# LIU CHONG HING INVESTMENT LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 194)**

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Directors of Liu Chong Hing Investment Limited (the "Company") announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012. The interim financial information is prepared on a basis consistent with the accounting policies adopted in 2011 annual report, except for the accounting policy changes made thereafter in adopting a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2012** | 2011 |
| | | ***HK$'000*** | *HK$'000* |
| | *Notes* | **(unaudited)** | (unaudited) |
| | | | (restated) |
| Revenue | | **180,058** | 177,762 |
| Direct costs | | **(38,963)** | (46,121) |
| Gross profit | | **141,095** | 131,641 |
| Investment income | | **1,280** | 977 |
| Other income | | **5,921** | 17,769 |
| Administrative and operating expenses | | **(79,522)** | (81,204) |
| Promotion and selling expenses | | **(194)** | (23) |
| Gain (loss) on changes in fair value of investments held for trading | | **553** | (28) |
| Gain on changes of fair value: | | | |
| — on an investment property disposed during the period | | **—** | 99,948 |
| — on other investment properties | | **101,551** | 28,633 |
| Gain on revaluation of leasehold land and buildings | | **9** | 141 |
| Gain on disposal of a subsidiary | *5* | **—** | 51,304 |
| Finance costs | | **(53,575)** | (29,214) |
| Share of profit of associates | | **127,568** | 198,870 |
| Profit before tax | | **244,686** | 418,814 |
| Income tax expense | *4* | **(5,135)** | (19,940) |
| Profit for the period | | **239,551** | 398,874 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

| | Note | Six months ended 30 June **2012** *HK$'000* **(unaudited)** | 2011 *HK$'000* (unaudited) (restated) |
|---|---|---|---|
| **Other comprehensive (expense) income** | | | |
| Share of other comprehensive income of associates | | **30,589** | 495 |
| Fair value (loss) gain on available-for-sale investments | | **(2,684)** | 36,379 |
| Gain on revaluation of leasehold land and buildings | | **69** | 717 |
| Exchange differences arising on translation | | **(23,817)** | 42,709 |
| Income tax relating to components of other comprehensive (expense) income | | **(5,231)** | (185) |
| Other comprehensive (expense) income for the period (net of tax) | | **(1,074)** | 80,115 |
| Total comprehensive income for the period | | **238,477** | 478,989 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **241,178** | 397,079 |
| Non-controlling interests | | **(1,627)** | 1,795 |
| | | **239,551** | 398,874 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **239,895** | 476,057 |
| Non-controlling interests | | **(1,418)** | 2,932 |
| | | **238,477** | 478,989 |
| Basic earnings per share | *6* | **HK$0.64** | HK$1.05 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 June 2012 HK$'000 (unaudited) | 31 December 2011 HK$'000 (audited) (restated) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **5,559,134** | 6,138,076 |
| Property, plant and equipment | | **40,803** | 45,016 |
| Interests in associates | | **3,419,091** | 3,340,905 |
| Available-for-sale investments | | **333,319** | 319,963 |
| Advances to an investee company | | **321,703** | 312,209 |
| Structured deposits — due after one year | | **21,116** | 35,744 |
| Deferred tax assets | | **637** | 610 |
| | | **9,695,803** | 10,192,523 |
| **Current assets** | | | |
| Properties under development for sale | | **1,152,085** | 452,382 |
| Properties held for sale | | **601,931** | 605,717 |
| Inventories | | **15,801** | 14,693 |
| Trade and other receivables | *8* | **113,617** | 135,204 |
| Available-for-sale investments | | **23** | 226 |
| Investments held for trading | | **7,686** | 7,139 |
| Structured deposits — due within one year | | **38,929** | 38,998 |
| Fixed bank deposits with more than three months to maturity when raised | | **74,714** | 10,079 |
| Bank accounts with Chong Hing Bank Limited and its subsidiaries | | **173,163** | 146,916 |
| Other bank balances and cash | | **442,688** | 396,826 |
| | | **2,620,637** | 1,808,180 |
| **Current liabilities** | | | |
| Trade and other payables | *9* | **251,785** | 316,897 |
| Taxation payable | | **35,020** | 29,055 |
| Borrowings — due within one year | | **1,827,804** | 1,298,377 |
| | | **2,114,609** | 1,644,329 |
| **Net current assets** | | **506,028** | 163,851 |
| **Total assets less current liabilities** | | **10,201,831** | 10,356,374 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

| | **30 June 2012** *HK$'000* **(unaudited)** | 31 December 2011 *HK$'000* (audited) (restated) |
|---|---|---|
| **Non-current liabilities** | | |
| Borrowings — due after one year | **1,826,968** | 2,057,771 |
| Deferred taxation | **173,097** | 174,393 |
| | **2,000,065** | 2,232,164 |
| | **8,201,766** | 8,124,210 |
| **Capital and reserves** | | |
| Share capital | **378,583** | 378,583 |
| Reserves | **7,818,153** | 7,712,687 |
| **Equity attributable to owners of the Company** | **8,196,736** | 8,091,270 |
| Non-controlling interests | **5,030** | 32,940 |
| **Total equity** | **8,201,766** | 8,124,210 |

*Notes:*

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

**Transfer of investment properties to properties under development for sale**

For a transfer from investment properties to properties under development for sale which is evidenced by the commencement of development with a view to sale, any difference between the fair value of the property at the date of transfer and its previously carrying amount is recognised in profit or loss. The property's deemed cost for subsequent accounting is the fair value at the date of change in use.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

- amendments to HKFRS 7 *Financial Instruments: Disclosure — Transfer of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*.

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

**Amendments to HKAS 12 Deferred Tax: *Recovery of Underlying Assets***

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios in Hong Kong and the People's Republic of China (the "PRC") and concluded that the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, while the investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the presumption set out in the amendments to HKAS 12 is rebutted for investment properties located in the PRC only.

As a result of the application of the amendments to HKAS 12, the Group does not recognize any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of these investment properties. Previously, the Group recognized deferred taxes on changes in fair value of investment properties based on the tax consequences that would follow from the manner in which the Group expects at the end of the reporting period to recover the carrying amount of the investment properties.

Upon the application of the amendments to HKAS 12, the Group continued to recognise deferred tax on changes in fair value of investment properties in the PRC on the basis that the entire carrying amounts of the properties are expected to be recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities and interests in associates being decreased by HK$421,624,000 and increased by HK$4,978,000 as at 31 December 2011 respectively, with the corresponding adjustment being recognised in accumulated profits and property revaluation reserve. In addition, the application of the amendments has resulted in the Group's income tax expense and share of profit of associates for the six months ended 30 June 2012 being reduced by HK$14,999,000 (2011: HK$5,697,000) and increased by HK$310,000 (2011: HK$394,000) respectively. Hence, the profit for the six months ended 30 June 2012 and 30 June 2011 were increased by HK$15,309,000 and HK$6,091,000 respectively.

**Summary of the effects of the above change in accounting policy**

The effect of change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Increase in share of profit of associates | **310** | 394 |
| Decrease in income tax expense | **14,999** | 5,697 |
| Increase in profit for the period | **15,309** | 6,091 |

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period and the end of the immediately preceding financial year, i.e. 1 January 2011 and 31 December 2011, is as follows:

| | **As at 1 January 2011** | **Adjustments** | **As at 1 January 2011** | **As at 31 December 2011** | **Adjustments** | **As at 31 December 2011** |
|---|---|---|---|---|---|---|
| | *HK$'000* (originally stated) | *HK$'000* | *HK$'000* (restated) | *HK$'000* (originally stated) | *HK$'000* | *HK$'000* (restated) |
| **ASSETS** | | | | | | |
| Interests in associates | 3,158,365 | 4,308 | 3,162,673 | 3,335,927 | 4,978 | 3,340,905 |
| Other assets | 8,498,667 | — | 8,498,667 | 8,659,798 | — | 8,659,798 |
| | 11,657,032 | 4,308 | 11,661,340 | 11,995,725 | 4,978 | 12,000,703 |
| **LIABILITIES** | | | | | | |
| Deferred taxation | 572,774 | (415,470) | 157,304 | 596,017 | (421,624) | 174,393 |
| Other liabilities | 3,988,536 | — | 3,988,536 | 3,702,100 | — | 3,702,100 |
| | 4,561,310 | (415,470) | 4,145,840 | 4,298,117 | (421,624) | 3,876,493 |
| Total effect on net assets | 7,095,722 | 419,778 | 7,515,500 | 7,697,608 | 426,602 | 8,124,210 |
| **CAPITAL AND RESERVES** | | | | | | |
| Share capital | 378,583 | — | 378,583 | 378,583 | — | 378,583 |
| Property revaluation reserve | 1,450,493 | 261,366 | 1,711,859 | 1,451,553 | 261,366 | 1,712,919 |
| Accumulated profits | 4,670,145 | 158,412 | 4,828,557 | 5,165,683 | 165,236 | 5,330,919 |
| Other reserves | 564,988 | — | 564,988 | 668,849 | — | 668,849 |
| Non-controlling interests | 31,513 | — | 31,513 | 32,940 | — | 32,940 |
| Total effect on equity | 7,095,722 | 419,778 | 7,515,500 | 7,697,608 | 426,602 | 8,124,210 |

The effect of the above change in accounting policy on the Group's basic earnings per share for the current and prior period is as follows:

**Impact on basic earnings per share**

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$*** | *HK$* |
| Basic earnings per share before adjustments | **0.60** | 1.03 |
| Adjustments arising from change in the accounting policy in relation to: | | |
| — application of amendments to HKAS 12 in respect of deferred taxes on investment properties | **0.04** | 0.02 |
| Reported basic earnings per share | **0.64** | 1.05 |

## 3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation or assessment of segment performance focuses on types of goods and services delivered or provided.

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

1 Property investment — investment and letting of properties
2 Property development — development and sale of properties
3 Property management — provision of property management services
4 Treasury investment — dealings and investments in securities and other financial instruments
5 Trading and manufacturing — manufacture and sale of magnetic products
6 Hotel operation — management and operation of hotels

**Segment Revenue and Results**

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

**Six months ended 30 June 2012**

| | Property investment *HK$'000* | Property development *HK$'000* | Property management *HK$'000* | Treasury investment *HK$'000* | Trading and manufacturing *HK$'000* | Hotel operation *HK$'000* | Total *HK$'000* | Eliminations *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|---|---|---|
| Segment Revenue | | | | | | | | | |
| External sales | 133,086 | – | 4,775 | 7,477 | 10,479 | 24,241 | 180,058 | – | 180,058 |
| Inter-segment sales | – | – | 3,504 | – | – | – | 3,504 | (3,504) | – |
| Total | 133,086 | – | 8,279 | 7,477 | 10,479 | 24,241 | 183,562 | (3,504) | 180,058 |
| Segment profit (loss) | 180,999 | (12,097) | (2,889) | 6,609 | (58) | (1,871) | 170,693 | – | 170,693 |
| Finance costs | | | | | | | | | (53,575) |
| Share of profit of associates | | | | | | | | | 127,568 |
| Profit before tax | | | | | | | | | 244,686 |

Six months ended 30 June 2011

| | Property investment *HK$'000* | Property development *HK$'000* | Property management *HK$'000* | Treasury investment *HK$'000* | Trading and manufacturing *HK$'000* | Hotel operation *HK$'000* | Total *HK$'000* | Eliminations *HK$'000* | Consolidated *HK$'000* (restated) |
|---|---|---|---|---|---|---|---|---|---|
| Segment revenue | | | | | | | | | |
| External sales | 133,721 | — | 6,963 | 6,177 | 10,953 | 19,948 | 177,762 | — | 177,762 |
| Inter-segment sales | — | — | 3,513 | — | — | — | 3,513 | (3,513) | — |
| Total | 133,721 | — | 10,476 | 6,177 | 10,953 | 19,948 | 181,275 | (3,513) | 177,762 |
| Segment profit (loss) | 202,209 | (4,342) | (2,396) | 5,903 | 201 | (3,721) | 197,854 | — | 197,854 |
| Gain on disposal of a subsidiary | | | | | | | | | 51,304 |
| Finance costs | | | | | | | | | (29,214) |
| Share of profit of associates (restated) | | | | | | | | | 198,870 |
| Profit before tax | | | | | | | | | 418,814 |

Segment profit (loss) represents the profit earned by/loss incurred from each segment without allocation of gain on disposal of a subsidiary, share of profit of associates and finance costs. In addition, administrative cost incurred by the treasury investment segment on behalf of other segments are allocated to respective operating segments on the basis of revenues earned by individual operating segments. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

## 4. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (restated) |
| Current tax: | | |
| Hong Kong | **6,003** | 5,432 |
| The PRC Enterprise Income Tax | **455** | 7,679 |
| | **6,458** | 13,111 |
| Underprovision in prior years: | | |
| The PRC Enterprise Income Tax | **—** | 4,630 |
| | **6,458** | 17,741 |
| Deferred taxation | **(1,323)** | 2,199 |
| Income tax expense | **5,135** | 19,940 |

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits of those subsidiaries that are subject to Hong Kong Profits Tax.

Taxation arising in the PRC is calculated at 25% (2011: 25%) on the estimated assessable profits of those subsidiaries that are subject to Enterprise Income Tax in the PRC.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$11,389,000 (31 December 2011: HK$9,687,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 5. DISPOSAL OF A SUBSIDIARY

On 23 May 2011, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Prime Ocean Development Limited that held an investment property in the PRC. The purpose of the disposal is to generate cash for the expansion of the Group's other businesses. The disposal was completed on 23 May 2011, on which date the Group no longer has any equity interest in Prime Ocean Development Limited.

The profit from Prime Ocean Development Limited for the prior period was analysed as follows:

| | Six months ended 30 June 2011 *HK$'000* |
|---|---|
| Profit for the period | 110,300 |

The net assets of Prime Ocean Development Limited at the date of disposal were as follows:

| | *HK$'000* |
|---|---|
| Net assets disposed of | 367,391 |
| Gain on disposal | 51,304 |
| Total consideration | 418,695 |
| Satisfied by: | |
| Cash | 418,695 |
| Cash inflow arising on disposal: | |
| Total cash consideration received | 418,695 |

Cash flows from Prime Ocean Development Limited:

| | Six months ended 30 June 2011 *HK$'000* |
|---|---|
| Net cash flows from operating activities | 2,665 |
| Net cash flows from investing activities | (3,703) |
| Net cash flows | (1,038) |

## 6. BASIC EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (restated) |
| Profit for the period attributable to owners of the Company | **241,178** | 397,079 |
| Number of ordinary shares for the purpose of basic earnings per share | **378,583,440** | 378,583,440 |

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

## 7. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Dividends recognised as distribution during the period: | | |
| Final dividend declared and paid for 2011 — HK$0.18 per share (2011: declared and paid for 2010 HK$0.15 per share) | **68,145** | 56,788 |
| Dividend declared in respect of current period: | | |
| Interim dividend declared for 2012 — HK$0.10 per share (2011: HK$0.12 per share) | **37,858** | 45,430 |

On 8 August 2012, the Board of Directors has approved an interim cash dividend of HK$0.10 per share (2011: HK$0.12 per share), which will be paid to the Company's shareholders whose names appear on the Register of Members on 20 September 2012.

## 8. TRADE AND OTHER RECEIVABLES

| | **30 June** | 31 December |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **14,635** | 28,157 |
| Deposits for construction costs | **37,516** | 36,784 |
| Other deposits, prepayments and receivables | **61,466** | 70,263 |
| | **113,617** | 135,204 |

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

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

| | **30 June 2012** *HK$'000* | 31 December 2011 *HK$'000* |
|---|---|---|
| Within 30 days | **3,941** | 2,836 |
| Between 31 days to 90 days | **3,256** | 3,082 |
| Over 90 days | **7,438** | 22,239 |
| | **14,635** | 28,157 |

9. **TRADE AND OTHER PAYABLES**

| | **30 June 2012** *HK$'000* | 31 December 2011 *HK$'000* |
|---|---|---|
| Trade payables | **10,920** | 10,829 |
| Construction cost payables | **141,041** | 199,415 |
| Deposits received and receipt in advance in respect of rental of investment properties | **80,950** | 84,032 |
| Other payables | **18,874** | 22,621 |
| | **251,785** | 316,897 |

The trade payables at the end of the reporting periods are aged within 30 days.

## INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim cash dividend for 2012 of HK$0.10 per share (2011: HK$0.12 per share), payable on 27 September 2012 to the Company's shareholders registered on 20 September 2012.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 18 September 2012 to Thursday, 20 September 2012, both days inclusive. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged for registration with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 September 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Banking Operation

For the first half of year 2012, our banking associates, Chong Hing Bank Limited (the "Bank") recorded unaudited net profit of approximately HK$260 million, representing 36% decrease comparing to the corresponding period of 2011. In effect, the Bank's profit after taxation shared by the group was decreased by approximately HK$71 million, from approximately HK$198.9 million in 2011 to approximately HK$127.6 million in 2012 accordingly.

If excluding the provision written back in relation to the Lehman Brothers minibonds repurchase scheme of HK$235 million booked in June 2011, the Bank's profit had increased by 49% from approximately HK$175 million to approximately HK$260 million.

### Investment Properties

***Overall results***

The group's core rental business continued to record sustainable growth. For the first half of 2012, it recorded total rental revenue of approximately HK$133.1 million from their investment properties.

Increase of rental revenue from Shanghai Chong Hing Finance Centre (10% up) and Chong Hing Square at Mongkok (16% up) was partially offset by the decrease of rental revenue from Guangzhou Chong Hing Plaza, which generated annual rental revenue over HK$20 million was disposed in May 2011. The group's rental revenue was further affected by the redevelopment of the Western Harbour Centre at 181–183 Connaught Road West since all tenants had moved out from this office building by May 2012.

***Hong Kong properties***

*Chong Hing Square*

Chong Hing Square, a 20-storey popular ginza-type retail/commercial development situated in the heart of Mongkok, Kowloon, offers 184,000 square feet of retail and recreational space. For the first half of 2012, this property recorded an increase of rental revenue of 16% with 96% occupancy as at 30 June 2012.

*Chong Yip Shopping Centre*

Chong Yip Shopping Centre is located at 402–404 Des Voeux Road West, it provides more than 73,400 square feet of retail and entertainment facilities. For the period under review, this shopping centre maintained a 96% occupancy with 10% increase of rental revenue.

*Western Harbour Centre*

Western Harbour Centre, 181–183 Connaught Road West, a grade A office building, located at close proximity to the Western Harbour Crossing, provides over 200,000 square feet of office spaces. This office building continued to maintain 100% occupancy and stable rental revenue to the group for the first half of 2012.

The management had decided to redevelop this office building in order to maximize the property potential and shareholders value.

*Fairview Court*

Fairview Court, located at 94 Repulse Bay Road, with 5 units luxury low rise apartment was recorded 60% occupancy for the period under review.

***PRC properties***

*Shanghai Chong Hing Finance Centre*

Shanghai Chong Hing Finance Centre, is located at No. 288 Nanjing Road West, Huang Pu District, Shanghai. This grade A office/commercial building, completed in 2007, provides over 510,000 square feet office and commercial space for lease. As at 30 June 2012, 87% office space and 100% commercial area were let and recorded a 10% increase of rental revenue.

*The Grand Riviera, Foshan*

In 2007, the group acquired a plot of land with site area over 256,107 square meter in Foshan through government land auction at a cash consideration of RMB476 million. This is a comprehensive development and will be developed by phases. The first phase development will construct 12 blocks of 6–15 storey high class residential flat above the ground. A total of 1,367 residential flat units with size ranging from 55 square meter to 400 square meter will be provided. It also provides retails and commercial areas of approximately 8,721 square meter and a stand-alone clubhouse of approximately 5,861 square meter, if including other recreational facilities areas and 1,246 car parking spaces mainly built in the basement level, the total construction areas is over 181,706 square meter.

As at 30 June 2012, a total of 399 flat units were successfully sold out generating cash proceeds of approximately RMB303 million. The sale of flat units was representing 48% of the total units of phase 1 put up for sale. The construction of phase 1 was completed and the flat units were handover to buyers by the end of 2011.

The management envisaged that the on-going tightening policy to mainland real estate market would not be loosen in the short term, it would definitely slow down the sale of this residential project.

**Budget hotel project**

For the period under review, the group continued to operate its budget hotels projects, including two budget hotels in Shanghai, one in Beijing and one in Guangzhou. All the hotels had shown improvement both in business revenue, occupancies and average room rate.

## LOOKING AHEAD

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

### Chairman and Managing Director: clear division of responsibilities

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

### Board Composition: appointment, re-election and removal

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

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

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2011 Annual Report:

### Directors' Updated Information

**Dr. Cheng Mo Chi, Moses**, an independent non-executive director, had resigned independent non-executive director of Hong Kong Exchanges and Clearing Limited with effect from 23 April 2012.

### Directors' Emoluments

As the directors' fees for 2012 were reviewed and approved by shareholders at the 2012 Annual General Meeting which was held on 9 May 2012, the directors' emoluments for the year ending 31 December 2012 have been changed. The Chairman director's fee for 2012 has been changed from HK$150,000 to HK$200,000; directors' fee for 2012 on each of the Independent Non-executive Director and the Non-executive Director with committee responsibilities has been changed from HK$150,000 to HK$200,000; and each of the Executive Directors for 2012 has been changed from HK$100,000 to HK$150,000.

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

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

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2012, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares in the Company.

## REVIEW OF UNAUDITED INTERIM ACCOUNTS

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report. In addition, the condensed consolidated financial statements of the Company for the six months ended 30 June 2012 have been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and an unqualified review report is issued.

## PUBLICATION OF RESULTS ON THE WEBSITE

This results announcement, containing the relevant information required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, is published on the website of the HKExnews (www.hkexnews.hk) and the website of the Company (www.lchi.com.hk). The Company's interim report for 2012 will be dispatched to the shareholders of the Company and available on the above websites on or about 24 August 2012.

## BOARD OF DIRECTORS

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

By Order of the Board
**Dr. Liu Lit Mo**
*Chairman and Managing Director*

Hong Kong, 8 August 2012