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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, 2008

FINAL RESULTS

The Directors of Hongkong Chinese Limited (the “Company”) announce the consolidated final results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December, 2008 together with the comparative figures for the corresponding period in 2007 as follows:

Consolidated Profit and Loss Account

For the year ended 31st December, 2008

	Note	2008 HK\$'000	2007 HK\$'000 (restated)
Revenue	2	208,187	308,234
Cost of sales		<u>(94,209)</u>	<u>(66,591)</u>
Gross profit		113,978	241,643
Administrative expenses		(105,756)	(132,399)
Other operating expenses		(69,753)	(50,616)
Fair value gains on investment properties		62,899	25,106
Gain on disposal of subsidiaries		7,417	101,956
Gain on disposal of available-for-sale financial assets		5,988	724
Gain on disposal of associates		—	57,620
Net fair value gain/(loss) on financial assets at fair value through profit or loss		(151,161)	52,276
Write-back of/(Provisions for) impairment losses:			
Associates		18,000	(23,008)
Properties held for sale		(389)	(10,090)
Properties under development		(9,089)	(26,780)
Write-back of allowance/(Allowance) for bad and doubtful debts		(21,603)	128
Finance costs		(26,038)	(70,674)
Share of results of associates	4	(36,191)	1,110,830
Share of results of jointly controlled entities		<u>(774)</u>	<u>(1,974)</u>
Profit/(Loss) before tax	5	(212,472)	1,274,742
Tax	6	<u>(18,065)</u>	<u>(6,615)</u>
Profit/(Loss) for the year		<u>(230,537)</u>	<u>1,268,127</u>

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (restated)
Attributable to:			
Equity holders of the Company		(227,070)	1,267,271
Minority interests		<u>(3,467)</u>	<u>856</u>
		<u>(230,537)</u>	<u>1,268,127</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share attributable to equity holders of the Company			
Basic	7	<u>(13.8)</u>	<u>86.1</u>
Diluted		<u>N/A</u>	<u>N/A</u>
Distributions per share			
Interim, declared and paid		<u>1.75</u>	<u>1.75</u>
Final, proposed/paid after the balance sheet date		<u>—</u>	<u>5</u>

Consolidated Balance Sheet*As at 31st December, 2008*

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		132,625	44,810
Investment properties		530,336	524,709
Properties under development		259,482	137,766
Interests in associates		3,261,481	3,433,610
Interests in jointly controlled entities		254,931	183,964
Available-for-sale financial assets		90,905	126,958
Held-to-maturity financial assets		9,467	9,572
Loans and advances		41,059	27,884
Deferred tax assets		184	—
		<u>4,651,955</u>	<u>4,560,758</u>
Current assets			
Properties held for sale		11,975	9,751
Properties under development		—	47,725
Available-for-sale financial assets		—	2,454
Financial assets at fair value through profit or loss		47,505	398,808
Loans and advances		161,390	237,332
Debtors, prepayments and deposits	8	99,619	171,176
Client trust bank balances		509,355	730,995
Treasury bills		—	34,920
Cash and bank balances		743,112	399,663
		<u>1,572,956</u>	<u>2,032,824</u>
Current liabilities			
Bank and other borrowings		386,182	587,934
Creditors, accruals and deposits received	9	606,140	877,370
Current, fixed, savings and other deposits of customers		133,220	165,223
Tax payable		9,157	11,036
		<u>1,134,699</u>	<u>1,641,563</u>
Net current assets		<u>438,257</u>	<u>391,261</u>
Total assets less current liabilities		<u>5,090,212</u>	<u>4,952,019</u>

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	201,503	225,705
Deferred tax liabilities	<u>27,792</u>	<u>28,911</u>
	<u>229,295</u>	<u>254,616</u>
Net assets	<u>4,860,917</u>	<u>4,697,403</u>
Equity		
Equity attributable to equity holders of the Company		
Share capital	1,818,186	1,346,829
Reserves	<u>2,851,404</u>	<u>3,338,496</u>
	4,669,590	4,685,325
Minority interests	<u>191,327</u>	<u>12,078</u>
	<u>4,860,917</u>	<u>4,697,403</u>

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, 2007 except that in the current year, the Group has changed the presentation of revenue and has adopted certain new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("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 year, 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:

	2008 HK\$'000	2007 <i>HK\$'000</i>
Decrease in revenue	(239,274)	(590,150)
Decrease in cost of sales	<u>239,274</u>	<u>590,150</u>

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

(b) *New/Revised HKFRSs*

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's final results:

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets
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

Except for the adoption of HKAS 39 and HKFRS 7 Amendments, the adoption of these new interpretations and amendments has had no significant effect on these final results.

The principal effects of adopting HKAS 39 and HKFRS 7 Amendments are as follows:

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1st July, 2008.

During the outbreak of the global financial crisis in the third quarter of 2008, which was considered a rare circumstance, the Group decided to change its intention from holding certain of its debt instruments for the purpose of trading in the near term to holding them for the foreseeable future. The Group adopted these amendments and reclassified these debt instruments from the fair value through profit or loss category into available-for-sale category. In accordance with the transitional provisions of the amendments, no restatement was made for the comparative amounts. At the date of reclassification, the debt instruments had a fair value of HK\$8,290,000. Prior to the reclassification, the Group recognised a fair value loss of HK\$443,000 on these debt instruments for the year. As at 31st December, 2008, the debt instruments were stated at fair value of HK\$3,490,000. A revaluation deficit of HK\$4,800,000 was included in the investment revaluation reserve. Had the reclassification not taken place, the Group would have recognised a fair value loss of HK\$5,243,000 in the profit and loss account for the year.

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ²
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instrument: Disclosures — Improving Disclosures about Financial Instruments ¹
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
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items ²

HK(IFRIC) — Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) — Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments, Recognitions and Measurement — Embedded Derivatives ⁵
HK(IFRIC) — Int 13	Customer Loyalty Programmes ³
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners ²
HK(IFRIC) — Int 18	Transfers of Assets from Customers ²

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009 although there are separate transitional provisions for each standard.

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 July, 2008

⁴ Effective for annual periods beginning on or after 1st October, 2008

⁵ Effective for annual periods ending on or after 30th June, 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2. REVENUE

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

	2008 HK\$'000	2007 HK\$'000 (restated)
Property investment and development	90,286	27,867
Treasury investment	8,133	9,475
Securities investment	3,211	17,511
Corporate finance and securities broking	65,622	158,871
Banking business	16,399	27,338
Project management	10,894	52,655
Other	13,642	14,517
	<u>208,187</u>	<u>308,234</u>

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:

	2008 HK\$'000	2007 HK\$'000
Interest income	11,650	21,253
Commission income	4,395	4,923
Other revenues	354	1,162
	<u>16,399</u>	<u>27,338</u>

3 SEGMENT INFORMATION

Segment information is presented by business segment, for the primary segment, and by geographical segment, for the secondary segment. 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:

2008	Property investment and development <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Corporate finance and securities broking <i>HK\$'000</i>	Banking business <i>HK\$'000</i>	Project management <i>HK\$'000</i>	Other <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue									
External	90,286	8,133	3,211	65,622	16,399	10,894	13,642	—	208,187
Inter-segment	—	—	—	519	—	8,625	1,684	(10,828)	—
Total	<u>90,286</u>	<u>8,133</u>	<u>3,211</u>	<u>66,141</u>	<u>16,399</u>	<u>19,519</u>	<u>15,326</u>	<u>(10,828)</u>	<u>208,187</u>
Segment results	<u>53,884</u>	<u>7,575</u>	<u>(155,915)</u>	<u>12,770</u>	<u>299</u>	<u>6,940</u>	<u>2,826</u>	<u>(9,893)</u>	<u>(81,514)</u>
Unallocated corporate expenses									(70,732)
Finance costs									(23,261)
Share of results of associates	(41,673)	—	—	12	—	—	5,470	—	(36,191)
Share of results of jointly controlled entities	(104)	—	—	—	—	—	(670)	—	(774)
Loss before tax									(212,472)
Tax									<u>(18,065)</u>
Loss for the year									<u>(230,537)</u>
Assets and liabilities									
Segment assets	927,704	623,393	148,003	586,772	389,514	14,648	8,974	—	2,699,008
Interests in associates	3,250,469	—	—	856	—	—	10,156	—	3,261,481
Interests in jointly controlled entities	254,931	—	—	—	—	—	—	—	254,931
Unallocated assets									<u>9,491</u>
Total assets									<u>6,224,911</u>
Segment liabilities	10,900	—	—	575,635	135,856	203	337	—	722,931
Unallocated liabilities									<u>641,063</u>
Total liabilities									<u>1,363,994</u>

2007 (restated)	Property investment and development <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Corporate finance and securities broking <i>HK\$'000</i>	Banking business <i>HK\$'000</i>	Project management <i>HK\$'000</i>	Other <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue									
External	27,867	9,475	17,511	158,871	27,338	52,655	14,517	—	308,234
Inter-segment	—	15	—	174	—	3,353	932	(4,474)	—
Total	<u>27,867</u>	<u>9,490</u>	<u>17,511</u>	<u>159,045</u>	<u>27,338</u>	<u>56,008</u>	<u>15,449</u>	<u>(4,474)</u>	<u>308,234</u>
Segment results	<u>97,389</u>	<u>8,897</u>	<u>65,454</u>	<u>42,686</u>	<u>4,173</u>	<u>30,270</u>	<u>26,113</u>	<u>(3,588)</u>	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									<u>(6,615)</u>
Profit for the year									<u>1,268,127</u>
Assets and liabilities									
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									<u>11,096</u>
Total assets									<u>6,593,582</u>
Segment liabilities	10,174	—	56,313	830,022	167,982	9,007	1,818	—	1,075,316
Unallocated liabilities									<u>820,863</u>
Total liabilities									<u>1,896,179</u>

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

2008	Hong Kong	Macau	Republic of	Japan	Other	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>Singapore</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>			
Revenue	<u>81,842</u>	<u>16,399</u>	<u>98,515</u>	<u>—</u>	<u>11,431</u>	<u>208,187</u>
Segment assets	1,245,880	805,931	230,600	38,484	387,604	2,708,499
Interests in associates	119	—	3,243,897	—	17,465	3,261,481
Interests in jointly controlled entities	—	—	245,878	—	9,053	<u>254,931</u>
Total assets						<u>6,224,911</u>
2007 (restated)	Hong Kong	Macau	Republic of	Japan	Other	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>Singapore</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>			
Revenue	<u>192,409</u>	<u>27,338</u>	<u>43,162</u>	<u>21,055</u>	<u>24,270</u>	<u>308,234</u>
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	<u>183,964</u>
Total assets						<u>6,593,582</u>

4. SHARE OF RESULTS OF ASSOCIATES

The amount included the Group's share of loss 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 the Republic of Singapore principally engaged in property investment and development and hotel operations, of approximately HK\$41 million (2007 — share of profit of HK\$1,104 million). The profit in 2007 was mainly derived from revaluation gains on various investment properties held under LAAP and its associates while such net fair value gains were significantly lower in 2008.

5. PROFIT/(LOSS) BEFORE TAX

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

	2008 HK\$'000	2007 HK\$'000
Interest income:		
Listed financial assets at fair value through profit or loss	57	1,951
Unlisted financial assets at fair value through profit or loss	825	324
Listed available-for-sale financial assets	1,189	—
Listed held-to-maturity financial assets	877	853
Loans and advances	2,215	1,336
Banking operation	11,650	21,253
Other	8,133	9,475
Dividend income:		
Listed investments	433	805
Unlisted investments	1,336	5,716
Other unlisted investment income	1,124	86
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	(4,999)	7,749
Unlisted financial assets at fair value through profit or loss	2,369	27
Unlisted available-for-sale financial assets	5,988	724
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	(27,564)	29,115
Unlisted	(123,597)	23,161
Provision for impairment losses on unlisted available-for-sale financial assets	(1,611)	—
Provision for impairment losses on a jointly controlled entity	(1,858)	—
Depreciation	(6,363)	(7,509)
Gain/(Loss) on disposal of fixed assets	2	(445)
Cost of inventories sold	<u>(67,722)</u>	<u>—</u>

6. TAX

	2008 HK\$'000	2007 HK\$'000
Hong Kong:		
Charge for the year	—	130
Deferred	<u>(98)</u>	<u>3,020</u>
	<u>(98)</u>	<u>3,150</u>
Overseas:		
Charge for the year	6,956	5,819
Overprovision in prior years	(60)	(249)
Deferred	<u>11,267</u>	<u>(2,105)</u>
	<u>18,163</u>	<u>3,465</u>
Total charge for the year	<u>18,065</u>	<u>6,615</u>

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2007 — 17.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31st December, 2008. 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.

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated loss for the year attributable to equity holders of the Company of HK\$227,070,000 (2007 — profit of HK\$1,267,271,000); and (ii) the weighted average number of 1,650,016,000 ordinary shares (2007 — 1,472,362,000 ordinary shares after adjusting for the rights issue which has been completed in June 2008) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted loss per share is presented for the year ended 31st December, 2008 as the share options and warrants outstanding during the year had no dilutive effect on the basic loss per share for the year.

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

8. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	2008 HK\$'000	2007 HK\$'000
Outstanding balances with ages:		
Repayable on demand	44,010	44,416
Within 30 days	19,162	36,660
Between 31 and 60 days	—	272
Between 61 and 90 days	—	53
	<u>63,172</u>	<u>81,401</u>

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 approximate to their fair values.

9. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

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

	2008 HK\$'000	2007 HK\$'000
Outstanding balances with ages:		
Repayable on demand	534,248	767,208
Within 30 days	<u>19,319</u>	<u>45,641</u>
	<u><u>553,567</u></u>	<u><u>812,849</u></u>

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, 2008, total client trust bank balances amounted to HK\$509,355,000 (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

In 2008, the worsening of the US subprime mortgage crisis led to a massive credit crunch resulting in a severe global financial turmoil. Economies and property markets around the world suffered, which adversely affected the Group's property related businesses. At the same time, volatility and dismal performance of the global financial markets in last year caused deterioration in results of the Group's securities investment and securities broking businesses. Overall performance of the Group suffered as a result.

Results for the year

Turnover for the year 2008 totalled HK\$208 million, which was 32 per cent. lower than the HK\$308 million (restated) recorded in 2007 resulting from the adverse impact of the global financial and economic turmoil.

Facing the adversity, for the year 2008 the Group reported a loss attributable to shareholders of HK\$227 million (2007 — profit of HK\$1,267 million). The deterioration in results was mainly derived from impairment of its property-related investments, fair value changes in its investment portfolio and lower property revaluation gains in its associate as a result of the current adverse financial and economic conditions.

Property investment and development

The property investment and development business recorded a revenue of HK\$90 million in 2008 (2007 — HK\$28 million). The increase was mainly due to the sale of a residential development project, namely, the Jubilee Residence which is located at 353 Pasir Panjang Road in Singapore, during the year. Approximately 96 per cent. of the units with a total gross area of about 20,870 square feet were sold in 2008. To capitalize on the booming property market in 2007, the Group completed the disposal of its entire interest in a wholly-owned subsidiary in January 2008, which held the 7th floor of Tower One, Lippo Centre in Hong Kong and realized a gain in 2008 of HK\$7 million and a total capital gain of HK\$33.8 million since acquisition. However, the global financial turmoil forced the property markets in the region to take a downturn in the latter half of last year and adversely impacted the operating environment of the Group's property business. As a result, the segment had a profit contribution of HK\$54 million, as compared to HK\$97 million in 2007.

The Group has invested in a property fund, Lippo ASM Asia Property LP (“LAAP”), which has indirect interests in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore principally engaged in property investments and development and hotel operations. The hotels managed by OUE, including inter alia, the Meritus Mandarin Hotel in Singapore, are strategically located in various well known tourist destinations in Singapore, Malaysia and mainland China. OUE also holds interests in prime office buildings, such as 50 Collyer Quay near Marina Bay and the OUB Centre in the central financial and business district of Singapore. Over the last two years, OUE has participated in a number of property development and investment projects, which include the redevelopment projects at 21 Angullia Park (formerly Parisian) and 25 Leonie Hill Road (formerly Grangeford) in Singapore. To enhance its recurrent rental income, OUE has renovated the Mandarin Gallery of the Meritus Mandarin Hotel. In 2008, the Group registered a share of loss of HK\$41 million from the investment as compared to the share of profit of HK\$1,104 million in 2007. The drop was mainly attributable to a number of factors, which include lower revaluation gain on investment properties of OUE and its associates, provision for impairment loss on development properties, lower hotel revenue due to a weaker economy, and loss of rental income for part of the year from the Mandarin Gallery due to its renovation. The Mandarin Gallery is being upgraded to a premier luxury retail mall and is expected to be completed in 2009.

Additionally, the Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore, Thailand and Japan. These include the Sentosa Cove and Kim Seng development projects in Singapore, and the Beijing Economic-Technological Development Area Project in Beijing. These projects are expected to be delivered onto the market in 2011 and beyond. Despite the current slowdown of the property markets in the region, the Group remains cautiously optimistic that these projects will provide satisfactory returns when they are brought onto the markets in the future.

Treasury and securities investments

Responding to the market uncertainties last year, since the beginning of 2008, the Group has been undertaking a prudent strategy by reducing its equity exposure further and increasing the cash portion of its investment portfolios. Despite this, the sharp market downturn has an adverse impact on the Group’s portfolios and fair value losses were recognized in 2008. For the year 2008, treasury and securities investments business registered a loss of HK\$148 million (2007 — profit of HK\$74 million).

It appears that the global economic crisis will be enduring and the financial markets will remain volatile. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality.

Corporate finance and securities broking

Hong Kong capital market was hard hit by the financial turmoil in the second half of 2008. Initial public offerings activities in local stock market almost came to a halt. The Group’s corporate finance and securities broking business was deeply impacted by the continuous downfall of the market. In 2008, it registered a decrease in turnover to HK\$66 million (2007 — HK\$159 million) and profit derived from this segment fell to HK\$13 million (2007 — HK\$43 million).

Banking business

The Macau Chinese Bank Limited (“MCB”) is a wholly-owned subsidiary of the Company. In 2008, the Macau banking market was also affected by the global credit crunch and the financial market volatility. Despite the tough operating environment, MCB managed to maintain the quality of its client and loan portfolio. Management continued to lend conservatively and seek growth in areas where appropriate in a selective manner. With a lower interest rate environment, the banking business delivered a turnover of HK\$16 million in 2008 (2007 — HK\$27 million), with a profit of HK\$0.3 million (2007 — HK\$4.2 million).

Other businesses

With the deterioration in property market, revenue generated from property project management in Singapore in 2008 fell to HK\$11 million (2007 — HK\$53 million), and profit contribution was HK\$7 million (2007 — HK\$30 million).

Financial position

The Group successfully completed a rights issue in June 2008. This fundraising exercise generated approximately HK\$464 million of net proceeds after expenses. The above rights issue, which was completed before the onset of the global financial crisis, is a timely exercise which helped strengthen the Group's capital base.

As at 31st December, 2008, the Group's total assets decreased to HK\$6.2 billion (2007 — HK\$6.6 billion). Property-related assets remained at HK\$4.4 billion (2007 — HK\$4.4 billion), representing 71 per cent. (2007 — 66 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced significantly to HK\$148 million (2007 — HK\$538 million), comprising debt and equity securities of HK\$46 million (2007 — HK\$108 million) and investment funds of HK\$102 million (2007 — HK\$430 million). The investment portfolio represented 2 per cent. (2007 — 8 per cent.) of the Group's total assets. Total liabilities dropped to HK\$1.4 billion (2007 — HK\$1.9 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.4 to 1 (2007 — 1.2 to 1).

As at 31st December, 2008, the bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK\$588 million (2007 — HK\$814 million). As at 31st December, 2008, total bank loans amounted to HK\$241 million (2007 — HK\$288 million), comprising secured bank loans of HK\$202 million (2007 — HK\$266 million) and unsecured bank loans of HK\$39 million (2007 — HK\$22 million), which were denominated in Hong Kong dollars, United States dollars or Renminbi (2007 — denominated in Hong Kong dollars, United States dollars and Renminbi). The bank loans were secured by first legal mortgages over certain investment properties of the Group. The bank loans carried interest at floating rates and 16 per cent. of the bank loans (2007 — 96 per cent.) were repayable within one year. The Group's other borrowings as at 31st December, 2008 comprised of unsecured loans advanced from Lippo Limited ("Lippo") and a third party of HK\$192 million (2007 — HK\$214 million) and HK\$155 million (2007 — 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 or before 26th June, 2009. At the end of the year, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) dropped to 13 per cent. (2007 — 17 per cent.).

During the year, the Company made the 2007 final distribution of HK\$0.05 per share and 2008 interim distribution of HK\$0.0175 per share to its shareholders, amounting to a total of HK\$99.2 million. The net asset value of the Group remained strong and amounted to HK\$4.7 billion (2007 — HK\$4.7 billion). This was equivalent to HK\$2.6 per share (2007 — HK\$3.5 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 (2007 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2007 — Nil).

As at 31st December, 2008, the Group's total capital commitment decreased to HK\$0.1 billion (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 215 employees as at 31st December, 2008 (2007 — 185 employees). Total staff costs (including directors' emoluments) during the year amounted to HK\$76 million (2007 — HK\$104 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

It appears that 2009 will continue to be a difficult year. Economy remains sluggish globally, property sector is still depressed and financial markets continue to be volatile. Business environment remains challenging to companies around the world. However the Group remains positive of the prospects of the Asia Pacific region over the medium term despite the fact that, similar to other regions, it is hard hit by the economic crisis. It is possible that once the world recovers from the current doldrums, key economies in the region such as mainland China will be among the first to rebound and become vibrant again. The Group will continue to focus on developments in the Asia Pacific region and remain prudent in managing its property and investment portfolios.

BUSINESS REVIEW

2008 turned out to be a difficult and challenging year for the Group. In the early part of the year, mainland China experienced a number of tragic natural disasters involving snow storms and earthquakes. The property market in China slowed down as a result of tightening macro-economic policy since late 2007. Towards the latter half of the year, the worsening US sub-prime mortgage crisis led to the collapse of major US financial institutions and a massive credit crunch which escalated into a global financial turmoil on a scale not seen before. Economies around the world, developed and developing alike, experienced contraction. Stock markets in Hong Kong and mainland China suffered as a result. In a sharp reversal from the surging prices in 2007, property markets in Hong Kong, mainland China and the neighbouring South East Asian countries fell in the latter half of 2008.

The present global financial crisis has been particularly severe and wide reaching, affecting economies across the globe, including Hong Kong and other locations in which the Group has investments. The Group, as is the case with many companies, has been adversely affected. For the year ended 31st December, 2008, the Group recorded a consolidated loss attributable to shareholders of approximately HK\$227 million, as compared to a profit of HK\$1,267 million recorded in 2007. The deterioration in results was mainly attributable to the revaluation losses from the impairment of property-related investments and fair value changes in trading securities as a result of the current adverse financial and economic conditions.

In the face of rapidly weakening market conditions, the Group took steps through the year to consolidate its core businesses of property investment and development, review the continuing viability of projects in the pipeline, re-examine the quality of its investment portfolio and conserve cash to enable it to weather the tough times ahead. The Group does not have any exposure to equity or currency accumulators. Its cash and liquidity position has benefited from the raising of fresh equity before the onset of the global financial crisis.

To capitalise on the booming property market in 2007, 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 in January 2008. 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 since acquisition.

In the past few years, the Group has participated in the development of various property projects in Singapore. These projects will likely be delivered onto the market over the medium term in 2011 and beyond. Notwithstanding that the property market in Singapore has been adversely affected in the second half of 2008, the Group remains cautiously optimistic that these projects will provide satisfactory returns when they are brought onto the market in the future.

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 31st December, 2008, the Group had a 30 per cent. effective interest in the joint venture.

The Group 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. The response was satisfactory.

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 completion expected 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 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 of 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 the Meritus Mandarin Hotel in Singapore. Despite the current weak market conditions, these high quality properties are able to generate substantial, stable and recurring rental income for OUE.

The Group also participated in 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”) in which the Group has about 85.7 per cent. interest. With a total site area of approximately 51,209 square metres, the current development plan for BDA comprises office buildings, apartments and

shopping malls totaling a gross floor area of about 270,000 square metres, including basement and about 170,000 square metres above ground. It is currently in the planning approval stage. Construction of the project is now expected to commence in the coming year.

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 which was relatively stable in the first half of 2008 also succumbed to the global financial crisis towards the end of the year. While recognizing that MCB’s future performance will be dependent on Macau’s economy, the Group will nevertheless continue to seek business opportunities for MCB to enhance its competitiveness in the Macau banking sector.

The weak stock market in Hong Kong has resulted in reduced market turnover and public offering activities in 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 outlook for the local stock market will be dependent on developments in the market environment in China and globally.

Since the beginning of 2008, the Group has adopted a prudent strategy in the management of its investment portfolio which saw it reducing its equity exposure and increasing the cash portion of the portfolio. The Group will continue to be watchful on market developments and will manage its portfolio with a continuing focus on improving overall asset quality.

RIGHTS ISSUE

To strengthen its capital base and in anticipation of increasing market uncertainty, the Company launched a rights issue in June 2008. It successfully raised approximately HK\$464 million of net proceeds. The rights issue comprised 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.

PROSPECTS

Looking ahead, markets will likely continue to be dampened by the global financial turmoil and economic slowdown for an extended period of time. Hong Kong and the neighbouring Asian economies will be similarly affected. However, it is hoped that once the storm subsides, China will be one of the first economies to rebound and help pull Hong Kong and other Asian countries onto recovery with it.

The Company, being the principal property arm of the Lippo Group, will continue to focus on property investment and development businesses. Despite the current economic adversity, management remains positive about the future prospects of the region over the medium term. Management is confident that the Group is in a solid financial position to be well placed to capture attractive investment opportunities should they arise. At the same time, management will continue to adopt a cautious and prudent approach in managing the Group’s property portfolio and other businesses and in assessing new investment opportunities.

DISTRIBUTIONS

The Directors have resolved not to recommend payment of any final distribution for the year ended 31st December, 2008 (2007 — HK\$67.3 million, equivalent to HK5 cents per share). Interim distribution paid on 21st October, 2008 was HK\$31.8 million (2007 — HK\$23.6 million), equivalent to HK1.75 cents (2007 — HK1.75 cents) per share, which represents total distribution for the year ended 31st December, 2008. Total distribution for the year ended 31st December, 2007 was HK\$90.9 million, equivalent to HK6.75 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 8th June, 2009 to Wednesday, 10th June, 2009 (both dates inclusive) during which period no transfer of shares will be registered and no share which will fall to be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants of the Company will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company (the “AGM”), (i) all transfers of shares accompanied by the relevant share certificates and transfer forms and (ii) all subscription forms accompanied by the relevant warrant certificates and subscription monies relating to the exercise of outstanding warrants of the Company in respect of which holders of such warrants wish to exercise their rights so as to qualify for attending and voting at the AGM 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, 5th June, 2009. Shareholders whose names appear on the Company’s Register of Members on Wednesday, 10th June, 2009 will be entitled to attend and vote at the AGM.

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

During the year, the Company had repurchased a total of 34,000 shares of HK\$1.00 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases were as follows:

2008	Number of shares of HK\$1.00 each repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$
December	34,000	0.71	0.70	24,120.00
		Expenses incurred for shares repurchased		<u>514.18</u>
				<u><u>24,634.18</u></u>

The above repurchases were effected by the Directors with a view to benefiting the shareholders as a whole in enhancing the net asset value per share of the Company.

Save as disclosed herein, there was no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the year.

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, 2008.

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 year ended 31st December, 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 in overseas for other business commitment, 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.

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

Hong Kong, 17th April, 2009

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 Tjondro 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