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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, 2010

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, 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000
Revenue	2	121,600	109,727
Cost of sales		(22,449)	(25,906)
Gross profit		99,151	83,821
Administrative expenses		(102,137)	(93,772)
Other operating expenses		(44,666)	(42,296)
Fair value gains on investment properties		2,146	7,407
Net fair value gain on financial assets at fair value through profit or loss		8,343	27,948
Write-back of impairment losses on associates		—	5,000
Finance costs		(9,825)	(16,643)
Share of results of associates	4	2,252,385	(296,499)
Share of results of jointly controlled entities		671	(3,377)
Profit/(Loss) before tax	5	2,206,068	(328,411)
Income tax	6	(1,118)	315
Profit/(Loss) for the year		2,204,950	(328,096)

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		2,207,172	(325,978)
Non-controlling interests		(2,222)	(2,118)
		<u>2,204,950</u>	<u>(328,096)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share attributable to equity holders of the Company			
Basic	7	<u>121.5</u>	<u>(17.9)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Details of the distribution 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, 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit/(Loss) for the year	2,204,950	(328,096)
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	(13,473)	11,380
Reclassification adjustments for gain/(loss) included in the consolidated income statement		
Loss on disposal	(771)	—
Impairment losses	—	6,317
Income tax effect	(1,800)	632
	<u>(16,044)</u>	<u>18,329</u>
Surplus on revaluation of leasehold land and buildings	—	32,108
Income tax effect	—	(3,853)
	<u>—</u>	<u>28,255</u>
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	231,518	—
Share of effective portion of changes in fair value of cash flow hedges of an associate	(7,159)	—
Share of exchange differences on translation of foreign operations	413,254	61,884
	<u>637,613</u>	<u>61,884</u>
Exchange differences on translation of foreign operations	<u>78,767</u>	<u>12,475</u>
Other comprehensive income for the year, net of tax	<u>700,336</u>	<u>120,943</u>
Total comprehensive income/(loss) for the year	<u>2,905,286</u>	<u>(207,153)</u>
Attributable to:		
Equity holders of the Company	2,897,221	(206,384)
Non-controlling interests	8,065	(769)
	<u>2,905,286</u>	<u>(207,153)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		139,397	19,235
Investment properties		162,055	156,874
Properties under development		906,477	726,970
Interests in associates		6,611,610	3,016,950
Interests in jointly controlled entities		303,600	284,912
Available-for-sale financial assets		90,513	106,337
Held-to-maturity financial assets		11,832	9,431
Loans and advances		34,197	34,029
		8,331,166	4,426,223
Current assets			
Properties held for sale		8,554	8,531
Financial assets at fair value through profit or loss		50,936	61,708
Loans and advances		183,528	160,878
Debtors, prepayments and deposits	9	102,287	82,715
Client trust bank balances		560,850	630,560
Pledged time deposits		308	292
Treasury bills		9,700	19,400
Cash and bank balances		493,134	648,221
		1,409,297	1,612,305
Current liabilities			
Bank and other borrowings		291,771	68,858
Creditors, accruals and deposits received	10	870,014	687,496
Current, fixed, savings and other deposits of customers		138,772	165,131
Tax payable		3,146	3,272
		1,303,703	924,757
Net current assets		105,594	687,548
Total assets less current liabilities		8,436,760	5,113,771

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
Non-current liabilities		
Bank and other borrowings	240,927	430,500
Deferred tax liabilities	34,292	31,587
	<u>275,219</u>	<u>462,087</u>
Net assets	<u>8,161,541</u>	<u>4,651,684</u>
Equity		
Equity attributable to equity holders of the Company		
Issued capital	1,816,715	1,816,656
Reserves	6,232,234	2,645,512
	<u>8,048,949</u>	<u>4,462,168</u>
Non-controlling interests	112,592	189,516
	<u>8,161,541</u>	<u>4,651,684</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, 2009, 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, 2010, that are adopted for the first time for the current year's final results:

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i>
HK(IFRIC) – Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these final results. The principal effects of adopting these new and revised HKFRSs are as follows:

(a) **HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements***

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1st January, 2010.

The application of HKAS 27 (Revised) has affected the accounting for the Group's disposal of part of its interests in a subsidiary and the changes in interests in subsidiaries under the associates. The change in policy has resulted in the decrease in the non-controlling interests of the subsidiary of HK\$815,000 and the excess over the net consideration paid and the decrease in non-controlling interests arising on the changes in non-controlling interests without loss of control under the Group's associates attributable to the Group of HK\$688,671,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year attributable to equity holders of the Company of HK\$689,486,000.

(b) HK Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loan was classified in the consolidated statement of financial position in accordance with the maturity date of repayment. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated.

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

	2010 HK\$'000	2009 HK\$'000
Current liabilities		
Increase in bank and other borrowings	17,158	19,308
Non-current liabilities		
Decrease in bank and other borrowings	17,158	19,308

There was no impact on the net assets of the Group. The adoption of HK Interpretation 5 has had no impact on the consolidated statement of financial position as at 1st January, 2009. As a result, a consolidated statement of financial position as at 1st January, 2009 has not been presented in the final results.

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

HKFRS 1 Amendments	Amendments 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> ²
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ⁴
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 12 Amendments	Amendments to HKFRS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i> ⁵
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i> ¹
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1st July, 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – Int 13 are effective for annual periods beginning on or after 1st January, 2011 although there are separate transitional provisions for each standard or interpretation.

- ¹ Effective for annual periods beginning on or after 1st February, 2010
- ² Effective for annual periods beginning on or after 1st July, 2010
- ³ Effective for annual periods beginning on or after 1st January, 2011
- ⁴ Effective for annual periods beginning on or after 1st July, 2011
- ⁵ Effective for annual periods beginning on or after 1st January, 2012
- ⁶ Effective for annual periods beginning on or after 1st January, 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that while the application of HKFRS 9 may affect the classification and measurement of the Group's financial instruments, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Property investment	10,032	6,015
Property development	—	3,307
Treasury investment	2,767	5,671
Securities investment	12,910	13,821
Corporate finance and securities broking	49,057	53,727
Banking business	13,500	13,815
Project management	20,249	4,602
Other	13,085	8,769
	<u>121,600</u>	<u>109,727</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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest income	9,827	9,914
Commission income	3,149	3,415
Other revenues	524	486
	<u>13,500</u>	<u>13,815</u>

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, 2010

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Corporate finance and securities broking <i>HK\$'000</i>	Banking business <i>HK\$'000</i>	Project management <i>HK\$'000</i>	Other <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue										
External	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

Year ended 31st December, 2009

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Corporate finance and securities broking <i>HK\$'000</i>	Banking business <i>HK\$'000</i>	Project management <i>HK\$'000</i>	Other <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue										
External	6,015	3,307	5,671	13,821	53,727	13,815	4,602	8,769	—	109,727
Inter-segment	—	—	—	—	—	—	2,335	3,784	(6,119)	—
Total	<u>6,015</u>	<u>3,307</u>	<u>5,671</u>	<u>13,821</u>	<u>53,727</u>	<u>13,815</u>	<u>6,937</u>	<u>12,553</u>	<u>(6,119)</u>	<u>109,727</u>
Segment results	<u>8,462</u>	<u>(4,775)</u>	<u>5,654</u>	<u>32,577</u>	<u>5,597</u>	<u>1,218</u>	<u>(1,303)</u>	<u>(140)</u>	<u>(6,119)</u>	<u>41,171</u>
Unallocated corporate expenses										(53,063)
Finance costs										(16,643)
Share of results of associates	(301,114)	(320)	—	—	(78)	—	—	5,013	—	(296,499)
Share of results of jointly controlled entities	—	(3,377)	—	—	—	—	—	—	—	(3,377)
Loss before tax										<u>(328,411)</u>
Segment assets	166,636	949,989	309,065	177,476	709,506	402,309	1,823	11,140	—	2,727,944
Interests in associates	2,756,925	258,906	—	—	778	—	—	341	—	3,016,950
Interests in jointly controlled entities	—	284,912	—	—	—	—	—	—	—	284,912
Unallocated assets										8,722
Total assets										<u>6,038,528</u>
Segment liabilities	2,482	3,051	—	24	686,227	160,110	290	1,503	—	853,687
Unallocated liabilities										533,157
Total liabilities										<u>1,386,844</u>

Geographical information

(a) Revenue from external customers

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	64,708	74,294
Macau	16,234	16,405
Republic of Singapore	26,653	11,004
Mainland China	7,518	1,119
Other	6,487	6,905
	<u>121,600</u>	<u>109,727</u>

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

(b) Non-current assets

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	1,283	1,570
Macau	594,658	585,674
Republic of Singapore	7,024,988	3,347,174
Mainland China	524,491	295,890
Other	83,401	80,147
	<u>8,228,821</u>	<u>4,310,455</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, 2010 and 2009.

4. SHARE OF RESULTS OF ASSOCIATES

The amount included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP"), a property fund which carries the objective of investing in real estates in Asia, of approximately HK\$2,241,768,000 (2009 — share of loss of HK\$301,114,000). LAAP and its subsidiaries invest in Overseas Union Enterprise Limited ("OUE"), a listed company in the Republic of Singapore principally engaged in property investment and development and hotel operations. The profit in 2010 was mainly derived from the fair value gains on investment properties and write-back of the impairment loss made for the property development project under OUE and its associates.

5. PROFIT/(LOSS) BEFORE TAX

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest income:		
Unlisted financial assets at fair value through profit or loss	529	779
Listed available-for-sale financial assets	1,486	1,487
Listed held-to-maturity financial assets	891	848
Loans and advances	693	642
Banking operation	9,827	9,914
Other	2,767	5,671
Dividend income:		
Listed investments	728	236
Unlisted investments	621	1,690
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	3,293	6,734
Unlisted financial assets at fair value through profit or loss	5,362	2,047
Unlisted available-for-sale financial assets	(244)	—
Net fair value gain on financial assets at fair value through profit or loss:		
Listed	2,934	15,915
Unlisted	5,409	12,033
Provision for impairment losses on:		
Unlisted available-for-sale financial assets	—	(6,317)
A jointly controlled entity	—	(494)
Properties under development	(180)	(3,518)
Properties held for sale	—	(759)
Write-back of allowance/(Allowance) for bad and doubtful debts	(6,309)	7,062
Interest expense attributable to banking business	(531)	(579)
Gain on disposal of subsidiaries	790	—
Depreciation	(4,603)	(5,810)
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	—	252
Other items of fixed assets	15	(19)
Loss on disposal of investment properties	—	(145)
Cost of inventories sold	—	(2,938)

6. INCOME TAX

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong:		
Charge for the year	488	386
Overprovision in prior years	(469)	(2,139)
Deferred	—	(1,554)
	<u>19</u>	<u>(3,307)</u>
Overseas:		
Charge for the year	757	720
Overprovision in prior years	(244)	(26)
Deferred	586	2,298
	<u>1,099</u>	<u>2,992</u>
Total charge/(credit) for the year	<u><u>1,118</u></u>	<u><u>(315)</u></u>

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2009 — 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/(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 for the year attributable to equity holders of the Company of HK\$2,207,172,000 (2009 — loss of HK\$325,978,000); and (ii) the weighted average number of 1,816,660,000 ordinary shares (2009 — 1,816,764,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the years ended 31st December, 2010 and 2009 as the share options and warrants outstanding during these years had no dilutive effect on the basic earnings/(loss) per share for these years.

8. DISTRIBUTION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Final, proposed — HK2 cents per ordinary share (2009 — Nil)	<u><u>36,808</u></u>	<u>—</u>

The proposed final distribution for the year is 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	42,224	38,437
Within 30 days	35,717	10,414
Between 31 and 60 days	—	171
Between 61 and 90 days	4	3
	<u>77,945</u>	<u>49,025</u>

Trading terms with customers are either on a cash basis or credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

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

10. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	585,921	650,888
Within 30 days	33,269	14,604
	<u>619,190</u>	<u>665,492</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, 2010, total client trust bank balances amounted to HK\$560,850,000 (2009 — HK\$630,560,000).

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

MANAGEMENT DISCUSSION AND ANALYSIS

The global economy showed some signs of recovery in 2010, but the pace of recovery varied across industry sectors and regions. Singapore and Asian regions show a strong growth, while the recovery in US and Europe remain at a slower pace. Benefited from the positive growth of the property markets in the regions in which the Group has operations, the Group recorded a profit for the year.

Results for the year

Turnover for the year 2010 totalled HK\$122 million, which was 11 per cent. higher than the HK\$110 million recorded in 2009.

The Group reported a profit attributable to shareholders of HK\$2,207 million for 2010, contrasted to the loss of HK\$326 million in 2009. The profit was mainly attributed to the fair value gains on investment properties and write-back of impairment loss made for a property project under the Group's associates.

Property investment and property development

The revenue of the property investment business increased to HK\$10 million (2009 — HK\$6 million) in 2010, benefiting from the increasing occupancy rate for Lippo Tower in Chengdu, which was completed in late 2008. The segment registered a profit of HK\$5 million, compared to the profit of HK\$8 million in 2009, resulting from the reduction of fair value gains on investment properties during the year.

The Group has invested in a property fund, Lippo ASM Asia Property LP (“LAAP”), which has indirect interests in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore principally engaged in property investment and development and hotel operations. The hotels managed by OUE, including Mandarin Orchard Singapore, are strategically located in various well known tourist destinations of Singapore, Malaysia and mainland China. Mandarin Gallery, a premier luxury retail mall at Orchard Road, Singapore commenced operation in the fourth quarter of 2009. Together with the DBS Towers One and Two acquired in September 2010, the investment property portfolio provided a recurrent source of revenue to OUE during the year. OUE also holds interests in prime office buildings, such as One Raffles Place and OUE Bayfront near Marina Bay, in the central financial and business district of Singapore. OUE Bayfront obtained its temporary occupation permit (“TOP”) in January 2011 and is expected to contribute income in 2011. OUE has participated in a residential property development project, named as Twin Peaks at 25 Leonie Hill Road in Singapore. In 2010, the Group registered a share of profit of HK\$2,242 million from the investment as compared to a loss of HK\$301 million in 2009. The profit was mainly attributable to the fair value gains on investment properties and write-back of impairment loss made for the property under development. The remarkable results were also contributed by the improved performance of the hospitality business which benefited from the substantial increase in tourist arrivals in Singapore and the new rental income from Mandarin Gallery and DBS Towers One and Two.

In March 2010, LAAP, through its subsidiary, acquired the direct and indirect interest in OUE held by a joint venture partner, which increased its controlling stake in OUE to approximately 88.52 per cent. and resulted in a gain recorded in the reserves of HK\$861 million. Subsequently, two placement of shares of OUE to third parties had been completed in June and October 2010, which decreased its controlling stake in OUE to approximately 67.07 per cent. and reduced the amount of the reserves by HK\$167 million. There is no impact on the Group's profit for the year.

Additionally, the Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and Thailand. TOP of the Marina Collection, a joint venture development in Sentosa Cove, in which the Group has a 50 per cent. interest, was obtained in March 2011. Pre-sale has been launched and income thereon will be recognised accordingly. Other projects in Singapore include the development at Kim Seng Road (“Centennia Suites”) and Holland Road (“The Holland Collection”). Pre-sale of both projects was launched and all units have been sold out. Centennia Suites and The Holland Collection are scheduled to be completed in 2013 and end of 2011 respectively. Revenue thereon will be recognised upon completion.

In mainland China, the construction works of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area, have commenced in 2010 and are expected to be completed by end of 2012.

Treasury and securities investments

Due to the uncertainty around the global economy, the financial market remains volatile. The Group cautiously looks for opportunities to realise its profit in the investment portfolio. In 2010, treasury and securities investments business recorded a revenue of HK\$16 million (2009 — HK\$19 million), with a profit of HK\$22 million (2009 — HK\$38 million). The Group will be watchful on market developments and continue to be prudent in managing its investment portfolio with a continuing focus on improving the overall asset quality.

Corporate finance and securities broking

Despite global economy gradually recovering, participation from retail investors remained cautious in this highly volatile market. The Group’s corporate finance and securities broking business was affected. It registered a decrease in turnover in 2010 to HK\$49 million (2009 — HK\$54 million) and HK\$2 million loss was derived from this segment (2009 — profit of HK\$6 million).

Banking business

The Macau Chinese Bank Limited (“MCB”) is a wholly-owned subsidiary of the Company. Although the Macau economy has rebounded during the year, the operating environment is still tough. MCB managed to maintain the quality of its client and loan portfolio. Management continued to lend conservatively and seek growth in areas where appropriate in a selective manner. The banking business recorded a turnover of HK\$14 million for the year (2009 — HK\$14 million), and delivered a profit to the Group.

Other businesses

With the well performance of Singapore property market, revenue generated from property project management in Singapore increased to HK\$20 million in 2010 (2009 — HK\$5 million), and profit contribution was HK\$13 million (2009 — loss of HK\$1.3 million).

Financial position

As at 31st December, 2010, the Group’s total assets increased significantly to HK\$9.7 billion (2009 — HK\$6.0 billion). Property-related assets increased to HK\$8.3 billion (2009 — HK\$4.4 billion), representing 85 per cent. (2009 — 73 per cent.) of the total assets. Total liabilities slightly increased to HK\$1.6 billion (2009 — HK\$1.4 billion). The Group’s financial position remained healthy and current ratio (measured as current assets to current liabilities) decreased to 1.1 to 1 (2009 — 1.7 to 1, restated).

As at 31st December, 2010, the bank and other borrowings of the Group (other than those attributable to banking business) increased to HK\$533 million (2009 — HK\$499 million). The bank loans amounted to HK\$348 million (2009 — HK\$215 million), comprising secured bank loans of HK\$348 million (2009 — secured bank loans of HK\$205 million and unsecured bank loan of HK\$10 million), which were denominated in United States dollars and Renminbi (2009 — denominated in Hong Kong dollars, United States dollars and Renminbi). The bank loans were secured by first legal mortgages over certain properties and certain fixed deposits of the Group. The bank loans carried interest at floating rates and 84 per cent. (2009 — 14 per cent., restated) of the bank loans were repayable within one year. The Group's other borrowings as at 31st December, 2010 comprised of unsecured loans advanced from Lippo Limited of HK\$185 million (2009 — HK\$244 million). Such advance would be repayable on or before 31st December, 2012. The balance as at 31st December, 2009 also included an unsecured loan from a third party of HK\$40 million which was fully repaid during the year. At the end of the year, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) decreased to 6 per cent. (2009 — 11 per cent.).

The net asset value of the Group remained strong and increased to HK\$8.0 billion (2009 — HK\$4.5 billion). This was equivalent to HK\$4.4 per share (2009 — HK\$2.5 per share). The increase was mainly attributable to the improved performance during the year and the share of equity movement arising from the acquisition of direct and indirect interest in OUE under LAAP at a discount.

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 year (2009 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2009 — Nil).

As at 31st December, 2010, the Group's total capital commitment increased to HK\$556 million (2009 — HK\$165 million), as a result of the commencement of the property development project in 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 198 employees as at 31st December, 2010 (2009 — 207 employees). Total staff costs (including directors' emoluments) during the year amounted to HK\$72 million (2009 — HK\$63 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

The outlook for 2011 will continue to be a challenging year. Despite that the Asian regions showed strong growth in 2010, global business environment remains uncertain to companies around the world under the shadow of sovereign debt crisis in Europe, slow pace of economic recovery in US and the earthquake in Japan. However, the Group remains positive of the prospects of the Asia Pacific region over the medium term. At the same time, it will continue refining the values of its property and investment portfolios and cautiously seeking new investment opportunities with long-term growth potential.

BUSINESS REVIEW

2010 was a year that saw massive fiscal and monetary stimulus programs being adopted widely around the world to avert a global economic and financial crisis. The general uplifting of the world economy belies the mix of economic performances for individual economies. US and Europe remained economically subdued. A number of smaller European economies came under financial stress and had to receive European and International financial assistance. However, Asian economies continued to surge forward, with China taking the lead and India and the South East Asian countries contributing to the economic momentum. By end 2010, China has overtaken Japan to become the second largest economy in the world.

Benefiting from the economic growth in the regions in which the Group has operations, the Group achieved stellar performance in 2010 recording an audited consolidated profit attributable to shareholders of approximately HK\$2,207 million for the year ended 31st December, 2010, as compared to a loss of HK\$326 million recorded in 2009. The profit was largely attributable to the fair value gains of investment properties and write back of the impairment loss on properties under development of the Group's associates.

In Singapore, the opening of the integrated resorts, the strong tourist arrivals, and its continuing role as one of the major financial centres in Asia have all contributed to its strong economic growth in 2010. The economic spillover, which pushed the property markets to new heights, has greatly benefited the Group's performance in Singapore.

The temporary occupation permit for the Marina Collection, in which the Group has a 50 per cent. interest, has been obtained in March 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 over 40 units have been pre-sold. With the opening of the casino and recreational and resort complex on the Sentosa Island, the Group is confident about the prospects for the Marina Collection project.

The Group has a 30 per cent. interest in a site located at 53 Holland Road, Singapore. The plan is to develop the site, which has an area of approximately 3,376 square metres, into a low-rise luxury residential development, now named as The Holland Collection, with a total saleable area of approximately 5,497 square metres. Completion is expected to be around the end of 2011. Pre-sale has been launched and all the 26 residential units in the project were pre-sold.

The Group also has a 50 per cent. interest in the Centennia Suites at 100 Kim Seng Road, Singapore. Centennia Suites, with a site area of approximately 5,611 square metres, will be re-developed into a residential development with a saleable area of approximately 16,182 square metres with completion expected to be in 2013. Pre-sale has been launched and all the 97 residential units were sold out.

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, is a property fund set up with the objective of investing in real estates in the Asia region. LAAP, previously through its ownership interest in a joint venture, held a majority stake 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 Towers One and Two ("DBS Towers") as well as hotels in the Asia region, including the famous Mandarin Orchard 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 full occupancy. With the acquisition of DBS Towers in September 2010 and the completion of the office development of OUE Bayfront in early 2011, such a portfolio of high quality properties will help to generate substantial, stable and recurrent income for OUE.

In March 2010, the LAAP Group acquired the direct and indirect interest in OUE held by the joint venture partner, thus increasing its controlling stake in OUE to approximately 88.52 per cent. Subsequently, the LAAP Group successfully completed two placements of OUE shares to third parties in June and October 2010, reducing its controlling stake in OUE to approximately 67.07 per cent.

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) (the “BDA Project”). With a total site area of approximately 51,209 square metres, the current plan is to develop the BDA Project into an integrated residential, commercial and retail complex with a total gross floor area of about 275,000 square metres, including basements. Foundation work was completed and construction works are in progress. The BDA Project, which is expected to be completed by end of 2012, has attracted strong interests from commercial entities operating in Mainland China. With the approval of the PRC government authority, the Group’s interest in the BDA Project was slightly reduced to 80 per cent. from 85.7 per cent. in September 2010 with the outlay payable by the Group to the joint venture partner being reduced correspondingly.

The Macau Chinese Bank Limited (“MCB”) is a wholly-owned subsidiary of the Company. Its performance in 2010 has benefited from 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 rebound of the local economy, participation from retail investors remained watchful and cautious given the continuing volatile market in 2010. 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 the markets in China and globally.

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. For the US, Europe and Japan, the general expectation is for continuing slow economic recovery. Inflation has emerged as a subject of economic watch. For much of Asia, the low interest environment and markets flushed with liquidity have stoked inflationary pressures. Escalating food and commodity prices and rising property prices have fueled concerns about inflation. In response, countries like China has introduced a slew of credit tightening and austerity measures to arrest the problem early. The full ramifications on the world economy of the political turmoil in North Africa and the Middle East and the recent tsunami damages in Japan remain to be worked out. Overall, economic recovery will continue but with new uncertainties emerging.

Management is therefore moving forward in a positive but cautious manner and watchful of challenges ahead. The Group will continue to focus on property investment and property development businesses in Asia Pacific region for long term growth. Management will continue to take a cautious and prudent approach in managing the Group's property portfolio and businesses and in assessing new investment opportunities.

DISTRIBUTION

The Directors have resolved to recommend to shareholders at the forthcoming Annual General Meeting the payment of a final distribution of HK2 cents per share (2009 — Nil), amounting to approximately HK\$36.8 million (based on 1,840,394,550 ordinary shares in issue as at 30th March, 2011), for the year ended 31st December, 2010, which will be paid on Wednesday, 6th July, 2011 to the shareholders whose names appear on the Company's Register of Members on Wednesday, 8th June, 2011. This represents total distribution for the year ended 31st December, 2010 (2009 — Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 2nd June, 2011 to Wednesday, 8th June, 2011 (both dates inclusive) during which period no transfer of shares will be registered and no share which will fall to be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants of the Company will be registered. In order to qualify for the proposed final distribution and be entitled to attend and vote at the forthcoming Annual General Meeting, (i) all transfers of shares accompanied by the relevant share certificates and transfer forms and (ii) all subscription forms accompanied by the relevant warrant certificates and subscription monies relating to the exercise of outstanding warrants of the Company in respect of which holders of such warrants wish to exercise their rights 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, 1st June, 2011. Warrants in respect of the final distribution will be dispatched to the shareholders on or about Wednesday, 6th July, 2011.

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

During the year ended 31st December, 2010, 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, 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance practices. The Company's Board of Directors (the "Board") believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from

time to time to ensure they meet public and shareholders' expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance.

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31st December, 2010.

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

Hong Kong, 30th March, 2011

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*