



**Lippo China Resources Limited**

**力寶華潤有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 156)



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# Corporate Information

## Board of Directors

### Non-executive Directors

Dr. Mochtar Riady (*Honorary Chairman*)

Mr. Leon Nim Leung Chan

### Executive Directors

Mr. James Tjahaja Riady (*Chairman*)

Mr. Stephen Tjondro Riady

(*Deputy Chairman, Managing Director and Chief Executive Officer*)

Mr. John Luen Wai Lee, J.P.

### Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

## Committees

### Audit Committee

Mr. Victor Ha Kuk Yung (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

Mr. King Fai Tsui

### Remuneration Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Tjondro Riady

### Nomination Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Tjondro Riady

## Secretary

Ms. Millie Yuen Fun Luk

## Auditors

Ernst & Young

## Principal Bankers

CITIC Ka Wah Bank Limited

Agricultural Bank of China, Shanghai Branch

Fubon Bank (Hong Kong) Limited

Chong Hing Bank Limited

## Solicitors

Richards Butler

(in association with Reed Smith LLP)

## Registrars

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

## Registered Office

Room 2301, 23rd Floor

Tower One

Lippo Centre

89 Queensway

Hong Kong

## Stock Code

156

## Website

[www.lcr.com.hk](http://www.lcr.com.hk)

# Chairman's Statement

I am pleased to present the annual report of the Company for the year ended 31st December, 2009.

Triggered by the US sub-prime crisis, the global economy experienced a severe setback in 2009 on a scale almost unseen before. Markets around the world plummeted during the first half of the year. Responding to this formidable challenge, governments around the world quickly acted synchronously to adopt unprecedented fiscal and monetary measures. This had avoided an economic meltdown and global markets appeared to have stabilized during the latter half of the year. However, it remains to be seen whether the recovery is lasting. It is also quite widely expected that there is still a long way to go before the global economy becomes self-sustaining.

## Results

During the year, the performance of the Group was satisfactory. It achieved a consolidated profit attributable to shareholders of approximately HK\$324 million for the year ended 31st December, 2009, as compared with a loss of HK\$397 million for the year ended 31st December, 2008. The increase in profit was mainly driven by the completion of two residential development projects in Singapore, namely Newton One and The Metropolitan Condominium.

## Prospects

Although the world has avoided a financial meltdown and a global depression in 2009, the road to full recovery remains a challenging one. Emerging markets appear to offer a slightly better picture. In particular, despite having its own challenges, mainland China is widely believed to be a significant force in driving the global economy into recovery, supported by its expansive fiscal and monetary stimulus programs.

I continue to be cautiously optimistic about the potential of the Asia Pacific region, including Hong Kong, mainland China and other neighbouring countries, over the medium term. In the period ahead, the Group will continue to adopt a prudent and diligent approach in the management of its businesses.

## Acknowledgement

On behalf of the Board of Directors, I would like to thank our shareholders, business partners and customers for their continuing support. I would also like to thank my fellow Directors for their dedication, wise counsel and guidance. Last but not least, I extend our appreciation to the management and staff for their hard work, contributions and commitment, especially in this challenging period.

**Mochtar Riady**  
*Honorary Chairman*

8th April, 2010

# Chief Executive Officer's Report

I am pleased to present a report on the business review and performance of the Group for the year ended 31st December, 2009.

## Business Review

### Overview

The deep and widespread global recession of 2008 continued well into 2009. Markets around the world remained economically challenging during the first half of 2009. In response, governments around the world intervened on a massive and unprecedented scale with fiscal and monetary “quantitative easing” measures in their efforts to restore confidence and stability in the markets. Economic meltdown was avoided and the global markets improved during the latter half of the year. However, it looks like it is going to be a long haul before the global economy can return firmly to pre-crisis prosperity.

### Results

During the year, the performance of the Group was satisfactory. It achieved a consolidated profit attributable to shareholders of approximately HK\$324 million for the year ended 31st December, 2009, as compared with a loss of HK\$397 million for the year ended 31st December, 2008.

### Property investment and development

The Group's investment properties continued to enjoy high occupancy during the year. Rental provided the Group with stable income. The shopping mall of Lippo Plaza is now being renovated to provide a high-end shopping environment. The renovation work is scheduled to be completed by mid 2010. Louis Vuitton, the global leader in luxury goods, has chosen Lippo Plaza to house one of its largest global stores in the PRC (the “LV Store”). Ermenegildo Zegna, another renowned international luxury brand, is also establishing its first global concept store in the PRC at Lippo Plaza (the “Zegna Store”). It is scheduled that the LV Store and the Zegna Store will be opened in the second quarter of 2010 in tandem with the World Expo 2010 Shanghai China. Other renowned international luxury brands are in discussions with the Group for leasing the shopping mall. The shopping mall of Lippo Plaza, after renovation, is expected to generate much higher rental income than before.

All the units put up for sale in two property development projects in Singapore, namely Newton One, in which the Group was interested in 100 per cent. and The Metropolitan Condominium, a 50:50 joint venture development of the Group with CapitaLand Limited, had been sold and all the sale proceeds had been recognized in 2009. Both development projects delivered satisfactory profits to the Group.



Lippo Plaza at Huaihai Zhong Road, Shanghai, the PRC



## Chief Executive Officer's Report (continued)



Newton One, a property development project in Singapore



The Metropolitan Condominium, a property development project in Singapore

### Retail business

The Tianjin store of Robbinz, the Group's department store chain established in mainland China in 2007, has been optimizing its merchandise mix by introducing more competitive brands and direct-sales products. With a wider product variety and effective marketing and promotion campaigns, more customers have been attracted. The number of sales transactions and net sales proceeds of the Tianjin store increased approximately 49 per cent. and 50 per cent. respectively for the year 2009 when compared with 2008. During the year, Robbinz also carried out some improvement works to enhance the shopping environment in the Chengdu store and has been optimizing its product mix to foster patronage and performance. A new Robbinz store is scheduled to be opened by the end of 2010 in Yangzhou.



Second anniversary ceremony of Robbinz Department Store



Robbinz Department Store in Tianjin, the PRC



Robbinz Department Store in Chengdu, the PRC



Robbinz Department Store in Yangzhou, the PRC

## Chief Executive Officer's Report (continued)



A food court at Great World City, Singapore



Délifrance, Singapore

Despite the sluggish economic recovery, Auric Pacific Group Limited ("APG", a listed company in Singapore, in which the Group is interested in approximately 49.3 per cent. of its issued share capital, together with its subsidiaries, the "APG Group") was able to improve its financial performance in 2009. During the year, APG recorded a consolidated loss attributable to shareholders of approximately S\$3.4 million, substantially reduced when compared to a loss of S\$33.8 million (restated) for the year 2008. 2009 saw improvement in results from the APG Group's food manufacturing, distribution and food court businesses. However, consumer spending remained cautious. During the year, in order to contain its operational costs, the APG Group closed down its non-performed food retail outlets and discontinued its unprofitable non-core business. In July 2009, the APG Group further increased its interest in Food Junction Holdings Limited ("Food Junction"), a listed company in Singapore. As a result, the APG Group's interest in Food Junction was increased from 50.5 per cent. to 57.8 per cent. Food Junction recorded a consolidated profit attributable to shareholders of approximately S\$4.3 million for the period from 1st October, 2008 to 31st December, 2009, as compared to a profit of S\$3.3 million for the last financial period from 1st October, 2007 to 30th September, 2008. Food Junction is a regional foodservice company which operates and manages food courts and restaurants in Singapore, Malaysia, Indonesia and mainland China.



TETSU, a Japanese restaurant in Singapore



Malone's American Café in Shanghai, the PRC

## Chief Executive Officer's Report *(continued)*

### Prospects

Although the world has averted a global and financial meltdown and a global depression in 2009, the road to full recovery remains challenging. It will take some time for banks to rebuild their balance sheets, companies to start making investments and consumers to reduce their debt and spend again. China and other economies in the Asia Pacific region appear to have taken the leading role in global economic recovery. The economic indicators of recent months provide confirmation of this.

Management is confident about the prospects in the Asia Pacific region over the medium term but remains watchful about the near term as uncertainty continues to surround the global economy. Management will stay alert to risks and challenges posed by the constant changes in the global economy and will continue to adopt a cautious and prudent approach in managing the Group's investments and businesses and in assessing new investment opportunities.

**Stephen Tjondro Riady**

*Chief Executive Officer*

8th April, 2010



## Discussion and Analysis of Annual Results

Following the global financial crisis in 2008, 2009 proved to be an extremely challenging year for the Group. However, due to the stabilisation and rebound of local property market since the second quarter of 2009 and the completion of the two development projects in Singapore, the Group reported a profit attributable to shareholders of HK\$324 million (2008 – loss of HK\$397 million).

### Results for the year

Turnover for the year ended 31st December, 2009 totalled HK\$1,353 million (2008 – HK\$379 million). Property investment and development as well as retail business were the principal sources of revenue of the Group. During the year, property investment and development business recorded a turnover of HK\$1,150 million (2008 – HK\$190 million) and retail business recorded a turnover of HK\$132 million (2008 – HK\$120 million), contributing 85 per cent. (2008 – 50 per cent.) and 10 per cent. (2008 – 32 per cent.) of the total turnover, respectively.

### Property investment and development

Temporary occupation permit of Newton One in which the Group was interested in 100 per cent. had been obtained in June 2009. All the units had been handed over to the purchasers and the property development business recorded a revenue of HK\$974 million in 2009, with a profit of HK\$244 million. Another property development project in Singapore, The Metropolitan Condominium which is a 50:50 joint venture development with CapitaLand Limited, was also completed during 2009 with all the units handed over to the purchasers. As a result, the Group registered a share of profit of HK\$208 million.

Property investment business continued to provide stable and recurrent revenue to the Group. The rental income of Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, being the landmarks of the Group in Hong Kong and in mainland China respectively registered a decrease of 7 per cent. and 13 per cent., which were mainly resulting from the disposal of the entire 23rd Floor of Tower One, Lippo Centre, Hong Kong in August 2008 and renovation of the shopping mall in Lippo Plaza in Shanghai, respectively. The shopping mall in Lippo Plaza is now being upgraded to provide a high-end shopping environment, and the renovation is expected to be completed by mid 2010. Given the recovery in the property markets in the region, the Group recorded a total revaluation gain on investment properties of HK\$222 million (2008 – loss of HK\$246 million) during the year. As a result, the property investment business registered a profit of HK\$340 million in 2009 (2008 – loss of HK\$36 million).

### Retail business

Two department stores in mainland China under the trade name of “Robbinz” in Tianjin and Chengdu respectively, with a total gross floor area of approximately 126,000 square metres, are in the process of optimising their performance. Turnover generated from this segment increased to HK\$132 million in 2009 (2008 – HK\$120 million). Turnover comprised of net proceeds received from concessionaire sales and gross rental income. The stores are still in their investing period. In 2009, loss suffered from the retail business fell to HK\$164 million (2008 – HK\$174 million).

### Other businesses

During the year, the Group registered a share of loss of HK\$9 million (2008 – HK\$91 million) from a listed associate in Singapore, Auric Pacific Group Limited (“APG”). APG is mainly engaged in food manufacturing, wholesale and distribution, food retail and food court operation as well as property and securities investments. Although the economy of Singapore, where APG conducts most of its business, remained sluggish in 2009, APG was able to improve its performance during the year. With food as a basic necessity, APG’s core food related businesses should remain resilient.

## Discussion and Analysis of Annual Results *(continued)*

### Financial position

As at 31st December, 2009, the Group's total assets amounted to HK\$5.9 billion (2008 – HK\$6.1 billion). Property-related assets decreased slightly to HK\$3.8 billion (2008 – HK\$3.9 billion), representing 65 per cent. (2008 – 64 per cent.) of the total assets. The cash and cash equivalents of the Group increased to HK\$626 million (2008 – HK\$615 million). The Group's financial position remained strong and current ratio of the Group (measured as current assets to current liabilities) increased to 2.09 to 1 (2008 – 1.33 to 1).

As at 31st December, 2009, the bank loans of the Group decreased to HK\$1,358 million (2008 – HK\$1,410 million). All the bank loans were secured by certain properties of the Group. 70 per cent. and 30 per cent. (2008 – 58 per cent. and 29 per cent.) of the loans were denominated in Hong Kong dollars and Renminbi respectively. All bank loans carried interest at floating rates and 6 per cent. (2008 – 18 per cent.) of the bank loans were repayable within one year. At the end of the year, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) was 40.7 per cent. (2008 – 43.9 per cent.).

As at 31st December, 2009, the net asset value of the Group amounted to HK\$3.3 billion (2008 – HK\$3.2 billion). This was equivalent to HK36 cents per share (2008 – HK34 cents per share).

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (2008 – Nil). The Group had no material contingent liabilities outstanding (2008 – Nil).

As at 31st December, 2009, the Group's total capital commitment significantly decreased to HK\$60 million (2008 – HK\$203 million), as a result of the completion of Newton One. The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

### Staff and remuneration

The Group had approximately 753 employees as at 31st December, 2009 (2008 – 851 employees). The decrease in the number of employees was due to the operation optimisation of the Group's retail business in mainland China. Total staff costs (including directors' emoluments) during the year amounted to HK\$114 million (2008 – HK\$99 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under share option scheme of the Company.

### Outlook

2010 is another challenging year. Business environment remains challenging to companies around the world. However, the Group remains positive of the prospects of the Asia Pacific region over the medium term. China and other economies in the Asia Pacific region appear to be leading the global economic recovery. The Group will continue to focus on developments in the Asia Pacific region, especially in mainland China.

# Corporate Governance Report

## 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.

In 2009, the Company continued to take measures to closely monitor and enhance its corporate governance practices so as to comply with the requirements of the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the Code for the year ended 31st December, 2009.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have fully complied with the required standard set out in the Model Code throughout the year of 2009.

To enhance the corporate governance, the Company has also established a written guideline on no less exacting terms than the Model Code for the employees of the Group.

## Board of Directors

The Board currently comprises eight members (the composition of the Board is shown on page 17), including three executive Directors and five non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 18 to 20). Due to the increase of his business commitment, Mr. Ning Gaoning resigned as a non-executive Director of the Company on 24th August, 2009. Dr. Mochtar Riady (being the Honorary Chairman) is the father of Messrs. James Tjahaja Riady (being the Chairman) and Stephen Tjondro Riady (being the Deputy Chairman, Managing Director and Chief Executive Officer) and Mr. James Tjahaja Riady is a brother of Mr. Stephen Tjondro Riady. Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Company has three independent non-executive Directors, representing more than one-third of the Board. Two independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All the independent non-executive Directors have signed the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules to confirm their independence.

Under the Company's Articles of Association, one-third of the Directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

## Corporate Governance Report (continued)

### Board of Directors (continued)

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive Directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, dividend policy, significant changes in accounting policies, material contracts and major investments. The Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

Three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, have been established to oversee particular aspects of the Group's affairs.

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Five Board meetings were held in 2009. Individual attendance of each Director at the Board meetings and each committee member at meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee during 2009 are set out below.

Directors	Attendance/Number of Meetings			
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
<b>Non-executive Directors</b>				
Dr. Mochtar Riady ( <i>Honorary Chairman</i> )	4/5	N/A	N/A	N/A
Mr. Leon Nim Leung Chan ( <i>Chairman of the Remuneration Committee and Nomination Committee</i> )	5/5	3/3	2/2	2/2
Mr. Ning Gaoning (resigned on 24th August, 2009)	0/3*	N/A	N/A	N/A
<b>Executive Directors</b>				
Mr. James Tjahaja Riady ( <i>Chairman</i> )	3/5	N/A	N/A	N/A
Mr. Stephen Tjondro Riady ( <i>Deputy Chairman, Managing Director and Chief Executive Officer</i> )	4/5	N/A	1/2	1/2
Mr. John Luen Wai Lee	5/5	N/A	N/A	N/A
<b>Independent Non-executive Directors</b>				
Mr. Victor Ha Kuk Yung ( <i>Chairman of the Audit Committee</i> )	5/5	3/3	2/2	2/2
Mr. Edwin Neo	5/5	3/3	2/2	2/2
Mr. King Fai Tsui	5/5	3/3	2/2	2/2

\* number of meetings held from the beginning of 2009 to the date of resignation of Mr. Ning Gaoning

## Corporate Governance Report (continued)

### Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Mr. James Tjahaja Riady is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr. Stephen Tjondro Riady is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

### Non-executive Directors

There are currently five non-executive Directors of whom three are independent. Under the Company's Articles of Association, every Director, including the non-executive Directors, shall be subject to retirement by rotation at least once every three years. This means that the specific term of appointment of a Director cannot exceed three years.

All the non-executive Directors have a fixed term of contract of two years with the Company.

### Remuneration of Directors

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website ([www.lcr.com.hk](http://www.lcr.com.hk)). The principal role of the Committee is to exercise the powers of the Board to determine and review the remuneration packages of individual Directors and key executives, including salaries, bonuses, share options and benefits in kind. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the year, the Remuneration Committee reviewed and approved, inter alia, (i) the remuneration packages of the Directors and fees payable to committee members of the Company's Board committees; and (ii) service contracts of certain Directors.

Majority of the Committee members are non-executive Directors and three of them are independent. The Remuneration Committee currently comprises five members including one executive Director, namely, Mr. Stephen Tjondro Riady, one non-executive Director, namely, Mr. Leon Nim Leung Chan (being the Chairman of the Remuneration Committee) and three independent non-executive Directors, namely, Messrs. Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui. Two meetings were held in 2009 and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 8 and 3(u) to the financial statements, respectively.



## Corporate Governance Report (continued)

### Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Company's Articles of Association. No new Director was appointed during 2009.

A Nomination Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website ([www.lcr.com.hk](http://www.lcr.com.hk)). The principal role of the Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; assessment of the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. During the year, the Nomination Committee reviewed, inter alia, the eligibility of the Directors seeking for re-election at the last annual general meeting and assessed the independency of the independent non-executive Directors. The Nomination Committee also reviewed the existing size and efficiency of the Board.

Majority of the Committee members are non-executive Directors and three of them are independent. The Nomination Committee currently comprises five members including one executive Director, namely, Mr. Stephen Tjondro Riady, one non-executive Director, namely, Mr. Leon Nim Leung Chan (being the Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Messrs. Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui. Two meetings were held in 2009 and the individual attendance of each member is set out above.

### Auditors' Remuneration

Messrs. Ernst & Young has been appointed by the shareholders annually as the Company's auditors. During the year, the fees charged to the accounts of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK\$1.8 million (2008 – HK\$1.8 million) and approximately HK\$17,000 (2008 – HK\$15,000), respectively. The non-statutory audit service provided in 2009 was to review the continuing connected transactions of the Company.

### Audit Committee

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website ([www.lcr.com.hk](http://www.lcr.com.hk)). It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including one non-executive Director, namely Mr. Leon Nim Leung Chan, and three independent non-executive Directors, namely Messrs. Victor Ha Kuk Yung (being the Chairman of the Audit Committee), Edwin Neo and King Fai Tsui. Three meetings were held in 2009 and the individual attendance of each member is set out above.

## Corporate Governance Report *(continued)*

### **Audit Committee** *(continued)*

The Committee members possess diversified industry experience and the Chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters. Under its current terms of reference, the Committee will meet at least two times each year. Senior management and auditors shall normally attend the meetings.

During the year, the Audit Committee discharged its duties by reviewing the financial and audit matters of the Group, including management accounts, financial statements, internal audit reports, and interim and annual reports and discussing with executive Directors, management, external auditors and internal audit department (the "IA Department") regarding the financial matters and/or internal audit, control and risk management matters of the Group, and making recommendations to the Board on financial-related matters.

In order to comply and be in line with the amendments to the Code which became effective on 1st January, 2009, the terms of reference of the Audit Committee have been revised accordingly.

### **Internal Controls**

The Board recognises its responsibility for maintaining an adequate system of internal control and prompt and transparent reporting of the Company's activities to the shareholders and to the public.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations.

During the year, a review of the effectiveness of the Group's internal control system covering all material controls and risk management functions was conducted.

Also, during the year, the Board reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The review will be conducted annually in accordance with the requirements of the Code.

### **Internal Audit**

The IA Department was set up in 2007 to perform internal audit and to review the internal control system of the Group.

The principal roles of the internal audit are to ensure the effectiveness of internal control procedures and strict compliance with different standards and policies across different businesses and operations of the Group. The IA Department audits and evaluates the Group's internal control operation and management activities so as to establish that there are no significant misrepresentations of risks and faults in the Group. The Board and the Audit Committee will actively take actions based on the findings from the IA Department. The IA Department is also responsible for providing improvement procedures to different operation teams and departments so as to minimise the risk exposure in the future. Ongoing enhancement and revision on the internal control system will have to be made from time to time so as to cope with the growth of the Group.

## Corporate Governance Report (continued)

### Communication with Shareholders

The Company's Annual General Meeting ("AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM.

Under the Listing Rules, all resolutions proposed at shareholders' meetings must be voted by poll. Details of the poll procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.lcr.com.hk](http://www.lcr.com.hk)).

To provide effective communication, the Company maintains a website at [www.lcr.com.hk](http://www.lcr.com.hk). All the financial information and other disclosures, including, inter alia, the annual reports, interim reports, announcements, circulars and notices are available on the Company's website.

### Fair Disclosure and Investor Relations

The Company uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. When announcements are made through the Stock Exchange, the same information will be available to the public on the Company's website. The Company recognises its responsibility to disclose its activities to those with a legitimate interest and to respond to their questions. In all cases, great care has been taken to ensure that no price sensitive information is disclosed to such parties.

Management of the Group maintains regular contacts with the investment community, and participated in non-deal road shows, investor conferences and analyst meetings to keep the public abreast of the latest development of the Group.

### Financial Reporting

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 31st December, 2009, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The external auditor is responsible for audit and report, if any, material misstatement or non-compliance with Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the auditors with respect to financial reporting are set out in the Independent Auditors' Report on pages 34 and 35.

# Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December, 2009.

## Principal Activities

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment and development, retail business, food business, property management, securities investment, treasury investment, money lending, banking and other related financial services.

The activities and other particulars of the principal subsidiaries, principal associates and principal jointly controlled entities are set out in the financial statements on pages 119 to 125, page 126 and page 127, respectively.

There were no significant changes in the nature of these activities during the year.

## Results and Dividends

The results and details of cash flows of the Group for the year ended 31st December, 2009 and the state of affairs of the Group and the Company as at 31st December, 2009 are set out in the financial statements on pages 36 to 127.

An interim dividend of HK0.2 cent per share (2008 – HK0.2 cent per share) and a special interim dividend of HK\$0.8 cent per share (2008 – Nil) for the six months ended 30th June, 2009 was paid on 16th October, 2009. The Directors have resolved to recommend the payment of a final dividend of HK0.5 cent per share (2008 – HK1 cent per share) amounting to approximately HK\$46 million for the year ended 31st December, 2009 (2008 – approximately HK\$91.9 million). Total dividends for the year ended 31st December, 2009 will be HK1.5 cent per share (2008 – HK1.2 cent per share) amounting to approximately HK\$137.9 million (2008 – approximately HK\$110.3 million).

## Summary of Group Financial Information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2009 is set out on page 132.

## Goodwill

Details of movements in goodwill during the year are set out in Note 16 to the financial statements.

## Fixed Assets

Details of movements in the fixed assets during the year are set out in Note 17 to the financial statements.

## Investment Properties

Details of movements in the investment properties during the year are set out in Note 18 to the financial statements.

## Report of the Directors *(continued)*

### Bank Loans

Details of bank loans are summarised in Note 26 to the financial statements.

### Share Capital

Details of movements in the share capital of the Company are set out in Note 29 to the financial statements.

### Share Option Scheme

Details of the share option scheme of the Company are set out in Note 30 to the financial statements.

### Reserves and Distributable Reserves

Details of movements in the reserves during the year and details of the distributable reserves are set out in Note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

### Subsidiaries

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 119 to 125.

### Donations

Charitable and other donations made by the Group during the year amounted to HK\$30,230,000 (2008 – HK\$5,145,000).

### Directors

The Directors of the Company during the year were:

#### Non-executive Directors

Dr. Mochtar Riady (*Honorary Chairman*)

Mr. Leon Nim Leung Chan

Mr. Ning Gaoning (resigned on 24th August, 2009)

#### Executive Directors

Mr. James Tjahaja Riady (*Chairman*)

Mr. Stephen Tjondro Riady (*Deputy Chairman, Managing Director and Chief Executive Officer*)

Mr. John Luen Wai Lee, J.P.

#### Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

In accordance with Article 120 of the Company's Articles of Association (the "Articles"), Messrs. James Tjahaja Riady and King Fai Tsui will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.



## Report of the Directors (continued)

### Directors (continued)

Each of Messrs. King Fai Tsui and Victor Ha Kuk Yung entered into a letter agreement for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2008. Following the expiry of the term under their respective former letter agreement with the Company, each of Dr. Mochtar Riady, Messrs. Leon Nim Leung Chan and Edwin Neo entered into a new letter agreement for his appointment as a Director of the Company for a term of two years commencing from 1st January, 2010. All the above letter agreements will be terminable by either party by giving three months' prior written notice. Their terms of services are also subject to the provisions of the Articles. Mr. John Luen Wai Lee has an employment agreement with the Company, which will be terminable by either party by giving three months' prior written notice. Messrs. James Tjahaja Riady and Stephen Tjondro Riady do not have any service contract with the Company and/or its subsidiaries. In accordance with the Articles, one-third of the Directors of the Company must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company considers such Directors to be independent.

### Brief Biographical Details of Directors and Senior Management

**Dr. Mochtar Riady** (also known as Dr. Lee Man Tjin), aged 80, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the spouse of Madam Lidya Suryawaty and father of Messrs. James Tjahaja Riady and Stephen Tjondro Riady. Dr. Riady has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and the United States of America. He was appointed the Honorary Chairman of the Company in 1992. He is also the Chairman of Hongkong Chinese Limited ("HKC"), a public listed company in Hong Kong, and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital"). Dr. Riady also holds directorship in a subsidiary of the Company.

**Mr. James Tjahaja Riady**, aged 53, is the Deputy Chairman of the group of companies controlled by the Riady family. Mr. Riady is a son of Dr. Mochtar Riady and Madam Lidya Suryawaty and a brother of Mr. Stephen Tjondro Riady. He holds a Bachelor of Commerce degree from the University of Melbourne, Australia. He was appointed the Chairman of the Company in 1992.

**Mr. Stephen Tjondro Riady**, aged 49, has been the Deputy Chairman and Managing Director of the Company since 1992. He is also the Chief Executive Officer of the Company. Mr. Riady is a son of Dr. Mochtar Riady and Madam Lidya Suryawaty and a brother of Mr. James Tjahaja Riady. He is also the Chairman of Lippo Limited ("Lippo"), a public listed company in Hong Kong, and a director and Chief Executive Officer of HKC. Mr. Riady is a director of Lanius Limited, Lippo Cayman, Lippo Capital, First Tower Corporation ("First Tower") and Skyscraper Realty Limited ("Skyscraper"). He is a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and HKC. Mr. Riady also holds directorship in certain subsidiaries of the Company, Lippo and HKC. He is also the Executive Chairman of Overseas Union Enterprise Limited and a director of Auric Pacific Group Limited, both are public listed companies in Singapore. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region.

## Report of the Directors *(continued)*

### Brief Biographical Details of Directors and Senior Management *(continued)*

**Mr. John Luen Wai Lee**, J.P., aged 61, was appointed a Director of the Company in 1992. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo and a director of HKC, First Tower and Skyscraper. Mr. Lee is also an authorised representative of the Company, Lippo and HKC. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company, Lippo and HKC. Mr. Lee is a non-executive director of Export and Industry Bank, Inc., a public listed company in the Philippines. He was a non-executive director of Medco Holdings, Inc., a public listed company in the Philippines, up to his resignation on 23rd July, 2009. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited, both are public listed companies in Hong Kong. Mr. Lee is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an Associate Member of The Institute of Chartered Accountants in England and Wales. He was a partner of Pricewaterhouse in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong. He serves as a member on a number of Hong Kong Government Boards and Committees including a member of the Hospital Authority and the Chairman of its Finance Committee. He is also the Chairman and the Trustee of the Hospital Authority Provident Fund Scheme as well as the Chairman of the Queen Elizabeth Hospital Governing Committee. In addition, Mr. Lee serves as a member of Non-local Higher and Professional Education Appeal Board.

**Mr. Leon Nim Leung Chan**, aged 54, was appointed an independent non-executive Director of the Company in 1997 and was re-designated as a non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of Lippo and HKC. Mr. Chan is the Chairman of the Remuneration Committee and Nomination Committee as well as a member of the Audit Committee of each of the Company, Lippo and HKC. He is also a director of a subsidiary of HKC and the chairman of the supervisory board member of a subsidiary of HKC.

**Mr. Edwin Neo**, aged 60, was appointed an independent non-executive Director of the Company in March 2002. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. Mr. Neo is a practising lawyer and a notary public and is presently the sole proprietor of Hoosenally & Neo, Solicitors & Notaries. He is also an independent non-executive director of Lippo. Mr. Neo is a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company and Lippo.

## Report of the Directors (continued)

### Brief Biographical Details of Directors and Senior Management (continued)

**Mr. King Fai Tsui**, aged 60, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He is an independent non-executive director of Vinda International Holdings Limited and China Aoyuan Property Group Limited, both are public listed companies in Hong Kong. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in mainland China. Mr. Tsui worked for two of the Big Four audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. Mr. Tsui is also an independent non-executive director of Lippo and HKC. He is a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company, Lippo and HKC.

**Mr. Victor Ha Kuk Yung**, aged 56, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. He had been a member of the listings sub-committee of the Stock Exchange of Singapore. Mr. Yung holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and HKC. Mr. Yung is the Chairman of the Audit Committee as well as a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and HKC.

Details of the interests of the Directors in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below. Madam Lidya Suryawaty's interest in the Company is disclosed in the section headed "Interests and short positions of shareholders discloseable under the Securities and Futures Ordinance" below.

Save as disclosed herein and in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below, the Directors do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

## Report of the Directors (continued)

### Brief Biographical Details of Other Officers

**Mr. Tai Chiu Ng**, is the chief financial officer of the Company. He was appointed the qualified accountant of the Company in March 2006. He holds a master's degree in Business (Electronic Commerce) from Curtin University of Technology in Australia, a master's degree in International Banking and Financial Studies from the Heriot-Watt University in the United Kingdom and a doctor's degree in Business Administration from the University of Hull in the United Kingdom. Mr. Ng is a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Ng has over 25 years' experience in the accounting and corporate finance field in Hong Kong.

**Ms. Millie Yuen Fun Luk**, was appointed the company secretary of the Company in December 1992. She is also an authorised representative of the Company. Ms. Luk is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. She is also a member of Hong Kong Securities Institute. She has over 15 years' experience in the company secretarial field.

### Directors' and Five Highest Paid Employees' Emoluments

Details of the emoluments of the Directors on a named basis and the five highest paid employees in the Group are set out in Notes 8 and 9 to the financial statements, respectively.

The emoluments of the Directors are determined by reference to the market rates, commitment, contribution and their duties and responsibilities within the Group. During the year, certain Directors had received discretionary bonuses that were not covered by their respective employment agreement or letter agreement (as applicable), details of which are set out in Note 8 to the financial statements. With effect from 1st January, 2010, the fees payable to the non-executive Directors have been adjusted from HK\$120,000 per annum to HK\$160,000 per annum. A Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and members of various committees of the Company. With effective from 1st January, 2010, the fees payable to the Chairmen and members of various committees of the Company have been adjusted as follows:

	Before adjustment (per annum) HK\$	After adjustment (per annum) HK\$
<b>Audit Committee</b>		
Chairman	10,000	40,000
Member	Nil	20,000
<b>Other Committees</b>		
Chairman	5,000	20,000
Member	Nil	15,000

Save as disclosed herein, the emoluments of the Directors (except for those Directors who do not have any service contract) have been covered by their respective employment agreement or letter agreement (as applicable).

## Report of the Directors (continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 31st December, 2009, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

#### Interests in shares and underlying shares of the Company and associated corporations

##### (a) The Company

Name of Director	Number of ordinary shares of HK\$0.10 each in the Company	Number of underlying ordinary shares of HK\$0.10 each in the Company	Personal interests (held as beneficial owner)	Total interests	Approximate percentage of total interests in the issued share capital
	Other interests	Options#			
Mochtar Riady	6,544,696,389 <i>Notes (i) and (ii)</i>	–	–	6,544,696,389	71.21
James Tjahaja Riady	6,544,696,389 <i>Notes (i) and (ii)</i>	–	–	6,544,696,389	71.21
Stephen Tjondro Riady	6,544,696,389 <i>Notes (i) and (ii)</i>	–	–	6,544,696,389	71.21
John Luen Wai Lee	–	22,000,000	–	22,000,000	0.24
Leon Nim Leung Chan	–	3,000,000	–	3,000,000	0.03
Edwin Neo	–	2,300,000	–	2,300,000	0.03
King Fai Tsui	–	2,300,000	–	2,300,000	0.03
Victor Ha Kuk Yung	–	2,300,000	–	2,300,000	0.03

# The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an exercise price of HK\$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 30 to the financial statements.



## Report of the Directors (continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (continued)

#### Interests in shares and underlying shares of the Company and associated corporations (continued)

##### (b) Lippo Limited ("Lippo")

Name of Director	Number of ordinary shares of HK\$0.10 each in Lippo		Number of underlying ordinary shares of HK\$0.10 each in Lippo			Total interests	Approximate percentage of total interests in the issued share capital
	Personal interests (held as beneficial owner)	Other interests	Personal interests (held as beneficial owner)		Warrants@		
			Options*	Warrants@			
Mochtar Riady	-	319,322,219 <i>Note (j)</i>	-	-	35,312,240 <i>Note (j)</i>	354,634,459	70.87
James Tjahaja Riady	-	319,322,219 <i>Note (j)</i>	-	-	35,312,240 <i>Note (j)</i>	354,634,459	70.87
Stephen Tjondro Riady	-	319,322,219 <i>Note (j)</i>	-	-	35,312,240 <i>Note (j)</i>	354,634,459	70.87
John Luen Wai Lee	1,031,250	-	1,125,000	103,125	-	2,259,375	0.45
Leon Nim Leung Chan	-	-	193,750	-	-	193,750	0.04
Edwin Neo	-	-	162,500	-	-	162,500	0.03
King Fai Tsui	-	-	162,500	-	-	162,500	0.03
Victor Ha Kuk Yung	-	-	162,500	-	-	162,500	0.03

\* The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by Lippo (the "Lippo Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Lippo Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in Lippo at an initial exercise price of HK\$6.98 per share (subject to adjustment). Pursuant to the rights issue of new shares of Lippo in June 2008 on the basis of one rights share for every four shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note (v) below.

@ The holders of the warrants of Lippo are entitled to subscribe for ordinary shares of HK\$0.10 each in Lippo at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

## Report of the Directors (continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (continued)

#### Interests in shares and underlying shares of the Company and associated corporations (continued)

##### (c) Hongkong Chinese Limited ("HKC")

Name of Director	Number of ordinary shares of HK\$1.00 each in HKC			Number of underlying ordinary shares of HK\$1.00 each in HKC				Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests		
				Options <sup>^</sup>	Warrants <sup>+</sup>	Warrants <sup>+</sup>	Warrants <sup>+</sup>		
Mochtar Riady	-	-	1,014,222,978	-	-	-	106,765,641	1,120,988,619	61.71
			Notes (i) and (iii)				Notes (i) and (iii)		
James Tjahaja Riady	-	-	1,014,222,978	-	-	-	106,765,641	1,120,988,619	61.71
			Notes (i) and (iii)				Notes (i) and (iii)		
Stephen Tjondro Riady	-	-	1,014,222,978	-	-	-	106,765,641	1,120,988,619	61.71
			Notes (i) and (iii)				Notes (i) and (iii)		
John Luen Wai Lee	270	270	-	4,590,000	30	30	-	4,590,600	0.25
King Fai Tsui	-	67,500	-	607,500	-	7,500	-	682,500	0.04
Leon Nim Leung Chan	-	-	-	810,000	-	-	-	810,000	0.04
Victor Ha Kuk Yung	-	-	-	607,500	-	-	-	607,500	0.03

<sup>^</sup> The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by HKC (the "HKC Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the HKC Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in HKC at an initial exercise price of HK\$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of HKC in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note (vi) below.

<sup>+</sup> The holders of the warrants of HKC are entitled to subscribe for ordinary shares of HK\$1.00 each in HKC at a subscription price of HK\$1.25 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

#### Note:

- (i) As at 31st December, 2009, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest of 35,312,240 underlying ordinary shares of Lippo, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 70.87 per cent. of the issued share capital of, Lippo. Lippo Securities is a wholly-owned subsidiary of HKC which in turn is a 55.83 per cent. subsidiary of Lippo. Lanius Limited ("Lanuis"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of the issued share capital of, Lippo Cayman. Lanuis is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanuis is accustomed to act. Dr. Mochtar Riady does not have any interests in the share capital of Lanuis. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. James Tjahaja Riady, Mr. Stephen Tjondro Riady and their respective family members. Dr. Mochtar Riady, as the founder and beneficiary of the trust, and Messrs. James Tjahaja Riady and Stephen Tjondro Riady, as beneficiaries of the trust, are taken to be interested in Lippo Cayman under the SFO.

## Report of the Directors (continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (continued)

#### Interests in shares and underlying shares of the Company and associated corporations (continued)

Note:

- (ii) As at 31st December, 2009, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.21 per cent. of the issued share capital of, the Company.
- (iii) As at 31st December, 2009, Lippo, through its wholly-owned subsidiary and Lippo Securities, was indirectly interested in an aggregate of 1,014,222,978 ordinary shares and HK\$133,457,051.25 warrants giving rise to an interest of 106,765,641 underlying ordinary shares of HKC, totalling 1,120,988,619 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 61.71 per cent. of the issued share capital of, HKC.
- (iv) The percentages of issued share capital stated in this section were arrived based on the issued share capital of each of the Company, Lippo and HKC (as the case may be) as at 31st December, 2009.
- (v) Details of Directors' interests in underlying shares in respect of the options granted under the Lippo Share Option Scheme are summarised as follows:

Name of Director	Exercise price per share	Number of underlying ordinary shares of HK\$0.10 each in Lippo in respect of which options have been granted
		Balance as at 1st January, 2009 and 31st December, 2009
HK\$		
John Luen Wai Lee	5.58	1,125,000
Leon Nim Leung Chan	5.58	193,750
Edwin Neo	5.58	162,500
King Fai Tsui	5.58	162,500
Victor Ha Kuk Yung	5.58	162,500

- (vi) Details of Directors' interests in underlying shares in respect of the options granted under the HKC Share Option Scheme are summarised as follows:

Name of Director	Exercise price per share	Number of underlying ordinary shares of HK\$1.00 each in HKC in respect of which options have been granted
		Balance as at 1st January, 2009 and 31st December, 2009
HK\$		
John Luen Wai Lee	1.24	4,590,000
Leon Nim Leung Chan	1.24	810,000
King Fai Tsui	1.24	607,500
Victor Ha Kuk Yung	1.24	607,500

The above interests in the underlying shares of the Company and its associated corporations in respect of options were held pursuant to unlisted physically settled equity derivatives.

The above interests in the underlying shares of the Company's associated corporations in respect of warrants were held pursuant to listed physically settled equity derivatives.

## Report of the Directors (continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (continued)

#### Interests in shares and underlying shares of the Company and associated corporations (continued)

As at 31st December, 2009, Dr. Mochtar Riady, as the founder and beneficiary of the aforesaid discretionary trust, and Messrs. James Tjahaja Riady and Stephen Tjondro Riady, as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note (i) above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788 (Note a)	72.45
Actfield Limited	Ordinary shares	1	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	1,000	100
CRC China Limited	Ordinary shares	1	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 (Note b)	88.88
Fantax Limited	Ordinary shares	1	100
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1 (Note c)	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandform Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Great Honor Investments Limited	Ordinary shares	1	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
Ivey International Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100

## Report of the Directors *(continued)*

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations *(continued)*

#### Interests in shares and underlying shares of the Company and associated corporations *(continued)*

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Holdings Inc.	Ordinary shares	1	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Lippo World Holdings Limited	Ordinary shares	1	100
Manneton Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Obermac Limited	Ordinary shares	1	100
Pointbest Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
		<i>(Note d)</i>	
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Thornton Pacific Limited	Ordinary shares	1	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100
Worldlink Resources Limited	Ordinary shares	1	100

*Note:*

- a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.
- b. The interests were held by HCB General, a 70 per cent. subsidiary of Lippo Cayman.
- c. The interest was held by Lippo, a 63.81 per cent. subsidiary of Lippo Cayman.
- d. The interests were held through Lippo, a 63.81 per cent. subsidiary of Lippo Cayman.



## Report of the Directors (continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (continued)

#### Interests in shares and underlying shares of the Company and associated corporations (continued)

As at 31st December, 2009, each of Messrs. James Tjahaja Riady and Stephen Tjondro Riady, as beneficial owners, through their respective nominees, was interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of the issued share capital of, Lanius which is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of the issued share capital of, Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and beneficiary. The beneficiaries of the trust also include, inter alia, Messrs. James Tjahaja Riady and Stephen Tjondro Riady. Dr. Mochtar Riady does not have any interests in the share capital of Lanius but the shareholders of Lanius are accustomed to act in accordance with his instructions.

As at 31st December, 2009, Mr. Stephen Tjondro Riady was interested in 27,493,311 ordinary shares in Auric Pacific Group Limited ("Auric"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, held by Goldstream Capital Limited, which in turn is a 70 per cent. owned subsidiary of Bravado International Ltd. ("Bravado"). Mr. Stephen Tjondro Riady is the beneficial owner of the entire issued capital of Bravado. Mr. Stephen Tjondro Riady, through his interest in Lippo Cayman as mentioned above, was also taken to be interested in 61,927,335 ordinary shares in Auric. Accordingly, Mr. Stephen Tjondro Riady was interested and taken to be interested in an aggregate of 89,420,646 ordinary shares in, representing approximately 71.16 per cent. of the issued share capital of, Auric.

As at 31st December, 2009, Mr. John Luen Wai Lee, as a beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of the issued share capital of, AcrossAsia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st December, 2009, save as disclosed herein, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2009, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, as at 31st December, 2009, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

#### Arrangements to Acquire Shares or Debentures

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Report of the Directors (continued)

### Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

As at 31st December, 2009, so far as is known to the Directors of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") as follows:

#### Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK\$0.10 each	Approximate percentage of the issued share capital
Lippo Limited ("Lippo")	6,544,696,389	71.21
Lippo Cayman Limited ("Lippo Cayman")	6,544,696,389	71.21
Lanius Limited ("Lanius")	6,544,696,389	71.21
Madam Lidya Suryawaty	6,544,696,389	71.21

*Note:*

- 6,544,696,389 ordinary shares of the Company were held by Skyscraper Realty Limited directly as beneficial owner which in turn is a wholly-owned subsidiary of First Tower Corporation ("First Tower"). First Tower is a wholly-owned subsidiary of Lippo. Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited (which owned ordinary shares representing approximately 54.68 per cent. of the issued share capital of Lippo), J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in ordinary shares representing approximately 63.81 per cent. of the issued share capital of Lippo.
- Lanius is the registered shareholder of the entire issued share capital of Lippo Cayman and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in the issued share capital of Lanius.
- Lippo's interests in the shares of the Company were recorded as the interests of Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady, Messrs. James Tjahaja Riady and Stephen Tjondro Riady were interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2009, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Report of the Directors (continued)

### Directors' Interests in Competing Business

The Lippo Group (a general reference to the companies (including Lippo Cayman Limited) in which Dr. Mochtar Riady, Mr. James Tjahaja Riady and Mr. Stephen Tjondro Riady and their respective family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31st December, 2009, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

Other than the independent non-executive Directors, Messrs. Stephen Tjondro Riady, John Luen Wai Lee and Leon Nim Leung Chan are also directors of Lippo Limited ("Lippo"), an intermediate holding company of the Company, and Hongkong Chinese Limited ("HKC"), a fellow subsidiary of the Company. Dr. Mochtar Riady is also a director of HKC. Further details of the Directors' interests in Lippo and HKC are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Subsidiaries of Lippo and HKC are also engaged in property investment and development.

The Directors of the Company are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and its Directors would comply with the relevant requirements of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") whenever a Director has any conflict of interest in the transaction(s) with the Company.

Save as disclosed herein, during the year and up to the date of this report, none of the Directors are considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group required to be disclosed under the Listing Rules.

### Continuing Connected Transactions

Continuing connected transactions disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are as follows:

- (A) On 18th September, 2008, a tenancy agreement was entered into between Porbandar Limited ("Porbandar"), a wholly-owned subsidiary of the Company, and Hongkong Chinese Limited ("HKC"), a fellow subsidiary of the Company, pursuant to which HKC agreed to lease from Porbandar Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of approximately 4,879 square feet, for a term of two years from 16th September, 2008 to 15th September, 2010, both days inclusive, at a monthly rental of HK\$282,982 (equivalent to HK\$3,395,784 per annum), exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals.

## Report of the Directors *(continued)*

### Continuing Connected Transactions *(continued)*

The independent non-executive Directors have confirmed that the above tenancy has been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above tenancy agreement has received the approval of the Board of Directors of the Company; (ii) the rental rate stated in the above tenancy agreement is in accordance with the pricing policies stated in the financial statements of the Company for the year ended 31st December, 2009 (the "Pricing Policies"); (iii) the above tenancy was entered into in accordance with the terms of the above tenancy agreement; and (iv) the rental recognised agreed to the rental as stated in the above tenancy agreement and has not exceeded the maximum annual rental disclosed in the announcement dated 18th September, 2008.

Further details of the above tenancy are disclosed in Note 37(c) to the financial statements.

- (B) On 12th January, 2009, a tenancy agreement was entered into between Superform Investment Limited ("Superform"), a wholly-owned subsidiary of the Company, and Lippo Limited ("Lippo"), an intermediate holding company of the Company, pursuant to which Lippo agreed to lease from Superform a portion of 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of approximately 11,028 square feet, for a term of two years from 1st January, 2009 to 31st December, 2010, both days inclusive, at a monthly rental of HK\$397,008 (equivalent to HK\$4,764,096 per annum), exclusive of rates, service charges and all other outgoings or HK\$445,986 (equivalent to HK\$5,351,832 per annum), inclusive of monthly service charge of HK\$48,978, for office use. The service charge of HK\$48,978 per calendar month (subject to adjustment) payable by Lippo to Superform shall be applied by Superform in payment of applicable service charges of the manager of the building relating to the above property provided that such service charge may not exceed HK\$70,000 per calendar month unless agreed by both parties in writing (the "Maximum Service Charge"). The maximum estimated annual rental, inclusive of Maximum Service Charge, is HK\$5,604,096. The rental was determined by reference to the then prevailing open market rentals.

The independent non-executive Directors have confirmed that the above tenancy has been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above tenancy agreement has received the approval of the Board of Directors of the Company; (ii) the rental rate stated in the above tenancy agreement is in accordance with the Pricing Policies; (iii) the above tenancy was entered into in accordance with the terms of the above tenancy agreement; and (iv) the rental recognised agreed to the rental as stated in the above tenancy agreement and has not exceeded the maximum annual rental disclosed in the announcement dated 12th January, 2009.

Further details of the above tenancy are disclosed in Note 37(b) to the financial statements.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of continuing connected transactions disclosed herein.

## Report of the Directors (continued)

### Directors' and Controlling Shareholders' Interest in Contracts

Save as disclosed above and in Note 37 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

### Directors' Service Contracts

No Director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

### Management Contracts

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company had repurchased a total of 1,600,000 shares of HK\$0.10 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:

Month	Number of shares of HK\$0.10 each repurchased	Highest price paid per share	Lowest price paid per share	Total price paid
2009		HK\$	HK\$	HK\$
January	30,000	0.089	0.087	2,650
February	620,000	0.092	0.086	54,930
March	950,000	0.094	0.090	87,036
Total	1,600,000			144,616
		Expenses incurred for shares repurchased		5,330
				149,946

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

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year. Further details of the repurchases and set out in Note 29 to the financial statements.

## Report of the Directors *(continued)*

### Major Suppliers and Customers

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined were less than 30 per cent. of the Group's aggregate purchases and sales, respectively.

### Retirement Benefits Schemes

Details of the retirement benefits schemes of the Group and the employer's retirement benefits costs charged to the consolidated income statement for the year are set out in Notes 3(u) and 7 to the financial statements, respectively.

### Audit Committee

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. 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 financial statements for the year ended 31st December, 2009.

### Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 10 to 15.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Auditors

The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

**John Luen Wai Lee**

*Director*

Hong Kong, 8th April, 2010

# Independent Auditors' Report



## **To the shareholders of Lippo China Resources Limited**

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements of Lippo China Resources Limited set out on pages 36 to 127, which comprise the consolidated and company statements of financial position as at 31st December, 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Directors' Responsibility for the Financial Statements**

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Independent Auditors' Report *(continued)*

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### **Ernst & Young**

*Certified Public Accountants*

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

Hong Kong, 8th April, 2010

# Consolidated Income Statement

For the year ended 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>	6	<b>1,353,389</b>	379,090
Cost of sales		<b>(917,223)</b>	(187,018)
<b>Gross profit</b>		<b>436,166</b>	192,072
Administrative expenses		<b>(161,475)</b>	(139,872)
Other operating expenses		<b>(160,266)</b>	(135,192)
Fair value gains/(losses) on investment properties		<b>221,630</b>	(245,718)
Net fair value gain on financial assets at fair value through profit or loss		<b>4,065</b>	657
Gain/(Loss) on disposal of fixed assets		<b>(323)</b>	43,055
Gain on disposal of a subsidiary	33(b)	–	21,421
Gain on disposal of available-for-sale financial assets		–	14,310
Provisions for impairment losses:			
Associates		<b>(84,723)</b>	(74,478)
Available-for-sale financial assets		<b>(515)</b>	(50,655)
Finance costs	10	<b>(42,998)</b>	(51,368)
Share of results of associates		<b>(8,878)</b>	(89,749)
Share of results of a jointly controlled entity	11	<b>207,781</b>	–
<b>Profit/(Loss) before tax</b>	7	<b>410,464</b>	(515,517)
Income tax credit/(expense)	12	<b>(88,592)</b>	74,271
<b>Profit/(Loss) for the year</b>		<b>321,872</b>	(441,246)
<b>Attributable to:</b>			
Equity holders of the Company	13	<b>323,864</b>	(396,871)
Minority interests		<b>(1,992)</b>	(44,375)
		<b>321,872</b>	(441,246)
		<b>HK cents</b>	HK cents
<b>Earnings/(Loss) per share attributable to equity holders of the Company</b>	14		
Basic		<b>3.52</b>	(4.31)
Diluted		<b>3.52</b>	N/A

Details of the dividends payable and proposed for the year are disclosed in Note 15 to the financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	2009 HK\$'000	2008 HK\$'000
<b>Profit/(Loss) for the year</b>	<b>321,872</b>	(441,246)
<b>Other comprehensive income/(loss)</b>		
Available-for-sale financial assets:		
Changes in fair value	<b>(64,594)</b>	(10,699)
Share of other comprehensive income/(loss) of associates	<b>16,247</b>	(8,866)
Exchange differences on translation of foreign operations	<b>33,785</b>	74,246
Release of reserve in respect of disposal of a subsidiary	-	(2,217)
Other comprehensive income/(loss) for the year, net of tax	<b>(14,562)</b>	52,464
<b>Total comprehensive income/(loss) for the year</b>	<b>307,310</b>	(388,782)
<b>Attributable to:</b>		
Equity holders of the Company	<b>302,912</b>	(347,550)
Minority interests	<b>4,398</b>	(41,232)
	<b>307,310</b>	(388,782)

# Consolidated Statement of Financial Position

As at 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Goodwill	16	–	23,371
Fixed assets	17	<b>331,001</b>	327,970
Investment properties	18	<b>3,359,099</b>	3,134,151
Properties under development	19	<b>52,564</b>	48,310
Interests in associates	20	<b>637,815</b>	707,305
Interests in jointly controlled entities	21	<b>59,130</b>	2,694
Available-for-sale financial assets	22	<b>343,537</b>	406,173
Loans and advances	23	–	15,930
		<b>4,783,146</b>	4,665,904
<b>Current assets</b>			
Properties held for sale		<b>24,561</b>	10,792
Properties under development	19	–	573,713
Inventories		<b>3,061</b>	2,080
Financial assets at fair value through profit or loss	24	<b>68,719</b>	64,654
Loans and advances	23	<b>20,187</b>	–
Debtors, prepayments and deposits	25	<b>325,029</b>	172,763
Cash and bank balances		<b>626,228</b>	614,922
		<b>1,067,785</b>	1,438,924
<b>Current liabilities</b>			
Bank loans	26	<b>87,430</b>	246,953
Amount due to a jointly controlled entity	21	–	46,638
Creditors, accruals and deposits received	27	<b>335,745</b>	730,959
Tax payable		<b>88,741</b>	54,038
		<b>511,916</b>	1,078,588
<b>Net current assets</b>		<b>555,869</b>	360,336
<b>Total assets less current liabilities</b>		<b>5,339,015</b>	5,026,240

## Consolidated Statement of Financial Position (continued)

As at 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	26	<b>1,270,963</b>	1,163,047
Deferred rental		<b>170,230</b>	131,617
Deferred tax liabilities	28	<b>493,902</b>	450,990
		<b>1,935,095</b>	1,745,654
<b>Net assets</b>			
		<b>3,403,920</b>	3,280,586
<b>Equity</b>			
Equity attributable to equity holders of the Company			
Issued capital	29	<b>919,125</b>	919,285
Reserves	31	<b>2,367,336</b>	2,248,240
		<b>3,286,461</b>	3,167,525
Minority interests		<b>117,459</b>	113,061
		<b>3,403,920</b>	3,280,586

**John Luen Wai Lee**  
Director

**Stephen Tjondro Riady**  
Director

# Statement of Financial Position

As at 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Fixed assets	17	2,178	507
Interests in subsidiaries	32	2,823,355	2,808,883
Interests in an associate	20	1	1
Interests in a jointly controlled entity	21	4,000	–
Available-for-sale financial assets	22	20,464	14,431
		<b>2,849,998</b>	2,823,822
<b>Current assets</b>			
Debtors, prepayments and deposits		33,288	29,846
Cash and bank balances		302,161	367,335
		<b>335,449</b>	397,181
<b>Current liabilities</b>			
Bank loans	26	42,000	30,000
Creditors, accruals and deposits received		34,153	18,163
Tax payable		297	297
		<b>76,450</b>	48,460
<b>Net current assets</b>		<b>258,999</b>	348,721
<b>Total assets less current liabilities</b>		<b>3,108,997</b>	3,172,543
<b>Non-current liability</b>			
Bank loans	26	903,000	790,000
<b>Net assets</b>		<b>2,205,997</b>	2,382,543
<b>Equity</b>			
Issued capital	29	919,125	919,285
Reserves	31	1,286,872	1,463,258
		<b>2,205,997</b>	2,382,543

**John Luen Wai Lee**  
Director

**Stephen Tjondro Riady**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Investment revaluation reserve	Other asset revaluation reserve	Exchange equalisation reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2009</b>											
At 1st January, 2009	919,285	785,257	10,462	824	197,285	40,901	127,597	1,085,914	3,167,525	113,061	3,280,586
Total comprehensive income/(loss) for the year	-	-	-	-	(48,316)	-	27,364	323,864	302,912	4,398	307,310
Repurchase of shares	(160)	-	-	160	-	-	-	(150)	(150)	-	(150)
2008 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	(91,913)	(91,913)	-	(91,913)
2009 interim dividend and special interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	(91,913)	(91,913)	-	(91,913)
<b>At 31st December, 2009</b>	<b>919,125</b>	<b>785,257</b>	<b>10,462</b>	<b>984</b>	<b>148,969</b>	<b>40,901</b>	<b>154,961</b>	<b>1,225,802</b>	<b>3,286,461</b>	<b>117,459</b>	<b>3,403,920</b>
<b>2008</b>											
At 1st January, 2008	920,109	785,257	10,000	-	216,361	96,741	59,200	1,538,081	3,625,749	156,234	3,781,983
Total comprehensive income/(loss) for the year	-	-	-	-	(19,076)	-	68,397	(396,871)	(347,550)	(41,232)	(388,782)
Repurchase of shares	(824)	-	-	824	-	-	-	(724)	(724)	-	(724)
Equity-settled share option arrangements	-	-	462	-	-	-	-	-	462	-	462
Transfer of reserve	-	-	-	-	-	(55,840)	-	55,840	-	-	-
2007 final dividend and special final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	(92,010)	(92,010)	-	(92,010)
2007 final dividend, declared and paid to a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	(1,941)	(1,941)
2008 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	(18,402)	(18,402)	-	(18,402)
<b>At 31st December, 2008</b>	<b>919,285</b>	<b>785,257</b>	<b>10,462</b>	<b>824</b>	<b>197,285</b>	<b>40,901</b>	<b>127,597</b>	<b>1,085,914</b>	<b>3,167,525</b>	<b>113,061</b>	<b>3,280,586</b>



# Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33(a)	<b>345,879</b>	150,699
Interest received		<b>10,611</b>	7,127
Dividends received from:			
Associates		–	24,156
A jointly controlled entity		<b>162,910</b>	–
Listed investments		–	43
Unlisted investments		<b>1,524</b>	816
Taxes paid:			
Hong Kong		<b>(3,301)</b>	(2,347)
Overseas		<b>(8,379)</b>	(29,116)
Net cash flows from operating activities		<b>509,244</b>	151,378
<b>Cash flows from investing activities</b>			
Proceeds from disposals of:			
Fixed assets		<b>229</b>	53,633
Investment properties		–	263,368
Available-for-sale financial assets		–	14,310
Associates		<b>4,737</b>	–
Payments to acquire:			
Fixed assets		<b>(44,051)</b>	(44,691)
Available-for-sale financial assets		<b>(2,325)</b>	(55,635)
Additions to properties under development		<b>(134,578)</b>	(121,486)
Additions to investment properties		–	(142,180)
Repayment from associates		<b>2,600</b>	5,316
Repayment to a jointly controlled entity		<b>(47,522)</b>	–
Increase in interests in a jointly controlled entity		<b>(4,000)</b>	–
Disposal of a subsidiary, net of cash and cash equivalents disposed of	33(b)	–	63,264
Net cash flows from/(used in) investing activities		<b>(224,910)</b>	35,899

## Consolidated Statement of Cash Flows (continued)

For the year ended 31st December, 2009

	2009 HK\$'000	2008 HK\$'000
<b>Cash flows from financing activities</b>		
Interest paid	<b>(43,503)</b>	(51,293)
Drawdown of bank loans	<b>625,000</b>	706,163
Repayment of bank loans	<b>(675,459)</b>	(461,962)
Repurchase of shares	<b>(150)</b>	(724)
Dividends paid to shareholders of the Company	<b>(183,826)</b>	(110,412)
Dividends paid to a minority shareholder of a subsidiary	-	(1,941)
Net cash flows from/(used in) financing activities	<b>(277,938)</b>	79,831
<b>Net increase in cash and cash equivalents</b>	<b>6,396</b>	267,108
<b>Cash and cash equivalents at beginning of year</b>	<b>614,922</b>	345,418
Exchange realignments	<b>4,910</b>	2,396
<b>Cash and cash equivalents at end of year</b>	<b>626,228</b>	614,922
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>626,228</b>	614,922

# Notes to the Financial Statements

## 1. Corporate Information

Lippo China Resources Limited is a limited liability company incorporated in Hong Kong Special Administrative Region of the People's Republic of China. The registered office of the Company is located at Room 2301, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment and development, retail business, food business, property management, securities investment, treasury investment, money lending, banking and other related financial services.

The immediate holding company of the Company is Skyscraper Realty Limited which is incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Cayman Limited which is incorporated in the Cayman Islands.

## 2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests shown in the consolidated income statement, the consolidated statement of comprehensive income, and the consolidated statement of financial position represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries, respectively. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

## Notes to the Financial Statements (continued)

### 2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements</i> – <i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment</i> – <i>Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures</i> – <i>Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue</i> – <i>Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements</i> – <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1st July, 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*, which is effective for annual periods beginning on or after 1st July, 2009.

### 2.2 Changes in Accounting Policy and Disclosures *(continued)*

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements, except for the following:

**(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments***

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 39 to the financial statements while the revised liquidity risk disclosures are presented in Note 40 to the financial statements.

**(b) HKFRS 8 *Operating Segments***

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. These revised disclosures, including the related revised comparative information, are shown in Note 5 to the financial statements.

**(c) HKAS 1 (Revised) *Presentation of Financial Statements***

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

**(d) Improvements to HKFRSs (October 2008) – Amendments to HKAS 40 *Investment Property***

The amendments to HKAS 40 revise the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendments prospectively from 1st January, 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair value recognised in profit or loss. As a result of the amendments, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

## Notes to the Financial Statements (continued)

### 2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i> – <i>Additional Exemptions for First-time Adopters</i> <sup>2</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment</i> – <i>Group Cash-settled Share-based Payment Transactions</i> <sup>2</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>5</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>1</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>3</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>5</sup>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> <sup>1</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>4</sup>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> <sup>1</sup>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> <sup>2</sup>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1st July, 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1st January, 2010 although there are separate transitional provisions for each standard or interpretation.

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2010

<sup>3</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>6</sup> 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 adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies and the application of HKFRS 9 may affect the classification and measurement of the Group's financial assets, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 3. Summary of Significant Accounting Policies

#### (a) Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. Interests in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

#### (b) Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (i) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors;
- (ii) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20 per cent. of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20 per cent. of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.



**3. Summary of Significant Accounting Policies (continued)**

**(c) Jointly controlled entities**

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's interests in jointly controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly controlled entities is included as part of the Group's interests in jointly controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

**(d) Associates**

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20 per cent. of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

### 3. Summary of Significant Accounting Policies *(continued)*

#### (e) Goodwill

Goodwill arising on the acquisition of subsidiaries, associates, and jointly controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

#### *Goodwill on acquisitions for which the agreement date is on or after 1st January, 2005*

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Goodwill previously eliminated against consolidated reserves*

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 *Business Combinations* in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the consolidated income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

**3. Summary of Significant Accounting Policies (continued)**

**(e) Goodwill (continued)**

*Excess over the cost of business combinations*

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates and jointly controlled entities is included in the Group's share of the associates' and jointly controlled entities' results in the period in which the investments are acquired.

**(f) Impairment of non-financial assets other than goodwill**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, properties held for sale and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### 3. Summary of Significant Accounting Policies *(continued)*

#### (g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of fixed assets are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	10 per cent. to 20 per cent.
Furniture, fixtures, plant and equipment	10 per cent. to 33 <sup>1</sup> / <sub>3</sub> per cent.
Motor vehicles	12 per cent. to 25 per cent.

Where parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of fixed assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### (h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. When fair value is not reliably determinable for the properties under development, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

**3. Summary of Significant Accounting Policies (continued)**

**(h) Investment properties (continued)**

Any gains or losses on the retirement or disposal of investment properties are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Fixed assets and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the other asset revaluation reserve. On disposal of the asset, the relevant portion of the other asset revaluation reserve realised in respect of previous valuations is transferred to the retained profits as a movement in reserves.

**(i) Properties under development**

Properties under development intended for sale are stated at the lower of cost and net realisable value, which is determined by reference to prevailing market prices, on an individual property basis. Properties under development intended for sale, and are expected to be completed within one year from the end of the reporting period, are classified as current assets. Properties being constructed or developed as investment properties are classified as investment properties and accounted for in accordance with the policy stated under "Investment Properties". Other properties under development are stated at cost less any impairment losses. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

**(j) Investments and other financial assets**

*Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets at fair value through profit or loss which are under regular way of purchases or sales are recognised on the trade date, that is, the date the Group commits to purchase or sell the asset. All regular way purchases or sales of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets are recognised on the settlement date, that is, the date the asset is received or delivered by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, debtors and deposits, loans and advances and quoted and unquoted financial instruments.

### 3. Summary of Significant Accounting Policies (continued)

#### (j) Investments and other financial assets (continued)

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity financial assets depends on the nature of the assets.

##### *Held-to-maturity financial assets*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

### 3. Summary of Significant Accounting Policies (continued)

#### (j) Investments and other financial assets (continued)

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities, debt securities, and investment funds. Equity investments and investment funds classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the financial assets are derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the financial assets are determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Revenue” in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity securities, debt securities and investment funds cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that financial asset, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.



### 3. Summary of Significant Accounting Policies *(continued)*

#### (k) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment losses is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

**3. Summary of Significant Accounting Policies (continued)**

**(k) Impairment of financial assets (continued)**

*Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

*Available-for-sale financial assets*

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment losses previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment losses on the investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment losses on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

**3. Summary of Significant Accounting Policies *(continued)***

**(l) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (i) the rights to receive cash flows from the asset have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(m) Financial liabilities**

*Initial recognition and measurement*

The Group’s financial liabilities include creditors and deposits received and bank loans. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in “Finance costs” in the income statement.

### 3. Summary of Significant Accounting Policies (continued)

#### (m) Financial liabilities (continued)

##### *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

##### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

#### (n) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (o) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

#### (p) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis.

#### (q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, other than food and beverages, is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Cost of food and beverages is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### 3. Summary of Significant Accounting Policies *(continued)*

#### (r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms. Contingent rent, which is determined based on a factor other than just the passage of time, is recognised when the Group's entitlement to receive payment has been established in accordance with the terms of the agreements;
- (ii) income from the sale of properties, on the exchange of legally binding unconditional sales contracts or when the relevant completion certificates are issued by the respective government authorities, whichever is later;
- (iii) sale from food business, on dispatch of goods to customers;
- (iv) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered;
- (v) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets;
- (vi) dividend income, when the shareholders' right to receive payment has been established;
- (vii) net income from concession sales, upon the sales of goods by the relevant stores; and
- (viii) management and service fee income, when the services have been rendered.

#### (s) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**3. Summary of Significant Accounting Policies (continued)**

**(s) Income tax (continued)**

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(t) Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

### 3. Summary of Significant Accounting Policies (continued)

#### (u) Employee benefits

##### *Paid leave entitlement*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward at the end of the reporting period.

##### *Retirement benefits*

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions or to offset against future administration expenses, in accordance with the rules of the MPF Schemes.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made to the central pension scheme based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

##### *Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an adjusted Black-Scholes model, further details of which are given in Note 30 to the financial statements.

**3. Summary of Significant Accounting Policies (continued)**

**(u) Employee benefits (continued)**

*Share-based payment transactions (continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(v) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



### 3. Summary of Significant Accounting Policies *(continued)*

#### (w) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating lease are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

#### (x) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks, demand deposits, treasury bills, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand, cash at banks and demand deposits which are not restricted as to use.

#### (y) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

### 3. Summary of Significant Accounting Policies *(continued)*

#### (y) Foreign currencies *(continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows or at an approximation thereto, the weighted average exchange rates for the year. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### (z) Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

#### (aa) Dividends and distributions

Final dividends and distributions proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends and distributions have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends and distributions are simultaneously proposed and declared because the Company's memorandum and articles of association and bye-laws grant the Directors the authority to declare interim dividends and distributions. Consequently, interim dividends and distributions are recognised immediately as a liability when they are proposed and declared.

### 4. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### (a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### *Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### (b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 16 to the financial statements.

**4. Significant Accounting Judgements and Estimates (continued)**

**(b) Estimation uncertainty (continued)**

*Estimation of the fair value of investment properties*

The best evidence of fair value is the current prices in an active market for similar lease terms and other contracts. In the absence of such information, the Group considers information from a variety of sources, including (i) by reference to independent valuations; (ii) the current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (iii) the recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts, and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

*Impairment of available-for-sale financial assets*

The Group classifies certain assets as available-for-sale and recognised movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the income statement. Impairment losses of HK\$515,000 (2008 – HK\$50,655,000) have been recognised for available-for-sale financial assets for the year. The carrying amount of available-for-sale financial assets as at 31st December, 2009 was HK\$343,537,000 (2008 – HK\$406,173,000).

*Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### 5. 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 development segment includes development and sale of properties;
- (b) the property investment segment includes letting and resale of properties;
- (c) the retail business segment engages in operation of department stores;
- (d) the treasury investment segment includes investments in cash and bond markets;
- (e) the securities investment segment includes dealings in securities and disposals of investments; and
- (f) the “other” segment comprises principally food business, the provision of commercial and retail banking services, money lending and the provision of property management 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.

## Notes to the Financial Statements (continued)

### 5. Segment Information (continued)

Year ended 31st December, 2009

	Property development HK\$'000	Property investment HK\$'000	Retail business HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
<b>Revenue</b>								
External	974,377	176,071	131,585	9,691	1,524	60,141	-	1,353,389
Inter-segment	-	3,669	-	-	-	-	(3,669)	-
<b>Total</b>	<b>974,377</b>	<b>179,740</b>	<b>131,585</b>	<b>9,691</b>	<b>1,524</b>	<b>60,141</b>	<b>(3,669)</b>	<b>1,353,389</b>
<b>Segment results</b>	<b>243,743</b>	<b>340,341</b>	<b>(164,257)</b>	<b>8,488</b>	<b>5,074</b>	<b>(38,731)</b>	<b>(3,669)</b>	<b>390,989</b>
		(Note)						
Unallocated corporate expenses								(136,430)
Finance costs								(42,998)
Share of results of associates	-	799	-	-	-	(9,677)	-	(8,878)
Share of results of a jointly controlled entity	207,781	-	-	-	-	-	-	207,781
Profit before tax								410,464

Note: The amount included fair value gains on investment properties of HK\$221,630,000 (2008 – loss of HK\$245,718,000).

## Notes to the Financial Statements (continued)

### 5. Segment Information (continued)

Year ended 31st December, 2009

	Property development HK\$'000	Property investment HK\$'000	Retail business HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
<b>Segment assets</b>	228,168	3,514,495	310,685	626,228	412,256	24,733	-	5,116,565
Interests in associates	-	47	-	-	-	637,768	-	637,815
Interests in jointly controlled entities	55,130	-	-	-	-	4,000	-	59,130
Unallocated assets								37,421
Total assets								5,850,931
<b>Segment liabilities</b>	68,436	1,817,059	610,680	-	265,033	380,447	(2,887,151)	254,504
Unallocated liabilities								2,192,507
Total liabilities								2,447,011
<b>Other segment information:</b>								
Capital expenditure	-	49	17,204	-	-	261	-	17,514
Depreciation	-	(2,002)	(29,858)	-	-	(1,101)	-	(32,961)
Provision for impairment losses:								
Associates	-	-	-	-	-	(84,723)	-	(84,723)
Available-for-sale financial assets	-	-	-	-	(515)	-	-	(515)
Impairment of goodwill	-	(23,371)	-	-	-	-	-	(23,371)
Net fair value gain on financial assets at fair value through profit or loss	-	-	-	-	4,065	-	-	4,065
Fair value gains on investment properties	-	221,630	-	-	-	-	-	221,630
Unallocated:								
Capital expenditure								26,537
Depreciation								(1,917)

## Notes to the Financial Statements (continued)

### 5. Segment Information (continued)

Year ended 31st December, 2008

	Property development HK\$'000	Property investment HK\$'000	Retail business HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
<b>Revenue</b>								
External	-	189,989	120,070	7,555	2,677	58,799	-	379,090
Inter-segment	-	3,669	-	-	-	-	(3,669)	-
Total	-	193,658	120,070	7,555	2,677	58,799	(3,669)	379,090
<b>Segment results</b>								
	-	(35,959)	(174,255)	6,457	(33,011)	(31,358)	(3,669)	(271,795)
		(Note)						
Unallocated corporate expenses								(102,605)
Finance costs								(51,368)
Share of results of associates	-	1,331	-	-	-	(91,080)	-	(89,749)
Loss before tax								(515,517)



## Notes to the Financial Statements (continued)

### 5. Segment Information (continued)

Year ended 31st December, 2008

	Property development HK\$'000	Property investment HK\$'000	Retail business HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
<b>Segment assets</b>	622,023	3,274,018	342,476	614,922	470,827	26,947	-	5,351,213
Interests in associates	-	6,301	-	-	-	701,004	-	707,305
Interests in a jointly controlled entity	2,694	-	-	-	-	-	-	2,694
Unallocated assets								43,616
Total assets								6,104,828
<b>Segment liabilities</b>	532,303	1,887,933	662,870	-	263,888	385,072	(2,874,418)	857,648
Unallocated liabilities								1,966,594
Total liabilities								2,824,242
<b>Other segment information:</b>								
Capital expenditure	-	162	44,138	-	-	96	-	44,396
Depreciation	-	(2,079)	(29,589)	-	-	(1,054)	-	(32,722)
Provision for impairment losses:								
Associates	-	(69)	-	-	-	(74,409)	-	(74,478)
Available-for-sale financial assets	-	-	-	-	(50,655)	-	-	(50,655)
Net fair value gain on financial assets at fair value through profit or loss	-	-	-	-	657	-	-	657
Fair value losses on investment properties	-	(245,718)	-	-	-	-	-	(245,718)
Unallocated:								
Capital expenditure								295
Depreciation								(1,868)

## Notes to the Financial Statements (continued)

### 5. Segment Information (continued)

#### Geographical information

##### (a) Revenue from external customers

	Group	
	2009 HK\$'000	2008 HK\$'000
Hong Kong	<b>102,151</b>	102,368
Republic of Singapore	<b>975,839</b>	911
Mainland China	<b>274,901</b>	275,010
Other	<b>498</b>	801
	<b>1,353,389</b>	379,090

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

##### (b) Non-current assets

	Group	
	2009 HK\$'000	2008 HK\$'000
Hong Kong	<b>1,383,960</b>	1,147,279
Republic of Singapore	<b>677,186</b>	632,472
Mainland China	<b>2,348,395</b>	2,377,858
Other	<b>30,068</b>	102,122
	<b>4,439,609</b>	4,259,731

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, 2009 and 2008.

## Notes to the Financial Statements (continued)

### 6. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, gross proceeds from sales of properties, gross rental income from department stores, 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, sales income from food business, gross income from property management, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

An analysis of the revenue of the Group by principal activity is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Property development	<b>974,377</b>	–
Property investment	<b>176,071</b>	189,989
Retail business	<b>131,585</b>	120,070
Treasury investment	<b>9,691</b>	7,555
Securities investment	<b>1,524</b>	2,677
Other	<b>60,141</b>	58,799
	<b>1,353,389</b>	379,090

## Notes to the Financial Statements (continued)

### 7. Profit/(Loss) Before Tax

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Gross rental income	<b>176,071</b>	189,989
Less: Outgoings	<b>(17,278)</b>	(17,497)
Net rental income	<b>158,793</b>	172,492
Employee benefits expense (Note (a)):		
Wages and salaries	<b>(107,963)</b>	(91,994)
Share options	–	(462)
Retirement benefits costs (Note (b))	<b>(6,348)</b>	(6,513)
Total staff costs	<b>(114,311)</b>	(98,969)
Interest income:		
Loans and advances	<b>430</b>	331
Other	<b>9,691</b>	7,555
Dividend income:		
Listed investments	–	43
Unlisted investments	<b>1,524</b>	816
Gain on disposal of:		
Listed financial assets at fair value through profit or loss	–	1,818
Unlisted available-for-sale financial assets	–	14,310
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	<b>38</b>	(446)
Unlisted	<b>4,027</b>	1,103
Provision for impairment losses on available-for-sale financial assets:		
Listed	–	(39,015)
Unlisted	<b>(515)</b>	(11,640)
Impairment of goodwill (Note (c))	<b>(23,371)</b>	–
Receivables written off	<b>(4,599)</b>	(23,487)
Depreciation	<b>(34,878)</b>	(34,590)
Impairment of fixed assets	<b>(5,928)</b>	–
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	–	43,094
Other items of fixed assets	<b>(323)</b>	(39)
Loss on disposal of investment properties	–	(1,834)
Foreign exchange gains – net	<b>217</b>	6,337
Cost of inventories sold	<b>(740,102)</b>	(10,660)
Auditors' remuneration	<b>(1,932)</b>	(1,799)
Minimum lease payments under operating lease rentals in respect of land and buildings	<b>(165,013)</b>	(163,091)

## Notes to the Financial Statements (continued)

### 7. Profit/(Loss) Before Tax (continued)

Note:

- (a) The amounts include the Directors' emoluments disclosed in Note 8 to the financial statements.
- (b) The amounts of forfeited voluntary contributions available to offset future employer contributions against the pension schemes were not material at the year end.
- (c) The impairment of goodwill is included in "Other operating expenses" in the consolidated income statement.

### 8. Directors' Emoluments

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Directors' fees	697	740
Basic salaries, housing and other allowances and benefits in kind	6,833	8,205
Discretionary bonuses paid and payable	15,000	–
Retirement benefits costs	12	12
	<b>22,542</b>	8,957

## Notes to the Financial Statements (continued)

### 8. Directors' Emoluments (continued)

The emoluments paid to each of the individual directors during the year are as follows:

2009	Directors' fees HK\$'000	Basic salaries, housing and other allowances and benefits in kind HK\$'000	Discretionary bonuses paid and payable HK\$'000	Retirement benefits costs HK\$'000	Total HK\$'000
Executive directors:					
Mr. James Tjahaja Riady	-	785	-	-	785
Mr. Stephen Tjondro Riady	-	4,970	4,000	-	8,970
Mr. John Luen Wai Lee	-	1,078	3,000	12	4,090
	-	6,833	7,000	12	13,845
Non-executive directors:					
Dr. Mochtar Riady	120	-	8,000	-	8,120
Mr. Ning Gaoning	77	-	-	-	77
Mr. Leon Nim Leung Chan	130	-	-	-	130
	327	-	8,000	-	8,327
Independent non-executive directors:					
Mr. Edwin Neo	120	-	-	-	120
Mr. King Fai Tsui	120	-	-	-	120
Mr. Victor Ha Kuk Yung	130	-	-	-	130
	370	-	-	-	370
	697	6,833	15,000	12	22,542

## Notes to the Financial Statements (continued)

### 8. Directors' Emoluments (continued)

The emoluments paid to each of the individual directors during the year are as follows: (continued)

2008	Directors' fees HK\$'000	Basic salaries, housing and other allowances and benefits in kind HK\$'000	Discretionary bonuses paid and payable HK\$'000	Retirement benefits costs HK\$'000	Total HK\$'000
Executive directors:					
Mr. James Tjahaja Riady	-	785	-	-	785
Mr. Stephen Tjondro Riady	-	6,345	-	-	6,345
Mr. John Luen Wai Lee	-	1,075	-	12	1,087
	-	8,205	-	12	8,217
Non-executive directors:					
Dr. Mochtar Riady	120	-	-	-	120
Mr. Ning Gaoning	120	-	-	-	120
Mr. Leon Nim Leung Chan	130	-	-	-	130
	370	-	-	-	370
Independent non-executive directors:					
Mr. Edwin Neo	120	-	-	-	120
Mr. King Fai Tsui	120	-	-	-	120
Mr. Victor Ha Kuk Yung	130	-	-	-	130
	370	-	-	-	370
	740	8,205	-	12	8,957

There were no arrangements under which a Director waived or agreed to waive any emoluments during the years.

Details of share options granted to the Directors are set out in Note 30 to the financial statements.

## Notes to the Financial Statements (continued)

### 9. Five Highest Paid Employees' Emoluments

The five highest paid employees during the year included three Directors (2008 – one Director), details of whose emoluments are set out in Note 8 to the financial statements. Details of the emoluments of the remaining two (2008 – four) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Basic salaries, housing and other allowances and benefits in kind	1,804	6,891
Discretionary bonuses paid and payable	7,800	9,200
Retirement benefits costs	12	12
	<b>9,616</b>	16,103

The number of non-director, highest paid employees whose emoluments fell within the following bands is as follows:

Emoluments bands (HK\$):	Group	
	2009	2008
	Number of employees	Number of employees
2,000,001 – 2,500,000	–	2
2,500,001 – 3,000,000	–	1
3,000,001 – 3,500,000	1	–
6,000,001 – 6,500,000	1	–
8,500,001 – 9,000,000	–	1
	<b>2</b>	4



## Notes to the Financial Statements (continued)

### 10. Finance Costs

	Group	
	2009 HK\$'000	2008 HK\$'000
Interest on bank loans wholly repayable within five years	<b>13,900</b>	13,208
Interest on other loans	<b>31,400</b>	43,391
Total interest	<b>45,300</b>	56,599
Less: Interest capitalised	<b>(2,302)</b>	(5,231)
	<b>42,998</b>	51,368

### 11. Share of Results of a Jointly Controlled Entity

The amount represented the Group's share of profit in Tanglin Residential Pte. Ltd. ("Tanglin") which was set up for the purpose of a property development project in the Republic of Singapore (the "Project"). Tanglin is the legal and beneficial owner, and developer of the Project and had pre-sold all of the units to the purchasers. During the year ended 31st December, 2009, all the units had been handed over to the purchasers and the Group registered a share of profit of HK\$207,781,000 (2008 – Nil).

### 12. Income Tax

	Group	
	2009 HK\$'000	2008 HK\$'000
Hong Kong:		
Charge for the year	<b>3,257</b>	2,557
Overprovision in prior years	<b>(31)</b>	(508)
Deferred	<b>31,415</b>	(75,281)
	<b>34,641</b>	(73,232)
Overseas:		
Charge for the year	<b>43,169</b>	10,733
Underprovision in prior years	<b>9</b>	566
Deferred	<b>10,773</b>	(12,338)
	<b>53,951</b>	(1,039)
Total charge/(credit) for the year	<b>88,592</b>	(74,271)

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2008 – 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profits for the year at the tax rates prevailing in the countries/jurisdictions in which the Group operates.

## Notes to the Financial Statements (continued)

### 12. Income Tax (continued)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rate is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Profit/(Loss) before tax	<b>410,464</b>	(515,517)
Tax at the statutory tax rate of 16.5 per cent. (2008 – 16.5 per cent.)	<b>67,727</b>	(85,060)
Effect of different tax rates in other jurisdictions	<b>6,135</b>	(25,972)
Effect of change in tax rate	<b>–</b>	(13,342)
Adjustments in respect of current tax of previous years	<b>(22)</b>	58
Profits and losses attributable to a jointly controlled entity and associates	<b>(32,819)</b>	14,809
Income not subject to tax	<b>(12,963)</b>	(24,782)
Expenses not deductible for tax	<b>14,863</b>	17,340
Effect of withholding tax of 10 per cent. on the distributable profits of the Group's subsidiary in mainland China	<b>2,066</b>	2,409
Tax losses utilised from previous years	<b>(8,067)</b>	(7,449)
Tax losses not recognised	<b>51,672</b>	47,718
Tax charge/(credit) at the Group's effective rate	<b>88,592</b>	(74,271)

For the companies operated in Republic of Singapore and mainland China, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 17 per cent. and 25 per cent. (2008 – 18 per cent. and 25 per cent.), respectively.

The share of tax charge attributable to associates and a jointly controlled entity amounting to HK\$522,000 (2008 – HK\$11,283,000) and HK\$43,246,000 (2008 – Nil) are included in "Share of results of associates" and "Share of results of a jointly controlled entity" on the face of the consolidated income statement, respectively.

### 13. Results Attributable to Equity Holders of the Company

The consolidated results attributable to equity holders of the Company for the year includes a profit of HK\$1,396,000 (2008 – HK\$10,470,000) which has been dealt with in the financial statements of the Company as set out in Note 31 to the financial statements.

## Notes to the Financial Statements (continued)

### 14. 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\$323,864,000 (2008 – loss of HK\$396,871,000); and (ii) the weighted average number of 9,191,489,000 ordinary shares (2008 – 9,199,648,000 ordinary shares) in issue during the year.

#### (b) Diluted earnings/(loss) per share

Diluted earnings per share for the year ended 31st December, 2009 is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company of HK\$323,864,000 and (ii) the weighted average number of 9,191,931,000 ordinary shares, calculated as follows:

	Number of shares 2009
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>9,191,489,000</b>
Effect of dilution – weighted average number of ordinary shares: Share options	<b>442,000</b>
	<b>9,191,931,000</b>

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

### 15. Dividends

	Group and Company	
	2009 HK\$'000	2008 HK\$'000
Interim dividend, declared and paid, of HK0.2 cent (2008 – HK0.2 cent) per ordinary share	<b>18,383</b>	18,402
Special interim dividend, declared and paid, of HK0.8 cent (2008 – Nil) per ordinary share	<b>73,530</b>	–
Final dividend, proposed, of HK0.5 cent (2008 – HK1.0 cent) per ordinary share	<b>45,956</b>	91,913
	<b>137,869</b>	110,315

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. Goodwill

	Group HK\$'000
At 1st January, 2008 and 31st December, 2008:	
Cost	23,371
Accumulated impairment	–
Net carrying amount	23,371
Cost at 1st January, 2009, net of accumulated impairment	23,371
Impairment during the year	(23,371)
Carrying amount at 31st December, 2009	–
<b>At 31st December, 2009:</b>	
Cost	<b>23,371</b>
Accumulated impairment	<b>(23,371)</b>
Net carrying amount	–

Goodwill acquired through business combinations has been allocated to the property investment cash-generating unit, which is a reportable segment, for impairment testing. The impairment loss was recognised during the year as the recoverable amount of the cash-generating unit was less than the carrying amount.

## Notes to the Financial Statements (continued)

### 17. Fixed Assets Group

2009	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures, plant and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1st January, 2009	351,936	281,751	40,795	11,486	685,968
Additions during the year	23,371	15,413	2,455	2,812	44,051
Disposals during the year	-	(132)	(11)	(1,585)	(1,728)
Exchange adjustments	7	398	10	118	533
<b>At 31st December, 2009</b>	<b>375,314</b>	<b>297,430</b>	<b>43,249</b>	<b>12,831</b>	<b>728,824</b>
Accumulated depreciation and impairment losses:					
At 1st January, 2009	249,471	64,344	35,862	8,321	357,998
Depreciation provided for the year	2,862	29,700	1,292	1,024	34,878
Impairment during the year	-	5,518	410	-	5,928
Disposals during the year	-	(132)	(2)	(1,042)	(1,176)
Exchange adjustments	2	85	3	105	195
<b>At 31st December, 2009</b>	<b>252,335</b>	<b>99,515</b>	<b>37,565</b>	<b>8,408</b>	<b>397,823</b>
Net book value:					
<b>At 31st December, 2009</b>	<b>122,979</b>	<b>197,915</b>	<b>5,684</b>	<b>4,423</b>	<b>331,001</b>

## Notes to the Financial Statements (continued)

### 17. Fixed Assets (continued)

#### Group

2008	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures, plant and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1st January, 2008	398,813	227,191	38,696	11,404	676,104
Additions during the year	–	42,584	2,107	–	44,691
Disposals during the year	(47,117)	–	(252)	–	(47,369)
Exchange adjustments	240	11,976	244	82	12,542
At 31st December, 2008	351,936	281,751	40,795	11,486	685,968
Accumulated depreciation and impairment losses:					
At 1st January, 2008	283,042	34,335	34,840	7,251	359,468
Depreciation provided for the year	2,891	29,505	1,134	1,060	34,590
Disposals during the year	(36,578)	–	(213)	–	(36,791)
Exchange adjustments	116	504	101	10	731
At 31st December, 2008	249,471	64,344	35,862	8,321	357,998
Net book value:					
At 31st December, 2008	102,465	217,407	4,933	3,165	327,970

Certain leasehold land and buildings have been mortgaged to secure banking facilities made available to the Group as set out in Note 26 to the financial statements.

The net book value of the leasehold land and buildings comprises:

	Group	
	2009 HK\$'000	2008 HK\$'000
Long term leasehold land and buildings situated in Hong Kong	<b>121,107</b>	100,438
Medium term leasehold land and buildings situated outside Hong Kong	<b>1,872</b>	2,027
Total	<b>122,979</b>	102,465

## Notes to the Financial Statements (continued)

### 17. Fixed Assets (continued)

#### Company

2009	Leasehold improvements HK\$'000	Furniture, fixtures, plant and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1st January, 2009	2,244	5,534	4,227	12,005
Additions during the year	45	240	1,690	1,975
<b>At 31st December, 2009</b>	<b>2,289</b>	<b>5,774</b>	<b>5,917</b>	<b>13,980</b>
Accumulated depreciation:				
At 1st January, 2009	2,231	5,118	4,149	11,498
Depreciation provided for the year	14	157	133	304
<b>At 31st December, 2009</b>	<b>2,245</b>	<b>5,275</b>	<b>4,282</b>	<b>11,802</b>
Net book value:				
<b>At 31st December, 2009</b>	<b>44</b>	<b>499</b>	<b>1,635</b>	<b>2,178</b>
2008	Leasehold improvements HK\$'000	Furniture, fixtures, plant and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1st January, 2008	2,244	5,367	4,227	11,838
Additions during the year	–	175	–	175
Disposals during the year	–	(8)	–	(8)
At 31st December, 2008	2,244	5,534	4,227	12,005
Accumulated depreciation:				
At 1st January, 2008	2,226	4,994	4,057	11,277
Depreciation provided for the year	5	126	92	223
Disposals during the year	–	(2)	–	(2)
At 31st December, 2008	2,231	5,118	4,149	11,498
Net book value:				
At 31st December, 2008	13	416	78	507

## Notes to the Financial Statements (continued)

### 18. Investment Properties

	Group	
	2009 HK\$'000	2008 HK\$'000
Long term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	<b>1,035,700</b>	1,419,200
Disposals during the year	-	(265,202)
Fair value adjustments	<b>209,900</b>	(118,298)
Balance at end of year	<b>1,245,600</b>	1,035,700
Medium term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	<b>2,098,451</b>	1,963,010
Additions during the year	-	142,180
Fair value adjustments	<b>11,730</b>	(127,420)
Exchange adjustments	<b>3,318</b>	120,681
Balance at end of year	<b>2,113,499</b>	2,098,451
Long term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	-	44,106
Exchange adjustments	-	2,956
Disposal of a subsidiary	-	(47,062)
Balance at end of year	-	-
<b>Total</b>	<b>3,359,099</b>	3,134,151

Based on professional valuations as at 31st December, 2009 made by Vigers Appraisal and Consulting Limited, an independent qualified valuer, the investment properties in Hong Kong were revalued on an open market, existing use basis at HK\$1,245,600,000 (2008 – HK\$1,035,700,000).

Based on professional valuations as at 31st December, 2009 made by RHL Appraisal Ltd., an independent qualified valuer, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK\$2,113,499,000 (2008 – HK\$2,098,451,000).

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 26 to the financial statements.



## Notes to the Financial Statements (continued)

### 19. Properties under Development

	Group	
	2009 HK\$'000	2008 HK\$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	<b>723,414</b>	600,917
Additions during the year	<b>134,578</b>	121,486
Disposals during the year	<b>(698,542)</b>	–
Exchange adjustments	<b>(5,333)</b>	1,011
Balance at end of year	<b>154,117</b>	723,414
Provisions for impairment losses:		
Balance at beginning of year	<b>(101,391)</b>	(95,491)
Exchange adjustments	<b>(162)</b>	(5,900)
Balance at end of year	<b>(101,553)</b>	(101,391)
	<b>52,564</b>	622,023
Less: Amount classified under current portion	–	(573,713)
Non-current portion	<b>52,564</b>	48,310
Land and buildings situated outside Hong Kong held under the following lease terms:		
Long term land and buildings	<b>28,756</b>	24,097
Medium term land and buildings	<b>23,808</b>	24,213
Freehold	–	573,713
	<b>52,564</b>	622,023

In 2008, certain properties under development were mortgaged to secure banking facilities made available to the Group as set out in Note 26 to the financial statements.

## Notes to the Financial Statements (continued)

### 20. Interests in Associates

	Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets in listed investments	<b>613,538</b>	598,141
Share of net assets in unlisted investments	<b>10,025</b>	8,999
Goodwill arising from acquisition less impairment	–	85,025
Due from associates	<b>49,752</b>	53,989
Due to associates	<b>(3,654)</b>	(1,975)
	<b>669,661</b>	744,179
Provisions for impairment losses	<b>(31,846)</b>	(36,874)
	<b>637,815</b>	707,305
Market value of listed investments at 31st December	<b>451,340</b>	317,613

The balances with the associates include an amount due from Maxipo International Limited of HK\$4,500,000 (2008 – HK\$4,500,000), which bears interest at Hong Kong dollar prime rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited and has no fixed terms of repayment. The balance is neither overdue nor impaired and the carrying amount approximates to its fair value.

The remaining balances with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these balances are considered as quasi-equity investments in the associates.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	Group	
	2009 HK\$'000	2008 HK\$'000
Assets	<b>7,508,872</b>	7,660,318
Liabilities	<b>(5,647,788)</b>	(5,634,633)
Revenue	<b>2,415,177</b>	2,552,925
Loss	<b>(137,519)</b>	(320,178)

	Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	<b>1</b>	1

Details of the principal associates are set out on page 126.

## Notes to the Financial Statements (continued)

### 21. Interests in Jointly Controlled Entities

	Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets in unlisted investments	<b>59,130</b>	2,694
Due to a jointly controlled entity	–	(46,638)
	<b>59,130</b>	(43,944)

As at 31st December, 2008, the balance due to a jointly controlled entity was unsecured, bore interest at a fixed rate of 3.61 per cent. per annum and had no fixed terms of repayment. The carrying amount approximated to its fair value.

The following table illustrates the summarised financial information of the Group's jointly controlled entities as extracted from their management accounts:

	Group	
	2009 HK\$'000	2008 HK\$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	<b>120,680</b>	692,927
Non-current assets	<b>20</b>	1,706
Current liabilities	<b>(49,484)</b>	(702,121)
Non-current liabilities	<b>(12,339)</b>	–
Net assets/(liabilities)	<b>58,877</b>	(7,488)
Share of the jointly controlled entities' results:		
Revenue	<b>1,108,947</b>	84
Total expenses	<b>(901,419)</b>	(210)
Profit/(Loss) after tax	<b>207,528</b>	(126)
Share of the jointly controlled entities' capital commitments	–	63,437

	Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	<b>4,000</b>	–

Details of the principal jointly controlled entities are set out on page 127.

## Notes to the Financial Statements (continued)

### 22. Available-for-sale Financial Assets

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Financial assets stated at fair value:				
Equity securities listed overseas	<b>306,136</b>	376,616	-	-
Unlisted debt securities	<b>12,654</b>	6,621	<b>12,654</b>	6,621
	<b>318,790</b>	383,237	<b>12,654</b>	6,621
Financial assets stated at cost:				
Unlisted equity securities	<b>45,961</b>	43,635	-	-
Unlisted debt securities	<b>7,810</b>	7,810	<b>7,810</b>	7,810
Unlisted investment funds	<b>15,461</b>	15,461	-	-
	<b>69,232</b>	66,906	<b>7,810</b>	7,810
Provisions for impairment losses	<b>(44,485)</b>	(43,970)	-	-
	<b>24,747</b>	22,936	<b>7,810</b>	7,810
	<b>343,537</b>	406,173	<b>20,464</b>	14,431

The debt securities are non-interest-bearing.

An analysis of the issuers of available-for-sale financial assets is as follows:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Equity securities:				
Corporate entities	<b>352,097</b>	420,251	-	-
Debt securities:				
Club debentures	<b>7,810</b>	7,810	<b>7,810</b>	7,810
Corporate entities	<b>12,654</b>	6,621	<b>12,654</b>	6,621
	<b>20,464</b>	14,431	<b>20,464</b>	14,431

### 22. Available-for-sale Financial Assets (continued)

During the year, the gross loss of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK\$64,594,000 (2008 – HK\$10,699,000).

The above financial assets consist of investments in equity securities and investment funds which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity securities are based on quoted market prices. The fair values of certain unlisted available-for-sale financial assets have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the investment revaluation reserve, are reasonable, and that they are the most appropriate values at the end of the reporting period.

Apart from the above, certain unlisted equity securities and debt securities issued by private entities are measured at cost less impairment at the end of the reporting period. The Directors consider that information to be applied in the valuation techniques cannot be reliably obtained on a continuous basis. The fair values of these unlisted equity securities and debt securities cannot be reliably measured.

During the year, the Directors reviewed the carrying amount of certain unlisted available-for-sale financial assets with reference to their business performances prepared by the investees' management. An impairment loss of HK\$515,000 (2008 – HK\$11,640,000) has been charged to the consolidated income statement for the year. For the year ended 31st December 2008, an impairment loss on a listed available-for-sale financial asset of HK\$39,015,000 had been recognised in the consolidated income statement.

### 23. Loans and Advances

The loans and advances to customers of the Group have effective interest rates ranging from 2.26 per cent. to 3 per cent. (2008 – 3.44 per cent.) per annum. The carrying amounts of loans and advances approximate to their fair values.

As at the end of the reporting period, the loans and advances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default.

**24. Financial Assets at Fair Value through Profit or Loss**

	Group	
	2009 HK\$'000	2008 HK\$'000
Held for trading:		
Equity securities listed overseas	361	323
Unlisted investment funds	68,358	64,331
	<b>68,719</b>	64,654

An analysis of the issuers of financial assets at fair value through profit or loss is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Equity securities:		
Corporate entities	361	323

**25. Debtors, Prepayments and Deposits**

The balance mainly comprised of receivables in respect of the sales of property units under a development project in the Republic of Singapore of HK\$151,429,000 (2008 – HK\$6,541,000).

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Outstanding balances with ages:		
Within 30 days	4,312	5,012
Between 31 and 60 days	714	2,643
Between 61 and 90 days	371	1,123
Between 91 and 180 days	775	2,722
Over 180 days	2,489	1,076
	<b>8,661</b>	12,576

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.

As at 31st December, 2009, receivables are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

The balances of trade debtors are non-interest-bearing. The carrying amounts of debtors and deposits approximate to their fair values.

## Notes to the Financial Statements (continued)

### 26. Bank Loans

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Secured bank loans (Note)	<b>1,358,393</b>	1,410,000	<b>945,000</b>	820,000
Less: Amount classified under current portion	<b>(87,430)</b>	(246,953)	<b>(42,000)</b>	(30,000)
Non-current portion	<b>1,270,963</b>	1,163,047	<b>903,000</b>	790,000
Bank loans by currency:				
Hong Kong dollar	<b>945,000</b>	820,000	<b>945,000</b>	820,000
Renminbi	<b>413,393</b>	412,735	-	-
Singapore dollar	-	177,265	-	-
	<b>1,358,393</b>	1,410,000	<b>945,000</b>	820,000
Bank loans repayable:				
Within one year	<b>87,430</b>	246,953	<b>42,000</b>	30,000
In the second year	<b>107,430</b>	215,357	<b>62,000</b>	170,000
In the third to fifth years, inclusive	<b>657,289</b>	136,072	<b>521,000</b>	-
After five years	<b>506,244</b>	811,618	<b>320,000</b>	620,000
	<b>1,358,393</b>	1,410,000	<b>945,000</b>	820,000

The carrying amounts of the Group's and Company's bank loans approximate to their fair values and bear interest at rates ranging from 1.5 per cent. to 5.4 per cent. (2008 – 1.3 per cent. to 3.5 per cent.) per annum.

Note: At the end of the reporting period, the bank loans were secured by first legal mortgages over certain investment properties and leasehold land and buildings with carrying amounts of HK\$2,909,459,000 (2008 – HK\$2,713,917,000) and HK\$97,872,000 (2008 – HK\$100,438,000), respectively.

The bank loans as at 31st December, 2008 were also secured by first legal mortgages over certain properties under development with carrying amounts of HK\$573,713,000.

## Notes to the Financial Statements (continued)

### 27. Creditors, Accruals and Deposits Received

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Within 30 days	58,040	33,285
Between 31 and 60 days	9,576	10,107
Between 61 and 90 days	2,634	2,854
Between 91 and 180 days	4,418	1,405
Over 180 days	1,402	660
	<b>76,070</b>	<b>48,311</b>

The balances of trade creditors are non-interest-bearing.

### 28. Deferred Tax

The movements in deferred tax liabilities during the year are as follows:

#### Group

	Depreciation allowance in excess of related depreciation	Revaluation of properties	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2009</b>					
At 1st January, 2009	4,054	452,093	(7,566)	2,409	450,990
Deferred tax charged/(credited) to the income statement during the year	510	45,585	(3,524)	(383)	42,188
Exchange adjustments	-	724	-	-	724
<b>At 31st December, 2009</b>	<b>4,564</b>	<b>498,402</b>	<b>(11,090)</b>	<b>2,026</b>	<b>493,902</b>
<b>2008</b>					
At 1st January, 2008	4,217	516,244	(7,807)	-	512,654
Deferred tax charged/(credited) to the income statement during the year	78	(76,559)	(205)	2,409	(74,277)
Effect of change in tax rate	(241)	(13,547)	446	-	(13,342)
Disposal of a subsidiary	-	(2,738)	-	-	(2,738)
Exchange adjustments	-	28,693	-	-	28,693
At 31st December, 2008	4,054	452,093	(7,566)	2,409	450,990



## Notes to the Financial Statements (continued)

### 28. Deferred Tax (continued)

The Group has deductible temporary differences and tax losses of HK\$170,512,000 (2008 – HK\$5,617,000) and HK\$520,087,000 (2008 – HK\$571,553,000), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except tax losses of HK\$156,025,000 (2008 – HK\$17,231,000) that will expire on or before 2014. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses at the end of the reporting period due to the unpredictability of future profit streams.

Pursuant to the People's Republic of China Corporate Income Tax Law, a 10 per cent. withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement has become effective from 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10 per cent. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1st January, 2008.

At 31st December, 2009, there were no significant unrecognised deferred tax liabilities (2008 – Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly controlled entities as the Group had no liability to additional tax should such amounts be remitted.

### 29. Share Capital

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
<b>Authorised:</b>		
28,000,000,000 (2008 – 28,000,000,000) ordinary shares of HK\$0.10 each	<b>2,800,000</b>	2,800,000
<b>Issued and fully paid:</b>		
9,191,252,716 (2008 – 9,192,852,716*) ordinary shares of HK\$0.10 each	<b>919,125</b>	919,285

\* after taking into account 150,000 ordinary shares of HK\$0.10 each repurchased prior to 31st December, 2008 and cancelled subsequent to 31st December, 2008

During the year, a total of 1,600,000 ordinary shares (2008 – 8,236,000 ordinary shares) of HK\$0.10 each were repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were subsequently cancelled by the Company. The discount of HK\$10,000 (2008 – HK\$100,000) arising from such repurchases has been credited to the retained profits of the Company and an amount of HK\$160,000 (2008 – HK\$824,000) was transferred from retained profits to the capital redemption reserve as set out in the consolidated statement of changes in equity on page 41.

The repurchases of the Company's shares during the year were effected by the Directors with a view to benefiting shareholders as a whole by enhancing the net asset value per share of the Company.

### 30. Share Option Scheme

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company and Lippo Limited ("Lippo"), an intermediate holding company of the Company, on 7th June, 2007 (the "Adoption Date"), the board of the Directors of the Company (the "Board") may, at its discretion, offer to grant to any eligible employee (including director, officer and/or employee of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Person") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which shall not be later than the day last preceding the tenth anniversary of the date of grant. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an option. No grantee of option is required to pay for the grant of the relevant option.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date, that is 920,108,871 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed 1 per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company on the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; (ii) the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; and (iii) the nominal value of the shares of the Company on the date of grant of the option.

On 17th December, 2007, options were granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors and employees of the Company to subscribe for a total of 92,010,000 ordinary shares of HK\$0.10 each in the Company (the "Shares") at an exercise price of HK\$0.267 per share (subject to adjustment). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

## Notes to the Financial Statements (continued)

### 30. Share Option Scheme (continued)

On 1st August, 2008, an option was granted under the Share Option Scheme without consideration to an Eligible Person to subscribe for 7,000,000 Shares at an exercise price of HK\$0.169 per share (subject to adjustment). Such option could not be exercised from the date of grant to 31st July, 2009. Such option is exercisable from 1st August, 2009 to 16th December, 2012.

As at 1st January, 2009, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 99,010,000 Shares (the "Option Shares"), before taking into account an option to subscribe for 5,000,000 Option Shares lapsed on 1st January, 2009.

During the year, details of movements in the Option Shares granted under the Share Option Scheme are summarised as follows:

Participants	Date of grant	Exercise price per share HK\$	Number of Option Shares		
			Balance as at 1st January, 2009	Lapsed during the year	Balance as at 31st December, 2009
Directors:					
John Luen Wai Lee	17th December, 2007	0.267	22,000,000	-	22,000,000
Leon Nim Leung Chan	17th December, 2007	0.267	3,000,000	-	3,000,000
Edwin Neo	17th December, 2007	0.267	2,300,000	-	2,300,000
King Fai Tsui	17th December, 2007	0.267	2,300,000	-	2,300,000
Victor Ha Kuk Yung	17th December, 2007	0.267	2,300,000	-	2,300,000
Employees (Note)					
	17th December, 2007	0.267	20,260,000	-	20,260,000
	1st August, 2008	0.169	7,000,000	-	7,000,000
Others	17th December, 2007	0.267	39,850,000*	7,500,000	32,350,000
Total			99,010,000*	7,500,000	91,510,000
Weighted average exercise price per share (HK\$)			0.260	0.267	0.260

Note: Employees refer to the employees of the Group as at 31st December, 2009 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

\* before taking into account an option to subscribe for 5,000,000 Option Shares lapsed on 1st January, 2009

Save as disclosed herein, no option of the Company was granted, exercised, cancelled or lapsed during the year.

## Notes to the Financial Statements (continued)

### 30. Share Option Scheme (continued)

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme, save for those subject to the options granted but not yet exercised under the Share Option Scheme, is 828,598,871 Shares, representing approximately 9 per cent. of the existing issued share capital of the Company.

The exercise prices of the Option Shares and exercise periods of the options of the Company outstanding as at 31st December, 2009 are as follows:

Number of Option Shares	Exercise price per share (Note) HK\$	Exercise period
<b>84,510,000</b>	<b>0.267</b>	<b>17th June, 2008 to 16th December, 2012</b>
<b>7,000,000</b>	<b>0.169</b>	<b>1st August, 2009 to 16th December, 2012</b>

Note: The exercise prices of the Option Shares are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the option granted during the year ended 31st December, 2008 was HK\$462,000 of which the Group recognised an option expense of HK\$462,000.

The fair value of equity-settled option granted during the year ended 31st December, 2008 was estimated as at the date of grant, using an adjusted Black-Scholes model, taking into account the terms and conditions upon which the option was granted. The following table lists the inputs to the model used:

	2008
Dividend yield (per cent.)	3.55
Historical and expected volatility (per cent.)	58.09
Risk-free interest rate (per cent.)	3
Expected life of options (year)	4.5
Weighted average share price (HK\$)	0.169

The expected life of the options is based on the historical data over the past five years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

## Notes to the Financial Statements (continued)

### 30. Share Option Scheme (continued)

At the end of the reporting period, the Company had options outstanding under the Share Option Scheme to subscribe for 91,510,000 Shares, which represented approximately 1 per cent. of the then issued share capital of the Company. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 91,510,000 additional Shares and cash proceeds, before expenses, of HK\$23,747,000. In addition, the exercise in full of all these options would provide additional share capital of HK\$9,151,000 and share premium of HK\$14,596,000 (before issue expenses).

### 31. Reserves

#### Group

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 41 of the financial statements.

#### Company

	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>2009</b>							
At 1st January, 2009	783,382	10,462	705	824	(2,324)	670,209	1,463,258
Total comprehensive income for the year (Note 13)	-	-	-	-	6,034	1,396	7,430
Repurchase of shares	-	-	-	160	-	(150)	10
2008 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	(91,913)	(91,913)
2009 interim dividend and special interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	(91,913)	(91,913)
<b>At 31st December, 2009</b>	<b>783,382</b>	<b>10,462</b>	<b>705</b>	<b>984</b>	<b>3,710</b>	<b>487,629</b>	<b>1,286,872</b>
<b>2008</b>							
At 1st January, 2008	783,382	10,000	705	-	5,305	770,875	1,570,267
Total comprehensive income/(loss) for the year (Note 13)	-	-	-	-	(7,629)	10,470	2,841
Equity-settled share option arrangements	-	462	-	-	-	-	462
Repurchase of shares	-	-	-	824	-	(724)	100
2007 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	(92,010)	(92,010)
2008 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	(18,402)	(18,402)
At 31st December, 2008	783,382	10,462	705	824	(2,324)	670,209	1,463,258

## Notes to the Financial Statements (continued)

### 31. Reserves (continued)

At 31st December, 2009, the Company's reserves available for distribution, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$487,629,000 (2008 – HK\$670,209,000).

Included in the retained profits of the Group and the Company at 31st December, 2009 was an amount of a proposed final dividend for the year then ended of HK\$45,956,000 (2008 – HK\$91,913,000) declared after the end of the reporting period.

### 32. Interests in Subsidiaries

	Company	
	2009	2008
	HK\$'000	HK\$'000
Unlisted shares, at cost	<b>178,383</b>	178,383
Due from subsidiaries	<b>4,965,869</b>	5,173,198
Due to subsidiaries	<b>(1,405,839)</b>	(1,360,164)
	<b>3,738,413</b>	3,991,417
Provisions for impairment losses	<b>(915,058)</b>	(1,182,534)
	<b>2,823,355</b>	2,808,883

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Certain balances bear interest at rates reflecting the respective costs of funds within the Group. In the opinion of the Directors, these balances are considered as quasi-equity investments in the subsidiaries.

Details of the principal subsidiaries are set out on pages 119 to 125.

## Notes to the Financial Statements (continued)

### 33. Notes to the Consolidated Statement of Cash Flows

#### (a) Reconciliation of profit/(loss) before tax to cash generated from operations

	Note	2009 HK\$'000	2008 HK\$'000
Profit/(Loss) before tax		<b>410,464</b>	(515,517)
Adjustments for:			
Share of results of associates		<b>8,878</b>	89,749
Share of results of a jointly controlled entity		<b>(207,781)</b>	–
Loss/(Gain) on disposal of:			
Fixed assets		<b>323</b>	(43,055)
Investment properties	7	–	1,834
Subsidiaries	33(b)	–	(21,421)
Associates		<b>(284)</b>	–
Available-for-sale financial assets		–	(14,310)
Provisions for impairment losses:			
Associates		<b>84,723</b>	74,478
Available-for-sale financial assets		<b>515</b>	50,655
Impairment of goodwill	7	<b>23,371</b>	–
Impairment of fixed assets	7	<b>5,928</b>	–
Receivables written off	7	<b>4,599</b>	23,487
Fair value losses/(gains) on investment properties		<b>(221,630)</b>	245,718
Finance costs		<b>42,998</b>	51,368
Interest income		<b>(10,121)</b>	(7,886)
Dividend income		<b>(1,524)</b>	(859)
Depreciation	7	<b>34,878</b>	34,590
Share options	7	–	462
		<b>175,337</b>	(30,707)
Decrease in properties under development		<b>730,634</b>	–
Increase in properties held for sale		<b>(12,490)</b>	(6,765)
Increase in inventories		<b>(981)</b>	(988)
Increase in financial assets at fair value through profit or loss		<b>(4,065)</b>	(657)
Increase in loans and advances		<b>(4,500)</b>	(9,800)
Decrease/(Increase) in debtors, prepayments and deposits		<b>(156,921)</b>	23,703
Increase/(Decrease) in creditors, accruals and deposits received		<b>(419,510)</b>	128,447
Increase in deferred rental		<b>38,375</b>	47,466
Cash generated from operations		<b>345,879</b>	150,699

## Notes to the Financial Statements (continued)

### 33. Notes to the Consolidated Statement of Cash Flows (continued)

#### (b) Disposal of a subsidiary

	Group 2008 HK\$'000
Net assets disposed of:	
Investment properties	47,062
Creditors, accruals and deposits received	(264)
Deferred tax liabilities	(2,738)
Release of exchange equalisation reserve	(2,217)
	41,843
Gain on disposal of a subsidiary	21,421
	63,264
Satisfied by:	
Cash consideration	63,264

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Group 2008 HK\$'000
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:	
Cash consideration	63,264



## Notes to the Financial Statements (continued)

### 34. Contingent Liabilities

At 31st December, 2009, the Group and the Company had the following contingent liabilities:

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
Guarantees provided in respect of banking facilities granted to an associate	-	258

### 35. Operating Lease Arrangements

#### (a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. At 31st December, 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within one year	<b>89,908</b>	116,414
In the second to fifth years, inclusive	<b>88,313</b>	61,790
	<b>178,221</b>	178,204

#### (b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 31st December, 2027 and the leases for properties contain provision for rental adjustments. As at 31st December, 2009, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within one year	<b>168,626</b>	161,968
In the second to fifth years, inclusive	<b>675,574</b>	642,584
After five years	<b>1,875,831</b>	1,897,849
	<b>2,720,031</b>	2,702,401

## Notes to the Financial Statements (continued)

### 36. Capital Commitments

The Group had the following commitments at the end of the reporting period:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	<b>51,718</b>	192,313
Other capital commitments:		
Contracted, but not provided for	<b>8,531</b>	10,850
	<b>60,249</b>	203,163

The Company did not have any material commitments at the end of the reporting period (2008 – Nil).

### 37. Related Party Transactions

Listed below are related party transactions disclosed in accordance with HKAS 24 *Related Party Disclosures*.

- (a) As at the end of the reporting period, the Group had balances with its associates and jointly controlled entities, further details of which are set out in Notes 20 and 21 to the financial statements, respectively.
- (b) During the year, the Group received rental income (including service charge) of HK\$5,352,000 (2008 – HK\$4,501,000) from Lippo. The rental was determined by reference to open market rentals.
- (c) During the year, the Group received rental income HK\$3,396,000 (2008 – HK\$2,379,000) from Hongkong Chinese Limited (“HKC”), being a fellow subsidiary of the Company. The rental was determined by reference to open market rentals.
- (d) During 2008, the Group received rental income of HK\$2,709,000 from Lippo Securities Holdings Limited, being a fellow subsidiary of the Company. The rental was determined by reference to open market rentals.

The transactions referred to items (b) to (d) above are/were continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the transactions are disclosed in the section headed “Continuing Connected Transactions” in the Report of the Directors.

In respect of the above transactions, the relationships between the Company, HKC and Lippo, all are publicly listed companies in Hong Kong, and the ultimate holding company of which is Lippo Cayman, are defined, and the Directors’ interests therein are separately reported.

## Notes to the Financial Statements (continued)

### 38. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### Group

As 31st December, 2009

#### Financial assets

	Financial assets at fair value through profit or loss held for trading HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Total HK\$'000
Amount due from an associate	-	4,500	-	4,500
Available-for-sale financial assets	-	-	343,537	343,537
Financial assets at fair value through profit or loss	68,719	-	-	68,719
Loans and advances	-	20,187	-	20,187
Debtors and deposits	-	275,944	-	275,944
Cash and bank balances	-	626,228	-	626,228
	68,719	926,859	343,537	1,339,115

#### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Bank loans	1,358,393
Creditors, accruals and deposits received	335,745
	1,694,138

## Notes to the Financial Statements (continued)

### 38. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

#### Group

As 31st December, 2008

#### Financial assets

	Financial assets at fair value through profit or loss held for trading HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Total HK\$'000
Amount due from an associate	–	4,500	–	4,500
Available-for-sale financial assets	–	–	406,173	406,173
Financial assets at fair value through profit or loss	64,654	–	–	64,654
Loans and advances	–	15,930	–	15,930
Debtors and deposits	–	124,568	–	124,568
Cash and bank balances	–	614,922	–	614,922
	64,654	759,920	406,173	1,230,747

#### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Bank loans	1,410,000
Amount due to a jointly controlled entity	46,638
Creditors, accruals and deposits received	730,959
	2,187,597

## Notes to the Financial Statements (continued)

### 38. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

#### Company As 31st December, 2009

##### Financial assets

	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	20,464	20,464
Debtors and deposits	30,206	–	30,206
Cash and bank balances	302,161	–	302,161
	<b>332,367</b>	<b>20,464</b>	<b>352,831</b>

##### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Bank loans	945,000
Creditors, accruals and deposits received	34,153
	<b>979,153</b>

## Notes to the Financial Statements (continued)

### 38. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

#### Company

As 31st December, 2008

#### Financial assets

	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	14,431	14,431
Debtors and deposits	28,499	–	28,499
Cash and bank balances	367,335	–	367,335
	395,834	14,431	410,265

#### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Bank loans	820,000
Creditors, accruals and deposits received	18,163
	838,163

## Notes to the Financial Statements (continued)

### 39. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

#### Group

As at 31st December, 2009, the Group held the following financial instruments measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets:				
Equity securities	306,136	-	-	306,136
Debt securities	-	-	12,654	12,654
Financial assets at fair value through profit or loss:				
Equity securities	361	-	-	361
Investment funds	-	-	68,358	68,358
	306,497	-	81,012	387,509

The movements in fair value measurements in Level 3 during the year are as follows:

	Available-for-sale debt securities HK\$'000	Investment funds at fair value through profit or loss HK\$'000
At 1st January, 2009	6,621	64,331
Total gains recognised in the income statement	-	4,027
Total gains recognised in other comprehensive income	6,033	-
<b>At 31st December, 2009</b>	<b>12,654</b>	<b>68,358</b>

During the year ended 31st December, 2009, there were no transfers of fair value measurements between Level 1 and Level 2.

## Notes to the Financial Statements (continued)

### 39. Fair Value Hierarchy (continued)

#### Company

As at 31st December, 2009, the Company held the following financial instruments measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets:				
Debt securities	-	-	12,654	12,654

The movements in fair value measurements in Level 3 during the year are as follows:

	Available-for-sale debt securities HK\$'000
At 1st January, 2009	6,621
Total gains recognised in other comprehensive income	6,033
<b>At 31st December, 2009</b>	<b>12,654</b>

During the year ended 31st December, 2009, there were no transfers of fair value measurements between Level 1 and Level 2.

### 40. Financial Risk Management Objectives and Policies

The Group has established policies and procedures for risk management which are reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The risk management function is carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Executive Directors of the Group and they are summarised below.



**40. Financial Risk Management Objectives and Policies (continued)**

**(a) Credit risk**

Credit risk arose from the possibility that the counterparty in a transaction may default. It arises from lending, treasury, investment and other activities undertaken by the Group.

Credit approval is conducted in accordance with the credit policies, taking into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Day-to-day credit management is performed by management of individual business units.

The Group has established guidelines to ensure that all new debt investments are properly made, taking into account factors such as the credit rating requirements and the maximum exposure limit to a single corporate or issuer. All relevant departments within the Group are involved to ensure that appropriate processes, systems and controls are set in place before and after the investments are acquired.

The Group's exposure to credit risk arising from loans and advances and trade debtors at the end of the reporting period based on the information provided to key management is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
<b>By geographical area:</b>		
Hong Kong	<b>5,298</b>	929
Mainland China	<b>7,690</b>	11,376
Republic of Singapore	<b>15,687</b>	15,930
Others	<b>173</b>	271
	<b>28,848</b>	28,506

The bank balances are deposited with creditworthy banks with no recent history of default.

**(b) Liquidity risk**

The Group manages the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations met with the statutory requirement for minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources. 6 per cent. of the Group's debts would mature in less than one year as at 31st December, 2009 (2008 – 18 per cent.) based on the carrying values of bank loans.

## Notes to the Financial Statements (continued)

### 40. Financial Risk Management Objectives and Policies (continued)

#### (b) Liquidity risk (continued)

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the end of the reporting period to the contractual maturity date is as follows:

#### Group

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>At 31st December, 2009</b>							
<b>Assets</b>							
Amount due from an associate	-	-	-	-	-	4,500	4,500
Debt securities:							
Available-for-sale financial assets	-	-	-	-	12,654	7,810	20,464
Loans and advances	4,500	-	15,687	-	-	-	20,187
Debtors and deposits	7,099	7,521	3,804	2,885	-	254,635	275,944
Cash and bank balances	192,807	433,421	-	-	-	-	626,228
	204,406	440,942	19,491	2,885	12,654	266,945	947,323
<b>Liabilities</b>							
Bank loans	-	20,000	67,430	764,719	506,244	-	1,358,393
Creditors, accruals and deposits received	-	95,670	17,556	55,412	-	167,107	335,745
	-	115,670	84,986	820,131	506,244	167,107	1,694,138
<b>At 31st December, 2008</b>							
<b>Assets</b>							
Amount due from an associate	-	-	-	-	-	4,500	4,500
Debt securities:							
Available-for-sale financial assets	-	-	-	-	6,621	7,810	14,431
Loans and advances	-	-	-	15,930	-	-	15,930
Debtors and deposits	114	10,435	8,811	37,450	-	67,758	124,568
Cash and bank balances	197,654	417,268	-	-	-	-	614,922
	197,768	427,703	8,811	53,380	6,621	80,068	774,351
<b>Liabilities</b>							
Bank loans	-	15,000	231,953	351,429	811,618	-	1,410,000
Amount due to a jointly controlled entity	-	-	-	-	-	46,638	46,638
Creditors, accruals and deposits received	404	56,625	29,530	588,293	-	56,107	730,959
Guarantees given to a bank in connection with facilities granted to an associate	258	-	-	-	-	-	258
	662	71,625	261,483	939,722	811,618	102,745	2,187,855

## Notes to the Financial Statements (continued)

### 40. Financial Risk Management Objectives and Policies (continued)

#### (b) Liquidity risk (continued)

An analysis of the maturity profile of assets and liabilities of the Company analysed by the remaining period at the end of the reporting period to the contractual maturity date is as follows:

#### Company

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>At 31st December, 2009</b>							
<b>Assets</b>							
Debt securities:							
Available-for-sale financial assets	-	-	-	-	12,654	7,810	20,464
Debtors and deposits	-	478	-	-	-	29,728	30,206
Cash and bank balances	4,122	298,039	-	-	-	-	302,161
	4,122	298,517	-	-	12,654	37,538	352,831
<b>Liabilities</b>							
Bank loans	-	20,000	22,000	583,000	320,000	-	945,000
Creditors, accruals and deposits received	-	-	-	-	-	34,153	34,153
	-	20,000	22,000	583,000	320,000	34,153	979,153
<b>At 31st December, 2008</b>							
<b>Assets</b>							
Debt securities:							
Available-for-sale financial assets	-	-	-	-	6,621	7,810	14,431
Debtors and deposits	-	365	-	-	-	28,134	28,499
Cash and bank balances	5,259	362,076	-	-	-	-	367,335
	5,259	362,441	-	-	6,621	35,944	410,265
<b>Liabilities</b>							
Bank loans	-	15,000	15,000	170,000	620,000	-	820,000
Creditors, accruals and deposits received	-	-	-	-	-	18,163	18,163
Guarantees given to a bank in connection with facilities granted to an associate	258	-	-	-	-	-	258
	258	15,000	15,000	170,000	620,000	18,163	838,421

40. Financial Risk Management Objectives and Policies (continued)

(c) Interest rate risk

Interest rate risk primarily resulted from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions arose mainly from treasury and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. The interest rate risk is managed and monitored regularly by senior management of the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group and the Company's profit before tax (through the impact on interest-bearing monetary assets and liabilities).

	2009		2008	
	Increase/ Decrease in basis points	Increase/ (Decrease) in profit before tax HK\$'000	Increase/ Decrease in basis points	Increase/ (Decrease) in profit before tax HK\$'000
<b>Group</b>				
Hong Kong dollar	+50	(2,924)	+50	(2,613)
United States dollar	+50	199	+50	458
Singapore dollar	+50	53	+50	(686)
Renminbi	+50	(1,259)	+50	259
Hong Kong dollar	-50	2,924	-50	2,613
United States dollar	-50	(199)	-50	(458)
Singapore dollar	-50	(53)	-50	686
Renminbi	-50	1,259	-50	(259)
<b>Company</b>				
Hong Kong dollar	+50	920	+50	669
United States dollar	+50	148	+50	326
Singapore dollar	+50	144	+50	27
Hong Kong dollar	-50	(920)	-50	(669)
United States dollar	-50	(148)	-50	(326)
Singapore dollar	-50	(144)	-50	(27)

40. Financial Risk Management Objectives and Policies (continued)

(d) Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk was managed and monitored on an on-going basis by senior management of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Singapore dollar exchange rates, with all other variables held constant, of the Group and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(Decrease) in profit before tax	
	2009 HK\$'000	2008 HK\$'000
<b>Group</b>		
United States dollar against Hong Kong dollar		
– strengthened 3 per cent. (2008 – 3 per cent.)	<b>650</b>	2,234
– weakened 3 per cent. (2008 – 3 per cent.)	<b>(650)</b>	(2,234)
Singapore dollar against Hong Kong dollar		
– strengthened 3 per cent. (2008 – 3 per cent.)	<b>6,842</b>	1,896
– weakened 3 per cent. (2008 – 3 per cent.)	<b>(6,842)</b>	(1,896)
<b>Company</b>		
United States dollar against Hong Kong dollar		
– strengthened 3 per cent. (2008 – 3 per cent.)	<b>144</b>	1,382
– weakened 3 per cent. (2008 – 3 per cent.)	<b>(144)</b>	(1,382)
Singapore dollar against Hong Kong dollar		
– strengthened 3 per cent. (2008 – 3 per cent.)	<b>3,769</b>	14
– weakened 3 per cent. (2008 – 3 per cent.)	<b>(3,769)</b>	(14)

40. Financial Risk Management Objectives and Policies (continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 22) and financial assets at fair value through profit or loss (Note 24) as at 31st December, 2009. The Group's listed financial assets are mainly listed on the Indonesia stock exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31st December, 2009	High/low 2009	31st December, 2008	High/low 2008
Indonesia – Jakarta Composite Index	2,534	2,560/1,245	1,355	2,838/1,089

The Group uses Value at Risk (the "VaR") model to assess possible changes in the market value of the investment portfolio based on historical data from the past two years. The VaR model that the Group adopted is an estimate, using a confidence level of 95 per cent. of the potential loss that is not expected to be exceeded if the current market risk positions held unchanged for 10 days. The VaR figures are regularly reviewed by senior management of the Group to ensure the loss arising from the changes in the market value of the investment portfolios is capped within an acceptable range.

The amounts of VaR for the investment portfolio of the Group stated at fair value are shown as follows:

	Carrying amount HK\$'000	VaR HK\$'000
<b>2009</b>		
<b>Financial assets:</b>		
Indonesia	276,348	20,391
Global and other	98,507	11,969
<b>2008</b>		
<b>Financial assets:</b>		
Indonesia	370,814	37,577
Global and other	70,456	2,529

**40. Financial Risk Management Objectives and Policies (continued)**

**(f) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2009 and 31st December, 2008.

The Group monitors capital using a gearing ratio, which is calculated by dividing its total borrowings, net of minority interests, by total shareholders' equity. Total borrowings include current and non-current bank loans. Total shareholders' equity represents equity attributable to equity holders of the Company.

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank loans (Note 26)	<b>1,358,393</b>	1,410,000
Less: Minority interests in bank loans	<b>(20,670)</b>	(20,637)
Bank loans, net of minority interests	<b>1,337,723</b>	1,389,363
Equity attributable to the equity holders of the Company	<b>3,286,461</b>	3,167,525
Gearing ratio	<b>40.7 per cent.</b>	43.9 per cent.

**41. Comparative Figures**

As further explained in Note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

**42. Approval of the Financial Statements**

The financial statements were approved and authorised for issue by the Board of Directors on 8th April, 2010.

## Particulars of Principal Subsidiaries

Particulars of Principal Subsidiaries as at 31st December, 2009 are as set out below.

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Bondlink Investment Limited	Hong Kong	HK\$100 and HK\$2 non-voting deferred shares	100	100	Property investment
Grand Vista Limited	British Virgin Islands	US\$1	100	100	Investment holding
Hongkong China Treasury Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
Kingz Ltd	British Virgin Islands	US\$1	100	100	Investment holding
Superform Investment Limited	Hong Kong	HK\$100 and HK\$2 non-voting deferred shares	100	100	Property investment
Tamsett Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
Win Joyce Limited	Hong Kong	HK\$2	100	100	Money lending
Admiralty Development Limited	Hong Kong	HK\$446,767,129	–	100	Property investment
Alsupsreme Limited	British Virgin Islands	US\$1	–	100	Investment holding
Apexwin Limited	British Virgin Islands	US\$1	–	100	Investment holding
Blueway Limited	Hong Kong	HK\$1	–	100	Investment holding
Boom Peak Investments Limited	British Virgin Islands	US\$1	–	100	Investment holding
Brighting Investments Limited	Hong Kong	HK\$1	–	100	Investment holding
Brilliant Star Investment Limited (carry on business in Hong Kong as BS Star Investment Limited)	British Virgin Islands/ Hong Kong	US\$1	–	100	Property investment



## Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Broadwell Asia Limited	British Virgin Islands	US\$1	-	100	Property investment
Cajan Enterprises Limited	British Virgin Islands	US\$1	-	100	Investment holding
Caross Limited	British Virgin Islands	US\$1	-	100	Investment holding
Carvio Limited	British Virgin Islands	US\$1	-	100	Investment holding
Castar Assets Limited	British Virgin Islands	US\$1	-	100	Property investment
Celestial Fortune Limited	British Virgin Islands	US\$1	-	100	Investment holding
Chalton Assets Limited	British Virgin Islands	US\$1	-	100	Property investment
China Gold Pte. Ltd.**	Republic of Singapore	S\$1	-	100	Investment holding
China Pacific Electric Limited	British Virgin Islands	US\$100	-	100	Investment holding
Chung Po Investment and Development Company Limited	Hong Kong	HK\$1,000 and HK\$2,000,000 non-voting deferred shares	-	100	Investment holding
Citivist Asia Limited	British Virgin Islands	US\$1	-	100	Investment holding
Classic Premium Limited	British Virgin Islands	US\$1	-	100	Investment holding
Conreal Holdings Limited	British Virgin Islands	US\$1	-	100	Investment holding
Dhillon Investments Limited	British Virgin Islands	US\$1	-	100	Investment holding
Dragon Board Holdings Limited	British Virgin Islands	S\$1	-	100	Investment holding
Easy Fame Inc.	British Virgin Islands	US\$1	-	100	Leasing
Energetic Holdings Limited	British Virgin Islands	US\$1	-	100	Property investment
Ever Praise Limited	British Virgin Islands	US\$1	-	100	Property investment
Federal Investments Limited	Hong Kong	HK\$1	-	100	Investment holding

## Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Fortune Finance Investment Limited	British Virgin Islands	US\$1	–	100	Investment
Frontop Limited	British Virgin Islands	US\$1	–	100	Investment holding
福建莆田忠信物業管理有限公司 (Fujian Putian Zhong Xin Property Management Limited)** – wholly foreign-owned re-invested enterprise <sup>##</sup>	People's Republic of China	RMB810,000*	–	100	Property management
福建大地湄洲工業區開發有限公司 (Fujian Tati Meizhou Industrial Park Development Co., Ltd.)** – wholly foreign-owned enterprise <sup>##</sup>	People's Republic of China	US\$5,000,000*	–	100	Property investment and development
Gabarro Limited	British Virgin Islands	US\$1	–	100	Investment holding
GIMME 5 Limited	British Virgin Islands	US\$1	–	100	Investment holding
Golden Harmony Limited	British Virgin Islands	US\$1	–	100	Financing and investment holding
Gothic Investments Limited	Samoa	US\$1	–	100	Property investment
Grandtop Pacific Limited	British Virgin Islands	US\$1	–	100	Investment
HKCL Investments Pte. Ltd.**	Republic of Singapore	S\$1,000,000	–	100	Property development
Hilltop Pacific Inc.	British Virgin Islands	US\$1	–	100	Investment holding
Istan Assets Limited	British Virgin Islands	US\$1	–	100	Property investment
Keytime Holdings Limited	British Virgin Islands	US\$1	–	100	Property investment
Kingmild Limited	British Virgin Islands	US\$1	–	100	Investment holding

## Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
LCR Ltd.	British Virgin Islands	US\$1	–	100	Intellectual property
Lippo Commercial Management & Consulting Limited	Hong Kong	HK\$1	–	100	Investment holding
力寶商業管理諮詢(深圳)有限公司 (Lippo Commercial Management & Consulting (Shenzhen) Limited)** – wholly foreign-owned enterprise <sup>##</sup>	People's Republic of China	US\$1,500,000*	–	100	Provision of consulting services
Lippo Consortium Pte. Limited**	Republic of Singapore	S\$2	–	100	Property development
Lippo Group International Pte. Limited**	Republic of Singapore	S\$2	–	100	Investment holding
Lippo Network Limited	Hong Kong	HK\$1	–	100	Liaison office in Korea
Lippo Retail Holdings Limited	British Virgin Islands	US\$1	–	100	Investment holding
Lippoland (Singapore) Pte. Ltd.**	Republic of Singapore	S\$2,000,000	–	100	Investment holding
LPH Limited	British Virgin Islands	US\$1	–	100	Investment holding
New Blueprint Limited	British Virgin Islands	US\$1	–	100	Investment holding
Mantor Assets Limited	British Virgin Islands	US\$1	–	100	Property investment
Metrogreat Limited	Hong Kong	HK\$1	–	100	Investment holding
Netscope Limited	British Virgin Islands	US\$1	–	100	Investment
Nigel International Limited	British Virgin Islands	US\$1	–	100	Financing

## Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Porbandar Limited	British Virgin Islands/ Hong Kong	US\$2	–	100	Property investment
莆田塔林基礎建設有限公司 (Putian Talin Infrastructure Company Limited)** – wholly foreign-owned enterprise <sup>##</sup>	People's Republic of China	US\$300,000*	–	100	Property services
Radical Profits Limited	British Virgin Islands	US\$1	–	100	Property investment
Ranktop International Limited	British Virgin Islands	US\$1	–	100	Investment holding
Reiley Inc.	British Virgin Islands	US\$1	–	100	Investment holding
樂賓百貨(成都)有限公司 (Robbinz Department Stores (Chengdu) Limited)** – wholly foreign-owned enterprise <sup>##</sup>	People's Republic of China	US\$12,000,000*	–	100	Department store
樂賓百貨(天津)有限公司 (Robbinz Department Stores (Tianjin) Limited)** – wholly foreign-owned enterprise <sup>##</sup>	People's Republic of China	US\$33,300,000*	–	100	Department store
Sanfield Australia Pty Ltd**	Australia	A\$2	–	100	Investment holding
Sprada Limited	British Virgin Islands	US\$1	–	100	Provision of consulting services
Star Trendy Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Property holding
Starrico Limited	British Virgin Islands	US\$1	–	100	Investment holding

## Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Super Assets Company Limited	Samoa	US\$1	–	100	Investment holding
Tecwell Limited	British Virgin Islands	US\$100	–	100	Investment holding
Trefar Enterprises Limited	British Virgin Islands	US\$1	–	100	Property investment
Valiant Star Limited	British Virgin Islands	US\$1	–	100	Investment
Vitaland Limited	Hong Kong	HK\$1	–	100	Investment holding
West Tower Holding Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Property investment
Winfire Limited	British Virgin Islands	US\$1	–	100	Financing
Winnery Limited	British Virgin Islands	US\$1	–	100	Investment holding
Winsoar Limited	Hong Kong	HK\$1	–	100	Investment holding
Wollora Assets Limited	British Virgin Islands	US\$1	–	100	Property investment
Writring Investments Limited	Hong Kong	HK\$2	–	100	Property investment
揚州樂賓百貨有限公司 (Yangzhou Robbinz Department Stores Limited)** – wholly foreign-owned enterprise <sup>#</sup>	People's Republic of China	US\$3,035,000*	–	100	Department store
珠海中寶房產開發有限公司 (Zhuhai Chung Po House Property Development Company Limited)** – wholly foreign-owned enterprise <sup>#</sup>	People's Republic of China	RMB165,120,621*	–	100	Property investment and development
上海力寶復興房地產有限公司 (Shanghai Lippo Fuxing Real Estate Limited)** – equity joint venture enterprise <sup>#</sup>	People's Republic of China	US\$25,000,000*	–	95	Property investment

## Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
LCR Catering Services Limited**	Hong Kong	HK\$9,000,000	-	90	Catering services
Jeremiah Holdings Limited	British Virgin Islands	S\$1,298,645	-	60	Investment holding
Pantogon Holdings Pte Ltd**	Republic of Singapore	S\$1,000,000	-	60	Investment holding
Aussie Land Pty Ltd**	Australia	A\$100,000	-	55	Property development
Nine Heritage Pte Ltd**	Republic of Singapore	S\$1,000,000	-	48	Investment holding

<sup>#</sup> represents the effective holding of the Group after minority interests therein

<sup>##</sup> type of legal entity

<sup>\*</sup> paid up registered capital

<sup>\*\*</sup> audited by certified public accountants other than Ernst & Young, Hong Kong

Note:

A\$ - Australian dollars

RMB - People's Republic of China renminbi

S\$ - Singapore dollars

US\$ - United States dollars

As at 31st December, 2009, all the subsidiaries of the Company had no loan capital or convertible loan capital.

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

## Particulars of Principal Associates

Particulars of Principal Associates as at 31st December, 2009 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Group <sup>#</sup>	Principal activities
King Success Limited	Corporate	Hong Kong	HK\$10,000	50	Property investment
Lippo-Savills Property Management Limited	Corporate	Hong Kong	HK\$2	50	Property management services
Maxipo International Limited	Corporate	Hong Kong	HK\$51,874,833	48.8	Trading and investment holding
Medco Holdings, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i>	Corporate	Republic of the Philippines	Pesos 700,000,000	46.04	Investment holding
莆田華正自來水有限公司 (Putian Hua Zheng Water Co., Ltd.)	Equity joint venture enterprise	People's Republic of China	RMB9,241,470*	40	Water supply
CTC Entrepreneurs Corporation	Corporate	Republic of the Philippines	Pesos 250,000	40	Investment holding
Catalyst Enterprises Limited	Corporate	British Virgin Islands	US\$50,000	35	Investment holding
Auric Pacific Group Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i>	Corporate	Republic of Singapore	S\$64,460,182	27.9	Investment holding
Export and Industry Bank, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i>	Corporate	Republic of the Philippines	Pesos 4,734,452,540	27.4	Commercial banking
Food Junction Holdings Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i>	Corporate	Republic of Singapore	S\$14,296,000	16.1	Investment holding

<sup>#</sup> represents the effective holding of the Group after minority interests therein

\* paid up registered capital

Note:

Pesos – Philippines pesos

RMB – People's Republic of China renminbi

S\$ – Singapore dollars

US\$ – United States dollars

The above table includes the associates of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all associates would, in the opinion of the Directors, result in particulars of excessive length.

## Particulars of Principal Jointly Controlled Entities

Particulars of Principal Jointly Controlled Entities as at 31st December, 2009 is as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group <sup>#</sup>	Principal activities
Tanglin Residential Pte. Ltd.	Corporate	Republic of Singapore	S\$2	50	Property investment and development
Yunnan Tin-Lippo (Hong Kong) Resources Company Limited	Corporate	Hong Kong	HK\$10,000,000	40	Investments and metal trading

<sup>#</sup> represents the effective holding of the Group after minority interests therein

Note:

S\$ – Singapore dollars



# Schedule of Major Properties

## (1) Properties held for Investment as at 31st December, 2009

Description	Use	Approximate gross floor area (square metres)	Status	Approximate percentage of Group's interest
<b>Hong Kong</b>				
Lippo Centre 89 Queensway Central Inland Lot No. 8615*	Commercial	Office: 3,911 Retail: 1,935 (net floor area)	Rental	100
* The above property comprises various shop units on the podium floors and certain office floors.				
12 units and 17 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	2,640	Rental	100
<i>All the above properties are held under long term leases.</i>				
<b>People's Republic of China</b>				
19th Floor to 29th Floor and 13 car parking spaces of Lippo Tianma Plaza 1 Wuyibei Road Fuzhou, Fujian	Commercial	11,955	Rental	100
Lippo CTS Plaza 4 Shuiwan Road Gongbei, Zhuhai Guangdong	Commercial Multi-use/Hotel	28,698 58,044	Rental To be developed	100
Lippo Plaza (excluding Unit 2 on Basement 1, 12th, 13th, 15th and 16th Floors and 4 car parking spaces) 222 Huaihai Zhong Road Shanghai Lot No. 141	Commercial	Office: 38,666 Retail: 9,217	Rental	95
<i>The above properties are held under medium term leases.</i>				

## Schedule of Major Properties *(continued)*

### (2) Properties held for Sale as at 31st December, 2009

Description	Use	Approximate site area	Approximate gross floor area	Approximate percentage of Group's interest
			(square metres)	
<b>Overseas</b>				
8 Alexandra View #44-10 The Metropolitan Condominium Singapore 158747	Residential	N/A	300	100
Unit #03-03 The Residences Katana 20 Jalan Madge 55000 Kuala Lumpur Malaysia	Residential	N/A	360	100
2 units at Rosehill 8-16 Virginia Street New South Wales Australia	Residential	N/A	346	100

## Schedule of Major Properties (continued)

### (3) Properties held for Development as at 31st December, 2009

Description	Use	Approximate site area <i>(square metres)</i>	Approximate gross floor area <i>(square metres)</i>	Approximate percentage of Group's interest	Estimated completion date	Stage of development as at 31st December, 2009
<b>People's Republic of China</b>						
Tati City Shanting Township Putian, Fujian	Multi-use	1,292,467	150,963	100	N/A	Phase I completed
<b>Overseas</b>						
Lot 1344M (Plot B8C-1) MK 34 Ocean Drive Sentosa Cove Singapore	Residential	708	530	100	First half of 2010	Under construction

## Schedule of Major Properties (continued)

### (4) Properties held as Fixed Assets as at 31st December, 2009

Description	Use	Approximate gross floor area (square metres)	Approximate percentage of Group's interest
<b>Hong Kong</b>			
24th Floor of Tower One Lippo Centre 89 Queensway Central Inland Lot No. 8615	Commercial	1,307	100
2nd Floor of Sun Court 3 Belcher's Street Kennedy Town Subsection 1 of Section C of Marine Lot No. 262, the remaining portion of Section C of Marine Lot No. 262 and the remaining portion of Marine Lot No. 262	Commercial	743	100
1 unit of AXA Centre 151 Gloucester Road Wanchai Sec. A R.P. and Inland Lot No. 2755 R.P.**	Commercial	544	100
** The above property was subsequently sold in January 2010.			
3 units and 3 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	660	100
<i>The above properties are held under long term leases.</i>			

## Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the five financial years ended 31st December, 2009, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Profit/(Loss) attributable to equity holders of the Company	<b>323,864</b>	(396,871)	656,159	393,629	183,442
Total assets	<b>5,850,931</b>	6,104,828	6,230,765	11,209,883	9,415,480
Total liabilities	<b>(2,447,011)</b>	(2,824,242)	(2,448,782)	(4,293,823)	(2,606,993)
Net assets	<b>3,403,920</b>	3,280,586	3,781,983	6,916,060	6,808,487
Minority interests	<b>(117,459)</b>	(113,061)	(156,234)	(1,413,191)	(1,824,872)
Equity attributable to equity holders of the Company	<b>3,286,461</b>	3,167,525	3,625,749	5,502,869	4,983,615

