Fund and the redemption of the relevant cell shares in the Ferrell Fund for a net proceed of S$92 million. The total profit of S$50 million from this investment has been reflected in the financial statements of the Group in the past years.

In May 2007, the Group disposed its entire 34.34 per cent. interest in the Convoy Group (an independent financial planning services group in Hong Kong) at a net profit of HK$58 million.

In June 2007, the Group disposed its entire interest (approximately 80.02 per cent.) in a joint venture which owns a total of twenty-two strata lots in a commercial building located at 79 Anson Road, Singapore. The disposal gave rise to a profit of approximately HK$102 million to the Group.

In January 2008, the Group completed the disposal of its entire 100 per cent. interest in a company which owns the entire 7th Floor of Tower One, Lippo Centre, Hong Kong. The property was acquired by the Group in December 2004 and apart from the rental income earned, this property investment has contributed a total profit of approximately HK$33.8 million to the Group in the past years.

DISTRIBUTION IN SPECIE OF THE COMPANY'S SHARES

During the year, Lippo Limited ("Lippo"), Lippo China Resources Limited ("LCR") and the Company (collectively, the "Lippo Group") undertook a realignment to streamline the Lippo Group's corporate structure.

In August 2007, LCR completed the distribution in specie of its entire 72.26 per cent. shareholding in the Company to its shareholders (the "Distribution"). As a result, LCR ceased to be the holding company of the Company and Lippo has become the beneficial owner of approximately 51.4 per cent. of the issued share capital of the Company. The Distribution will result in a clearer and better defined operational structure for the Lippo Group. Following the restructuring, the Company will primarily focus on property investment and development and will effectively be the principal property arm of the Lippo Group. Within this broad directional context, financial business will become a smaller business segment within the Group. The better defined and more focused separate operations of Lippo, LCR and the Company will enable investors to better appraise, assess and distinguish the values, potential and performance of each of the separate entities within the Lippo Group.

PROSPECTS

Looking ahead, there continues to be broad optimism about the economic and business prospects in Hong Kong and the surrounding Asian countries, including China in which the Olympic Games will take place in August this year. However, there remain a number of uncertainties in the external economic environment, especially concerns of a slowdown in the US economy arising from the US sub-prime mortgage crisis and the possible flow on effects onto the global financial markets.

The overall outlook for the Group is promising. The Group is in an excellent position to benefit from the continuing economic growth in Asia. The Group will continue to explore suitable investment opportunities, particularly in the property markets, in the Asia region. However, Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

DISTRIBUTIONS

The Directors have recommended the payment of final distribution of HK$67.3 million (2006 — HK$67.3 million), equivalent to HK5 cents (2006 — HK5 cents) per share, for the year ended 31st December, 2007, which will be paid on Friday, 4th July, 2008 to the shareholders whose names appear on the Company's Register of Members on Thursday, 5th June, 2008. Together with the interim distribution of HK$23.6 million (2006 — HK$20.2 million), equivalent to HK1.75 cents (2006 — HK1.5 cents) per share paid, total distribution for the year ended 31st December, 2007 will amount to HK$90.9 million (2006 — HK$87.5 million), equivalent to HK6.75 cents (2006 — HK6.5 cents) per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 2nd June, 2008 to Thursday, 5th June, 2008 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the final distribution for the year ended 31st December, 2007, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tricor Tengis Limited, the Company's Branch Share Registrars in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 30th May, 2008. Warrants in respect of the final distribution will be dispatched to the shareholders on or about Friday, 4th July, 2008.

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

During the year ended 31st December, 2007, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Yung Ha Kuk (Chairman), Mr. Albert Saychuan Cheok and Mr. Tsui King Fai and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31st December, 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31st December, 2007.

By Order of the Board
Hongkong Chinese Limited
John Lee Luen Wai
Director

Hong Kong, 16th April, 2008

As at the date of this announcement, the non-executive Directors of the Company are Dr. Mochtar Riady (Chairman) and Mr. Leon Chan Nim Leung; the executive Directors of the Company are Messrs. Stephen Riady (Chief Executive Officer), John Lee Luen Wai and Kor Kee Yee; and the independent non-executive Directors of the Company are Messrs. Albert Saychuan Cheok, Victor Yung Ha Kuk and Tsui King Fai.

* *For identification purpose only*