HONGKONG CHINESE LIMITED
香港華人有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 655)

SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31ST DECEMBER, 2012

The second unaudited consolidated interim results for the twelve months ended 31st December, 2012 of Hongkong Chinese Limited (the "Company") are prepared due to the change of financial year end date from 31st December to 31st March, as set out in the announcement of the Company dated 28th December, 2012. The Directors of the Company announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the twelve months ended 31st December, 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months ended 31st December, 2012

	Note	**2012** **HK$'000** **(Unaudited)**	2011 HK$'000 (Restated)
Revenue	2	**102,315**	103,269
Cost of sales		**(14,702)**	(19,304)
Gross profit		**87,613**	83,965
Administrative expenses		**(101,469)**	(106,725)
Other operating expenses		**(29,004)**	(73,277)
Fair value gains on investment properties		**17,787**	5,314
Gain on disposal of fixed assets		**16,704**	10
Net fair value loss on financial assets at fair value through profit or loss		**(548)**	(18,511)
Finance costs		**(3,983)**	(8,098)
Share of results of associates	4	**(94,355)**	1,124,765
Share of results of jointly controlled entities		**(346)**	17,180
Profit/(Loss) before tax	5	**(107,601)**	1,024,623
Income tax	6	**(7,230)**	(1,180)
Profit/(Loss) for the period		**(114,831)**	1,023,443

	Note	**2012**	2011
		HK$'000	*HK$'000*
		(Unaudited)	(Restated)
Attributable to:			
Equity holders of the Company		**(111,962)**	1,022,294
Non-controlling interests		**(2,869)**	1,149
		(114,831)	1,023,443
		HK cents	*HK cents*
		(Unaudited)	(Restated)
Earnings/(Loss) per share attributable to equity holders of the Company	*7*		
Basic		**(5.6)**	52.7
Diluted		**(5.6)**	52.6

Details of the distributions are disclosed in Note 8 to the interim results.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31st December, 2012

	2012 HK$'000 (Unaudited)	2011 HK$'000 (Restated)
Profit/(Loss) for the period	**(114,831)**	1,023,443
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	**5,292**	(1,078)
Reclassification adjustments for disposal	**(325)**	85
Income tax effect	**(1,838)**	(213)
	3,129	(1,206)
Surplus on revaluation of leasehold land and buildings	**8,885**	—
Income tax effect	**(1,066)**	—
	7,819	—
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	**110,707**	(2,559)
Share of effective portion of changes in fair value of cash flow hedges of an associate	**4,336**	2,823
Share of exchange differences on translation of foreign operations	**409,885**	(82,832)
	524,928	(82,568)
Exchange differences on translation of foreign operations	**26,762**	(1,593)
Other comprehensive income/(loss) for the period, net of tax	**562,638**	(85,367)
Total comprehensive income for the period	**447,807**	938,076
Attributable to:		
Equity holders of the Company	**449,290**	933,934
Non-controlling interests	**(1,483)**	4,142
	447,807	938,076

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2012

	Note	2012 *HK$'000* (Unaudited)	2011 *HK$'000* (Restated)
Non-current assets			
Goodwill		**71,485**	71,485
Fixed assets		**16,182**	137,169
Investment properties		**201,290**	171,408
Interests in associates	*4*	**9,112,397**	8,381,354
Interests in jointly controlled entities		**15,917**	185,613
Held-to-maturity financial assets		**—**	27,265
Available-for-sale financial assets		**99,090**	46,304
Loans and advances		**72,235**	41,541
		9,588,596	9,062,139
Current assets			
Properties held for sale		**8,527**	8,545
Properties under development		**2,274,684**	1,347,459
Loans and advances		**292,106**	199,578
Debtors, prepayments and deposits	*9*	**359,974**	117,323
Financial assets at fair value through profit or loss		**71,165**	92,442
Client trust bank balances		**417,293**	550,716
Restricted cash		**834,594**	466,295
Treasury bills		**4,850**	—
Cash and bank balances		**923,759**	406,508
		5,186,952	3,188,866
Current liabilities			
Deposits and balances of banks and other financial institutions		**5,000**	—
Bank and other borrowings		**479,650**	67,349
Creditors, accruals and deposits received	*10*	**3,218,037**	1,313,919
Current, fixed, savings and other deposits of customers		**246,133**	120,225
Tax payable		**2,300**	1,821
		3,951,120	1,503,314
Net current assets		**1,235,832**	1,685,552
Total assets less current liabilities		**10,824,428**	10,747,691

	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Non-current liabilities		
Bank and other borrowings	**211,931**	699,057
Deferred tax liabilities	**44,517**	35,808
	256,448	734,865
Net assets	**10,567,980**	10,012,826
Equity		
Equity attributable to equity holders of the Company		
Issued capital	**1,998,280**	2,003,215
Reserves	**8,501,805**	7,920,458
	10,500,085	9,923,673
Non-controlling interests	**67,895**	89,153
	10,567,980	10,012,826

Note:

1. PRINCIPAL ACCOUNTING POLICIES

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

Pursuant to a resolution of the Board of Directors dated 28th December, 2012, the Company's financial year end date has been changed from 31st December to 31st March. Accordingly, the current financial period will cover a fifteen-month period from 1st January, 2012 to 31st March, 2013. These interim results now presented cover a twelve-month period from 1st January, 2012 to 31st December, 2012, and the comparative figures in these interim results cover a twelve-month period from 1st January, 2011 to 31st December, 2011.

The accounting policies and basis of preparation adopted in the preparation of these interim results are consistent with those used in the Group's audited financial statements for the year ended 31st December, 2011, except as described below.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRS"), HKASs 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, 2012, for the first time for the current period's interim results:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim results.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

In prior years, deferred tax was provided on the basis that the carrying amounts of investment properties will be recovered through use. Upon adoption of HKAS 12 Amendments, deferred tax is provided on the basis that the carrying amounts of the investment properties will be recovered through sale except that the basis of recovery through use will continue to apply to those investment properties which are depreciable and are held with an objective to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. This change in accounting policy has been applied retrospectively and the effects are summarised below:

	2012	2011
	HK$'000	*HK$'000*
Increase/(Decrease) in share of results of associates	**(10,067)**	151,375
Increase/(Decrease) in share of other comprehensive income of associates	**48,484**	(12,688)
Increase/(Decrease) in basic earnings per share *(HK cents)*	**(0.5)**	7.8
Increase/(Decrease) in diluted earnings per share *(HK cents)*	**(0.5)**	7.8
Increase in interests in associates	**863,221**	791,860
Increase in exchange equalisation reserve	**83,794**	35,310
Increase in distributable reserves	**779,427**	756,550

In addition, the Group has changed voluntarily its accounting policy regarding the current/non-current assets classification for properties under development intended for sale. In prior years, the Group classified the properties under development intended for sale as properties under development in non-current assets in the statement of financial position which would be transferred to properties under development in current assets when the construction was expected to be completed within one year from the end of the reporting period. Under the revised accounting policy, properties under development intended for sale are classified as current assets. In the opinion of the directors, the financial statements according to the revised policy will provide more relevant information to the users of the financial statements and bring the Group in line with the treatment adopted by other entities in the real estate industry. This change in policy has been applied retrospectively and comparative amounts have been restated.

The above change has had no effect on the condensed consolidated income statement. The effect on the condensed consolidated statement of financial position is summarised as follows:

	2012	2011
	HK$'000	*HK$'000*
Non-current Assets		
Decrease in properties under development	**2,274,684**	1,347,459
Current Assets		
Increase in properties under development	**2,274,684**	1,347,459

There was no impact on the net assets of the Group.

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:

	2012	2011
	HK$'000	*HK$'000*
Property investment	**13,042**	11,543
Treasury investment	**9,194**	4,708
Securities investment	**9,319**	15,972
Corporate finance and securities broking	**32,287**	43,831
Banking business	**14,431**	11,393
Project management	**12,972**	4,806
Other	**11,070**	11,016
	102,315	103,269

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:

	2012	2011
	HK$'000	*HK$'000*
Interest income	**10,991**	9,199
Commission income	**2,779**	1,916
Other revenues	**661**	278
	14,431	11,393

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.

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

2012

	Property investment	**Property development**	**Treasury investment**	**Securities investment**	**Corporate finance and securities broking**	**Banking business**	**Project management**	**Other**	**Inter-segment elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue										
External	**13,042**	**—**	**9,194**	**9,319**	**32,287**	**14,431**	**12,972**	**11,070**	**—**	**102,315**
Inter-segment	**—**	**—**	**—**	**—**	**—**	**—**	**598**	**6,862**	**(7,460)**	**—**
Total	**13,042**	**—**	**9,194**	**9,319**	**32,287**	**14,431**	**13,570**	**17,932**	**(7,460)**	**102,315**
Segment results	**59,216**	**(19,395)**	**8,860**	**4,845**	**(16,416)**	**338**	**797**	**2,468**	**(7,460)**	**33,253**
Unallocated corporate expenses										**(42,170)**
Finance costs										**(3,983)**
Share of results of associates	**(204,024)**	**104,152**	**—**	**—**	**—**	**—**	**—**	**5,517**	**—**	**(94,355)**
Share of results of jointly controlled entities	**—**	**(346)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(346)**
Loss before tax										**(107,601)**

2011 (restated)

	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	854,866	264,331	—	—	—	—	—	5,568	—	1,124,765
Share of results of jointly controlled entities	—	17,180	—	—	—	—	—	—	—	17,180
Profit before tax										1,024,623

4. SHARE OF RESULTS OF ASSOCIATES/INTERESTS IN ASSOCIATES

Share of results of associates included the Group's share of loss in Lippo ASM Asia Property LP ("LAAP") of approximately HK$204,024,000 (2011 — share of profit of HK$854,866,000, restated) and share of profit from Lippo Marina Collection Pte. Ltd. ("Lippo Marina") of approximately HK$104,152,000 (2011 — HK$264,331,000). LAAP, a fund which carries the objective of investing in real estate and hospitality service businesses in Asia, invested in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore which is principally engaged in property investment and development and hotel operations. The change in share of results was mainly attributable to the absence of a substantial fair value gain over an investment property of OUE which was recognised upon the completion of development in 2011. Lippo Marina was set up for the purpose of a property development project in Singapore, namely Marina Collection. The share of profit was mainly arising from the sale of properties during the period.

Interests in associates mainly included the Group's interest in LAAP of approximately HK$8,429,243,000 (2011 — HK$7,837,681,000, restated). Certain shares of OUE held under LAAP had been pledged to secure banking facilities made available to the entities under LAAP. Due to the share buy-back of OUE during the period, LAAP's interest in OUE increased from approximately 65.6 per cent. as at 31st December, 2011 to approximately 68.0 per cent. as at 31st December, 2012.

5. PROFIT/(LOSS) BEFORE TAX

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

	2012 ***HK$'000***	2011 *HK$'000*
Interest income:		
Unlisted financial assets at fair value through profit or loss	**51**	324
Listed available-for-sale financial assets	**2,961**	1,526
Listed held-to-maturity financial assets	**1,030**	1,770
Loans and advances	**1,400**	1,831
Banking business	**10,991**	9,199
Other	**9,194**	4,708
Dividend income:		
Listed investments	**1,460**	1,247
Unlisted investments	**2,172**	391
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**(886)**	5,230
Unlisted financial assets at fair value through profit or loss	**2,531**	5,484
Listed available-for-sale financial assets	**309**	—
Unlisted available-for-sale financial assets	**—**	4,767
Listed held-to-maturity financial assets	**570**	—
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	**(4,693)**	(21,339)
Unlisted	**4,145**	2,828
Provision for impairment losses on unlisted available-for-sale financial assets	**(90)**	—
Write-back of allowance/(Allowance) for bad and doubtful debts	**3,418**	(5,475)
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	**16,708**	—
Other items of fixed assets	**(4)**	10
Interest expense attributable to banking business	**(2,008)**	(738)
Depreciation	**(9,165)**	(9,828)
Foreign exchange gains — net	**24,411**	7,588

6. INCOME TAX

	2012 *HK$'000*	2011 *HK$'000*
Hong Kong:		
Charge for the period	**342**	477
Underprovision/(Overprovision) in prior periods	**(24)**	172
	318	649
Overseas:		
Charge for the period	**623**	97
Underprovision/(Overprovision) in prior periods	**621**	(378)
Deferred	**5,668**	812
	6,912	531
Total charge for the period	**7,230**	1,180

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2011 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the period. 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/(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 profit/(loss) for the period attributable to equity holders of the Company; and (ii) the weighted average number of 1,998,550,000 ordinary shares (2011 — 1,939,183,000 ordinary shares) in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the period attributable to equity holders of the Company; and (ii) the weighted average number of 1,999,361,000 ordinary shares (2011 — 1,942,256,000 ordinary shares), calculated as follows:

	Number of shares **2012**	 2011
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**1,998,550,000**	1,939,183,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**811,000**	3,073,000
	1,999,361,000	1,942,256,000

8. DISTRIBUTIONS

	2012	2011
	HK$'000	*HK$'000*
First interim distribution, declared — Nil (2011 — Nil)	**—**	—
Second interim distribution, declared — Nil (2011 — N/A)	**—**	—
2011 final distribution, proposed, of HK2 cents per ordinary share	**—**	40,034
2011 special final distribution, proposed, of HK1 cent per ordinary share	**—**	20,017
	—	60,051

9. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	2012	2011
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Repayable on demand	**42,682**	50,076
Within 30 days	**2,731**	5,649
Between 91 and 180 days	**—**	125
Over 180 days	**—**	9
	45,413	55,859

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

Creditors, accruals and deposits received mainly comprised of pre-sale proceeds received from the property development projects of the Group of HK$2,388,214,000 (2011 — HK$676,081,000), and trade payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK$459,818,000 (2011 — HK$593,250,000). As at 31st December, 2012, total client trust bank balances amounted to HK$417,293,000 (2011 — HK$550,716,000).

An aged analysis of trade creditors are as follows:

	2012	2011
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Repayable on demand	**299,850**	435,334
Within 30 days	**236,723**	169,644
	536,573	604,978

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

MANAGEMENT DISCUSSION AND ANALYSIS

The global financial conditions have been improved modestly from the second half of 2012 after stabilisation actions implemented in Europe and United States. However, under the headwinds of unresolved European financial crisis, the threat of U.S. fiscal cliff near the end of 2012, the global economy is still subdued and the growth rate in China and Singapore is slowing down.

For the twelve months ended 31st December, 2012, the Group reported a loss attributable to shareholders of HK$112 million (2011 — profit of HK$1,022 million, restated). The decrease was mainly attributable to the non-recurrence in 2012 of a significant fair value gain of an investment property held by the Group's associate following completion of its development in 2011.

Results for the period

Turnover for the twelve months ended 31st December, 2012 totalled HK$102 million (2011 — HK$103 million).

Property investment

The revenue of the property investment business amounted to HK$13 million for the period (2011 — HK$12 million). Benefited from the revaluation gain of the Group's investment properties, and the profit from disposal of a property in Singapore, the segment registered a profit of HK$59 million (2011 — HK$10 million) for the period.

The Group has invested in a property fund, Lippo ASM Asia Property LP, 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 Crowne Plaza Changi Airport, are strategically located in various well known tourist destinations of Singapore, Malaysia and mainland China. The investment property portfolio in Singapore, which includes OUE Bayfront, a prime office building near Marina Bay, Mandarin Gallery, a premier luxury retail mall at Orchard Road, and DBS Building Towers One and Two provided a recurring source of revenue to OUE. OUE also holds interests in One Raffles Place which is located at the central financial and business district of Singapore. One Raffles Place Tower Two, a newly built 38-storey Grade A office building adjoining One Raffles Place Tower One, commenced leasing operations in the first quarter of 2012 and provides additional source of income. Currently, OUE plans to carry out improvement works to redevelop the podium of DBS Building Towers One and Two into a retail mall and to revamp the retail podium at One Raffles Place into a modern retail hub to maximise the value of these properties. Pre-sale of a residential property development project, named as Twin Peaks, at 33 Leonie Hill Road in Singapore has been started. The Group registered a share of loss of HK$204 million from the investment during the period (2011 — profit of HK$855 million, restated). The change was mainly due to the absence of a substantial fair value gain over OUE Bayfront which was recognised following completion of the development in January 2011. As a result of the share buy-back by OUE during the period, LAAP's interest in OUE increased from approximately 65.6 per cent. as at 31st December, 2011 to approximately 68.0 per cent. as at 31st December, 2012 and recorded a net increase of share of equity interest of HK$193 million recorded directly in LAAP's reserves.

Property development

The Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and other areas of the Asia Pacific region.

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area (the "BDA Project") is progressing well. Pre-sale was launched since July 2011. All office blocks and the retail mall have been sold out and approximately 73 per cent. of the total saleable area have been pre-sold up to 31st December, 2012 at a total consideration of approximately RMB2.6 billion. This project is expected to be completed in 2013.

M Residences, a property development project in Macau has obtained the consent for the commencement of basement structural works from the Macau Government recently. Main contract works have commenced and are expected to be completed in 2014. Pre-sale has been launched since November 2011 and has received satisfactory response. About 92 per cent. of the total saleable area have been pre-sold at a total consideration of approximately HK$1 billion.

The revenue and the profit arising from the above property development projects will be reflected in the Group's results in the respective year of completion.

In Singapore, the Group has interests in Marina Collection in Sentosa Cove, a joint venture development project completed in April 2011. In 2012, a further share of profit of HK$104 million (2011 — HK$264 million) was recorded from the project, mainly arising from the sale of properties. All the units of Centennia Suites, another joint venture property development project at Kim Seng Road, have been sold out during the pre-sale in 2010. Centennia Suites is scheduled to be completed in the second half of 2013, profit arising therefrom will be recognised upon completion of the development.

The loss of the segment result for this business is mainly due to marketing expenses incurred for the pre-sale activities charged to the income statement during the period.

Treasury and securities investments

The performance of the securities investments was diverse in the highly volatile global investment markets. The Group cautiously managed its investment portfolio and looked for opportunities to realise its profit. In 2012, treasury and securities investments business recorded a revenue of HK$19 million (2011 — HK$21 million), with a profit of HK$14 million (2011 — HK$2 million).

Corporate finance and securities broking

In 2012, the sentiments in the investment markets were affected by uncertainties resulting from unresolved Eurozone financial crisis and threat of China economic slowdown. Investors remain selective and vigilant in the highly volatile markets. The Group's corporate finance and securities broking business was adversely affected. It registered a turnover of HK$32 million during the period (2011 — HK$44 million) and a loss of HK$16 million was derived from this segment (2011 — HK$21 million).

Banking business

The Macau Chinese Bank Limited, a licensed bank in Macau, is a wholly-owned subsidiary of the Company. The operating environment is challenging because of the strong competition, high operating costs and subdued global economic activities. Nevertheless, the management remains positive to the development and growth in the region, manages to maintain the quality of its client and loan portfolio and will seek opportunities to expand the products and customers base.

Financial position

As at 31st December, 2012, the Group's total assets increased to HK$14.8 billion (2011 — HK$12.3 billion, restated). Property-related assets increased to HK$13.1 billion (2011 — HK$10.8 billion, restated), representing 89 per cent. (2011 — 88 per cent., restated) of the total assets. Total liabilities increased to HK$4.2 billion (2011 — HK$2.2 billion), mainly due to the sale deposits received from the BDA Project and Macau project. The Group's financial position remained healthy.

As at 31st December, 2012, the bank and other borrowings of the Group (other than those attributable to banking business) amounted to HK$691 million (2011 — HK$766 million). The bank loans amounted to HK$634 million (2011 — HK$709 million), comprising secured bank loans of HK$624 million (2011 — HK$709 million) and an unsecured bank loan of HK$10 million (2011 — Nil). The bank loans were denominated in Hong Kong dollars and Renminbi and were secured by first legal mortgages over certain properties and certain bank deposits of the Group. The bank loans carried interest at floating rates and approximately 67 per cent. (2011 — 10 per cent.) of the bank loans were repayable within one year. The Group's other borrowings as at 31st December, 2012 comprised of unsecured loans advanced from Lippo Limited of HK$57 million (2011 — HK$57 million). Such advance would be repayable on or before 31st December, 2013. At the end of the period, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 5.8 per cent. (2011 — 6.9 per cent., restated).

During the period, the Company repurchased 8,816,000 issued shares at a total consideration of approximately HK$10.8 million. Besides, 3,881,000 shares were issued by the Company upon exercise of share options by the option holders in 2012 at a cash consideration of approximately HK$4.7 million.

The net asset value of the Group remained strong and increased to HK$10.6 billion (2011 — HK$10.0 billion, restated). This was equivalent to HK$5.3 per share (2011 — HK$5.0 per share, restated).

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (2011 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2011 — Nil).

As at 31st December, 2012, the Group's total capital commitment increased to HK$872 million (2011 — HK$715 million), mainly arising from 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 231 employees as at 31st December, 2012 (2011 — 220 employees). Staff costs (including directors' emoluments) charged to the income statement during the period amounted to HK$68 million (2011 — HK$71 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options in prior years under the share option scheme of the Company. All outstanding options which remained unexercised by the expiry date in December 2012 lapsed accordingly.

Outlook

Growth is expected to be in modest pace only in 2013. Forecasts show that China and Singapore will sustain a growth in near term but the magnitude may not be as high as before. The recent property cooling measures in Singapore may cast further doubt on its property market. However, the Group remains cautiously optimistic about 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 respond to the fast changing market conditions, refine its existing businesses and prudently seek new investment opportunities with long-term growth potential.

BUSINESS REVIEW

During 2012, the world economy continued to be dominated by the Eurozone financial crisis, which saw sovereign debt problems spreading to more European countries. Towards the end of 2012, the issue of U.S. fiscal cliff added uncertainty to the global economy. On the other hand, the major economies in the Asia region were able to maintain their economic growth, which had contributed to a better economic environment in Asia, with mainland China continuing to be the Asia's leading economic performer. In mainland China, the pace of economic growth had slowed down since the beginning of 2012 as a result of the weakening domestic demand and global markets but recent statistical figures showed signs that the economic momentum in mainland China had begun to pick up in the last quarter of 2012.

The Group's operations and investments have been substantially within the Asia region. Despite the Asia region maintaining steady growth overall, the Group's performance has been hindered by the weak property sector in the key markets following certain cooling measures implemented by the local governments. Against this background, the Group recorded an unaudited consolidated loss attributable to shareholders of approximately HK$112 million for the twelve months ended 31st December, 2012, as compared to a consolidated profit of HK$1,022 million (restated) recorded for the corresponding period in 2011. The loss was mainly attributable to the non-recurrence in 2012 of a significant fair value gain of an investment property held by the Group's associate following completion of its development in 2011.

In Singapore, the 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 2012.

"Marina Collection", in which the Group has a 50 per cent. interest, is located at Sentosa Cove, Sentosa Island, Singapore. This property development project was completed in 2011 and provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres. Up to 31st December, 2012, 74 units have been sold of which 30 units were sold in 2012 and profits arising therefrom have been recognised in the period under review.

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, is being developed into a residential development with a saleable area of approximately 16,182 square metres. Construction work has been progressing well and it is expected that completion will take place within 2013. All the 97 residential units in this project have been pre-sold.

In December 2012, the Group completed the sale of its property located at 259 Ocean Drive, Sentosa Cove in Sentosa Island, Singapore for a consideration of S$22 million.

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, 2012, the LAAP Group had an aggregate equity interest of approximately 68 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 and Crowne Plaza Changi Airport in Singapore. 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. 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 for the commercial zone have been completed and that of the residential zone are in progress. The whole project is expected to be completed in 2013. Pre-sale was launched in the third quarter of 2011 and the project has been well received. As at 31st December, 2012, about 73 per cent. of the total saleable area has been pre-sold.

The site situated at 83 Estrada de Cacilhas, Macau, with a site area of approximately 3,398 square metres, is being developed 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 works have been completed. With completion expected to be in 2014, pre-sale had been launched and as at 31st December, 2012, about 92 per cent. of the total saleable area has been pre-sold.

The Macau Chinese Bank Limited ("MCB"), a wholly-owned subsidiary of the Company, maintained a steady performance in 2012 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 new business opportunities for MCB and enhance its competitiveness in the Macau banking sector. To cater for its ongoing business development, a capital injection of MOP80 million into MCB was made at the end of 2012.

The local stock market remained sluggish and inactive in the first half of 2012 with low initial public offering activities. Towards the end of 2012, local stock market environment gradually improved but participation from retail investors remained cautious given the present 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 mainland China and economic developments globally, especially in Europe and the U.S.

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

PROSPECTS

Prospects for Asia remain positive but the growth momentum could be hindered by the continuing economic uncertainty in the U.S. and Europe. Since mid 2012, most of the stock markets have rebounded and such rebound is expected to continue in 2013 in tandem with the expected global economic recovery and gradual stabilisation of the Eurozone debt crisis. However, the strength of economic recovery will be soft. Though the issue of U.S. fiscal cliff appeared to have been resolved, its aftermath may still provoke uncertainty and turbulence over the U.S. economy. Hopefully, with the threat of inflation being brought under control, the continuing low interest rate environment and the expected global economic recovery should help to promote stronger investor confidence and create new business opportunities.

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 and 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.

INTERIM DISTRIBUTION

The Directors do not recommend the payment of an interim distribution for the twelve months ended 31st December, 2012 (2011 — No interim distribution was declared and a final distribution of HK2 cents per share and a special final distribution of HK1 cent per share, amounting in aggregate to approximately HK$60 million, was paid on 6th July, 2012 for the year ended 31st December, 2011). No interim distribution was declared for the six months ended 30th June, 2012.

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

During the twelve months ended 31st December, 2012, the Company had repurchased a total of 8,816,000 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 are as follows:

	Number of shares of HK$1.00 each repurchased	Highest price paid per share	Lowest price paid per share	Total price paid
		HK$	*HK$*	*HK$*
2012				
January	1,514,000	1.33	1.31	1,997,820
April	482,000	1.25	1.23	598,040
May	1,414,000	1.25	1.16	1,701,100
June	1,348,000	1.23	1.16	1,621,520
July	260,000	1.25	1.24	324,280
August	3,096,000	1.23	1.08	3,648,520
September	702,000	1.22	1.18	852,980
Total	8,816,000			10,744,260
			Expenses incurred for shares repurchased	50,186
				10,794,446

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 twelve months ended 31st December, 2012.

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 unaudited consolidated second interim financial statements of the Company for the twelve months ended 31st December, 2012.

CORPORATE GOVERNANCE

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, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices for the period from 1st January, 2012 to 31st March, 2012 and the Corporate Governance Code (the "CG Code") for the period from 1st April, 2012 to 31st December, 2012 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The CG Code is the new edition of the Code on Corporate Governance Practices and is applicable to financial reports covering a period after 1st April, 2012. Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings. One of the non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 5th June, 2012 as he was stranded in overseas due to an unexpected yacht sunken incident.

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

Hong Kong, 27th February, 2013

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*