# HONGKONG CHINESE LIMITED
# 香港華人有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 655)**

## INTERIM RESULTS
## FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

### INTERIM RESULTS

The Directors of Hongkong Chinese Limited (the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June, 2008 together with the comparative figures for the corresponding period in 2007 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | Unaudited six months ended 30th June, | |
|---|---|---|---|
| | *Note* | **2008** *HK$'000* | 2007 *HK$'000* (restated) |
| **Revenue** | *2* | **71,270** | 161,076 |
| Cost of sales | | **(17,254)** | (32,317) |
| **Gross profit** | | **54,016** | 128,759 |
| Administrative expenses | | **(54,596)** | (53,107) |
| Other operating expenses | | **(17,605)** | (29,628) |
| Fair value gains on investment properties | | **118,040** | 3,333 |
| Gain on disposal of subsidiaries | | **7,417** | 101,956 |
| Gain on disposal of associates | | **–** | 57,620 |
| Gain on disposal of available-for-sale financial assets | | **–** | 724 |
| Net fair value gain/(loss) on financial assets at fair value through profit or loss | | **(6,263)** | 23,295 |
| Write-back of provision for impairment loss on an associate | | **18,000** | – |
| Finance costs | | **(14,946)** | (38,847) |
| Share of results of associates | *4* | **16,198** | 494,276 |
| Share of results of jointly controlled entities | | **(606)** | (811) |
| **Profit before tax** | *5* | **119,655** | 687,570 |
| Tax | *6* | **(17,237)** | 895 |
| **Profit for the period** | | **102,418** | 688,465 |

| | | Unaudited six months ended 30th June, 2008 | 2007 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* (restated) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **103,920** | 687,082 |
| Minority interests | | **(1,502)** | 1,383 |
| | | **102,418** | 688,465 |
| | | ***HK cents*** | *HK cents* |
| **Earnings per share attributable to equity holders of the Company** | *7* | | |
| Basic | | **7.0** | 46.7 |
| Diluted | | **N/A** | N/A |
| **Interim distribution per share** | | **1.75** | 1.75 |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | *Note* | **30th June, 2008 *HK$'000* (Unaudited)** | 31st December, 2007 *HK$'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | **71,485** | 71,485 |
| Fixed assets | | **126,074** | 44,810 |
| Investment properties | | **540,206** | 524,709 |
| Properties under development | | **80,640** | 137,766 |
| Interests in associates | | **3,692,673** | 3,433,610 |
| Interests in jointly controlled entities | | **265,107** | 183,964 |
| Available-for-sale financial assets | | **115,606** | 126,958 |
| Held-to-maturity financial assets | | **9,553** | 9,572 |
| Loans and advances | | **38,353** | 27,884 |
| | | **4,939,697** | 4,560,758 |
| **Current assets** | | | |
| Properties held for sale | | **9,751** | 9,751 |
| Properties under development | | **67,023** | 47,725 |
| Available-for-sale financial assets | | **–** | 2,454 |
| Financial assets at fair value through profit or loss | | **332,916** | 398,808 |
| Loans and advances | | **204,702** | 237,332 |
| Debtors, prepayments and deposits | *8* | **156,704** | 171,176 |
| Client trust bank balances | | **612,522** | 730,995 |
| Treasury bills | | **18,430** | 34,920 |
| Cash and bank balances | | **977,140** | 399,663 |
| | | **2,379,188** | 2,032,824 |
| **Current liabilities** | | | |
| Bank and other borrowings | | **704,583** | 587,934 |
| Creditors, accruals and deposits received | *9* | **981,515** | 877,370 |
| Current, fixed, savings and other deposits of customers | | **140,197** | 165,223 |
| Tax payable | | **8,656** | 11,036 |
| | | **1,834,951** | 1,641,563 |
| **Net current assets** | | **544,237** | 391,261 |
| **Total assets less current liabilities** | | **5,483,934** | 4,952,019 |

| | 30th June, 2008 *HK$'000* (Unaudited) | 31st December, 2007 *HK$'000* (Audited) |
|---|---|---|
| **Non-current liabilities** | | |
| Bank and other borrowings | **12,512** | 225,705 |
| Deferred tax liabilities | **35,407** | 28,911 |
| | **47,919** | 254,616 |
| **Net assets** | **5,436,015** | 4,697,403 |
| **Equity** | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | **1,818,219** | 1,346,829 |
| Reserves | **3,587,425** | 3,338,496 |
| | **5,405,644** | 4,685,325 |
| Minority interests | **30,371** | 12,078 |
| | **5,436,015** | 4,697,403 |

*Note:*

**1. Principal accounting policies**

The interim results are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim results have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted in the preparation of these interim results are consistent with those used in the Group's audited financial statements for the year ended 31st December, 2007, except that in the current period, the Group has changed the presentation of revenue and has adopted certain new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "new/revised HKFRSs") as detailed in Note (a) and (b) below:

*(a) Change in the presentation of revenue*

In prior years, revenue included the proceeds from sales of securities investment, while the related costs of sales of securities investment were presented as "cost of sales".

In the current period, the Group has revised the presentation of revenue in order to provide more relevant information in respect of the Group's operations and to conform with market practices. The proceeds from sales of securities investment are offset against the cost of sales of securities investment and are presented as gain/(loss) on sales of securities investment in the consolidated profit and loss account within revenue.

The effects of the change in the presentation of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

| | **Six months ended 30th June,** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Decrease in revenue | **(117,429)** | (547,544) |
| Decrease in cost of sales | **117,429** | 547,544 |

The change does not have any impact on the results of the Group in respect of current period and prior year.

*(b) New/revised HKFRSs*

The following new/revised HKFRSs are adopted for the first time for the current period's interim results, which have become effective for accounting periods beginning on or after 1st January, 2008:

| | |
|---|---|
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of the above new/revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's interim results.

## 2. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, gross income on treasury investment which includes interest income on bank deposits and debt securities, income from securities investment which includes gain/(loss) on sales of securities 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:

| | Six months ended 30th June, | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | | (restated) |
| Property investment and development | **4,419** | 19,765 |
| Treasury investment | **2,896** | 4,284 |
| Securities investment | **(5,614)** | 5,390 |
| Corporate finance and securities broking | **41,235** | 67,424 |
| Banking business | **9,498** | 15,388 |
| Project management | **8,475** | 39,770 |
| Other | **10,361** | 9,055 |
| | **71,270** | 161,076 |

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:

| | Six months ended 30th June, | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Interest income | **6,040** | 12,428 |
| Commission income | **2,823** | 2,132 |
| Other revenues | **635** | 828 |
| | **9,498** | 15,388 |

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:

| | Six months ended 30th June, 2008 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **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 | **4,419** | **2,896** | **(5,614)** | **41,235** | **9,498** | **8,475** | **10,361** | **–** | **71,270** |
| Inter-segment | **–** | **–** | **–** | **11** | **–** | **7,282** | **871** | **(8,164)** | **–** |
| Total | **4,419** | **2,896** | **(5,614)** | **41,246** | **9,498** | **15,757** | **11,232** | **(8,164)** | **71,270** |
| Segment results | **121,929** *(Note)* | **2,662** | **(19,646)** | **10,714** | **1,584** | **7,931** | **23,546** | **(7,721)** | **140,999** |
| Unallocated corporate expenses | | | | | | | | | **(24,122)** |
| Finance costs | | | | | | | | | **(12,814)** |
| Share of results of associates | **13,160** | **–** | **–** | **–** | **–** | **–** | **3,038** | **–** | **16,198** |
| Share of results of jointly controlled entities | **(78)** | **–** | **–** | **–** | **–** | **–** | **(528)** | **–** | **(606)** |
| Profit before tax | | | | | | | | | **119,655** |
| Tax | | | | | | | | | **(17,237)** |
| Profit for the period | | | | | | | | | **102,418** |

| | Six months ended 30th June, 2007 (restated) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 19,765 | 4,284 | 5,390 | 67,424 | 15,388 | 39,770 | 9,055 | – | 161,076 |
| Inter-segment | – | 15 | – | 164 | – | 167 | 715 | (1,061) | – |
| Total | 19,765 | 4,299 | 5,390 | 67,588 | 15,388 | 39,937 | 9,770 | (1,061) | 161,076 |
| Segment results | 114,050 | 4,152 | 28,723 | 13,180 | 4,157 | 34,026 | 59,239 | (618) | 256,909 |
| Unallocated corporate expenses | | | | | | | | | (35,152) |
| Finance costs | | | | | | | | | (27,652) |
| Share of results of associates | 490,547 | – | – | – | – | – | 3,729 | – | 494,276 |
| Share of results of jointly controlled entities | (49) | – | – | – | – | – | (762) | – | (811) |
| Profit before tax | | | | | | | | | 687,570 |
| Tax | | | | | | | | | 895 |
| Profit for the period | | | | | | | | | 688,465 |

*Note*: The amount included fair value gains on investment properties of HK$118,040,000.

## 4. Share of results of associates

The amount included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP"), a property fund which has participated in a joint venture to invest in Overseas Union Enterprise Limited ("OUE"), a listed company in Republic of Singapore principally engaged in property investment and development and hotel operations, of approximately HK$13 million (2007 – HK$491 million). Amount in 2007 was mainly derived from the revaluation gain on the various investment properties held under LAAP. No such revaluation was carried out by OUE during the period.

## 5. Profit before tax

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

| | Six months ended 30th June, 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Interest income: | | |
| Listed financial assets at fair value through profit or loss | **543** | 393 |
| Unlisted financial assets at fair value through profit or loss | **1,310** | 324 |
| Listed held-to-maturity financial assets | **427** | 428 |
| Loan and receivables | **1,685** | 575 |
| Banking operation | **6,040** | 12,428 |
| Other | **2,896** | 4,284 |
| Dividend income: | | |
| Listed investments | **381** | 136 |
| Unlisted investments | **1,128** | 4,212 |
| Gain/(Loss) on disposal of: | | |
| Listed financial assets at fair value through profit or loss | **(9,274)** | (130) |
| Unlisted financial assets at fair value through profit or loss | **(255)** | 27 |
| Unlisted available-for-sale financial assets | **126** | 724 |
| Net fair value gain/(loss) on financial assets at fair value through profit or loss: | | |
| Listed | **(11,524)** | 11,233 |
| Unlisted | **5,261** | 12,062 |
| Depreciation | **(3,224)** | (3,861) |

## 6. Tax

| | Six months ended 30th June, 2008 *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Hong Kong: | | |
| Underprovision in prior periods | **918** | – |
| Deferred | **70** | 578 |
| | **988** | 578 |
| Overseas: | | |
| Charge for the period | **2,011** | 1,943 |
| Underprovision/(Overprovision) in prior periods | **258** | (36) |
| Deferred | **13,980** | (3,380) |
| | **16,249** | (1,473) |
| Total charge/(credit) for the period | **17,237** | (895) |

Hong Kong profits tax has been provided for at the rate of 16.5 per cent. (2007 – 17.5 per cent.) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profits for the period at the tax rates prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. 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 period attributable to equity holders of the Company of HK$103,920,000 (2007 – HK$687,082,000); and (ii) the weighted average number of 1,479,964,000 ordinary shares (2007 – 1,472,362,000 ordinary shares after adjusting for the rights issue which has completed in June 2008) in issue during the period.

*(b) Diluted earnings per share*

No diluted earnings per share is presented for the period ended 30th June, 2008 as the share options and warrants outstanding during the period had no dilutive effect on the basic earnings per share for the period.

No diluted earnings per share is presented for the period ended 30th June, 2007 as there were no dilutive potential ordinary shares during the period.

## 8. Debtors, prepayments and deposits

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

| | **30th June, 2008** *HK$'000* | 31st December, 2007 *HK$'000* |
|---|---|---|
| Outstanding balances with ages: | | |
| Repayable on demand | **37,333** | 44,416 |
| Within 30 days | **32,070** | 36,660 |
| Between 31 and 60 days | **–** | 272 |
| Between 61 and 90 days | **6** | 53 |
| | **69,409** | 81,401 |

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.

As at balance sheet date, receivables are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

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

## 9. Creditors, accruals and deposits received

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

| | **30th June, 2008** *HK$'000* | 31st December, 2007 *HK$'000* |
|---|---|---|
| Outstanding balances with ages: | | |
| Repayable on demand | **642,776** | 767,208 |
| Within 30 days | **44,268** | 45,641 |
| | **687,044** | 812,849 |

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 30th June, 2008, total client trust bank balances amounted to HK$612,522,000 (31st December, 2007 – HK$730,995,000).

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 became challenging in 2008. The global economy is in turbulence in wake of the ballooning sub-prime mortgages loss in US.

The Group's performance was adversely affected by various unfavourable factors in the market. Facing the volatile and gloomy stock market, securities investment and corporate finance and securities broking businesses recorded a substantial decrease of returns during the first half of 2008. Despite the difficult operating environment in the first half of 2008, property investment and development business, being one of the major business streams of the Group, performed well and contributed significant returns to the Group. Meanwhile, the Group continued to strengthen its core businesses and explore investments in overseas markets.

For the six months ended 30th June, 2008, the Group reported a profit attributable to shareholders of HK$104 million (2007 – HK$687 million). The higher profit in 2007 was mainly derived from the share of profit of an associate which benefited from the revaluation gain on the investment properties held by this associate.

### Results for the period

Turnover for the six months ended 30th June, 2008 totalled HK$71 million, which was 56 per cent. lower than the HK$161 million (restated) recorded in the corresponding period of 2007, resulted from adverse impact of the gloomy investment market and lack of properties sale in the period under review.

The Group reported a profit for the period of HK$102 million (2007 – HK$688 million). Property investment and development remained as the main contributor.

*Property investment and development*

The investment properties continued to provide stable rental income to the Group during the period. Turnover derived from this segment amounted to HK$4 million (2007 – HK$5 million when the rental income contributed by former subsidiaries of HK$15 million was excluded).

With the stable price growth in the Macau property market, the Group recorded a total revaluation gain on investment properties of HK$118 million (2007 – HK$3 million) during the period. The Group cautiously looks for opportunities to lock up the profit from increase in property values. In January 2008, the Group disposed of its entire interest in a wholly-owned subsidiary, which held the 7th floor of Tower One, Lippo Centre in Hong Kong at a net profit of HK$7 million. 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 at a net profit of HK$102 million. Segment result derived from this business amounted to HK$122 million (2007 – HK$114 million).

The Group invests in a property fund, which has interests in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in hotel operations and property investment and development. The hotels managed by OUE are strategically located in various famous tourist districts of Singapore, Malaysia and China. OUE also holds a number of prime office buildings in central financial and business districts of Singapore. Meanwhile, OUE has recently participated in certain new property development and investment projects, which include the redevelopment projects at Collyer Quay, Angullia Park and Leonie Hill Road, Singapore. The Group registered a share of profit of HK$13 million (2007 – HK$491 million) from the investment. The drop was mainly attributable to the lower rental income from the vacancy of certain properties for the redevelopment projects mentioned above and the absence of revaluation on investment properties in 2008.

Additionally, the Group has participated in various well-located property development projects in Singapore, Thailand and Japan.

*Treasury and securities investments*

Entering 2008, problems brought on by sub-prime mortgages spread over the global market. The Group responded to the uncertain outlook and took a prudent stance by reducing equity exposure further and raised cash in portfolios. Treasury and securities investments business registered a loss of HK$17 million (2007 – gain of HK$33 million) during the period.

Foreseeing the current macroeconomic factors would continue to cast a cloudy outlook over the general economic and business conditions for an extended period, the Group remained cautious on the composition of its investment portfolio with continuing focus on improving overall asset quality.

*Corporate finance and securities broking*

Hong Kong capital market was triggered by the global market slowdown in 2008 and initial public offerings activities in local stock market almost came to a halt. The corporate finance and securities broking business was undermined by the continuous downfall of the markets, its results were under severe pressure, registering a decrease in turnover of HK$26 million to HK$41 million (2007 – HK$67 million). Profit derived from this segment reduced to HK$11 million (2007 – HK$13 million).

*Banking business*

Affected by the credit market crisis and financial market volatility, the growth in the banking business was softened in the first half of 2008. In spite of the intense competition condition, credit quality overall remained sound for the period. Management continued to lend conservatively and strived to improve asset quality. Turnover and profit derived from the banking segment amounted to HK$9 million (2007 – HK$15 million) and HK$2 million (2007 – HK$4 million) respectively.

*Other businesses*

With the Singapore property market remained a steady growth, the Group registered income by participating in certain property projects management in Singapore. Revenue of HK$16 million (2007 – HK$40 million) was generated in the current period.

**Financial position**

During the period, the Group successfully completed a rights issue in June 2008. This fundraising exercise generated approximately HK$464 million of net proceeds after expenses, which helped to strengthen the Group's financial position and to provide necessary capital to enhance its competitiveness.

As at 30th June, 2008, the Group's total assets increased to HK$7.3 billion (31st December, 2007 – HK$6.6 billion). Property-related assets slightly increased to HK$4.6 billion (31st December, 2007 – HK$4.4 billion), representing 63 per cent. (31st December, 2007 – 66 per cent.) of the total assets. On the other hand, the investment portfolio of the Group reduced to HK$458 million (31st December, 2007 – HK$538 million), comprising debt and equity securities of HK$77 million (31st December, 2007 – HK$108 million) and investment funds of HK$381 million (31st December, 2007 – HK$430 million). The investment portfolio represented 6 per cent. (31st December, 2007 – 8 per cent.) of the Group's total assets.

Various property projects have been financed by proceeds derived from sales of certain investments and bank loans and other borrowings. Total liabilities remained at HK$1.9 billion (31st December, 2007 – HK$1.9 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.3 to 1 (31st December, 2007 – 1.2 to 1).

As at 30th June, 2008, the bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK$717 million (31st December, 2007 – HK$814 million). As at 30th June, 2008, total bank loans amounted to HK$213 million (31st December, 2007 – HK$288 million), comprising secured bank loans of HK$200 million (31st December, 2007 – HK$266 million) and unsecured bank loans of HK$13 million (31st December, 2007 – HK$22 million), which were denominated in Hong Kong dollars, United States dollars or Renminbi (31st December, 2007 – denominated in Hong Kong dollars, United States dollars or Renminbi). 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 94 per cent. of the bank loans (31st December, 2007 – 96 per cent.) were repayable within one year. The Group's other borrowings as at 30th June, 2008 comprised of unsecured loans advanced from Lippo Limited ("Lippo") and a third party of HK$192 million (31st December, 2007 – HK$214 million) and HK$312 million (31st December, 2007 – HK$312 million) respectively. The advance from Lippo is repayable on or before 30th June, 2009, while the third party's advance is repayable on or before 26th June, 2009. At the end of the period, gearing ratio (measured as bank and other borrowings, net of minority interests, to shareholders' funds) decreased to 13 per cent. (31st December, 2007 – 17 per cent.).

During the period, the Company declared the 2007 final distribution of HK$0.05 per share to its shareholders, amounting in a total of HK$67 million. The net asset value of the Group remained strong and increased to HK$5.4 billion (31st December, 2007 – HK$4.7 billion). This was equivalent to HK$3.0 per share (31st December, 2007 – HK$3.5 per share). The decrease was due to the issue of right shares at a discount to the net asset value taken place during the period.

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (31st December, 2007 – Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (31st December, 2007 – Nil).

As at 30th June, 2008, the Group's total capital commitment decreased to HK$0.1 billion (31st December, 2007 – HK$0.4 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 207 employees as at 30th June, 2008 (2007 – 179 employees). Total staff costs (including directors' emoluments) during the period amounted to HK$41 million (2007 – HK$39 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share options scheme of the Company.

## Outlook

The global credit market conditions continued to deteriorate in the first six months of 2008. The business environment was affected by the adverse impact of the sub-prime crisis. Global inflation posed a particular challenge. Global economic growth is slowing. Nevertheless, the Group is cautiously optimistic about the regional economic prospects in long run and will continue to be centered on developments in Asia Pacific region. Amid the tentative and fragile operating environment, the Group will continue to improve internal operational efficiencies and seek new investment opportunities with long-term growth potential. Given its own strong financial position, the Group is well positioned to take advantage of any good business opportunities to enhance its shareholders' value.

## RIGHTS ISSUE

The first half of 2008 saw another milestone being accomplished by the Company in the enhancement and strengthening of its capital base. The Company successfully launched a rights issue in June 2008 which resulted in approximately HK$464 million of net proceeds being raised. The rights issue was of 471,390,178 rights shares at HK$1.00 each in the proportion of seven rights shares for every twenty shares held, with bonus warrants granted on the basis of three warrants for every seven rights shares successfully applied. The rights shares and the bonus warrants were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 4th July, 2008.

## BUSINESS REVIEW

2008 began with clear signals that the slowdown in the US economy triggered by the US sub-prime mortgage crisis and the flow on effects onto the global financial markets have begun to affect the regional Asian economy. The various natural disasters in China in the first half of 2008 and the weak stock markets in Hong Kong and China further dampened the economic environment and market confidence in Hong Kong and China. The property markets in Hong Kong, China and the neighbouring South East Asian countries, which saw surging prices in last year, faltered onto a softer note.

Despite this increasingly challenging and volatile market environment, the Group was able to produce stable 2008 interim results. The Group recorded an unaudited consolidated profit attributable to shareholders of approximately HK$104 million for the six months ended 30th June, 2008, as compared to a profit of HK$687 million in the corresponding period of 2007. It should be noted that the higher interim profit in 2007 was mainly derived from the share of profit of an associate which benefited from the revaluation gain on the various investment properties held under this associate.

During the period, the Group continued to strengthen and consolidate its core businesses of property investment and development and seek new businesses and investment opportunities which are compatible with its long-term growth strategy.

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.

Though there are signs that the property market in Singapore has consolidated and softened in the last few months, the Group is optimistic that the various property projects in which it has been participating in the last two years in Singapore will yield good economic returns in the coming years.

The Group participated in a joint venture which acquired and will develop the site located at 53 Holland Road, Singapore (the "Holland Road Property", formerly referred to as the "Aura Park Property") with a site area of approximately 36,339 square feet. The plan is to develop the Holland Road Property, to be named as "The Holland Collection", into a luxury residential development with completion expected to be in the first quarter of 2011. As at 30th June, 2008, the Group has approximately a 27.5 per cent. effective interest in the joint venture.

The Group also has a 50 per cent. interest in a joint venture established to acquire and develop 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 239,200 square feet. A total of one hundred and twenty four high-end luxury residential units, with a total saleable area of approximately 320,860 square feet, will be developed on the Sentosa Cove Property with completion expected to be in the fourth quarter of 2011. Now named "Marina Collection", the pre-sale of the residential units was launched before the end of 2007 and the response has been encouraging.

The Group also has a 50 per cent. interest in a joint venture which acquired and will develop the property located at No. 100, Kim Seng Road, Singapore (the "Kim Seng Property"). The Kim Seng Property which has a site area of approximately 60,393 square feet will be re-developed into a luxury residential development (to be named as "Centennia Suites") with expected completion to be in the fourth quarter of 2012.

Lippo ASM Asia Property LP ("LAAP") of which a wholly-owned subsidiary of the Company is the founding limited partner, is a property fund set up in 2005 with 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 development 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 in Singapore. These high quality properties generate good, stable and recurring rental income for OUE. The strong pick-up in the tourism sector and the spin-offs from the award of casino licences are expected to generate substantial demand for quality office, retail, hotel and residential properties in Singapore.

The Group also participated in a number of property projects in 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") in which the Group has about 85.7 per cent interest.

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 and is the only State-level economic technological development in the capital of China. A number of Fortune 500 companies and multinational corporations have presence in the neighbourhood. The BDA Project is in the planning approval stage and construction is expected to commence in the first half of next year. With a total site area of approximately 51,209 square metres, it is currently planned to comprise office buildings, apartments and shopping malls, with a total gross floor area of about 270,000 square metres including basement and about 170,000 square metres above ground. It is the intention of the Group to acquire the remaining 14.3 per cent. interest in the BDA Project. With continuing growth in purchasing power and improvement in living standards, the Group is optimistic about property market prospects in China.

The Macau Chinese Bank Limited ("MCB"), a wholly-owned subsidiary of the Company, continued to be a net income contributor to the Group. The Macau economy remained stable in the first half of 2008 and MCB has maintained steady results in its businesses. As announced previously, a conditional sale and purchase agreement was entered into on 28th September, 2007 (the "SPA") for the sale of 60 per cent. of the Group's beneficial interest in MCB to an independent third party. However, certain conditions precedent set out in the SPA regarding local regulatory approvals for the prospective buyer could not be obtained by the extended long stop date and as a result, 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 weak local stock market saw much reduced market turnovers and little public offering activities in the first half of 2008. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The performance of the local stock market in the remainder of the year will depend much on the global market environment and the performance of the stock markets in China.

**PROSPECTS**

Looking ahead, the international operating environment will remain challenging for some time. Global economy will continue to be overshadowed by the US economic slowdown, persisting high oil prices and strengthening inflationary pressures. This will cast a dim on the economic and business prospects for Hong Kong and the surrounding Asian countries. However, the statistics suggest that China is still broadly on track in maintaining solid economic growth. With this as a backstop and assisted by the relatively low interest rate and unemployment rate environment, the local Hong Kong economy is expected to be relatively less affected.

The Company, being the principal property arm of the Lippo Group, will continue to focus on property investment and development businesses. Management remains optimistic about the overall outlook for the Group. The Group is in a strong and stable financial position which makes it well placed to be able to continue to explore suitable investment opportunities, particularly in the property markets in China and the Asia region. Management will however continue to adopt a cautious and prudent approach in its assessment of new investment opportunities.

## INTERIM DISTRIBUTION

The Directors have resolved to declare the payment of an interim distribution of HK1.75 cents (2007 – HK1.75 cents) per share, amounting to approximately HK$31,819,000 for the six months ended 30th June, 2008, which will be paid on Tuesday, 21st October, 2008 to the shareholders whose names appear on the Company's Register of Members on Friday, 10th October, 2008.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 6th October, 2008 to Friday, 10th October, 2008 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim distribution for the six months ended 30th June, 2008, all transfer forms accompanied by the relevant share certificates or in the case of warrantholders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with Tricor Tengis Limited, the Company's Hong Kong Branch Share Registrars and Warrant Registrars, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 3rd October, 2008. Warrants in respect of the interim distribution will be dispatched to the shareholders on or about Tuesday, 21st October, 2008.

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

During the six months ended 30th June, 2008, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## 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 (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30th June, 2008 except for the deviation from code provision E.1.2 which stipulates that the chairman of the board of a listed issuer should attend the annual general meeting of that issuer. As Dr. Mochtar Riady, the Chairman of the Board (the "Chairman"), was on an overseas trip, he was unable to attend the annual general meeting of the Company held on 5th June, 2008. To comply with the Code, the Chairman will use his best endeavours to attend future annual general meetings of the Company.

## 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 unaudited consolidated interim financial statements of the Company for the six months ended 30th June, 2008.

By Order of the Board
**HONGKONG CHINESE LIMITED**
**John Lee Luen Wai**
*Director*

Hong Kong, 17th September, 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*