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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, 2011

FINAL RESULTS

The Directors of Hongkong Chinese Limited (the “Company”) are pleased to announce the consolidated final results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December, 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue	2	103,269	121,600
Cost of sales		(19,304)	(22,449)
Gross profit		83,965	99,151
Administrative expenses		(106,725)	(102,137)
Other operating expenses		(78,034)	(44,422)
Fair value gains on investment properties		5,314	2,146
Gain/(Loss) on disposal of available-for-sale financial assets		4,767	(244)
Net fair value gain/(loss) on financial assets at fair value through profit or loss		(18,511)	8,343
Finance costs		(8,098)	(9,825)
Share of results of associates	4	973,390	2,252,385
Share of results of jointly controlled entities		17,180	671
Profit before tax	5	873,248	2,206,068
Income tax	6	(1,180)	(1,118)
Profit for the year		872,068	2,204,950

		2011	2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		870,919	2,207,172
Non-controlling interests		1,149	(2,222)
		<u>872,068</u>	<u>2,204,950</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic	7	<u>44.9</u>	<u>121.5</u>
Diluted		<u>44.8</u>	<u>N/A</u>

Details of the distributions payable and proposed for the year are disclosed in Note 8 to the final results.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	2011 HK\$'000	2010 HK\$'000
Profit for the year	872,068	2,204,950
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	(1,078)	(13,473)
Reclassification adjustments for disposal	85	(771)
Income tax effect	(213)	(1,800)
	<u>(1,206)</u>	<u>(16,044)</u>
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	(2,559)	231,518
Share of effective portion of changes in fair value of cash flow hedges of an associate	2,823	(7,159)
Share of exchange differences on translation of foreign operations	(70,144)	413,254
	<u>(69,880)</u>	<u>637,613</u>
Exchange differences on translation of foreign operations	<u>(1,593)</u>	<u>78,767</u>
Other comprehensive income/(loss) for the year, net of tax	<u>(72,679)</u>	<u>700,336</u>
Total comprehensive income for the year	<u>799,389</u>	<u>2,905,286</u>
Attributable to:		
Equity holders of the Company	795,247	2,897,221
Non-controlling interests	<u>4,142</u>	<u>8,065</u>
	<u>799,389</u>	<u>2,905,286</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		137,169	139,397
Investment properties		171,408	162,055
Properties under development		1,347,459	906,477
Interests in associates		7,589,494	6,611,610
Interests in jointly controlled entities		185,613	303,600
Available-for-sale financial assets		46,304	90,513
Held-to-maturity financial assets		27,265	11,832
Loans and advances		41,541	34,197
		<u>9,617,738</u>	<u>8,331,166</u>
Current assets			
Properties held for sale		8,545	8,554
Financial assets at fair value through profit or loss		92,442	50,936
Loans and advances		199,578	183,528
Debtors, prepayments and deposits	9	117,323	102,287
Client trust bank balances		550,716	560,850
Restricted cash		466,295	308
Treasury bills		—	9,700
Cash and bank balances		406,508	493,134
		<u>1,841,407</u>	<u>1,409,297</u>
Current liabilities			
Bank and other borrowings		67,349	291,771
Creditors, accruals and deposits received	10	1,313,919	870,014
Current, fixed, savings and other deposits of customers		120,225	138,772
Tax payable		1,821	3,146
		<u>1,503,314</u>	<u>1,303,703</u>
Net current assets		<u>338,093</u>	<u>105,594</u>
Total assets less current liabilities		<u>9,955,831</u>	<u>8,436,760</u>

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	699,057	240,927
Deferred tax liabilities	35,808	34,292
	<u>734,865</u>	<u>275,219</u>
Net assets	<u>9,220,966</u>	<u>8,161,541</u>
Equity		
Equity attributable to equity holders of the Company		
Issued capital	2,003,215	1,816,715
Reserves	7,128,598	6,232,234
	<u>9,131,813</u>	<u>8,048,949</u>
Non-controlling interests	89,153	112,592
	<u>9,220,966</u>	<u>8,161,541</u>

Note:

1. PRINCIPAL ACCOUNTING POLICIES

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

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, 2010, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs"), which have become effective for accounting periods beginning on or after 1st January, 2011, that are adopted for the first time for the current year's final results:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

The adoption of the above new and revised HKFRSs has had no significant financial effect on these final results.

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 investment, dividend income and related interest income, gross income from underwriting and securities broking, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, gross income from project management, 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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Property investment	11,543	10,032
Treasury investment	4,708	2,767
Securities investment	15,972	12,910
Corporate finance and securities broking	43,831	49,057
Banking business	11,393	13,500
Project management	4,806	20,249
Other	11,016	13,085
	<u>103,269</u>	<u>121,600</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:

	2011 HK\$'000	2010 HK\$'000
Interest income	9,199	9,827
Commission income	1,916	3,149
Other revenues	278	524
	11,393	13,500

3. SEGMENT INFORMATION

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

- (a) the property investment segment includes letting and resale of properties;
- (b) the property development segment includes development and sale of properties;
- (c) the treasury investment segment includes investments in cash and bond markets;
- (d) the securities investment segment includes dealings in securities and disposals of investments;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services;
- (g) the project management segment engages in the provision of project management, marketing, sales and administrative and other related services; and
- (h) the “other” segment comprises principally the development of computer hardware and software, money lending and the provision of fund management and investment advisory services.

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

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

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

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

Year ended 31st December, 2011

	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter- segment elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue										
External	11,543	—	4,708	15,972	43,831	11,393	4,806	11,016	—	103,269
Inter-segment	—	—	—	—	—	—	4,329	6,898	(11,227)	—
Total	11,543	—	4,708	15,972	43,831	11,393	9,135	17,914	(11,227)	103,269
Segment results	10,257	(35,805)	4,254	(2,253)	(21,281)	136	(8,305)	9,664	(11,227)	(54,560)
Unallocated corporate expenses										(54,664)
Finance costs										(8,098)
Share of results of associates	703,491	264,331	—	—	—	—	—	5,568	—	973,390
Share of results of jointly controlled entities	—	17,180	—	—	—	—	—	—	—	17,180
Profit before tax										873,248
Segment assets	287,492	1,963,016	256,675	166,011	674,841	267,081	11,659	27,576	—	3,654,351
Interests in associates	7,051,866	536,412	—	—	778	—	—	438	—	7,589,494
Interests in jointly controlled entities	—	185,613	—	—	—	—	—	—	—	185,613
Unallocated assets										29,687
Total assets										11,459,145
Segment liabilities	5,430	692,884	—	—	597,098	122,958	136	2,954	—	1,421,460
Unallocated liabilities										816,719
Total liabilities										2,238,179

Year ended 31st December, 2010

	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter- segment elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue										
External	10,032	—	2,767	12,910	49,057	13,500	20,249	13,085	—	121,600
Inter-segment	—	—	—	—	—	—	16,261	7,345	(23,606)	—
Total	10,032	—	2,767	12,910	49,057	13,500	36,510	20,430	(23,606)	121,600
Segment results	4,893	(7,387)	2,446	19,093	(2,165)	707	13,261	(2,475)	(23,606)	4,767
Unallocated corporate expenses										(41,930)
Finance costs										(9,825)
Share of results of associates	2,241,768	5,043	—	—	—	—	—	5,574	—	2,252,385
Share of results of jointly controlled entities	—	671	—	—	—	—	—	—	—	671
Profit before tax										2,206,068
Segment assets	302,836	1,083,931	245,930	153,281	694,638	294,063	21,942	26,675	—	2,823,296
Interests in associates	6,324,604	285,864	—	—	778	—	—	364	—	6,611,610
Interests in jointly controlled entities	—	303,600	—	—	—	—	—	—	—	303,600
Unallocated assets										1,957
Total assets										9,740,463
Segment liabilities	12,360	205,950	—	—	628,303	136,281	314	2,939	—	986,147
Unallocated liabilities										592,775
Total liabilities										1,578,922

Geographical information

(a) Revenue from external customers

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	60,756	64,708
Macau	14,184	16,234
Mainland China	10,267	7,518
Republic of Singapore	11,085	26,653
Other	6,977	6,487
	<u>103,269</u>	<u>121,600</u>

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

(b) Non-current assets

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	1,658	1,283
Macau	631,707	594,658
Mainland China	940,827	524,491
Republic of Singapore	7,883,904	7,024,988
Other	86,073	83,401
	<u>9,544,169</u>	<u>8,228,821</u>

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

Information about a major customer

No customer accounted for 10 per cent. or more of the total revenue for the years ended 31st December, 2011 and 2010.

4. SHARE OF RESULTS OF ASSOCIATES

The amount included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP") of approximately HK\$703,491,000 (2010 — HK\$2,241,768,000) and share of profit from Lippo Marina Collection Pte. Ltd. ("Lippo Marina") of approximately HK\$264,331,000 (2010 — HK\$5,043,000). LAAP, a property fund which carries the objective of investing in real estate in Asia, invested in Overseas Union Enterprise Limited ("OUE"), a listed company in the Republic of Singapore which is principally engaged in property investment and development and hospitality business. The profit in 2011 was mainly attributable to the increase in recurrent income and the fair value gain on an investment property of OUE. Lippo Marina was set up for the purpose of a property development project in Republic of Singapore, namely Marina Collection. Marina Collection was completed in April 2011 and share of profits arising from the sold units were recognised during the year.

5. PROFIT BEFORE TAX

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest income:		
Unlisted financial assets at fair value through profit or loss	324	529
Listed available-for-sale financial assets	1,526	1,486
Listed held-to-maturity financial assets	1,770	891
Loans and advances	1,831	693
Banking business	9,199	9,827
Other	4,708	2,767
Dividend income:		
Listed investments	1,247	728
Unlisted investments	391	621
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	5,230	3,293
Unlisted financial assets at fair value through profit or loss	5,484	5,362
Unlisted available-for-sale financial assets	4,767	(244)
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	(21,339)	2,934
Unlisted	2,828	5,409
Provision for impairment losses on properties under development	(189)	(180)
Allowance for bad and doubtful debts	(5,475)	(6,309)
Interest expense attributable to banking business	(738)	(531)
Gain on disposal of a subsidiary	—	790
Depreciation	(9,828)	(4,603)
Gain on disposal of fixed assets	10	15

6. INCOME TAX

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong:		
Charge for the year	477	488
Underprovision/(Overprovision) in prior years	172	(469)
	649	19
Overseas:		
Charge for the year	97	757
Overprovision in prior years	(378)	(244)
Deferred	812	586
	531	1,099
Total charge for the year	1,180	1,118

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2010 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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 year attributable to equity holders of the Company; and (ii) the weighted average number of 1,939,183,000 ordinary shares (2010 — 1,816,660,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

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

	Number of shares 2011
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,939,183,000
Effect of dilution — weighted average number of ordinary shares: Share options	<u>3,073,000</u>
	<u><u>1,942,256,000</u></u>

No diluted earnings per share is presented for the year ended 31st December, 2010 as the share options and warrants outstanding during the year had no dilutive effect on the basic earnings per share.

8. DISTRIBUTIONS

	2011 HK\$'000	2010 HK\$'000
Final distribution, proposed, of HK2 cents (2010 — HK2 cents) per ordinary share	40,034	36,808
Special final distribution, proposed, of HK1 cent (2010 — Nil) per ordinary share	<u>20,017</u>	<u>—</u>
	<u><u>60,051</u></u>	<u><u>36,808</u></u>

The proposed final distribution and special final distribution for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	50,076	42,224
Within 30 days	5,649	35,717
Between 61 and 90 days	—	4
Between 91 and 180 days	125	—
Over 180 days	9	—
	<u>55,859</u>	<u>77,945</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.

10. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	435,334	585,921
Within 30 days	169,644	33,269
	<u>604,978</u>	<u>619,190</u>

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 31st December, 2011, total client trust bank balances amounted to HK\$550,716,000 (2010 — HK\$560,850,000).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Uncertainties surrounding the US economy and the sovereign debt crises in Europe over-shadowed the global economic environment in 2011. In mainland China, the Central Government implemented more tightening policies to cool down the economy. The Group reported a profit attributable to shareholders of HK\$871 million for 2011 (2010 — HK\$2,207 million). Apart from the normal operating income, the Group was benefited from the increase in recurrent income and the fair value gain on an investment property under the Group's associates and the share of profit from Singapore property development projects completed during the year. The reduction in profit was primarily attributable to lower fair value gain of investment properties of the Group's associates as compared with last year.

Results for the year

Property investment

The revenue of the property investment business increased to HK\$12 million (2010 — HK\$10 million) in 2011, resulted from the higher rental rates for Lippo Tower in Chengdu. In addition, the Group also benefited from the revaluation gains of the Group's investment properties, the segment registered a profit of HK\$10 million (2010 — HK\$5 million).

The Group has invested in a property fund, Lippo ASM Asia Property LP (together with its subsidiaries, the "LAAP Group"), which has indirect interests in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investment and development and hospitality business. The hotels managed by OUE, including Mandarin Orchard Singapore and the newly acquired Crowne Plaza Changi Airport Hotel, are strategically located in various well known tourist destinations of Singapore, Malaysia and mainland China. OUE Bayfront, a prime office building near Marina Bay, obtained the temporary occupation permit in January 2011 and started to generate rental income. Together with DBS Building Towers One and Two acquired in September 2010 and Mandarin Gallery, a premier luxury retail mall at Orchard Road, Singapore, the investment property portfolio provided a higher and recurring source of revenue to OUE. OUE also holds interests in One Raffles Place near Marina Bay, the central financial and business district of Singapore. One Raffles Place Tower Two, a 38-storey Grade A office building adjoining One Raffles Place Tower One, is expected to commence leasing in 2012. Pre-sale of a residential property development project, namely Twin Peaks, at 33 Leonie Hill Road in Singapore has started. The Group registered a share of profit of HK\$703 million from the LAAP Group during the year (2010 — HK\$2,242 million). The profit was mainly attributable to the fair value gain on OUE Bayfront and higher income from the hospitality division and property investment division. LAAP's controlling stake in OUE decreased from approximately 67.1 per cent. as at 31st December, 2010 to approximately 65.6 per cent. as at 31st December, 2011. During the year, a net increase of the share of equity interest of HK\$94 million was recorded directly in the reserves of the LAAP Group, mainly due to the share buy-back by OUE.

Property development

The Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and Thailand.

In Singapore, Marina Collection and The Holland Collection, joint venture development projects in Sentosa Cove and Holland Road respectively, were completed in 2011. Profits arising from the sold units have been recognised and the Group recorded share of profit of HK\$282 million from these

projects during the year. Pre-sale of Centennia Suites, another property development project at Kim Seng Road, was launched and all units were sold out in 2010. Centennia Suites is scheduled to be completed in 2013, and profit arising therefrom will be recognised upon completion of the development.

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area is progressing well and is expected to be completed in 2013. With the pre-sale permit obtained in July 2011, pre-sale has been launched.

Foundation work of M Residences, a property development project in Macau, also commenced in 2011. Pre-sale has been launched since November 2011 and has received satisfactory response. M Residences is expected to be completed in 2014.

Treasury and securities investments

The global investment market is challenging and full of uncertainties. Anticipating future volatility, the Group cautiously managed its investment portfolio with a continuing focus on improving the overall asset quality. In 2011, treasury and securities investments business recorded a revenue of HK\$21 million (2010 — HK\$16 million), with a net profit of HK\$2 million (2010 — HK\$22 million). The drop in net profit was mainly attributable to the fair value loss on security investments.

Corporate finance and securities broking

In 2011, market sentiments were adversely affected by uncertainties resulting from the post-earthquake recession in Japan, Eurozone financial crisis and inflation pressures. Investors have become cautious in the highly volatile markets. The Group's corporate finance and securities broking business was also affected, recording a turnover of HK\$44 million in 2011 (2010 — HK\$49 million) and a loss of HK\$21 million (2010 — HK\$2 million).

Banking business

The Macau Chinese Bank Limited ("MCB"), a licensed bank in Macau, is a wholly-owned subsidiary of the Company. Although the Macau economy has rebounded since 2010, the operating environment has been tough because of increasing operating costs and inflation pressure. MCB managed to maintain the quality of its client and loan portfolio, and management continued to lend conservatively and seek growth in areas where appropriate. The banking business recorded a turnover of HK\$11 million (2010 — HK\$14 million), and contributed profit to the Group.

Other businesses

As most of the property development projects managed are either completed or nearing the completion stage, the revenue of the project management segment decreased to HK\$5 million in 2011 (2010 — HK\$20 million), and recorded a loss of HK\$8 million (2010 — profit of HK\$13 million).

Financial position

As at 31st December, 2011, the Group's total assets increased to HK\$11.5 billion (2010 — HK\$9.7 billion). Property-related assets increased to HK\$10.0 billion (2010 — HK\$8.3 billion), representing 87 per cent. (2010 — 85 per cent.) of the total assets. Total liabilities increased to HK\$2.2 billion (2010 — HK\$1.6 billion). The Group's financial position remained healthy and the

current ratio (measured as current assets to current liabilities) was 1.2 to 1 (2010 — 1.1 to 1). The net asset value of the Group remained strong and increased to HK\$9.1 billion (2010 — HK\$8.0 billion). This was equivalent to HK\$4.6 per share (2010 — HK\$4.4 per share).

As at 31st December, 2011, bank and other borrowings of the Group (other than those attributable to banking business) increased to HK\$766 million (2010 — HK\$533 million). The bank loans amounted to HK\$709 million (2010 — HK\$348 million), which were denominated in Hong Kong dollars and Renminbi (2010 — Renminbi and United States dollars). The bank loans were secured by first legal mortgages over certain properties and certain bank deposits of the Group. The bank loans carried interest at floating rates. Approximately 10 per cent. (2010 — 84 per cent.) of the bank loans were repayable within one year. The Group's other borrowings as at 31st December, 2011 comprised of unsecured loans advanced from Lippo Limited of HK\$57 million (2010 — HK\$185 million). Such advance would be repayable on or before 31st December, 2013. At the end of the year, the gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) slightly increased to 7 per cent. (2010 — 6 per cent.).

During the year, 186,500,173 units of warrants of the Company were exercised at HK\$1.25 each, with an aggregate subscription value of approximately HK\$233 million. The Company has issued 186,500,173 ordinary shares of HK\$1.00 each upon exercise of such warrants.

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 foreign exchange exposure.

Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (2010 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2010 — Nil).

As at 31st December, 2011, the Group's total capital commitment increased to HK\$715 million (2010 — HK\$556 million), mainly attributable to the property development projects in Macau and Beijing. The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Staff and remuneration

The Group had approximately 220 employees as at 31st December, 2011 (2010 — 198 employees). Staff costs (including directors' emoluments) charged to the income statement during the year amounted to HK\$71 million (2010 — HK\$72 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

2012 will continue to be a challenging year, as the European sovereign debt crises have not only caused turmoil in Eurozone economies, but also upset the global economy. There is growing concern that the world economy may face deepening volatility, unless the European debt problems can be resolved. Though inflationary pressure and tightening monetary measures in mainland China are lessened, the business environment is still challenging. However, the Group remains positive of the prospects of the Asia Pacific region over the medium term and will continue to focus on business development in the region. The Group will anticipate and respond to the fast changing market conditions, refine its existing businesses and prudently seek new investment opportunities with long-term growth potential.

BUSINESS REVIEW

2011 was a difficult and challenging year for the world's major economies. Struck by the widening sovereign debt crisis in a number of European countries, the downgrade of US long-term sovereign debt rating, continuing weak economic recovery in the US and the lingering aftermath of the devastating earthquake, tsunami and nuclear leakage disaster in Japan, the major economies suffered and showed little growth. With consumer and investor confidence and job markets staying weak, the economic prospect in the major economies is for continuing sluggishness. In contrast, much of the Asia region (outside Japan) recorded steady growth in 2011.

China continued to be the Asia's economic driving force, helped by strong domestic demand and continuing strong exports. However, inflation rose well above target levels which brought renewed monetary actions by the Central Bank in the first half of 2011 to restrict credit expansion and bring down inflation, through, inter alia, increases of the banking reserve requirement and Renminbi base rates. These monetary actions appear to have an effective impact. Apart from China, the South East Asian countries, including Singapore, have been the other main contributors to the continuing steady economic growth in Asia.

Benefiting from the steady economic growth in the Asian regions in which the Group has operations, the Group recorded a consolidated profit attributable to shareholders of approximately HK\$871 million for the year ended 31st December, 2011, as compared to a profit of HK\$2,207 million recorded in 2010. The profit was mainly attributable to the fair value gain on an investment property under the Group's associates, and the share of profit from the sale of certain residential units upon the completion of property development projects in Singapore during the year.

In Singapore, the opening of the new integrated resorts, strong tourist arrivals, and its continuing role as one of the major financial centres in Asia have contributed to the country's continued economic growth in 2011. The strong property markets, especially in the office and commercial segments, have greatly benefited the Group's performance in Singapore.

The certificate of statutory completion for "Marina Collection" (the Group has a 50 per cent. interest) was obtained in 2011. "Marina Collection", with a total site area of approximately 22,222 square metres, is located at Sentosa Cove, Sentosa Island, Singapore. It provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres of which 52 units have been sold and some of the units have been let out. Profits arising from the sale of the units prior to 2011 year end have been recognised in the 2011 annual results of the Group. With the opening of the integrated casino/recreational resort on the Sentosa Island, the Group is confident about the prospects of "Marina Collection".

The Group has a 30 per cent. interest in "The Holland Collection" located at 53 Holland Road, Singapore. With a site area of approximately 3,376 square metres, it has been developed into a low-rise luxury residential development with a total saleable area of approximately 5,497 square metres, with temporary occupation permit obtained in September 2011. All the 26 residential units in this project have been sold.

The Group also has a 50 per cent. interest in "Centennia Suites" located at 100 Kim Seng Road, Singapore. "Centennia Suites", with a site area of approximately 5,611 square metres, will be redeveloped into a residential development with a saleable area of approximately 16,182 square metres. It is expected that completion will take place in 2013. All the 97 residential units in this project have been pre-sold.

Lippo ASM Asia Property LP (“LAAP”, together with its subsidiaries, the “LAAP Group”), of which a wholly-owned subsidiary of the Company is the limited partner, was set up with the objective of investing in real estate and hospitality service businesses in the Asia region. As at 31st December, 2011, the LAAP Group held a majority stake of approximately 65.6 per cent. in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore, principally engaged in property investment and development and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore like One Raffles Place, OUE Bayfront and DBS Building Towers One and Two as well as hotels in the Asia region, including the famous Mandarin Orchard Singapore. In July 2011, OUE completed the acquisition of 100 per cent. stake of the Crowne Plaza Changi Airport Hotel. The Mandarin Gallery at the Mandarin Orchard Singapore, a premier luxury retail mall with retail space of around 11,639 square metres, is enjoying nearly full occupancy. The office development at OUE Bayfront was completed in January 2011. This bespoke portfolio of well diversified and high quality properties will help to generate substantial and stable recurrent income for OUE.

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in Beijing (the “BDA Project”). With a total site area of approximately 51,209 square metres, the BDA Project, in which the Group has an 80 per cent. interest, will be developed into an integrated residential, commercial and retail complex with a total gross floor area of about 275,000 square metres, including basements. Superstructure works are substantially completed and completion of the whole project is expected to be in 2013. Pre-sale has been launched in the second half of 2011 and the response has been satisfactory. As at 24th March, 2012, about 47 per cent. of the total saleable area was sold.

The Group will develop the site situated at 83 Estrada de Cacilhas, Macau, with an area of approximately 3,398 square metres, into a residential development now named as “M Residences”. The Group has a 100 per cent. interest in this project which will be developed into 311 residential units with a total saleable area of approximately 26,025 square metres. Foundation work has commenced in late 2011. With completion expected to be in 2014, pre-sale had been launched and received favourable market response.

The Macau Chinese Bank Limited (“MCB”), a wholly-owned subsidiary of the Company, maintained a steady performance in 2011 amidst the strong performance of the Macau economy. Recognising that MCB’s future performance will be largely dependent on the growth of the Macau economy, the Group will continue to seek business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

Despite the strong local economy, the local stock market was weak and inactive in 2011 with low initial public offering activities. Participation from retail investors remained tepid and cautious given the continuing uncertain market conditions. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on the market conditions in China and economic developments globally, especially in Europe and the US.

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

In 2008, the Company issued 202,024,362 units of warrants (the “Warrants”) entitling the holder of one unit to subscribe for one ordinary share of the Company at a subscription price of HK\$1.25. In accordance with the terms and conditions of the instrument of the Warrants, the subscription rights under the Warrants expired on 4th July, 2011 and listing of the Warrants on The Stock Exchange of Hong Kong Limited was withdrawn on that same day. Up to the expiry of the Warrants, the subscription rights attaching to a total of 186,563,826 units of the Warrants, with an aggregate subscription value of approximately HK\$233 million, have been exercised by the warrant holders.

PROSPECTS

Prospects for Asia remain positive but the continuing economic uncertainty in the US and Europe suggests that global economic recovery will be slow. The continuing weak US economy and sovereign debt crisis in Europe will continue to dampen the global economic recovery. For much of Asia, the low interest rate environment, itself a result of markets flushed with liquidity, has stoked inflationary pressures. In response, countries like China and India have introduced credit tightening and austerity measures in their efforts to tackle the inflation problem.

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

DISTRIBUTIONS

The Directors have resolved to recommend to shareholders at the forthcoming Annual General Meeting (the “2012 AGM”) the payment of a final distribution of HK2 cents per share (2010 — HK2 cents per share) and a special final distribution of HK1 cent per share (2010 — Nil), amounting in aggregate to approximately HK\$60 million for the year ended 31st December, 2011 (2010 — approximately HK\$39.3 million), which will be paid on Friday, 6th July, 2012 to the shareholders whose names appear on the Company’s Register of Members on Wednesday, 13th June, 2012. These represent total distributions for the year ended 31st December, 2011 (2010 — approximately HK\$39.3 million).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed during the following periods:

- (i) from Thursday, 31st May, 2012 to Tuesday, 5th June, 2012 (both dates inclusive) during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2012 AGM. In order to be entitled to attend and vote at the 2012 AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tricor Tengis Limited, the Company’s Branch Share Registrars in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 30th May, 2012; and
- (ii) from Monday, 11th June, 2012 to Wednesday, 13th June, 2012 (both dates inclusive) during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders’ entitlement to the proposed final distribution and special final distribution. In order to qualify for the proposed final distribution and special final distribution, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tricor

Tengis Limited, the Company's Branch Share Registrars in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 8th June, 2012.

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

During the year ended 31st December, 2011, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Tsui King Fai (Chairman), Mr. Albert Saychuan Cheok and Mr. Victor Yung Ha Kuk 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, 2011.

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 for the year ended 31st December, 2011, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in force prior to 1st April, 2012.

By Order of the Board
Hongkong Chinese Limited
John Lee Luen Wai
Chief Executive Officer

Hong Kong, 29th March, 2012

As at the date of this announcement, the executive Directors of the Company are Messrs. Stephen Riady (Chairman), John Lee Luen Wai (Chief Executive Officer) and Kor Kee Yee; the non-executive Director of the Company is Mr. Leon Chan Nim Leung; 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