Hongkong Chinese Limited
香 港 華 人 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 655)



ANNUAL REPORT 2007

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Corporate Information

Board of Directors

Non-executive Directors

Dr. Mochtar Riady (*Chairman*)
Mr. Leon Chan Nim Leung

Executive Directors

Mr. Stephen Riady (*Chief Executive Officer*)
Mr. John Lee Luen Wai, J.P.
Mr. Kor Kee Yee

Independent non-executive Directors

Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

Committees

Audit Committee

Mr. Victor Yung Ha Kuk (*Chairman*)
Mr. Leon Chan Nim Leung
Mr. Albert Saychuan Cheok
Mr. Tsui King Fai

Nomination Committee

Mr. Leon Chan Nim Leung (*Chairman*)
Mr. Stephen Riady
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

Remuneration Committee

Mr. Leon Chan Nim Leung (*Chairman*)
Mr. Stephen Riady
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

Secretary

Mr. Andrew Hau Tat Kwong

Qualified Accountant

Mr. Ng Tai Chiu

Auditors

Ernst & Young

Principal Bankers

CITIC Ka Wah Bank Limited
Fubon Bank (Hong Kong) Limited
Asia Commercial Bank Limited
Wing Hang Bank, Ltd.
Standard Chartered Bank
United Overseas Bank Limited
Bank of China Limited
The Bank of East Asia, Limited
Raiffeisen Zentralbank Österreich AG

Solicitors

Richards Butler

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Hamilton
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

24th Floor, Tower One
Lippo Centre, 89 Queensway
Hong Kong

Stock Code

655

Website

www.hkchinese.com.hk

Chairman's Statement

I have pleasure in presenting the annual report of the Company for the year ended 31st December, 2007.

The Hong Kong economy continued to perform well in 2007. Falling unemployment rate, continuing strong domestic consumption and improving market confidence provided continuing momentum for local economic growth. The strong growth of the surrounding Asian economies has also helped boost business and investment opportunities. However, the US sub-prime mortgage crisis and the resultant volatility in the international financial markets have dampened global economic growth towards the end of 2007. In Mainland China, prospective macro-economic tightening measures may affect the pace of economic growth.

The Group had a remarkable performance in 2007, achieving a consolidated profit attributable to shareholders of approximately HK$1,267 million for the year ended 31st December, 2007, which was a marked increase over the profit of HK$391 million in 2006.

I would like to express my appreciation to my fellow Directors and all staff for their hard work and devotion during the year. I would also like to take this opportunity to express my sincere gratitude to our shareholders for their continued support.

Dr. Mochtar Riady
Chairman

16th April, 2008

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, 2007.

Business Review

The Group had a remarkable performance in 2007, achieving a consolidated profit attributable to shareholders of approximately HK$1,267 million for the year ended 31st December, 2007, which was a marked increase over the profit of HK$391 million in 2006.

During the year, the Group continued to seek new businesses and investments as well as potential acquisition and alliance opportunities which are compatible with its long-term growth strategy. To enhance its asset portfolio, the Group continued with its quest to acquire quality property interests in Singapore and elsewhere in Asia.

The Group participated in a joint venture, in which the Group has a 50 per cent. interest, established for the acquisition and development of the property known as Kim Seng Plaza located at No. 100, Kim Seng Road, Singapore (the "Kim Seng Property"). The Kim Seng Property has a site area of approximately 5,611 square metres. It is currently intended that the Kim Seng Property will be re-developed into a luxury residential development.

At the end of 2006, the Group participated in a joint venture, in which the Group has a 50 per cent. interest, established for the acquisition and development of the property located at Sentosa Cove, Sentosa Island, Singapore (the "Sentosa Cove Property"). The Sentosa Cove Property comprises two parcels of land with total site area of approximately 22,222 square metres and maximum permissible gross floor area of approximately 26,667 square metres. It is planned that a total of one hundred and twenty four high-end luxury residential units will be constructed on the Sentosa Cove Property. Pre-sale of the residential units started before the end of 2007 and the response has been encouraging.

In June 2007, the Group won the tender for the acquisition of the site approximating 3,319 square metres and located at 53 Holland Road, Singapore (the "Aura Park Property") for a consideration of S$55.5 million. Partners were invited to participate in a joint venture to undertake the development of the Aura Park Property. As at 31st December, 2007, the Group had a 30 per cent. beneficial interest in this joint venture.

Aura Park,
property development project in Singapore

Marina Collection,
property development project
at Sentosa Cove, Sentosa Island, Singapore

New Mandarin Gallery,
an OUE property project in Singapore

Chief Executive Officer's Report *(continued)*

Grangeford,
an OUE property development project
in Singapore

Parisian,
an OUE property development project
in Singapore

Overseas Union House,
an OUE property development project
in Singapore

Business Review *(continued)*

The Group's investment in Lippo ASM Asia Property LP ("LAAP") recorded welcoming results in 2007. LAAP is a property fund set up in 2005, of which a wholly-owned subsidiary of the Company is the founding limited partner, and carries the investment objective of investing in real estate in the East Asia Region. LAAP has an indirect ownership interest in Golden Concord Asia Limited which is the majority shareholder of a joint venture which in turn is a majority shareholder in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investments and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore as well as hotels in the Asia region, including Meritus Mandarin, which is located at Orchard Road, a prime shopping district in Singapore. These high quality properties generate stable recurrent rental income for OUE. Benefiting from the booming property market in Singapore, OUE has produced a remarkable performance in 2007 which in turn has helped to boost the profitability of LAAP and the Group.

The Group also participated in a number of property projects in Mainland China, including Lippo Tower in Chengdu and the development project (the "BDA Project") at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) ("BDA"). The BDA Project is located in the state-level economic-technological development area in Beijing which is approximately ten miles south east of Beijing city centre. The BDA Project , with a total site area of approximately 51,209 square metres, is currently planned to comprise office buildings, apartments, hotels and shopping malls with a total gross floor area of not less than 170,000 square metres. The project company has been formed in late January 2008. A number of Fortune 500 companies and multinational corporations have presence in the neighbourhood. The property prices in BDA have risen considerably and the Group sees significant long term potential for the BDA Project. The economy in China continued to show impressive growth in 2007. With continuing growth in purchasing power and improvement in living standards, the outlook remains good for the property market in China.

Chief Executive Officer's Report (*continued*)

Lippo Tower in Chengdu, the PRC

Property development project at 北京經濟技術開發區 (Beijing Economic-Technological Development Area), the PRC

Business Review (*continued*)

The Macau Chinese Bank Limited ("MCB") continued to be a net income contributor to the Group. Following the Group's acquisition of the remaining 15 per cent. equity interest held by the minority shareholder, MCB became a wholly-owned subsidiary of the Company in September 2007. The Macau economy continued to grow firmly in 2007. MCB maintained steady results in all aspects of its business. The tourist and gaming sectors continued to do well. A number of additional new large-scale hotels and gaming and entertainment centres came into stream in 2007. This has further helped to improve the banking, financing and property mortgage financing sectors in Macau. A conditional sale and purchase agreement was entered into on 28th September, 2007 (the "SPA") for the sale by the Group to an independent third party of 60 per cent. of its beneficial interest in MCB. However, certain conditions precedent set out in the SPA regarding local regulatory approvals could not be obtained by the prospective buyer by the long stop date and accordingly, the SPA lapsed in February 2008. The Group will continue to seek strategic partners and business opportunities for MCB so as to enhance its competitiveness in the Macau banking sector.

The local stock market continued to perform well in 2007. The high market turnover and active initial public offering activities boosted the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services.

Taking advantage of the improving market conditions, the Group realised its gain in certain investments during 2007. At the beginning of the year, the Group realised its gain on its investment in Ferrell Real Estate Investment Fund ("Ferrell Fund"), a property fund, by termination of a discretionary management arrangement with the investment manager of the Ferrell Fund and the redemption of the relevant cell shares in the Ferrell Fund for a net proceed of S$92 million. The total profit of S$50 million from this investment has been reflected in the financial statements of the Group in the past years.

In May 2007, the Group disposed its entire 34.34 per cent. interest in the Convoy Group (an independent financial planning services group in Hong Kong) at a net profit of HK$58 million.

Chief Executive Officer's Report *(continued)*

Business Review *(continued)*

In June 2007, the Group disposed its entire interest (approximately 80.02 per cent.) in a joint venture which owns a total of twenty-two strata lots in a commercial building located at 79 Anson Road, Singapore. The disposal gave rise to a profit of approximately HK$102 million to the Group.

In January 2008, the Group completed the disposal of its entire 100 per cent. interest in a company which owns the entire 7th Floor of Tower One, Lippo Centre, Hong Kong. The property was acquired by the Group in December 2004 and apart from the rental income earned, this property investment has contributed a total profit of approximately HK$33.8 million to the Group in the past years.

Distribution in Specie of the Company's Shares

During the year, Lippo Limited ("Lippo"), Lippo China Resources Limited ("LCR") and the Company (collectively, the "Lippo Group") undertook a realignment to streamline the Lippo Group's corporate structure.

In August 2007, LCR completed the distribution in specie of its entire 72.26 per cent. shareholding in the Company to its shareholders (the "Distribution"). As a result, LCR ceased to be the holding company of the Company and Lippo has become the beneficial owner of approximately 51.4 per cent. of the issued share capital of the Company. The Distribution will result in a clearer and better defined operational structure for the Lippo Group. Following the restructuring, the Company will primarily focus on property investment and development and will effectively be the principal property arm of the Lippo Group. Within this broad directional context, financial business will become a smaller business segment within the Group. The better defined and more focused separate operations of Lippo, LCR and the Company will enable investors to better appraise, assess and distinguish the values, potential and performance of each of the separate entities within the Lippo Group.

Prospects

Looking ahead, there continues to be broad optimism about the economic and business prospects in Hong Kong and the surrounding Asian countries, including China in which the Olympic Games will take place in August this year. However, there remain a number of uncertainties in the external economic environment, especially concerns of a slowdown in the US economy arising from the US sub-prime mortgage crisis and the possible flow on effects onto the global financial markets.

The overall outlook for the Group is promising. The Group is in an excellent position to benefit from the continuing economic growth in Asia. The Group will continue to explore suitable investment opportunities, particularly in the property markets, in the Asia region. However, Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

Stephen Riady
Chief Executive Officer

16th April, 2008

Discussion and Analysis of Annual Results

Hong Kong's economy stayed vibrant in 2007. The Asia region also sustained healthy economic growth.

The Group achieved excellent results in 2007 with strong performance on its major core businesses. Property investment and development sector, being the main growth driver for the year, performed well and sustained impressive returns to the Group. Corporate finance and securities broking business also recorded a substantial growth on the back of the robust local investment market. The Group took advantage of the positive global and local market conditions and realised a substantial part of its investment portfolio at profit. Meanwhile, the Group continued to strengthen its core businesses and explore overseas investment markets.

For the year ended 31st December, 2007, the Group's profit attributable to shareholders increased sharply to HK$1,267 million (2006 – HK$391 million).

Results for the Year

Turnover for the year 2007 totalled HK$898 million, which was 18 per cent. lower than the HK$1,099 million recorded in 2006.

Despite the drop in turnover, the Group reported a substantial growth in profit for the year of HK$1,268 million (2006 – HK$417 million). Property investment and development was the main contributor.

Property investment and development

The Group's earnings from property investment and development continued to benefit from the buoyant property market in Singapore. In June 2007, the Group disposed of its entire interest in a joint venture, which held twenty-two strata lots in a commercial building located at 79 Anson Road in Singapore at a net profit of HK$102 million.

The Group's investment in a property fund (the "Property Fund"), carrying the objective of investing in real estates in the East Asia Region, registered remarkable results for the year. The Property Fund's investment in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in hotel operation and property investment, recorded a strong growth for the year as a result of the escalating property market and booming tourist demand in Singapore. The Group registered a share of profit of HK$1,104 million from the investment. With the strong demand for hospitality services, OUE recorded higher average room rates and occupancy during the year. Currently, OUE has seven prestigious hotels, carries the "Mandarin" and "Meritus" brand, which are strategically located in various famous tourist districts of Singapore, Malaysia and China. OUE also holds a number of prime office buildings in central financial and business districts of Singapore. Meanwhile, OUE has recently participated in various new property development and investment projects, which included the redevelopment projects at Collyer Quay, Angullia Park and Leonie Hill Road, Singapore, etc, to capture the robust prime office and luxury residential property demand. It is expected that these investments have strong value appreciation potential.

With a positive outlook in both regional and local property markets, the Group recorded a total revaluation gain on investment properties of HK$25 million during the year.

Discussion and Analysis of Annual Results *(continued)*

Results for the Year *(continued)*

Property investment and development *(continued)*

Additionally, the Group has participated in various well-located development projects in Macau, Singapore, Thailand and Japan. Meanwhile, the Group also plans to expand its property portfolio in Mainland China in the coming years. The Chinese government recently implemented measures to prevent the overheating of the property market and sharp increases in property prices. It is believed that in the long-term, with the continuing development of the Chinese economy, market demand for quality properties remains strong. The Group will therefore focus on such opportunities in the commercial and residential sectors and explore joint ventures to complete or expand their development.

Treasury and securities investments

Entering 2007, the Group redeemed its investment in a real estate fund for a net proceed of S$92 million. The redemption enabled the Group to realise the gain made pursuant to the subscription in the real estate fund, which has been recognised as unrealised gain in the past years. Turnover and profits attributable to treasury and securities investments for the year amounted to HK$617 million (2006 – HK$919 million) and HK$74 million (2006 – HK$341 million) respectively.

Looking ahead, the investment market would still be challenging and full of uncertainty. Foreseeing the global investment market continued to be volatile with the shadow over the US sub-prime mortgage issues, the Group took necessary steps to restructure and refine its composition of investment portfolio in the securities investment segment so as to improve overall asset quality.

Corporate finance and securities broking

The performance of the local stock market in 2007 was unprecedented. The exceptional price movements of H-shares, as well as some of the large local stocks offered a rare window of opportunity, boosting the volume of local stock market to record high. The corporate finance and securities broking business has benefited from this favourable environment, registering a remarkable increase in turnover to HK$159 million (2006 – HK$96 million), although challenges of varying degrees in terms of increasing competition, mounting volatility of the global investment market and the rise in global and local inflation were also experienced. Profit derived from this segment improved substantially to HK$43 million (2006 – HK$18 million).

Banking business

The bank sustained stable results in 2007. Credit quality overall remained sound for the year. Management continued to lend conservatively and strived to improve asset quality. Turnover and profit derived from the banking segment amounted to HK$27 million (2006 – HK$29 million) and HK$4.2 million (2006 – HK$7.3 million) respectively.

Other businesses

With the Singapore property market performed well, the Group's income base has further been widening by participating in certain property project management in Singapore. Revenue of HK$53 million was generated in the current year.

In May 2007, the Group disposed of its 34.34 per cent. interest in the Convoy Group, which engaged in the provision of independent financial planning services in Hong Kong, at a net profit of HK$58 million. The disposal is in line with the Group's strategy of focusing on core businesses of the Group.

Discussion and Analysis of Annual Results *(continued)*

Financial Position

As at 31st December, 2007, the Group's total assets increased to HK$6.6 billion (2006 – HK$6.0 billion). Property-related assets increased significantly to HK$4.4 billion (2006 – HK$3.3 billion), representing 66 per cent. (2006 – 55 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced to HK$0.5 billion (2006 – HK$0.9 billion), comprising debt and equity securities of HK$0.1 billion (2006 – HK$0.1 billion) and investment funds of HK$0.4 billion (2006 – HK$0.8 billion). The investment portfolio represented 8 per cent. (2006 – 16 per cent.) of the Group's total assets.

Various new property projects have been financed by proceeds derived from sales of certain investments, new bank loans and other borrowings. Total liabilities dropped to HK$1.9 billion (2006 – HK$2.7 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.2 to 1 (2006 – 1.2 to 1).

As at 31st December, 2007, the bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK$814 million (2006 – HK$1,490 million). As at 31st December, 2007, total bank loans amounted to HK$288 million (2006 – HK$604 million), comprising secured bank loans of HK$266 million (2006 – HK$594 million) and unsecured bank loans of HK$22 million (2006 – HK$10 million), which were denominated in Hong Kong dollars, United States dollars or Renminbi (2006 – denominated in Hong Kong dollars, United States dollars or Singapore dollars). The bank loans were secured by first legal mortgages over certain investment properties and certain securities of the Group. The bank loans carried interest at floating rates and 96 per cent. of the bank loans (2006 – 9 per cent.) were repayable within one year. During the year, the Group received loans from Lippo Limited ("Lippo") and a third party of HK$214 million and HK$312 million, respectively. The advance from Lippo would be repayable on or before 30th June, 2009. While the third party's advance would be repayable on 26th June, 2008 and subject to renewal for one additional year on terms mutually agreed with the lender. Meanwhile, the Group had fully repaid the loan advanced from Lippo China Resources Limited during the year. At the end of the year, gearing ratio (measured as bank and other borrowings, net of minority interests, to shareholders' funds) dropped to 17 per cent. (2006 – 45 per cent.).

During the year, the Company made the 2006 final distribution of HK$0.05 per share and 2007 interim distribution of HK$0.0175 per share to its shareholders, amounting to a total of HK$90.9 million. The net asset value of the Group remained strong and increased to HK$4.7 billion (2006 – HK$3.2 billion). This was equivalent to HK$3.5 per share (2006 – HK$2.4 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 (2006 – Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2006 – Nil).

As at 31st December, 2007, the Group's total capital commitment decreased to HK$0.4 billion (2006 – HK$0.6 billion). The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Discussion and Analysis of Annual Results *(continued)*

Staff and Remuneration

The Group had approximately 185 employees as at 31st December, 2007 (2006 – 212 employees). Total staff costs (including directors' emoluments) during the year amounted to HK$104 million (2006 – HK$91 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option scheme of the Company.

Outlook

The US sub-prime mortgage crisis, which began in August 2007, has caused greater volatility in financial markets worldwide. While the Asia economy was relatively unscathed, the external trading environment has turned more uncertain, and the repercussions of the credit market turbulence have yet to play out fully. The operating environment of the Group remains challenging. Overall, the Group is cautiously optimistic for the year ahead. Economic fundamentals in Hong Kong and the Asia Pacific Region remain sound. While striving to continue to improve internal operational efficiencies, the Group will keep on refining its existing core businesses and seeking new investment opportunities with long-term growth potential. Given its own strong financial position, the Group is confident that it would be able to take advantage of new business opportunities in its pursuit of enhancing shareholders' value.

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 2007, 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, 2007.

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 2007.

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 20), 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 21 and 22). Dr. Mochtar Riady (being the Chairman) is the father of Mr. Stephen Riady (being the Chief Executive Officer). 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. At least one of the independent non-executive Directors has 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 Bye-laws, 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 2007. 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 2007 are set out below.

	Attendance / Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Non-executive Directors				
Dr. Mochtar Riady *(Chairman)*	1/5	N/A	N/A	N/A
Mr. Leon Chan Nim Leung *(Chairman of the Remuneration Committee and Nomination Committee)*	5/5	3/3	2/2	2/2
Executive Directors				
Mr. Stephen Riady *(Chief Executive Officer)*	5/5	N/A	2/2	2/2
Mr. John Lee Luen Wai	4/5	N/A	N/A	N/A
Mr. Kor Kee Yee	3/5	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Victor Yung Ha Kuk *(Chairman of the Audit Committee)*	4/5	3/3	1/2	1/2
Mr. Albert Saychuan Cheok	5/5	3/3	2/2	2/2
Mr. Tsui King Fai	5/5	3/3	2/2	2/2

Corporate Governance Report (*continued*)

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Dr. Mochtar 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 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 Bye-laws, 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.hkchinese.com.hk). The principal role of the Committee is to exercise the powers of the Board to determine and review the remuneration package 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 package of the Directors and fees payable to the committee members of the Company's Board committees; (ii) service contracts of certain Directors; and (iii) the new share option scheme of the Company (the "Scheme") and matters relating to the granting of options under the Scheme.

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 Riady, one non-executive Director, namely, Mr. Leon Chan Nim Leung (being the Chairman of the Remuneration Committee) and three independent non-executive Directors, namely, Messrs. Albert Saychuan Cheok, Victor Yung Ha Kuk and Tsui King Fai. Two meetings were held in 2007 and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 7 and 9 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 Bye-laws. No new Director was appointed during 2007.

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.hkchinese.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 independency 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 Riady, one non-executive Director, namely, Mr. Leon Chan Nim Leung (being the Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Messrs. Albert Saychuan Cheok, Victor Yung Ha Kuk and Tsui King Fai. Two meetings were held in 2007 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 and 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$2.12 million (2006 – HK1.75 million) and approximately HK$0.30 million (2006 – HK$1.06 million), respectively.

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.hkchinese.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 Chan Nim Leung, and three independent non-executive Directors, namely Messrs. Victor Yung Ha Kuk (being the Chairman of the Audit Committee), Albert Saychuan Cheok and Tsui King Fai. Three meetings were held in 2007 and the individual attendance of each member is set out above.

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, and interim and annual reports as well as internal control and risk management matters of the Group, discussing with executive Directors, management, auditors and external independent professional accounting firms regarding the financial matters of the Group and/or internal audit and control matters of the Group, and making recommendations to the Board on financial-related matters.

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 has been conducted. The review will be conducted annually in accordance with the requirements of the Code.

Internal Audit

During the year, an internal audit department (the "IA Department") was set up 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 assess 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 minimize the risk exposure in the future. Ongoing enhancement and revision on the internal control system will be made from time to time so as to cope with the growth of the Group.

Notifiable Transactions and Connected Transactions

During the year 2007, the Company has released announcements in respect of a number of "notifiable transactions" and "connected transactions" which can be viewed in the Company's website (www.hkchinese.com.hk).

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 were proposed for each substantially separate issue at the AGM.

The Company's Bye-laws contain the rights of shareholders to demand a poll and the procedures for a poll voting on resolutions at shareholders' meetings. Details of such rights to demand a poll and the poll procedures are included in all circulars in relation to shareholders' meetings and will be explained during the proceedings of shareholders' meetings. In case poll voting is conducted, the poll results will be released and posted on the websites of the Stock Exchange and the Company.

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.

Management of the Group has been maintaining 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, 2007, the Board is not aware of any material misstatement or uncertainties that may put doubt on the Group's financial position or continue as a going concern. The Board has selected appropriate accounting policies and applied consistently. Judgments and estimates are 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 endeavour 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 36 and 37.

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31st December, 2007.

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, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

Results and Distributions

The results of the Group for the year ended 31st December, 2007 and the state of affairs of the Group and the Company as at 31st December, 2007 are set out in the financial statements on pages 38 to 136.

An interim distribution of HK1.75 cents (2006 – HK1.5 cents) per share for the year ended 31st December, 2007 was paid on 22nd October, 2007.

The Directors recommend a final distribution of HK5 cents (2006 – HK5 cents) per share for the year ended 31st December, 2007, totalling HK$67.3 million (2006 – HK$67.3 million). Together with the interim distribution paid, total distribution for the year ended 31st December, 2007 will amount to HK6.75 cents (2006 – HK6.5 cents) per share, totalling HK$90.9 million (2006 – HK$87.5 million).

Summary of Group Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2007 is set out on page 139.

Share Capital

Details of the share capital of the Company are set out in Note 31 to the financial statements.

Share Option Scheme

Details of the share option scheme of the Company are set out in Note 32 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves are set out in Note 33 to the financial statements.

Fixed Assets

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

Report of the Directors (*continued*)

Investment Properties

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

Donations

During the year, the Group made charitable and other donations of HK$5,310,000 (2006 – HK$5,233,000).

Directors

The Directors of the Company during the year were as follows:

Non-executive Directors

Dr. Mochtar Riady (*Chairman*)
Mr. Leon Chan Nim Leung

Executive Directors

Mr. Stephen Riady (*Chief Executive Officer*)
Mr. John Lee Luen Wai, J.P.
Mr. Kor Kee Yee

Independent Non-executive Directors

Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Albert Saychuan Cheok, Leon Chan Nim Leung, Victor Yung Ha Kuk and Tsui King Fai will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

None of the Directors 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.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Company considers such Directors to be independent.

Report of the Directors *(continued)*

Brief Biographical Details of Directors and Senior Management

Dr. Mochtar Riady (also known as Dr. Lee Man Tjin), aged 78, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the father of Mr. Stephen 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 a Director in 1992 and is the Chairman of the Company. He is also the Honorary Chairman of Lippo China Resources Limited ("LCR") and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital").

Mr. Stephen Riady, aged 47, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. Mr. Riady is a son of Dr. Mochtar Riady. He is also the Chairman of Lippo Limited ("Lippo") and the Deputy Chairman, Managing Director and Chief Executive Officer of LCR, and a director of Lanius Limited, Lippo Cayman and Lippo Capital. Mr. Riady is also a director of Overseas Union Enterprise Limited and Auric Pacific Group Limited ("Auric"), 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.

Mr. John Lee Luen Wai, J.P., aged 59, 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 LCR, Prime Success Limited and Hennessy Holdings Limited. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited. Mr. Lee is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital markets. Mr. Lee serves as a member on a number of Hong Kong Government Boards and Committees including the Hospital Authority, Solicitors Disciplinary Tribunal Panel and Non-local Higher and Professional Education Appeal Board. He is also the Chairman of the Queen Elizabeth Hospital Governing Committee.

Mr. Leon Chan Nim Leung, aged 52, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to 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 LCR.

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

Mr. Albert Saychuan Cheok, aged 57, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a Fellow of the Australian Society of Certified Public Accountants and is a banker with over 30 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Thailand and Malaysia. Mr. Cheok is the Chairman of Bowsprit Capital Corporation Limited, the Manager of First Real Estate Investment Trust (First REIT) in Singapore. He is also the Vice Chairman of the Export and Industry Bank, Inc. in the Philippines. He is a director of Metal Reclamation Berhad in Malaysia and several other public companies. He is currently a committee member of the Malaysian Institute of Corporate Governance in Malaysia. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005. Mr. Cheok is also an independent non-executive director of AcrossAsia Limited and Auric.

Mr. Kor Kee Yee, aged 59, was appointed a Director of the Company in 2002. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

Mr. Victor Yung Ha Kuk, aged 54, 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 was appointed a member of the listings sub-committee of the Stock Exchange of Singapore from 1998 to 1999. 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 LCR.

Mr. Tsui King Fai, aged 58, 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. 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 LCR.

Report of the Directors *(continued)*

Brief Biographical Details of Other Officers

Mr. Ng Tai Chiu, 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 20 years' experience in the accounting and corporate finance field in Hong Kong.

Mr. Hau Tat Kwong, was appointed the company secretary of the Company in January 1994. He holds a master's degree in Business Administration from the University of Warwick in the United Kingdom. Mr. Hau is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Hau has over 20 years' experience in the company secretarial field.

Directors' and Five Highest Paid Employees' Emoluments

Details of the Directors' emoluments and of the five highest paid employees' emoluments in the Group are set out in Notes 7 and 8 to the financial statements, respectively.

The emoluments of the Directors are determined by reference to the market terms and their duties and responsibilities within the Group.

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, 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures 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:

(a) Interests in shares of the Company and associated corporations

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK$1.00 each in the Company					
Mochtar Riady	—	—	692,262,956 (*Note* 1)	692,262,956	51.4
Stephen Riady	—	—	692,262,956 (*Note* 1)	692,262,956	51.4
John Lee Luen Wai	200	200	—	400	0.00
Tsui King Fai	—	50,000	—	50,000	0.00
Number of ordinary shares of HK$0.10 each in Lippo Limited ("Lippo")					
Mochtar Riady	—	—	248,697,776 (*Notes* 1 & 2)	248,697,776	57.34
Stephen Riady	—	—	248,697,776 (*Notes* 1 & 2)	248,697,776	57.34
John Lee Luen Wai	825,000	—	—	825,000	0.19

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)*

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK$0.10 each in Lippo China Resources Limited ("LCR")					
Mochtar Riady	—	—	6,544,696,389 (*Notes* 1, 2 & 3)	6,544,696,389	71.13
Stephen Riady	—	—	6,544,696,389 (*Notes* 1, 2 & 3)	6,544,696,389	71.13

Note:

1. As at 31st December, 2007, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 692,262,956 ordinary shares of HK$1.00 each in, representing approximately 51.4 per cent. of, the issued share capital of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was 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 was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. Dr. Mochtar Riady did not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor child of Mr. Stephen Riady. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Riady (together with his minor child) as beneficiaries of the trust were taken to be interested in Lippo Cayman under the SFO.

2. As at 31st December, 2007, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK$0.10 each in, representing approximately 57.34 per cent. of, the issued share capital of Lippo.

3. As at 31st December, 2007, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK$0.10 each in, representing approximately 71.13 per cent. of, the issued share capital of LCR.

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

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

As at 31st December, 2007, Dr. Mochtar Riady, as founder and beneficiary of the aforesaid discretionary trust, and Mr. Stephen Riady (together with his minor child), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note 1 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
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
CRC China Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 (*Note b*)	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	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
Greenroot Limited	Ordinary shares	1	100
HKCL Holdings Limited	Ordinary shares	50,000	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns 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
Lippo Holdings Inc.	Ordinary shares	1	100

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

(a) Interests in 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 Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	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
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
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

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. owned subsidiary of Lippo Cayman.

As at 31st December, 2007, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which was 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 was 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, Mr. Stephen Riady and his minor child. Dr. Mochtar Riady did not have any interests in the share capital of Lanius but the shareholders of Lanius were accustomed to act in accordance with his instructions.

As at 31st December, 2007, Mr. John Lee Luen Wai, as 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, 2007, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

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)*

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

(*i*) *The Company*

Name of Director	Capacity and nature of interest	Number of underlying shares of HK$1.00 each in the Company in respect of which options have been granted*	Approximate percentage of the issued share capital of the Company
John Lee Luen Wai	Personal (held as beneficial owner)	3,400,000	0.25
Leon Chan Nim Leung	Personal (held as beneficial owner)	600,000	0.04
Kor Kee Yee	Personal (held as beneficial owner)	450,000	0.03
Albert Saychuan Cheok	Personal (held as beneficial owner)	450,000	0.03
Victor Yung Ha Kuk	Personal (held as beneficial owner)	450,000	0.03
Tsui King Fai	Personal (held as beneficial owner)	450,000	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"). Such options will be 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$1.00 each in the Company at an exercise price of HK$1.68 per share (subject to adjustment).

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)*

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

(ii) *Lippo*

Name of Director	Capacity and nature of interest	Number of underlying shares of HK$0.10 each in Lippo in respect of which options have been granted#	Approximate percentage of the issued share capital of Lippo
John Lee Luen Wai	Personal (held as beneficial owner)	900,000	0.21
Leon Chan Nim Leung	Personal (held as beneficial owner)	155,000	0.04
Victor Yung Ha Kuk	Personal (held as beneficial owner)	130,000	0.03
Tsui King Fai	Personal (held as beneficial owner)	130,000	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"). Such options will be 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 exercise price of HK$6.98 per share (subject to adjustment).

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)*

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

(iii) LCR

Name of Director	Capacity and nature of interest	Number of underlying shares of HK$0.10 each in LCR in respect of which options have been granted^	Approximate percentage of the issued share capital of LCR
John Lee Luen Wai	Personal (held as beneficial owner)	22,000,000	0.24
Leon Chan Nim Leung	Personal (held as beneficial owner)	3,000,000	0.03
Victor Yung Ha Kuk	Personal (held as beneficial owner)	2,300,000	0.02
Tsui King Fai	Personal (held as beneficial owner)	2,300,000	0.02

^ The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). Such options will be exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK$0.10 each in LCR at an exercise price of HK$0.267 per share (subject to adjustment).

The above interests in the underlying shares of the Company and its associated corporations were held pursuant to unlisted physically settled equity derivatives. As at 31st December, 2007, 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, 2007, 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, 2007, 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).

Report of the Directors *(continued)*

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 arrangement 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.

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

As at 31st December, 2007, 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$1.00 each	Approximate percentage of the issued share capital
Hennessy Holdings Limited ("Hennessy")	692,262,956	51.4
Prime Success Limited ("Prime Success")	692,262,956	51.4
Lippo Limited ("Lippo")	692,262,956	51.4
Lippo Cayman Limited ("Lippo Cayman")	692,262,956	51.4
Lanius Limited ("Lanius")	692,262,956	51.4
Madam Lidya Suryawaty	692,262,956	51.4

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, held 692,262,956 ordinary shares in, representing approximately 51.4 per cent. of, the issued share capital of the Company.

2. Hennessy was wholly owned by Prime Success which in turn was wholly owned by Lippo.

3. Lippo Cayman was the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which was Lippo Capital Limited which controlled an approximate 50.47 per cent. interest in Lippo.

4. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was 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 was not the registered holder of any shares in the issued share capital of Lanius.

5. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 692,262,956 ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady and Mr. Stephen 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".

Report of the Directors *(continued)*

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance *(continued)*

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2007, 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 and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

During the year and up to the date of this report, none of the Directors of the Company are considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Connected Transaction and Continuing Connected Transactions

Connected transaction and 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) (i) On 10th January, 2005, a tenancy agreement was entered into between Lippo Securities Holdings Limited ("LSHL"), a wholly-owned subsidiary of the Company, and Prime Power Investment Limited ("Prime Power"), a fellow subsidiary of the Company, pursuant to which Prime Power agreed to let to LSHL of Rooms 2302–2306, 23rd Floor, Tower One, Lippo Centre,89 Queensway, Hong Kong with a gross floor area of approximately 12,038 square feet for a term of two years from 18th January, 2005 to 17th January, 2007, both days inclusive, at a monthly rental of HK$263,600, 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;

(ii) on 18th September, 2006, a tenancy agreement was entered into between the Company and Porbandar Limited ("Porbandar"), a fellow subsidiary of the Company, pursuant to which Porbandar agreed to let to the Company of 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, 2006 to 15th September, 2008, both days inclusive, at a monthly rental of HK$163,446.50, 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; and

(iii) on 29th January, 2007, a tenancy agreement was entered into between LSHL and Prime Power, pursuant to which Prime Power agreed to let to LSHL of Rooms 2302-2306, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 12,038 square feet for a term of two years from 18th January, 2007 to 17th January, 2009, both days inclusive, at a monthly rental of HK$385,216, 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*)

Connected Transaction and Continuing Connected Transactions (*continued*)

The independent non-executive Directors have confirmed that the above tenancies have 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 agreements 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 agreements have received the approval of the Board of Directors of the Company; (ii) the above tenancies were entered into in accordance with the terms of the above tenancy agreements; and (iii) the rentals paid have not exceeded the rentals as agreed in the above tenancy agreements and the annual rentals as disclosed in the Company's announcements dated 10th January, 2005, 18th September, 2006 and 29th January, 2007.

Further details of the above tenancies are disclosed in Note 39(a) to the financial statements.

(b) On 17th July, 2007, a sale and purchase agreement was entered into between Mr. Wong Kon Kei ("Mr. Wong"), Discovery Planet Limited ("DPL") and The Macau Chinese Bank Limited ("MCB") pursuant to which DPL agreed to acquire and Mr. Wong agreed to sell 15 per cent. of the issued share capital of MCB for MOP47,200,000 (equivalent to approximately HK$45,784,000) (the "MCB Acquisition").

DPL is a wholly-owned subsidiary of Winwise Holdings Limited ("Winwise") which in turn is a wholly-owned subsidiary of the Company. Immediately before the MCB Acquisition, Winwise held 85 per cent. of the issued share capital of MCB and the balance of which was held by Mr. Wong who was a substantial shareholder and director of MCB.

The MCB Acquisition provided Winwise and DPL with strategic flexibility over MCB with 100 per cent. ownership of MCB.

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

Directors' and Controlling Shareholders' Interests in Contracts

Save as disclosed above and in Note 39 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.

Report of the Directors (*continued*)

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, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

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 profit and loss account for the year are set out in Note 9 to the financial statements.

Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in Note 42 to the financial statements.

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 Yung Ha Kuk (Chairman), Mr. Albert Saychuan Cheok and Mr. Tsui King Fai and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31st December, 2007.

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 12 to 18.

Report of the Directors *(continued)*

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.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 Lee Luen Wai
Director

Hong Kong, 16th April, 2008

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of Hongkong Chinese Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Hongkong Chinese Limited set out on pages 38 to 136, which comprise the consolidated and company balance sheets as at 31st December, 2007, and the consolidated profit and loss account, the consolidated summary statement of changes in equity and the consolidated cash flow statement 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 disclosure requirements of 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 90 of the Bermuda Companies Act 1981, 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, 2007 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 disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Hong Kong, 16th April, 2008

Consolidated Profit and Loss Account

For the year ended 31st December, 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	**898,384**	1,099,028
Cost of sales		**(656,741)**	(934,659)
Gross profit		**241,643**	164,369
Administrative expenses		**(132,399)**	(114,516)
Other operating expenses		**(50,488)**	(35,890)
Fair value gains on investment properties		**25,106**	207,276
Gain on disposal of associates		**57,620**	—
Gain on disposal of subsidiaries	35b	**101,956**	848
Gain on disposal of available-for-sale financial assets		**724**	86,238
Net fair value gain on financial assets at fair value through profit or loss		**52,276**	216,728
Provisions for impairment losses:			
Associates		**(23,008)**	—
Available-for-sale financial assets		**—**	(5,797)
Properties held for sale		**(10,090)**	—
Properties under development		**(26,780)**	—
Finance costs	10	**(70,674)**	(49,064)
Share of results of associates	11	**1,110,830**	(4,014)
Share of results of jointly controlled entities		**(1,974)**	(2,644)
Profit before tax	6	**1,274,742**	463,534
Tax	12	**(6,615)**	(46,975)
Profit for the year		**1,268,127**	416,559
Attributable to:			
Equity holders of the Company	13 & 33	**1,267,271**	391,472
Minority interests	33	**856**	25,087
		1,268,127	416,559

Consolidated Profit and Loss Account *(continued)*

For the year ended 31st December, 2007

	Note	**2007** **HK cents**	2006 HK cents
Earnings per share attributable to equity holders of the Company	14		
Basic		**94.1**	29.1
Diluted		**N/A**	N/A
		HK$'000	HK$'000
Distributions	15		
Interim, declared and paid		**23,570**	20,202
Final, proposed/paid after the balance sheet date		**67,341**	67,341
		90,911	87,543

Consolidated Balance Sheet

As at 31st December, 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Goodwill	16	**71,485**	57,285
Fixed assets	17	**44,810**	47,443
Investment properties	18	**524,709**	1,136,256
Properties under development	19	**137,766**	160,115
Interests in associates	20	**3,433,610**	1,961,964
Interests in jointly controlled entities	21	**183,964**	49,299
Available-for-sale financial assets	22	**126,958**	102,869
Held-to-maturity financial assets	23	**9,572**	9,582
Loans and advances	24	**27,884**	27,066
		4,560,758	3,551,879
Current assets			
Properties held for sale		**9,751**	19,223
Properties under development	19	**47,725**	—
Available-for-sale financial assets	22	**2,454**	—
Financial assets at fair value through profit or loss	25	**398,808**	821,025
Loans and advances	24	**237,332**	273,324
Debtors, prepayments and deposits	26	**171,176**	179,171
Client trust bank balances		**730,995**	582,905
Treasury bills		**34,920**	194,970
Cash and bank balances		**399,663**	363,487
		2,032,824	2,434,105
Current liabilities			
Bank and other borrowings	27	**587,934**	942,205
Creditors, accruals and deposits received	28	**877,370**	832,729
Current, fixed, savings and other deposits of customers	29	**165,223**	305,521
Tax payable		**11,036**	8,265
		1,641,563	2,088,720
Net current assets		**391,261**	345,385
Total assets less current liabilities		**4,952,019**	3,897,264

Consolidated Balance Sheet *(continued)*

As at 31st December, 2007

	Note	**2007 HK$'000**	2006 HK$'000
Non-current liabilities			
Bank and other borrowings	27	**225,705**	547,368
Deferred tax liabilities	30	**28,911**	58,207
		254,616	605,575
Net assets		**4,697,403**	3,291,689
Equity			
Equity attributable to equity holders of the Company			
Share capital	31	**1,346,829**	1,346,829
Reserves	33	**3,338,496**	1,845,575
		4,685,325	3,192,404
Minority interests	33	**12,078**	99,285
		4,697,403	3,291,689

Stephen Riady
Director

John Lee Luen Wai
Director

Consolidated Summary Statement of Changes in Equity

For the year ended 31st December, 2007

	Note	2007 HK$'000	2006 HK$'000
Total equity at 1st January		**3,291,689**	2,861,095
Changes in equity during the year:			
Exchange differences on translation of foreign operations		**49,295**	23,986
Net fair value gain on available-for-sale financial assets		**22,129**	26,672
Deferred tax arising from fair value gain on available-for-sale financial assets	33	**26**	(2,921)
Derecognition of available-for-sale financial assets	33	**(1,306)**	(87,288)
Release of reserve in respect of disposal of subsidiaries	33	**(11,563)**	—
Share of reserves of associates and jointly controlled entities	33	**250,882**	72,968
Net income recognised directly in equity		**309,463**	33,417
Profit for the year		**1,268,127**	416,559
Total recognised income and expense for the year		**1,577,590**	449,976
Issue of shares by subsidiaries to minority shareholders	33	**—**	402
Acquisition of shares in a subsidiary from a minority shareholder	33	**(31,925)**	(258)
Disposal of subsidiaries	33	**(130,786)**	—
Advances from minority shareholders of subsidiaries	33	**74,554**	41,384
Equity-settled share option arrangements	33	**6,800**	—
Changes in interests in subsidiaries	33	**392**	(303)
2005 final distribution, declared	33	**—**	(40,405)
2006 interim distribution, declared	33	**—**	(20,202)
2006 final distribution, declared	15 & 33	**(67,341)**	—
2007 interim distribution, declared	15 & 33	**(23,570)**	—
		1,405,714	430,594
Total equity at 31st December		**4,697,403**	3,291,689
Total recognised income and expense for the year attributable to:			
Equity holders of the Company		**1,577,032**	423,995
Minority interests		**558**	25,981
		1,577,590	449,976

Balance Sheet

As at 31st December, 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Fixed assets	17	**2,709**	3,970
Interests in subsidiaries	34	**3,048,522**	3,411,944
Available-for-sale financial assets	22	**3,165**	3,165
		3,054,396	3,419,079
Current assets			
Financial assets at fair value through profit or loss	25	**33,814**	18,445
Debtors, prepayments and deposits		**1,464**	1,773
Cash and bank balances		**13,559**	62,092
		48,837	82,310
Current liabilities			
Bank and other borrowings	27	**372,020**	885,495
Creditors, accruals and deposits received		**31,706**	35,508
		403,726	921,003
Net current liabilities		**(354,889)**	(838,693)
Total assets less current liabilities		**2,699,507**	2,580,386
Non-current liability			
Bank and other borrowings	27	**213,958**	60,000
Net assets		**2,485,549**	2,520,386
Equity			
Share capital	31	**1,346,829**	1,346,829
Reserves	33	**1,138,720**	1,173,557
		2,485,549	2,520,386

Stephen Riady
Director

John Lee Luen Wai
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**327,755**	297,546
Interest received		**33,902**	49,997
Dividends received from listed and unlisted investments		**6,521**	3,074
Dividends received from associates		**—**	3,431
Taxes recovered/(paid):			
Hong Kong		**7**	(426)
Overseas		**(2,936)**	(4,212)
Net cash inflow from operating activities		**365,249**	349,410
Cash flows from investing activities			
Proceeds from disposal of :			
Associates		**85,022**	—
Available-for-sale financial assets		**2,665**	313,923
Payments to acquire:			
Items of fixed assets		**(4,857)**	(5,617)
Available-for-sale financial assets		**(6,393)**	(8,088)
Additions to properties under development		**(42,127)**	(47,384)
Additions to investment properties		**(26,062)**	(473,643)
Increase in interests in jointly controlled entities		**(23,586)**	(197)
Increase in interests in associates		**—**	(1,292,187)
Advances to associates		**(147,027)**	(271,389)
Advances to jointly controlled entities		**(103,128)**	(39,415)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	35(b)	**588,355**	1,026
Acquisition of shares in a subsidiary from a minority shareholder		**(46,125)**	(258)
Net cash inflow/(outflow) from investing activities		**276,737**	(1,823,229)
Cash flows from financing activities			
Interest paid		**(72,843)**	(34,589)
Distributions paid		**(90,911)**	(60,607)
Drawdown of bank and other borrowings (*Note*)		**546,929**	1,470,960
Repayment of bank and other borrowings (*Note*)		**(1,228,121)**	(25,000)
Issue/(Buyback) of shares by subsidiaries to/(from) minority shareholders		**(661)**	402
Advances from minority shareholders of subsidiaries		**74,554**	41,384
Net cash inflow/(outflow) from financing activities		**(771,053)**	1,392,550

Consolidated Cash Flow Statement *(continued)*

For the year ended 31st December, 2007

	2007 HK$'000	2006 HK$'000
Net decrease in cash and cash equivalents	**(129,067)**	(81,269)
Cash and cash equivalents at beginning of year	**558,457**	637,260
Exchange realignments	**5,193**	2,466
Cash and cash equivalents at end of year	**434,583**	558,457
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**399,663**	363,487
Treasury bills	**34,920**	194,970
	434,583	558,457

Note : The amounts exclude bank loans drawn down by the Group for lending to its margin clients in respect of the initial public offerings. All such bank loans were fully repaid during the year.

Notes to the Financial Statements

1. Corporate Information

Hongkong Chinese Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

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, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The immediate holding company of the Company is Hennessy Holdings 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of 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, 2007. 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 intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests shown in the consolidated profit and loss account and the consolidated balance sheet 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 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations have had no material effect on these financial statements.

HKFRS 7	Financial Instruments : Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 41 to the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Group has only issued equity instruments to the Group's employees for identified services provided in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to access whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements or impact on the financial position or results of operations of the Group.

Notes to the Financial Statements (*continued*)

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards (*continued*)

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1st January, 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 Impact of 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 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellation*[1]
HKFRS 3 (Revised)	Business Combinations*[2]
HKFRS 8	Operating Segments*[1]
HKAS 1 (Revised)	Presentation of Financial Statements*[1]
HKAS 23 (Revised)	Borrowing Costs*[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements*[2]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions*[3]
HK(IFRIC)-Int 12	Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes*[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

*[1] Effective for annual periods beginning on or after 1st January, 2009
*[2] Effective for annual periods beginning on or after 1st July, 2009
*[3] Effective for annual periods beginning on or after 1st March, 2007
*[4] Effective for annual periods beginning on or after 1st January, 2008
*[5] Effective for annual periods beginning on or after 1st July, 2008

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

Notes to the Financial Statements *(continued)*

2.3 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

HKFRS 8, which will replace 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. The Group expects to adopt HKFRS 8 from 1st January, 2009.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKFRS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

2.3 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards (*continued*)

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the adoption of HKAS1 (Revised) and HKFRS 8 may result in new or amended disclosures. The Group has already commenced an assessment of the impact of the other new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the results of operations and financial position.

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. Interests in subsidiaries are stated in the Company's balance sheet 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 entity and the basis on which the assets are to be realised upon its dissolution. The profits and 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.

Notes to the Financial Statements (*continued*)

2.4 Summary of Significant Accounting Policies (*continued*)

(b) Joint ventures (*continued*)

A joint venture is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(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.

(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 balance sheet 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 profit and loss account 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 interest 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 profit and loss account 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(d) Associates *(continued)*

The Group's interests in associates are stated in the consolidated balance sheet 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 profit and loss account 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's profit and loss account 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.

(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 interests 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 balance sheet 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 on the consolidated balance sheet.

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 31st 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(e) Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is on or after 1st January, 2005 (continued)

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 distributable reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 Business Combinations ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated distributable reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated distributable reserves and is not recognised in the consolidated profit and loss account 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.

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 profit and loss account.

The excess for associates and jointly controlled entities is included in the Group's share of the associates' and jointly controlled entities' profit or loss 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 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 risk specific to the asset. An impairment loss is charged to the profit and loss account 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets 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 impairment loss is credited to the profit and loss account 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.

(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 profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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	1 per cent.
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	10 per cent. to $33^1/_3$ per cent.
Motor vehicles	20 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 each balance sheet date.

An item of fixed assets 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 profit and loss account in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of Significant Accounting Policies (*continued*)

(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 balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the profit and loss account in the year of the retirement or disposal.

(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. Other properties under development are stated at cost less any impairment losses. Costs comprise the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

Properties under development which have either been pre-sold or which are intended for sale, and are expected to be completed within one year from the balance sheet date, are classified as current assets.

(j) Investments and other financial assets

Financial assets in 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, as appropriate. 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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.4 Summary of Significant Accounting Policies *(continued)*

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

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the profit and loss account. The net fair value gain or loss recognised in the profit and loss account does 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.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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. 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.

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 computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the profit and loss account when the financial assets are derecognised or impaired, as well as through the amortisation process.

All regular way purchases or sales of held-to-maturity financial assets are recognised on the settlement date, that is, the date the asset is received or delivered by the Group.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

All regular way purchases or sales of loans and receivables are recognised on the settlement date, that is, the date the asset is received or delivered by the Group.

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 that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the financial assets are derecognised or until the financial assets are determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the profit and loss account as "Revenue" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such financial assets are recognised in the profit and loss account as "Provision for Impairment losses on available-for-sale financial assets" and are transferred from investment revaluation reserve.

When the fair value of unlisted equity securities and debt securities 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.

All regular way purchases or sales of available-for-sale financial assets are recognised on the settlement date, that is, the date the asset is received or delivered by the Group.

Fair value

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For financial assets where there is no active market, fair value is determined using 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(k) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the profit and loss account. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

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

Available-for-sale financial assets

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 loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exits. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the profit and loss account.

Impairment losses on debt instruments are reversed through the profit and loss account 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 profit and loss account.

(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 where:

(i) the rights to receive cash flows from the asset have expired;

(ii) the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset 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. 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.

Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 Summary of Significant Accounting Policies (*continued*)

(m) Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities, including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the profit and loss account.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

(n) Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(o) 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 profit and loss account.

(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) 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;

(ii) 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;

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(q) Revenue recognition *(continued)*

(iii) 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;

(iv) dividend income, when the shareholders' right to receive payment has been established;

(v) commission income, in the period when receivable, unless it is charged to cover the costs of a continuing service to, or risk borne for, customers, or is interest income in nature. In this case, commission income is recognised on a pro rata basis over the relevant period; and

(vi) investment advisory, management and service fee income, when the services have been rendered.

(r) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period 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.

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

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

(i) where the deferred tax liability arise from goodwill or the initial recognition of an asset or liability in transaction that is not a business combination and, at the time of the transaction, affects neither 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.

2.4 Summary of Significant Accounting Policies (*continued*)

(r) Income tax (*continued*)

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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

(s) 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 balance sheet date 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 profit and loss account.

(t) 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 balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward at the balance sheet date.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(t) Employee benefits *(continued)*

Retirement benefits costs

Employer's contributions made by the Group to the Mandatory Provident Funds operated for the benefits of employees of the Group as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred. The assets of the schemes are held separately from those of the Group in independently administrated funds.

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 using an adjusted Black-Scholes model, further details of which are given in Note 32 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or services conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date 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 profit and loss account 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 awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market conditional is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 Summary of Significant Accounting Policies *(continued)*

(t) Employee benefits *(continued)*

Share-based payment transactions (continued)

Where and 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. 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.

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

(u) 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.

(v) 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 profit and loss account 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 profit and loss account on the straight-line basis over the lease terms.

(w) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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 balance sheets, cash and cash equivalents comprise cash on hand, cash at banks, demand deposits and treasury bills which are not restricted as to use.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(x) 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 are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. 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 balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date, and their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in the exchange equalisation reserve relating to that particular foreign operation is recognised in the profit and loss account.

For the purpose of the consolidated cash flow statement, 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.

(y) 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 the 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);

2.4 Summary of Significant Accounting Policies (*continued*)

(y) Related parties (*continued*)

(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 employees of the Group, or of any entity that is a related party of the Group.

(z) Dividends and distributions

Final dividends and distributions proposed by the Directors are classified as a separate allocation of distributable reserves within the equity section of the balance sheet, 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.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. 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 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 independently of the other assets held by the Group.

Notes to the Financial Statements (*continued*)

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

(a) Judgements (*continued*)

Classification between investment properties and owner-occupied properties (*continued*)

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 uncertainly

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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. The carrying amount of goodwill at 31st December, 2007 was HK$71,485,000 (2006 – HK$57,285,000). Further details are given in Note 16.

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 date of the transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from 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 profit and loss account. No impairment losses have been recognised for available-for-sale financial assets for the year (2006 – HK$5,797,000). The carrying amount of available-for-sale financial assets at 31st December, 2007 was HK$129,412,000 (2006 – HK$102,869,000).

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

(b) Estimation uncertainly (*continued*)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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.

4. Segment Information

Segment information is presented by way of business segment as the primary segment reporting format and geographical segment as the secondary segment reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. In respect of geographical segment reporting, revenue is based on the location of customers, and assets and capital expenditure are based on the location of the assets.

Descriptions of the business segments are as follows:

(a) the property investment and development segment includes letting, resale and development of properties;

(b) the treasury investment segment includes investments in cash and bond markets;

(c) the securities investment segment includes dealings in securities and disposals of investments;

(d) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;

(e) the banking business segment engages in the provision of commercial and retail banking services;

(f) the project management segment engages in the provision of project management, marketing, sales administrative and other related services; and

(g) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of fund management and investment advisory services.

Notes to the Financial Statements *(continued)*

4. Segment Information *(continued)*

An analysis of the Group's segment information by business segment is set out as follows:

Group

2007	Property investment and development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	27,867	9,475	607,661	158,871	27,338	52,655	14,517	—	898,384
Inter-segment	—	15	—	174	—	3,353	932	(4,474)	—
Total	27,867	9,490	607,661	159,045	27,338	56,008	15,449	(4,474)	898,384
Segment results	97,389	8,897	65,454	42,686	4,173	30,270	26,113	(3,588)	271,394
Unallocated corporate expenses									(60,819)
Finance costs									(44,689)
Share of results of associates	1,104,022	—	—	—	—	—	6,808	—	1,110,830
Share of results of jointly controlled entities	(679)	—	—	—	—	—	(1,295)	—	(1,974)
Profit before tax									1,274,742
Tax									(6,615)
Profit for the year									1,268,127

Notes to the Financial Statements *(continued)*

4. Segment Information *(continued)*

An analysis of the Group's segment information by business segment is set out as follows: (*continued*)

Group

2007	Property investment and development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Segment assets	792,705	247,503	539,012	937,874	418,745	10,188	18,885	—	2,964,912
Interests in associates	3,379,037	—	—	814	—	—	53,759	—	3,433,610
Interests in jointly controlled entities	181,485	—	—	—	—	—	2,479	—	183,964
Unallocated assets									11,096
Total assets									6,593,582
Segment liabilities	10,174	—	56,313	830,022	167,982	9,007	1,818	—	1,075,316
Unallocated liabilities									820,863
Total liabilities									1,896,179
Other segment information:									
Capital expenditure	2,115	—	—	708	1,389	73	16	—	4,301
Depreciation	(1,312)	—	(227)	(548)	(2,074)	(234)	(505)	—	(4,900)
Write-back of allowance for bad and doubtful debts relating to banking operation	—	—	—	—	128	—	—	—	128
Provisions for impairment losses:									
Associates	—	—	—	—	—	—	(23,008)	—	(23,008)
Properties held for sale	(10,090)	—	—	—	—	—	—	—	(10,090)
Properties under development	(26,780)	—	—	—	—	—	—	—	(26,780)
Net fair value gain on financial assets at fair value through profit or loss	—	—	52,276	—	—	—	—	—	52,276
Fair value gains on investment properties	25,106	—	—	—	—	—	—	—	25,106
Unallocated:									
Capital expenditure									556
Depreciation									(2,609)

Notes to the Financial Statements *(continued)*

4. Segment Information *(continued)*

An analysis of the Group's segment information by business segment is set out as follows: *(continued)*

Group

2006	Property investment and development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	35,734	15,825	903,504	95,614	28,965	161	19,225	—	1,099,028
Inter-segment	—	1,003	—	1,065	—	233	6,691	(8,992)	—
Total	35,734	16,828	903,504	96,679	28,965	394	25,916	(8,992)	1,099,028
Segment results	218,622	16,095	324,780	17,616	7,271	394	4,423	(7,414)	581,787
Unallocated corporate expenses									(76,122)
Finance costs									(35,473)
Share of results of associates	(17,702)	—	—	—	—	—	13,688	—	(4,014)
Share of results of jointly controlled entities	(572)	—	—	—	—	—	(2,072)	—	(2,644)
Profit before tax									463,534
Tax									(46,975)
Profit for the year									416,559

Notes to the Financial Statements *(continued)*

4. Segment Information *(continued)*

An analysis of the Group's segment information by business segment is set out as follows: (*continued*)

Group

2006	Property investment and development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Segment assets	1,424,556	262,469	933,694	786,732	541,361	1,232	12,086	—	3,962,130
Interests in associates	1,835,329	—	—	814	—	—	125,821	—	1,961,964
Interests in jointly controlled entities	45,642	—	—	—	—	—	3,657	—	49,299
Unallocated assets									12,591
Total assets									5,985,984
Segment liabilities	16,405	—	46,968	767,974	308,875	—	2,966	—	1,143,188
Unallocated liabilities									1,551,107
Total liabilities									2,694,295
Other segment information:									
Capital expenditure	845	—	—	460	334	35	318	—	1,992
Depreciation	(935)	—	(388)	(432)	(1,901)	(208)	(708)	—	(4,572)
Write-back of allowance/ (Allowance) for bad and doubtful debts relating to:									
Banking operation	—	—	—	—	4	—	—	—	4
Non-banking operation	—	—	—	1,850	—	—	(583)	—	1,267
Provisions for impairment losses on available-for-sale financial assets	—	—	(5,797)	—	—	—	—	—	(5,797)
Net fair value gain on financial assets at fair value through profit or loss	—	—	216,728	—	—	—	—	—	216,728
Fair value gains on investment properties	207,276	—	—	—	—	—	—	—	207,276
Unallocated:									
Capital expenditure									3,625
Depreciation									(2,416)

Notes to the Financial Statements *(continued)*

4. Segment Information *(continued)*

An analysis of the Group's segment information by geographical segment is set out as follows:

Group

2007	**Hong Kong HK$'000**	**Macau HK$'000**	**Republic of Singapore HK$'000**	**Japan HK$'000**	**Other HK$'000**	**Consolidated HK$'000**
Revenue	**273,794**	**27,338**	**551,927**	**21,055**	**24,270**	**898,384**
Segment assets	**1,377,998**	**788,984**	**384,405**	**42,396**	**382,225**	**2,976,008**
Interests in associates	**93**	**—**	**3,379,038**	**—**	**54,479**	**3,433,610**
Interests in jointly controlled entities	**—**	**—**	**172,187**	**—**	**11,777**	**183,964**
Total assets						**6,593,582**
Capital expenditure	**782**	**1,389**	**590**	**—**	**2,096**	**4,857**

2006	Hong Kong HK$'000	Macau HK$'000	Republic of Singapore HK$'000	Japan HK$'000	Other HK$'000	Consolidated HK$'000
Revenue	641,854	28,965	198,525	58,504	171,180	1,099,028
Segment assets	1,206,879	895,717	1,512,158	62,845	297,122	3,974,721
Interests in associates	27,450	—	1,835,329	—	99,185	1,961,964
Interests in jointly controlled entities	—	—	35,568	—	13,731	49,299
Total assets						5,985,984
Capital expenditure	3,125	350	1,317	—	825	5,617

Notes to the Financial Statements *(continued)*

5. Revenue

Revenue, which is also the Group's turnover, representing the aggregate of gross rental income, gross income on treasury investment which includes interest income on bank deposits and debt securities, gross income from securities investment which includes proceeds from sales of investments, dividend income and related interest income, gross income from underwriting and securities broking, gross income from project management, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, 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	
	2007 **HK$'000**	2006 HK$'000
Property investment and development	**27,867**	35,734
Treasury investment	**9,475**	15,825
Securities investment	**607,661**	903,504
Corporate finance and securities broking	**158,871**	95,614
Banking business	**27,338**	28,965
Project management	**52,655**	161
Other	**14,517**	19,225
	898,384	1,099,028

Revenue attributable to banking business represents revenue generated from The Macau Chinese Bank Limited ("MCB"), a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Revenue attributable to banking business is analysed as follows:

	Group	
	2007 **HK$'000**	2006 HK$'000
Interest income	**21,253**	23,916
Commission income	**4,923**	3,915
Other revenues	**1,162**	1,134
	27,338	28,965

Notes to the Financial Statements *(continued)*

6. Profit Before Tax

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

	Group	
	2007	2006
	HK$'000	HK$'000
Gross rental income	**27,867**	22,667
Less: Outgoings	**(6,563)**	(6,230)
Net rental income	**21,304**	16,437
Employee benefits expense (*Note*):		
Wages and salaries	**(94,397)**	(88,288)
Share options	**(6,800)**	—
Retirement benefits costs	**(3,096)**	(2,746)
Total staff costs	**(104,293)**	(91,034)
Interest income:		
Listed financial assets at fair value through profit or loss	**1,951**	5,650
Unlisted financial assets at fair value through profit or loss	**324**	758
Listed held-to-maturity financial assets	**853**	884
Loan and receivables	**1,336**	1,093
Banking operation	**21,253**	23,916
Other	**9,475**	15,825
Dividend income:		
Listed investments	**805**	771
Unlisted investments	**5,716**	2,291
Other unlisted investment income	**86**	664
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**7,749**	11,217
Unlisted financial assets at fair value through profit or loss	**27**	10,322
Listed available-for-sale financial assets	**—**	112,923
Unlisted available-for-sale financial assets	**724**	(26,685)
Net fair value gain on financial assets at fair value through profit or loss:		
Listed	**29,115**	25,188
Unlisted	**23,161**	191,540
Provision for impairment losses on unlisted available-for-sale financial assets	**—**	(5,797)
Depreciation	**(7,509)**	(6,988)
Loss on disposal of fixed assets	**(445)**	(67)
Foreign exchange gains – net	**10,912**	1,371
Auditors' remuneration	**(2,890)**	(2,025)
Minimum lease payments under operating lease rentals in respect of land and buildings	**(17,240)**	(13,940)

Note: The amounts include the Directors' emoluments disclosed in Note 7 to the financial statements.

Notes to the Financial Statements *(continued)*

7. 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	
	2007	2006
	HK$'000	HK$'000
Directors' fees	**747**	627
Basic salaries, housing and other allowances and benefits in kind	**3,260**	3,680
Share options	**2,916**	—
Discretionary bonuses paid and payable	**4,000**	3,000
Retirement benefits costs	**24**	24
	10,947	7,331

Notes to the Financial Statements *(continued)*

7. Directors' Emoluments *(continued)*

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

2007	Directors' fees HK$'000	Basic salaries, housing and other allowances and benefits in kind HK$'000	Share options HK$'000	Discretionary bonuses paid and payable HK$'000	Retirement benefits costs HK$'000	Total HK$'000
Executive directors:						
Mr. Stephen Riady	—	—	—	4,000	—	4,000
Mr. John Lee Luen Wai	59	1,534	1,710	—	12	3,315
Mr. Kor Kee Yee	—	1,726	226	—	12	1,964
	59	3,260	1,936	4,000	24	9,279
Non-executive directors:						
Dr. Mochtar Riady	120	—	—	—	—	120
Mr. Leon Chan Nim Leung	179	—	302	—	—	481
	299	—	302	—	—	601
Independent non-executive directors:						
Mr. Albert Saychuan Cheok	139	—	226	—	—	365
Mr. Victor Yung Ha Kuk	130	—	226	—	—	356
Mr. Tsui King Fai	120	—	226	—	—	346
	389	—	678	—	—	1,067
	747	3,260	2,916	4,000	24	10,947

Notes to the Financial Statements (*continued*)

7. Directors' Emoluments (*continued*)

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

2006	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. Stephen Riady	—	—	—	—	—
Mr. John Lee Luen Wai	29	1,954	3,000	12	4,995
Mr. Kor Kee Yee	—	1,726	—	12	1,738
	29	3,680	3,000	24	6,733
Non-executive directors:					
Dr. Mochtar Riady	120	—	—	—	120
Mr. Leon Chan Nim Leung	149	—	—	—	149
	269	—	—	—	269
Independent non-executive directors:					
Mr. Albert Saychuan Cheok	139	—	—	—	139
Mr. Victor Yung Ha Kuk	100	—	—	—	100
Mr. Tsui King Fai	90	—	—	—	90
	329	—	—	—	329
	627	3,680	3,000	24	7,331

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 32 to the financial statements.

Notes to the Financial Statements *(continued)*

8. Five Highest Paid Employees' Emoluments

The five highest paid employees during the year included two directors (2006 – two), details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the remaining three (2006 – three) non-director, highest paid employees for the year are as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Basic salaries, housing and other allowances and benefits in kind	**1,030**	3,282
Share options	**453**	—
Discretionary bonuses paid and payable	**13,649**	31,860
Retirement benefits costs	**100**	81
	15,232	35,223

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

	Group	
Emoluments bands (HK$):	**2007 Number of employees**	2006 Number of employees
3,000,001 – 3,500,000	**1**	—
3,500,001 – 4,000,000	**1**	—
5,000,001 – 5,500,000	**—**	1
8,000,001 – 8,500,000	**1**	—
11,000,001 – 11,500,000	**—**	1
19,000,001 – 19,500,000	**—**	1
	3	3

9. Retirement Benefits Costs

The Group previously operated several defined contribution schemes pursuant to the Occupational Retirement Schemes Ordinance which were replaced by the Mandatory Provident Fund schemes (the "MPF schemes") in December 2000 when the Mandatory Provident Fund Schemes Ordinance became effective. The assets of the schemes are held separately from those of the Group in independently administered funds.

Contributions made to the MPF schemes are based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The Group's employer contributions vest fully with the employees when contributed into the 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 schemes.

During the year, there were no forfeited employer contributions under the MPF schemes utilised to reduce the amount of employer contributions or for payments of administrative expenses (2006 – Nil). The amounts of forfeited voluntary contributions available to offset future employer contributions against the above schemes were not material at the year end. The retirement benefits scheme costs charged to the consolidated profit and loss account represent employer contributions paid and payable by the Group to the schemes and amounted to HK$3,096,000 (2006 – HK$2,746,000).

10. Finance Costs

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank and other borrowings wholly repayable within five years	**78,812**	53,486
Less: Interest capitalised	**(8,138)**	(4,422)
	70,674	49,064

The amount excludes interest expense incurred by a banking subsidiary of the Group.

Notes to the Financial Statements *(continued)*

11. Share of Results of Associates

The amount included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP"), a property fund which carries the objective of investing in real estates in the East Asia Region, of approximately HK$1,104 million (2006 – loss of HK$18 million).

12. Tax

	Group	
	2007 HK$'000	2006 HK$'000
Hong Kong:		
Charge for the year	**130**	1,435
Underprovision in prior years	**—**	2,269
Deferred	**3,020**	1,179
	3,150	4,883
Overseas:		
Charge for the year	**5,819**	4,207
Underprovision/(Overprovision) in prior years	**(249)**	919
Deferred	**(2,105)**	36,966
	3,465	42,092
Total charge for the year	**6,615**	46,975

Hong Kong profits tax has been provided at the rate of 17.5 per cent. (2006 – 17.5 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 based on existing legislation, interpretations and practices in respect thereof.

Notes to the Financial Statements *(continued)*

12. Tax *(continued)*

A reconciliation of the tax charge applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before tax	**1,274,742**	463,534
Tax at the statutory tax rate of 17.5 per cent. (2006 – 17.5 per cent.)	**223,080**	81,118
Effect of different tax rates in other jurisdictions	**(36,665)**	(20,037)
Adjustments in respect of current tax of previous years	**(249)**	3,188
Profits and losses attributable to jointly controlled entities and associates	**(194,050)**	1,165
Income not subject to tax	**(15,701)**	(16,489)
Expenses not deductible for tax	**20,932**	2,257
Tax losses utilised from previous years	**(4,855)**	(17,183)
Tax losses not recognised	**14,123**	12,956
Tax charge at the Group's effective rate of 1 per cent. (2006 – 10 per cent.)	**6,615**	46,975

For the companies operated in Republic of Singapore and Macau, corporate taxes have been calculated on the estimated assessable profits for the year at the rate of 18 per cent. and 12 per cent. (2006 – 20 per cent. and 12 per cent.), respectively.

The share of tax charge attributable to associates amounting to HK$376,491,000 (2006 – tax credit of HK$19,159,000) is included in "Share of results of associates" on the face of the consolidated profit and loss account.

13. Profit Attributable to Equity Holders of the Company

The consolidated profit attributable to equity holders of the Company for the year included a profit of HK$49,274,000 (2006 – loss of HK$34,676,000) which has been dealt with in the financial statements of the Company as set out in Note 33 to the financial statements.

Notes to the Financial Statements (*continued*)

14. Earnings Per Share Attributable to Equity Holders of the Company

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company of HK$1,267,271,000 (2006 – HK$391,472,000); and (ii) the weighted average number of 1,346,829,000 ordinary shares (2006 – 1,346,829,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share is presented for the years ended 31st December, 2007 and 2006 as the share options outstanding during these years had no dilutive effect on the basic earnings per share for these years.

15. Distributions

	Group and Company	
	2007 **HK$'000**	2006 HK$'000
Interim, declared and paid, of HK1.75 cents (2006 – HK1.5 cents) per ordinary share	**23,570**	20,202
Final, proposed, of HK5 cents (2006 – HK5 cents, paid) per ordinary share	**67,341**	67,341
	90,911	87,543

The proposed final distribution 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, 2006 and 31st December, 2006:	
Cost	61,027
Accumulated impairment	(3,742)
Net carrying amount	57,285
Cost at 1st January, 2007, net of accumulated impairment	57,285
Acquisition of shares in a subsidiary from a minority shareholder	14,200
Carrying amount at 31st December, 2007	71,485
At 31st December, 2007:	
Cost	**75,227**
Accumulated impairment	**(3,742)**
Net carrying amount	**71,485**

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the banking business cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of the banking business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projection is 5 per cent. (2006 – 5 per cent.). The growth rate used to extrapolate the cash flows of the banking business beyond the five-year period is assumed to be nil.

The carrying amount of goodwill allocated to the banking business cash-generating unit is as follows:

	2007 HK$'000	2006 HK$'000
Carrying amount of goodwill	**71,485**	57,285

Notes to the Financial Statements *(continued)*

17. Fixed Assets

Group

2007	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2007	25,047	79,577	104,624
Additions during the year	—	4,857	4,857
Disposals during the year	—	(1,314)	(1,314)
Exchange adjustments	—	1,183	1,183
At 31st December, 2007	25,047	84,303	109,350
Accumulated depreciation:			
At 1st January, 2007	772	56,409	57,181
Provided for the year	250	7,259	7,509
Disposals during the year	—	(869)	(869)
Exchange adjustments	—	719	719
At 31st December, 2007	1,022	63,518	64,540
Net book value:			
At 31st December, 2007	24,025	20,785	44,810

Notes to the Financial Statements *(continued)*

17. Fixed Assets *(continued)*

Group

2006	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2006	25,047	75,024	100,071
Additions during the year	—	5,617	5,617
Disposals during the year	—	(236)	(236)
Disposal of subsidiaries	—	(1,772)	(1,772)
Exchange adjustments	—	944	944
At 31st December, 2006	25,047	79,577	104,624
Accumulated depreciation:			
At 1st January, 2006	522	49,956	50,478
Provided for the year	250	6,738	6,988
Disposals during the year	—	(169)	(169)
Disposal of subsidiaries	—	(540)	(540)
Exchange adjustments	—	424	424
At 31st December, 2006	772	56,409	57,181
Net book value:			
At 31st December, 2006	24,275	23,168	47,443

The leasehold land and buildings situated outside Hong Kong are held under medium term leases.

Notes to the Financial Statements *(continued)*

17. Fixed Assets *(continued)*

Company

2007	**Furniture, fixtures, equipment and motor vehicles HK$'000**
Cost:	
At 1st January, 2007	**7,115**
Additions during the year	**38**
At 31st December, 2007	**7,153**
Accumulated depreciation:	
At 1st January, 2007	**3,145**
Provided for the year	**1,299**
At 31st December, 2007	**4,444**
Net book value:	
At 31st December, 2007	**2,709**
2006	
Cost:	
At 1st January, 2006	4,571
Additions during the year	2,544
At 31st December, 2006	7,115
Accumulated depreciation:	
At 1st January, 2006	1,882
Provided for the year	1,263
At 31st December, 2006	3,145
Net book value:	
At 31st December, 2006	3,970

Notes to the Financial Statements *(continued)*

18. Investment Properties

	Group	
	2007	2006
	HK$'000	HK$'000
Medium term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	**17,170**	16,800
Fair value adjustments	**2,330**	370
Balance at end of year	**19,500**	17,170
Long term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	**90,523**	84,118
Fair value adjustments	**14,977**	6,405
Balance at end of year	**105,500**	90,523
Medium term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**354,000**	312,000
Additions during the year	**8,474**	4,422
Fair value adjustments	**7,526**	37,578
Balance at end of year	**370,000**	354,000
Freehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**674,563**	8,605
Additions during the year	**17,588**	469,221
Disposal of subsidiaries	**(668,585)**	—
Fair value adjustments	**273**	162,923
Exchange adjustments	**5,870**	33,814
Balance at end of year	**29,709**	674,563
Total	**524,709**	1,136,256

Based on professional valuations as at 31st December, 2007 made by Vigers Appraisal and Consulting Limited and by reference to the actual disposal value of an investment property which was disposed to a third party subsequent to the balance sheet date, the investment properties in Hong Kong were revalued on an open market, existing use basis at HK$125,000,000 (2006 – HK$107,693,000).

Notes to the Financial Statements *(continued)*

18. Investment Properties *(continued)*

Based on professional valuations as at 31st December, 2007 made by Professional Asset Valuers, Incorporated, Savills (Macau) Limited and CB Richard Ellis, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK$399,709,000 (2006 – HK$1,028,563,000).

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 27 to the financial statements.

19. Properties under Development

	Group	
	2007	2006
	HK$'000	HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**160,115**	105,096
Additions during the year	**42,127**	47,384
Provisions for impairment losses	**(26,780)**	—
Exchange adjustments	**10,029**	7,635
Balance at end of year	**185,491**	160,115
Less: Amount classified under current portion	**(47,725)**	—
Non-current portion	**137,766**	160,115
Land and buildings held under the following lease terms:		
Leasehold (*Note*)	**99,362**	98,121
Freehold	**86,129**	61,994
	185,491	160,115

Note: The lease terms of the properties under development situated outside Hong Kong are 99 years.

Notes to the Financial Statements *(continued)*

20. Interests in Associates

	Group	
	2007 **HK$'000**	2006 HK$'000
Share of net assets in unlisted investments	**3,028,004**	1,700,144
Goodwill arising from acquisition less impairment	**—**	1,759
Due from associates	**445,002**	298,624
Due to associates	**—**	(22,175)
	3,473,006	1,978,352
Provisions for impairment losses	**(39,396)**	(16,388)
	3,433,610	1,961,964

The amount of goodwill arising from the acquisition of associates is as follows:

Cost:		
Balance at beginning of year	**9,195**	9,195
Disposal of associates	**(9,195)**	—
Balance at end of year	**—**	9,195
Accumulated impairment:		
Balance at beginning of year	**7,436**	7,436
Disposal of associates	**(7,436)**	—
Balance at end of year	**—**	7,436
Net carrying amount at end of year	**—**	1,759

The balance as at 31st December, 2007 included the Group's interest in LAAP of approximately HK$3,115 million (2006 – HK$1,639 million). In May 2006, LAAP participated in a joint venture to invest in Overseas Union Enterprise Limited, a listed company in Singapore principally engaged in property investment and hotel operation.

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances are approximate to their fair values.

Notes to the Financial Statements *(continued)*

20. Interests in Associates *(continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
Assets	**17,611,597**	11,495,246
Liabilities	**(7,999,845)**	(5,603,360)
Revenues	**1,118,750**	1,222,846
Profit	**1,105,141**	165,614

Details of the principal associates are set out on page 135.

21. Interests in Jointly Controlled Entities

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets in unlisted investments	**23,945**	1,243
Goodwill arising from acquisition	**1,324**	1,324
Due from jointly controlled entities	**158,695**	46,732
	183,964	49,299

As at 31st December, 2007, the balances with the jointly controlled entities included a loan of HK$4,000,000 (2006 – HK$3,988,000), which is secured by certain shares of a jointly controlled entity, bears interest at United States dollar prime rate plus 2 per cent. (2006 – United States dollar prime rate plus 2 per cent.) per annum and has no fixed terms of repayment. The remaining balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances are approximate to their fair values.

Notes to the Financial Statements *(continued)*

21. Interests in Jointly Controlled Entities *(continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**460,627**	9,671
Non-current assets	**436**	47,330
Current liabilities	**(26,189)**	(9,522)
Non-current liabilities	**(251,581)**	—
Net assets	**183,293**	47,479
Share of the jointly controlled entities' results:		
Turnover	**382**	912
Total expenses	**(2,356)**	(3,556)
Loss after tax	**(1,974)**	(2,644)
Share of the jointly controlled entities' capital commitments	**150,875**	307,713

Details of the principal jointly controlled entities are set out on page 136.

Notes to the Financial Statements (*continued*)

22. Available-for-sale Financial Assets

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets stated at fair value:				
Unlisted investment funds	**119,967**	94,442	**—**	—
Financial assets stated at cost:				
Unlisted equity securities	**79,602**	79,166	**—**	—
Unlisted debt securities	**12,118**	11,536	**3,165**	3,165
Provision for impairment losses	**(82,275)**	(82,275)	**—**	—
	9,445	8,427	**3,165**	3,165
	129,412	102,869	**3,165**	3,165
Less: Amount classified under current portion	**(2,454)**	—	**—**	—
Non-current portion	**126,958**	102,869	**3,165**	3,165

The debt securities have effective interest rates ranging from nil to 8 per cent. (2006 – nil to 8 per cent.) per annum.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
An analysis of the issuers of available-for-sale financial assets is as follows:				
Equity securities:				
Corporate entities	**79,602**	79,166	**—**	—
Debt securities:				
Club debenture	**3,165**	3,165	**3,165**	3,165
Corporate entities	**8,953**	8,371	**—**	—
	12,118	11,536	**3,165**	3,165

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

During the year, the gross gain of the Group's available-for-sale financial assets recognised directly in equity amounted to HK$22,129,000 (2006 – HK$26,672,000), of which HK$1,306,000 (2006 – HK$87,288,000) was removed from equity and recognised in the consolidated profit and loss account for the year.

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 valuation requires the Directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the financial assets. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheet, 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 balance sheet date.

Apart from the above, certain unlisted equity securities and debt securities issued by private entities are measured at cost less impairment at each balance sheet date. 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 and the profit projections prepared by the investees' management. No impairment loss (2006 – HK$5,797,000) has been charged to the consolidated profit and loss account for the year.

Notes to the Financial Statements *(continued)*

23. Held-to-maturity Financial Assets

	Group	
	2007	2006
	HK$'000	HK$'000
Debt securities, at amortised cost:		
Listed overseas	**9,572**	9,582
Market value of listed debt securities	**10,555**	10,444

The debt securities have effective interest rates of 9 per cent. (2006 – 9 per cent.) per annum.

An analysis of the issuers of held-to-maturity financial assets is as follows:		
Banks and other financial institutions	**9,572**	9,582

24. Loans and Advances

The loans and advances to customers of the Group have effective interest rates ranging from 6 per cent. to 18 per cent. (2006 – 3 per cent. to 18 per cent.) per annum. The carrying amounts of loans and advances are approximate to their fair values. Balances arising from securities broking and banking operation are secured by clients' properties, deposits and securities being held as collaterals with carrying amount of HK$643,429,000 (2006 – HK$917,341,000).

As at the balance sheet date, the overdue or impaired balances are related to banking operation. Movements of allowance for bad and doubtful debts during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Balance at beginning of year	**2,996**	3,000
Allowance for bad and doubtful debts	**373**	85
Impairment allowance released	**(501)**	(89)
Balance at end of year	**2,868**	2,996

Except for the above, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default.

Notes to the Financial Statements *(continued)*

25. Financial Assets at Fair Value through Profit or Loss

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Equity securities:				
Listed in Hong Kong	**66,080**	56,293	**29,663**	14,200
Listed overseas	**7,297**	6,731	**4,151**	4,245
	73,377	63,024	**33,814**	18,445
Debt securities:				
Listed overseas	**8,733**	9,056	**—**	—
Investment funds:				
Listed overseas	**31,498**	46,030	**—**	—
Unlisted	**278,901**	230,731	**—**	—
	310,399	276,761	**—**	—
Other:				
Unlisted	**6,299**	5,813	**—**	—
	398,808	354,654	**33,814**	18,445
Designated as financial assets at fair value through profit or loss (*Note*):				
Unlisted investment funds	**—**	466,371	**—**	—
	398,808	821,025	**33,814**	18,445

Note: The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising the gains or losses on different bases.

The debt securities have effective interest rates ranging from 6.5 per cent. to 8 per cent. (2006 – 6.5 per cent. to 8 per cent.) per annum.

Notes to the Financial Statements *(continued)*

25. Financial Assets at Fair Value through Profit or Loss *(continued)*

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
An analysis of the issuers of financial assets at fair value through profit or loss is as follows:				
Equity securities:				
Banks and other financial institutions	**7,270**	—	**7,270**	—
Corporate entities	**66,107**	63,024	**26,544**	18,445
	73,377	63,024	**33,814**	18,445
Debt securities:				
Corporate entities	**8,733**	9,056	**—**	—

26. Debtors, Prepayments and Deposits

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

	Group	
	2007	2006
	HK$'000	HK$'000
Outstanding balances with ages:		
Repayable on demand	**44,416**	45,809
Within 30 days	**36,660**	39,602
Between 31 and 60 days	**272**	969
Between 61 and 90 days	**53**	184
	81,401	86,564

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 balance sheet date, 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.

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

Notes to the Financial Statements *(continued)*

27. Bank and Other Borrowings

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans:				
Secured (*Note (a)*)	**265,914**	594,078	**60,000**	60,000
Unsecured	**21,747**	10,000	**—**	—
	287,661	604,078	**60,000**	60,000
Other borrowings:				
Unsecured (*Note (b)*)	**525,978**	885,495	**525,978**	885,495
	813,639	1,489,573	**585,978**	945,495
Less: Amount classified under current portion	**(587,934)**	(942,205)	**(372,020)**	(885,495)
Non-current portion	**225,705**	547,368	**213,958**	60,000
Bank and other borrowings by currency:				
Hong Kong dollar	**433,958**	1,105,495	**273,958**	945,495
Singapore dollar	**—**	337,368	**—**	—
United States dollar	**367,934**	46,710	**312,020**	—
Renminbi	**11,747**	—	**—**	—
	813,639	1,489,573	**585,978**	945,495
Bank loans repayable:				
Within one year	**275,914**	56,710	**60,000**	—
In the second year	**11,747**	220,965	**—**	60,000
In the third to fifth years, inclusive	**—**	326,403	**—**	—
	287,661	604,078	**60,000**	60,000
Other borrowings repayable:				
Within one year	**312,020**	885,495	**312,020**	885,495
In the second year	**213,958**	—	**213,958**	—
	525,978	885,495	**525,978**	885,495

Notes to the Financial Statements *(continued)*

27. Bank and Other Borrowings *(continued)*

The carrying amounts of the Group and Company's bank and other borrowings are approximate to their fair values and bear interest at floating rates ranging from 4.2 per cent. to 7.5 per cent. (2006 – 4.7 per cent. to 6.1 per cent.) per annum.

Note:

(a) The bank loans as at 31st December, 2007 were secured by first legal mortgages over certain investment properties and certain securities of the Group with carrying amounts of HK$475,500,000 (2006 – HK$1,109,112,000) and HK$55,914,000 (2006 – HK$46,710,000), respectively.

(b) The Group's other borrowings as at 31st December, 2007 comprised of unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, and a third party, of HK$213,958,000 and HK$312,020,000 respectively. The loan advanced from Lippo would be repayable on or before 30th June, 2009. The loan advanced from the third party would be repayable on 26th June, 2008 and subject to renewal for one additional year on terms mutually agreed with the lender.

The Group's other borrowings as at 31st December, 2006 comprised of unsecured loans advanced from Lippo and Lippo China Resources Limited ("LCR"), a then intermediate holding company of the Company, of HK$248,126,000 and HK$637,369,000 respectively. The balance with LCR was fully repaid during the year.

28. Creditors, Accruals and Deposits Received

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

	Group	
	2007	2006
	HK$'000	HK$'000
Outstanding balances with ages:		
Repayable on demand	**767,208**	637,860
Within 30 days	**45,641**	108,336
	812,849	746,196

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 31st December, 2007, total client trust bank balances amounted to HK$730,995,000 (2006 – HK$582,905,000).

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

Notes to the Financial Statements *(continued)*

29. Current, Fixed, Savings and Other Deposits of Customers

The current, fixed, savings and other deposits of customers attributable to banking operation have effective interest rates ranging from 1.2 per cent. to 5.3 per cent. (2006 – 2.5 per cent. to 5.2 per cent.) per annum.

30. Deferred Tax

Deferred tax liabilities

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

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Fair value gains on available-for-sale financial assets HK$'000	Total HK$'000
2007				
At 1st January, 2007	**188**	**50,062**	**7,957**	**58,207**
Deferred tax charged to the profit and loss account during the year	**363**	**552**	**—**	**915**
Deferred tax credited to equity during the year (*Note* 33)	**—**	**—**	**(26)**	**(26)**
Disposal of subsidiaries	**—**	**(30,416)**	**—**	**(30,416)**
Exchange adjustments	**3**	**202**	**26**	**231**
At 31st December, 2007	**554**	**20,400**	**7,957**	**28,911**
2006				
At 1st January, 2006	193	10,770	5,026	15,989
Deferred tax charged/(credited) to the profit and loss account during the year	(10)	38,155	—	38,145
Deferred tax debited to equity during the year (*Note* 33)	—	—	2,921	2,921
Exchange adjustments	5	1,137	10	1,152
At 31st December, 2006	188	50,062	7,957	58,207

At 31st December, 2007, there were no significant unrecognised deferred tax liabilities (2006 – Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, jointly controlled entities or associates as the Group had no liability to additional tax should such amounts be remitted.

30. Deferred Tax *(continued)*

Deferred tax assets

The Group has tax losses arising in Hong Kong of HK$131,708,000 (2006 – HK$128,619,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses at the balance sheet date due to the unpredictability of future profit streams.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. Share Capital

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Authorised:		
2,000,000,000 (2006 – 2,000,000,000) ordinary shares of HK$1.00 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,346,829,094 (2006 – 1,346,829,094) ordinary shares of HK$1.00 each	**1,346,829**	1,346,829

32. Share Option Scheme

A new share option scheme of the Company (the "Share Option Scheme") was adopted and approved by the shareholders of the Company, Lippo Limited, an intermediate holding company of the Company, and Lippo China Resources Limited, a then intermediate holding company of the Company, on 7th June, 2007 (the "Adoption Date"). Pursuant to the Share Option Scheme, the board of the Directors of the Company (the "Board") may, at its discretion, offer to grant to any eligible employee (including directors, officers and/or employees 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 date 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 (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 one 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 the closing price of the shares of the Company on the date of grant of the option or 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 sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); or the nominal value of the shares of the Company on the date of grant of the option.

Notes to the Financial Statements *(continued)*

32. Share Option Scheme *(continued)*

On 17th December, 2007, options were granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors of the Company and employees of the Group to subscribe for a total of 13,468,000 ordinary shares of HK$1.00 each in the Company (the "Option Shares") at an exercise price of HK$1.68 per share (subject to adjustment). The above options cannot be exercised from the date of grant to 16th June, 2008. Such options will be exercisable from 17th June, 2008 to 16th December, 2012. The closing price of the shares of the Company on 14th December, 2007, being the trading day immediately preceding the date of grant of the options, as stated in the daily quotations sheet of the Stock Exchange was HK$1.63.

The movements in Option Shares granted under the Share Option Scheme during the year are summarised as follows:

			Number of Option Shares				
Participants	**Date of grant**	**Exercise price per share HK$**	**Balance as at 1st January, 2007**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Balance as at 31st December, 2007**
Directors:							
John Lee Luen Wai	17th December, 2007	1.68	—	3,400,000	—	—	3,400,000
Leon Chan Nim Leung	17th December, 2007	1.68	—	600,000	—	—	600,000
Kor Kee Yee	17th December, 2007	1.68	—	450,000	—	—	450,000
Albert Saychuan Cheok	17th December, 2007	1.68	—	450,000	—	—	450,000
Victor Yung Ha Kuk	17th December, 2007	1.68	—	450,000	—	—	450,000
Tsui King Fai	17th December, 2007	1.68	—	450,000	—	—	450,000
Employees (*Note*)	17th December, 2007	1.68	—	5,568,000	—	—	5,568,000
Others	17th December, 2007	1.68	—	2,100,000	—	—	2,100,000
Total			—	13,468,000	—	—	13,468,000

Note: Employees refer to the employees of the Group 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.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 134,682,909 ordinary shares of HK$1.00 each, representing approximately 10 per cent. of the issued share capital of the Company.

No option was exercised during the year.

Notes to the Financial Statements (*continued*)

32. Share Option Scheme (*continued*)

The exercise price of the Option Shares and exercise period of the options outstanding as at the balance sheet date are as follows:

2007

Number of Option Shares	Exercise price per share (Note) HK$	Exercise period
13,468,000	**1.68**	**17th June, 2008 to 16th December, 2012**

Note: The exercise price of the Option Shares is 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 options granted during the year was HK$6,800,000 (2006 – Nil) of which the Group recognised an option expense of HK$6,800,000 (2006 – Nil) during the year ended 31st December, 2007.

Notes to the Financial Statements (*continued*)

32. Share Option Scheme (*continued*)

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

2007

Dividend yield (per cent.)	**4.037**
Historical and expected volatility (per cent.)	**46.53**
Risk-free interest rate (per cent.)	**4**
Expected life of options (year)	**5**
Weighted average share price (HK$)	**1.61**

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 computed is inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

At the balance sheet date, the Company had options outstanding under the Share Option Scheme to subscribe for a total of 13,468,000 ordinary shares 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 13,468,000 additional ordinary shares of the Company and additional share capital of HK$13,468,000 and share premium of HK$9,158,000 (before issue expenses).

At the date of this report, the Company had options outstanding under the Share Option Scheme to subscribe for a total of 13,468,000 ordinary shares, which represented approximately one per cent. of the Company's shares in issue as at that date.

Notes to the Financial Statements *(continued)*

33. Reserves

Group

2007	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve (Note (c)) HK$'000	Legal reserve (Note (d)) HK$'000	Regulatory reserve (Note (e)) HK$'000	Investment revaluation reserve HK$'000	Distributable reserve (Note (b)) HK$'000	Exchange equalisation reserve HK$'000	Total HK$'000	Minority interests HK$'000
1st January, 2007	50,988	—	11,760	3,960	1,264	36,960	1,678,657	61,986	1,845,575	99,285
Net fair value gain on available-for-sale financial assets	—	—	—	—	—	22,085	—	—	22,085	44
Deferred tax arising from fair value gain on available-for-sale financial assets (*Note* 30)	—	—	—	—	—	26	—	—	26	—
Derecognition of available-for-sale financial assets	—	—	—	—	—	(1,306)	—	—	(1,306)	—
Share of reserves of associates and jointly controlled entities	—	—	—	—	—	75,982	—	174,900	250,882	—
Transfer of reserves	—	—	—	1,410	(373)	—	(1,037)	—	—	—
Exchange realignment	—	—	—	—	—	—	—	49,637	49,637	(342)
Advances from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	74,554
Acquisition of shares in a subsidiary from a minority shareholder	—	—	—	—	—	—	—	—	—	(31,925)
Changes in interests in subsidiaries	—	—	—	—	—	—	—	—	—	392
Disposal of subsidiaries	—	—	—	—	—	—	—	(11,563)	(11,563)	(130,786)
Equity-settled share option arrangements	—	6,800	—	—	—	—	—	—	6,800	—
Profit for the year	—	—	—	—	—	—	1,267,271	—	1,267,271	856
2006 final distribution, declared and paid	—	—	—	—	—	—	(67,341)	—	(67,341)	—
2007 interim distribution, declared and paid	—	—	—	—	—	—	(23,570)	—	(23,570)	—
At 31st December, 2007	**50,988**	**6,800**	**11,760**	**5,370**	**891**	**133,747**	**2,853,980**	**274,960**	**3,338,496**	**12,078**

Notes to the Financial Statements *(continued)*

33. Reserves *(continued)*

Group

2006	Share premium account HK$'000	Capital redemption reserve (Note (c)) HK$'000	Legal reserve (Note (d)) HK$'000	Regulatory reserve (Note (e)) HK$'000	Investment revaluation reserve HK$'000	Distributable reserve (Note (b)) HK$'000	Exchange equalisation reserve HK$'000	Total HK$'000	Minority interests HK$'000
At 1st January, 2006	50,988	11,760	3,034	1,169	81,876	1,348,813	(15,453)	1,482,187	32,079
Net fair value gain on available-for-sale financial assets	—	—	—	—	26,669	—	—	26,669	3
Deferred tax arising from fair value gain on available-for-sale financial assets (*Note* 30)	—	—	—	—	(2,921)	—	—	(2,921)	—
Derecognition of available-for-sale financial assets	—	—	—	—	(87,288)	—	—	(87,288)	—
Share of reserves of associates and jointly controlled entities	—	—	—	—	18,624	—	54,344	72,968	—
Transfer of reserves	—	—	926	95	—	(1,021)	—	—	—
Exchange realignment	—	—	—	—	—	—	23,095	23,095	891
Issue of shares by subsidiaries to minority shareholders	—	—	—	—	—	—	—	—	402
Advances from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	41,384
Acquisition of shares in a subsidiary from a minority shareholder	—	—	—	—	—	—	—	—	(258)
Changes in interests in subsidiaries	—	—	—	—	—	—	—	—	(303)
Profit for the year	—	—	—	—	—	391,472	—	391,472	25,087
2005 final distribution, declared and paid	—	—	—	—	—	(40,405)	—	(40,405)	—
2006 interim distribution, declared and paid	—	—	—	—	—	(20,202)	—	(20,202)	—
At 31st December, 2006	50,988	11,760	3,960	1,264	36,960	1,678,657	61,986	1,845,575	99,285

Notes to the Financial Statements *(continued)*

33. Reserves *(continued)*

Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve (Note (c)) HK$'000	Investment revaluation reserve HK$'000	Distributable reserves (Note (b)) HK$'000	Total HK$'000
At 1st January 2006	50,988	—	11,760	6,604	1,206,092	1,275,444
Derecognition of available-for-sale financial assets	—	—	—	(6,604)	—	(6,604)
Loss for the year (*Note* 13)	—	—	—	—	(34,676)	(34,676)
2005 final distribution, declared and paid	—	—	—	—	(40,405)	(40,405)
2006 interim distribution, declared and paid	—	—	—	—	(20,202)	(20,202)
At 31st December, 2006 and 1st January, 2007	**50,988**	**—**	**11,760**	**—**	**1,110,809**	**1,173,557**
Equity-settled share option arrangements	**—**	**6,800**	**—**	**—**	**—**	**6,800**
Profit for the year (Note 13)	**—**	**—**	**—**	**—**	**49,274**	**49,274**
2006 final distribution, declared and paid	**—**	**—**	**—**	**—**	**(67,341)**	**(67,341)**
2007 interim distribution, declared and paid	**—**	**—**	**—**	**—**	**(23,570)**	**(23,570)**
At 31st December, 2007	**50,988**	**6,800**	**11,760**	**—**	**1,069,172**	**1,138,720**

Notes to the Financial Statements *(continued)*

33. Reserves *(continued)*

Note:

(a) Cancellation of the share premium account and transfer to distributable reserves:

Pursuant to a special resolution passed at a special general meeting of the Company on 2nd December, 1997, the entire amount standing to the credit of the share premium account of HK$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.

(b) Distributable reserves of the Group at 31st December, 2007 comprise retained profits of HK$1,698,833,000 (2006 – HK$432,599,000) and the remaining balance arising from the Cancellation of HK$1,155,147,000 (2006 – HK$1,246,058,000). Included in the distributable reserves of the Group at 31st December, 2007 was an amount of proposed final distribution for the year then ended of HK$67,341,000 (2006 – HK$67,341,000) declared after the balance sheet date.

Distributable reserves of the Company at 31st December, 2007 comprise contributed surplus of HK$134,329,000 (2006 – HK$134,329,000), accumulated losses of HK$220,304,000 (2006 – HK$269,578,000) and the remaining balance arising from the Cancellation of HK$1,155,147,000 (2006 – HK$1,246,058,000). Included in the distributable reserves of the Company at 31st December, 2007 was an amount of proposed final distribution for the year then ended of HK$67,341,000 (2006 – HK$67,341,000) declared after the balance sheet date.

(c) The capital redemption reserve is not available for distribution to shareholders.

(d) The legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.

(e) The regulatory reserve represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.

Notes to the Financial Statements *(continued)*

34. Interests in Subsidiaries

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**44,953**	44,953
Due from subsidiaries	**3,768,679**	3,756,546
Due to subsidiaries	**(661,541)**	(285,986)
	3,152,091	3,515,513
Provisions for impairment losses	**(103,569)**	(103,569)
	3,048,522	3,411,944

The balances with subsidiaries are unsecured, have no fixed terms of repayment and are approximate to their fair values. Certain balances bear interest at rates reflecting the respective costs of funds within the Group.

Details of the principal subsidiaries are set out on pages 131 to 134.

Notes to the Financial Statements *(continued)*

35. Notes to the Consolidated Cash Flow Statement

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

	Note	Group 2007 HK$'000	Group 2006 HK$'000
Profit before tax		**1,274,742**	463,534
Adjustments for :			
Share of results of associates		**(1,110,830)**	4,014
Share of results of jointly controlled entities		**1,974**	2,644
Loss/(Gain) on disposal of:			
Items of fixed assets	6	**445**	67
Available-for-sale financial assets	6	**(724)**	(86,238)
Associates		**(57,620)**	—
Subsidiaries	35(b)	**(101,956)**	(848)
Loss/(Gain) on changes in interests in subsidiaries		**1,053**	(303)
Write-back of allowance for bad and doubtful debts		**(128)**	(1,271)
Provisions for impairment losses:			
Associates		**23,008**	—
Available-for-sale financial assets	6	**—**	5,797
Properties held for sale		**10,090**	—
Properties under development	19	**26,780**	—
Net fair value gain on financial assets at fair value through profit or loss		**(52,276)**	(216,728)
Fair value gains on investment properties		**(25,106)**	(207,276)
Share options	6	**6,800**	—
Interest expenses	10	**70,674**	49,064
Interest income		**(35,192)**	(48,126)
Dividend income		**(6,521)**	(3,062)
Depreciation	6	**7,509**	6,988
		32,722	(31,744)
Decrease in financial assets at fair value through profit or loss		**474,493**	282,656
Decrease in held-to-maturity financial assets		**10**	22
Increase in properties held for sale		**(577)**	(6,782)
Decrease/(Increase) in loans and advances		**35,642**	(28,419)
Decrease in debtors, prepayments and deposits		**11,472**	1,056
Increase in creditors, accruals and deposit received		**62,381**	30,424
Increase/(Decrease) in current, fixed, savings and other deposits of customers		**(140,298)**	188,778
Increase in client trust bank balances		**(148,090)**	(138,445)
Cash generated from operations		**327,755**	297,546

35. Notes to the Consolidated Cash Flow Statement (*continued*)

(b) Disposal of subsidiaries

In June 2007, the Group disposed of its entire interest in a joint venture, which held twenty-two strata lots in a commercial building located at 79 Anson Road in Singapore. The disposal resulted in a gain on disposal of subsidiaries of HK$101,956,000.

	Group	
	2007	2006
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	**—**	1,232
Investment properties	**668,585**	—
Cash and bank balances	**25,813**	54,634
Debtors, prepayments and deposits	**124**	349
Creditors, accruals and deposits received	**(9,545)**	(1,077)
Tax payable	**—**	(39)
Deferred tax liabilities	**(30,416)**	—
Release of exchange equalisation reserve	**(11,563)**	—
Minority interests	**(130,786)**	—
	512,212	55,099
Gain on disposal of subsidiaries	**101,956**	848
	614,168	55,947
Satisfied by:		
Cash	**614,168**	55,660
Financial assets at fair value through profit or loss	**—**	287
	614,168	55,947

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follow:

Cash consideration	**614,168**	55,660
Cash and bank balances disposed of	**(25,813)**	(54,634)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**588,355**	1,026

Notes to the Financial Statements (*continued*)

36. Contingent Liabilities

Group

As at 31st December, 2007, the Group had contingent liabilities relating to its banking subsidiary of HK$27,478,000 (2006 – HK$29,564,000) comprising guarantees and other endorsements of HK$17,881,000 (2006 – HK$17,172,000) and liabilities under letters of credit on behalf of customers of HK$9,597,000 (2006 – HK$12,392,000).

Company

As at 31st December, 2007, guarantees provided by the Company in respect of banking facilities granted to its subsidiaries amounted to HK$478,859,000 (2006 – HK$727,394,000), which were utilised to an extent of HK$171,747,000 (2006 – HK$429,894,000).

37. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms of one to three 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, 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**5,959**	26,225
In the second to fifth years, inclusive	**1,073**	24,100
	7,032	50,325

Notes to the Financial Statements *(continued)*

37. Operating Lease Arrangements *(continued)*

(b) As lessee

The Group leases certain properties under lease agreements which are non-cancellable. The leases expire on various dates until 31st May, 2010 and the leases for properties contain provision for rental adjustments. As at 31st December, 2007, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group		**Company**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Within one year	**12,479**	9,261	**1,389**	1,961
In the second to fifth years, inclusive	**6,062**	3,914	**—**	1,389
	18,541	13,175	**1,389**	3,350

38. Capital Commitments

The Group had the following commitments at the balance sheet date:

	Group	
	2007 HK$'000	2006 HK$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**41,358**	41,623
Other capital commitments:		
Contracted, but not provided for (*Note*)	**382,888**	527,024
	424,246	568,647

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in Republic of Singapore and the People's Republic of China of approximately HK$371 million (2006 – HK$390 million).

The Company did not have any material commitments at the balance sheet date (2006 – Nil).

39. Related Party Transactions

Listed below are related party transactions disclosed in accordance with the HKAS 24 Related party disclosures.

(a) During the year, Lippo Securities Holdings Limited ("LSHL"), being a wholly-owned subsidiary of the Company, paid rental expenses of HK$4,556,000 (2006 – HK$3,163,000) to Prime Power Investment Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by LSHL, and the Company paid rental expenses of HK$1,961,000 (2006 – HK$1,588,000) to Porbandar Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The above rentals were determined by reference to open market rentals.

(b) During the year, Impac Asset Management (HK) Limited, being a wholly-owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounting to HK$11,349,000 (2006 – HK$11,287,000).

(c) During the year, the Company paid finance costs to Lippo and LCR of HK$8,152,000 (2006 – HK$8,348,000) and HK$14,067,000 (2006 – HK$13,872,000), respectively, in respect of the loans advanced to the Company. The balances of which are set out in Note 27 to the financial statements.

(d) As at 31st December, 2007, the Group had balances with its associates and jointly controlled entities as set out in Note 20 and Note 21, respectively, to the financial statements.

The transactions in respect of item(a) above are 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 "Connected Transaction and Continuing Connected Transactions" in the Report of the Directors.

Notes to the Financial Statements *(continued)*

40. Financial Instruments By Category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

At 31st December, 2007
Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Held-to-maturity financial assets HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in associates (*Note* 20)	—	—	445,002	—	445,002
Interests in jointly controlled entities (*Note* 21)	—	—	158,695	—	158,695
Held-to-maturity financial assets	—	9,572	—	—	9,572
Available-for-sales financial assets	—	—	—	129,412	129,412
Financial assets at fair value through profit or loss	398,808	—	—	—	398,808
Loans and advances	—	—	265,216	—	265,216
Debtors and deposits	—	—	168,524	—	168,524
Client trust bank balances	—	—	730,995	—	730,995
Treasury bills	—	—	34,920	—	34,920
Cash and bank balances	—	—	399,663	—	399,663
	398,808	9,572	2,203,015	129,412	2,740,807

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	813,639
Creditors, accruals and deposits received	877,370
Current, fixed, savings and other deposits of customers	165,223
	1,856,232

Notes to the Financial Statements *(continued)*

40. Financial Instruments by Category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (*continued*)

Group

At 31st December, 2006

Financial assets

	Financial assets at fair value through profit or loss					
	designated as such upon initial recognition HK$'000	held for trading HK$'000	Held-to-maturity financial assets HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in associates (*Note* 20)	—	—	—	298,624	—	298,624
Interests in jointly controlled entities (*Note* 21)	—	—	—	46,732	—	46,732
Held-to-maturity financial assets	—	—	9,582	—	—	9,582
Available-for-sales financial assets	—	—	—	—	102,869	102,869
Financial assets at fair value through profit or loss	466,371	354,654	—	—	—	821,025
Loans and advances	—	—	—	300,390	—	300,390
Debtors and deposits	—	—	—	176,604	—	176,604
Client trust bank balances	—	—	—	582,905	—	582,905
Treasury bills	—	—	—	194,970	—	194,970
Cash and bank balances	—	—	—	363,487	—	363,487
	466,371	354,654	9,582	1,963,712	102,869	2,897,188

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interests in associates (*Note* 20)	22,175
Bank and other borrowings	1,489,573
Creditors, accruals and deposits received	832,729
Current, fixed, savings and other deposits of customers	305,521
	2,649,998

Notes to the Financial Statements (*continued*)

40. Financial Instruments By Category (*continued*)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (*continued*)

Company

At 31st December, 2007
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
Interests in subsidiaries (*Note* 34)	—	3,768,679	—	3,768,679
Available-for-sales financial assets	—	—	3,165	3,165
Financial assets at fair value through profit or loss	33,814	—	—	33,814
Debtors and deposits	—	980	—	980
Cash and bank balances	—	13,559	—	13,559
	33,814	3,783,218	3,165	3,820,197

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interests in subsidiaries (*Note* 34)	661,541
Bank and other borrowings	585,978
Creditors, accruals and deposits received	31,706
	1,279,225

Notes to the Financial Statements (*continued*)

40. Financial Instruments by Category (*continued*)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (*continued*)

Company

At 31st December, 2006

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
Interests in subsidiaries (*Note* 34)	—	3,756,546	—	3,756,546
Available-for-sales financial assets	—	—	3,165	3,165
Financial assets at fair value through profit or loss	18,445	—	—	18,445
Debtors and deposits	—	965	—	965
Cash and bank balances	—	62,092	—	62,092
	18,445	3,819,603	3,165	3,841,213

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interests in subsidiaries (*Note* 34)	285,986
Bank and other borrowings	945,495
Creditors, accruals and deposits received	35,508
	1,266,989

41. Financial Risk Management Objectives and Policies

The Group had established policies and procedures for risk management which were 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 was 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 as follows:

(a) Credit risk

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

The credit policies for banking and margin lending businesses set out in details the credit approval and monitoring mechanism, the loan classification criteria and provision policy. Credit approval was 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 was performed by management of individual business units.

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

The Group's exposure to credit risk arising from loans and advances and trade debtors at the balance sheet date based on the information provided to key management is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
By geographical area		
Hong Kong	**197,713**	197,433
Republic of Singapore	**176**	759
Macau	**132,357**	152,094
Europe	**1,338**	1,694
Others	**15,033**	34,974
	346,617	386,954

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

Notes to the Financial Statements *(continued)*

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

(b) Liquidity risk

The Group managed 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 on 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 fell due and to make the most efficient use of the Group's financial resources. 72 per cent. of the Group's debts would mature in less than one year as at 31st December, 2007 (2006 – 63 per cent.) based on the carrying value of bank and other borrowings.

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the balance sheet date 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
At 31st December, 2007							
Assets							
Debt securities:							
Held-to-maturity financial assets	—	—	—	—	9,572	—	9,572
Available-for-sale financial assets	—	—	8,953	—	—	3,165	12,118
Financial assets at fair value through profit or loss	—	—	—	—	880	7,853	8,733
Loans and advances	176,821	43,540	16,971	13,134	14,750	—	265,216
Debtors and deposits	46,864	38,743	1,637	—	—	81,280	168,524
Client trust bank balances	92,151	638,844	—	—	—	—	730,995
Treasury bills	—	34,920	—	—	—	—	34,920
Cash and bank balances	174,248	225,415	—	—	—	—	399,663
	490,084	981,462	27,561	13,134	25,202	92,298	1,629,741
Liabilities							
Bank and other borrowings	—	275,914	312,020	225,705	—	—	813,639
Creditors, accruals and deposits received	767,560	63,059	10,568	1,311	—	34,872	877,370
Current, fixed, savings and other deposits of customers	142,299	18,121	4,803	—	—	—	165,223
	909,859	357,094	327,391	227,016	—	34,872	1,856,232

Notes to the Financial Statements (*continued*)

41. 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 balance sheet date to the contractual maturity date is as follows: (*continued*)

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
At 31st December, 2006							
Assets							
Debt securities:							
Held-to-maturity financial assets	—	—	—	—	9,582	—	9,582
Available-for-sale financial assets	—	—	—	8,371	—	3,165	11,536
Financial assets at fair value through profit or loss	—	—	—	—	976	8,080	9,056
Loans and advances	110,599	116,151	46,574	10,740	16,326	—	300,390
Debtors and deposits	55,125	65,693	663	—	—	55,123	176,604
Client trust bank balances	52,417	530,488	—	—	—	—	582,905
Treasury bills	—	194,970	—	—	—	—	194,970
Cash and bank balances	126,173	237,314	—	—	—	—	363,487
	344,314	1,144,616	47,237	19,111	26,884	66,368	1,648,530
Liabilities							
Bank and other borrowings	—	56,710	885,495	547,368	—	—	1,489,573
Creditors, accruals and deposits received	637,897	114,013	27,302	1,583	—	51,934	832,729
Current, fixed, savings and other deposits of customers	107,747	194,458	3,316	—	—	—	305,521
	745,644	365,181	916,113	548,951	—	51,934	2,627,823

Notes to the Financial Statements *(continued)*

41. 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 balance sheet date 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	Undated HK$'000	Total HK$'000
At 31st December, 2007						
Assets						
Debt securities:						
Available-for-sale financial assets	—	—	—	—	**3,165**	**3,165**
Debtors and deposits	—	—	—	—	**980**	**980**
Cash and bank balances	**2,835**	**10,724**	—	—	—	**13,559**
	2,835	**10,724**	—	—	**4,145**	**17,704**
Liabilities						
Bank and other borrowings	—	**60,000**	**312,020**	**213,958**	—	**585,978**
Creditors, accruals and deposits received	—	**37**	**10,084**	—	**21,585**	**31,706**
	—	**60,037**	**322,104**	**213,958**	**21,585**	**617,684**
At 31st December, 2006						
Assets						
Debt securities:						
Available-for-sale financial assets	—	—	—	—	3,165	3,165
Debtors and deposits	—	—	—	—	965	965
Cash and bank balances	2,524	59,568	—	—	—	62,092
	2,524	59,568	—	—	4,130	66,222
Liabilities						
Bank and other borrowings	—	—	885,495	60,000	—	945,495
Creditors, accruals and deposits received	—	114	—	—	35,394	35,508
	—	114	885,495	60,000	35,394	981,003

Notes to the Financial Statements *(continued)*

41. 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, liabilities and commitments. The Group's interest rate positions arose mainly from treasury, banking 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 was 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 floating rate interest-bearing monetary assets and liabilities).

	2007		2006	
	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
Group				
Hong Kong dollar	**+50**	**(7,597)**	+50	(5,647)
United States dollar	**+50**	**(336)**	+50	657
Singapore dollar	**+50**	**223**	+50	(946)
Hong Kong dollar	**-50**	**7,597**	-50	5,647
United States dollar	**-50**	**336**	-50	(657)
Singapore dollar	**-50**	**(223)**	-50	946
Company				
Hong Kong dollar	**+50**	**(2,228)**	+50	(2,231)
United States dollar	**+50**	**(798)**	+50	224
Singapore dollar	**+50**	**38**	+50	2
Hong Kong dollar	**-50**	**2,228**	-50	2,231
United States dollar	**-50**	**798**	-50	(224)
Singapore dollar	**-50**	**(38)**	-50	(2)

41. Financial Risk Management Objectives and Policies (continued)

(d) Foreign currency risk

Foreign currency risk was the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign currency risk primarily arose from currency exposures originating from its banking activities, foreign 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, swap 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 balance sheet date to a reasonably possible change in the United Stated dollar and Singapore dollar exchange rate, 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	
	2007	2006
	HK$'000	HK$'000
Group		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent.	**2,970**	11,582
— weakened 3 per cent.	**(2,970)**	(11,582)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent.	**584**	312
— weakened 3 per cent.	**(584)**	(312)
Company		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent.	**(9,325)**	1,341
— weakened 3 per cent.	**9,325**	(1,341)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent.	**351**	140
— weakened 3 per cent.	**(351)**	(140)

The Group has a banking subsidiary in Macau with certain monetary assets and liabilities denominated in Hong Kong dollar and United States dollar. The Directors considered that the foreign currency risk of this subsidiary is immaterial as no material fluctuation of exchange rates between Pataca and Hong Kong dollar and between Pataca and United States dollar is expected.

Notes to the Financial Statements (*continued*)

41. 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 value 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 25) as at 31st December, 2007. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31st December, 2007	**High/low 2007**	31st December, 2006	High/low 2006
Hong Kong – Hang Seng Index	**27,812**	**31,638/18,664**	19,964	20,001/14,944
Singapore – Straits Times Index	**3,482**	**3,865/2,961**	2,985	2,985/2,297

The Group use 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 2 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 figure 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 are capped within an acceptable range.

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

	Carrying amount HK$'000	**VaR HK$'000**
2007		
Financial assets:		
Hong Kong	**66,080**	**7,973**
Singapore	**4,151**	**490**
Global and other	**448,544**	**9,018**
2006		
Financial assets:		
Hong Kong	56,293	7,468
Singapore	4,245	400
Global and other	854,929	18,429

Notes to the Financial Statements (*continued*)

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

(f) Capital management

The primary objective of the Group's capital management is 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.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission (the "SFC") and Office of the Commissioner of Insurance (the "CI") and are required to comply with certain minimum capital requirements according to the rules of the SFC and CI. Management monitors, on a daily basis, these subsidiaries' liquid capital to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rule and Insurance Companies Ordinance.

Under the terms of Macau banking legislation, MCB is required to transfer to a legal reserve an amount equal to a minimum of 20 per cent. of its annual profit after tax until the amount of the reserve is equal to 50 per cent. of their respective issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10 per cent. of its annual profit after tax until the reserve is equal to MCB's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. MCB monitors solvency ratio under the requirement of Autoridade Monetária de Macau, the Monetary Authority of Macau, and to keep the ratio at not less than 8 per cent. throughout the current year.

No changes were made in the objectives, policies or processes during the years ended 31st December, 2007 and 31st December, 2006.

The Group monitors capital using a debt-equity 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 and other borrowings. Total shareholders' equity includes equity attributable to equity holders of the Company.

Notes to the Financial Statements *(continued)*

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

(f) Capital management *(continued)*

	Group	
	2007	2006
	HK$'000	HK$'000
Bank and other borrowings (*Note* 27)	**813,639**	1,489,573
Less: Minority interests in bank and other borrowings	**—**	(67,406)
Bank and other borrowings, net of minority interests	**813,639**	1,422,167
Equity attributable to the equity holders of the Company	**4,685,325**	3,192,404
Gearing ratio	**17 per cent.**	45 per cent.

42. Post Balance Sheet Events

(a) On 12th July, 2007, the Group entered into a framework agreement (the "Framework Agreement") with 鳳凰醫院管理(北京)有限公司(Phoenix Hospital Management (Beijing) Company Limited) ("Phoenix Hospital Management") and 中信信託投資有限責任公司(CITIC Trust & Investment Company Limited) in respect of the establishment of a thirty-year sino-foreign equity joint venture (the "Sino-foreign Equity Joint Venture"). Pursuant to the Framework Agreement, the Group shall enter into an equity transfer agreement and a capital increase agreement, inter alia, with Phoenix Hospital Management regarding the acquisition from Phoenix Hospital Management of approximately 32.54 per cent. interest in 鳳凰聯盟醫院管理(北京)有限公司 (Phoenix United Hospital Management (Beijing) Company Limited) ("Phoenix United") at an amount of approximately HK$25,279,000 and the increase in capital contribution to Phoenix United by an amount of approximately HK$63,674,000, representing approximately 46.08 per cent. equity interest in the Sino-foreign Equity Joint Venture. Phoenix United and its subsidiaries are mainly engaged in hospital property investment and hospital management.

As requisite transactional documents set out in the Framework Agreement had not been executed, the condition precedent stipulated therein was not fulfilled. The Framework Agreement was terminated. In March 2008, the escrow deposit of HK$89,173,000 in connection with the Framework Agreement was returned to the Group.

42. Post Balance Sheet Events (*continued*)

(b) On 28th September, 2007, the Group entered into a conditional sale and purchase agreement (the "Agreement") with a purchaser for a disposal of 60 per cent. interest in MCB (the "Disposal") for a consideration of HK$384,000,000. Completion of the Agreement was subject to and conditional upon the satisfaction or waiver of a number of conditions precedent by the long stop date, being 29th February, 2008 (the "Long Stop Date"). As the approval on the Disposal from Autoridade Monetária de Macau had not been obtained by the purchaser, the conditions for the completion were not fulfilled nor waived by the parties to the Agreement by the Long Stop Date. The parties to the Agreement decided not to extend the Long Stop Date, and the Agreement therefore lapsed.

(c) On 15th January, 2008, the Group entered into an agreement with a third party for the disposal of its entire interest in a wholly-owned subsidiary for a consideration of HK$106,578,000 (subject to adjustment). The consideration was determined by reference to the fair market value of an investment property held by the subsidiary. The transaction was subsequently completed on 18th January, 2008.

43. Comparative Figures

Certain comparative figures have been reclassified to conform with current year's presentation. The reclassifications had no impact on the Group's earnings for the year ended 31st December, 2006.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 16th April, 2008.

Particulars of Principal Subsidiaries

Particulars of principal subsidiaries as at 31st December, 2007 are as set out below.

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield Limited	British Virgin Islands	US$1	—	100	Investment holding
Brilliant Leader Limited	British Virgin Islands	US$1	—	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US$1	—	100	Property investment
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US$2,500,000*	—	100	Property investment and management
Choregeo Pte. Ltd.**	Republic of Singapore	S$1,000,000	—	100	Property investment
Conrich Inc.	British Virgin Islands	US$1	—	100	Investment holding
Cony Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Investments
Cyberspot Limited	British Virgin Islands	US$1	—	100	Investment holding
Everbest Pacific Ltd.	British Virgin Islands	US$1	—	100	Investments
Everwin Pacific Ltd.	British Virgin Islands	US$1	—	100	Property investment
Fiatsco Limited	British Virgin Islands	US$1	—	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	—	100	Property investment
Goldlux Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Goldsney Investment Limited	Hong Kong	HK$2	—	100	Securities investment
Grand Fusion Limited	British Virgin Islands	US$1	—	100	Investments
Green Lane Limited	British Virgin Islands	US$1	—	100	Investment holding
HKC Property Investment Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
HKC Realty LLC**	United States of America	US$2,250,000*	—	100	Property investment
HKCL Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Hong Kong Housing Loan Limited	Hong Kong	HK$40,000,000	—	100	Money lending

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
ImPac Asset Management (HK) Limited	Hong Kong	HK$8,500,000	—	100	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US$2,000,100	—	100	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US$13,000	—	100	Fund management
Kenda Limited (*carry on business in Hong Kong as Kenda Property Holding Limited*)	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Lifepower Limited	British Virgin Islands	US$1	—	100	Investment holding
Lippo Asia Limited	Hong Kong	HK$120,000,000	—	100	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK$400,000	—	100	Fund management
Lippo Futures Limited	Hong Kong	US$2,000,000	—	100	Commodities brokerage
Lippo Hospital Management Inc.	British Virgin Islands	US$1	—	100	Investment holding
Lippo Investments Management Limited	Hong Kong	HK$15,000,000	—	100	Fund management
Lippo Medical Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S$2	—	100	Project management
Lippo Securities Holdings Limited	Hong Kong	US$23,000,000	—	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	—	100	Investment holding
Lippo Securities Limited	Hong Kong	HK$220,000,000	—	100	Securities brokerage
Lippo (S) Pte Ltd**	Republic of Singapore	S$2,000,000	—	100	Property investment

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
L.S. Finance Limited	Hong Kong	HK$5,000,000	—	100	Money lending
Masta Limited	British Virgin Islands	US$1	—	100	Investment holding
Masuda Limited	British Virgin Islands	US$1	—	100	Investment holding
MGS Ltd.	British Virgin Islands	US$1	—	100	Investment holding
Norfyork International Limited	Hong Kong	HK$25,000,000	—	100	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Pacific Bond Limited	British Virgin Islands	US$1	—	100	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US$1	—	100	Investments
Redsun Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Rosery Inc.	British Virgin Islands	US$1	—	100	Investment holding
Sinogain Asia Limited	British Virgin Islands	US$1	—	100	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investments
Skyblue International Limited	British Virgin Islands	US$1	—	100	Investments
Stargala Limited	British Virgin Islands	US$1	—	100	Property investment
The Macau Chinese Bank Limited**	Macau	MOP180,000,000	—	100	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US$1	—	100	Investments
Uchida Limited	British Virgin Islands	US$1	—	100	Investment holding
UPM Ltd.	British Virgin Islands	US$1	—	100	Investment holding
Verybest Holdings Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Winluck Asia Limited	British Virgin Islands	US$1	—	100	Property investment

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)[#]		Principal activities
Winluck Pacific Limited	British Virgin Islands	US$1	—	100	Property investment
Winrider Limited	British Virgin Islands	US$1	—	100	Investment holding
Winsite Limited	British Virgin Islands	US$1	—	100	Investments
Winus Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Yield Point Limited	British Virgin Islands	US$1	—	100	Investment holding
Goldfix Pacific Ltd.	British Virgin Islands	US$6,817.83	—	88	Investment holding
Akarie Resources Limited EOOD**	Republic of Bulgaria	BGN505,000	—	88	Operation of serviced offices centers
TechnoSolve Limited	Hong Kong	HK$26,296,000	—	68.65	Development of computer hardware and software
Kingtek Limited	British Virgin Islands	US$100	—	60	Investment holding
Four Prosperity Holdings Limited	British Virgin Islands	US$40,816	—	51	Investment holding

\# *represents the effective holding of the Group after minority interests therein*
* *paid up registered capital*
** *audited by certified public accountants other than Ernst & Young, Hong Kong*

Note:

BGN – *Bulgarian leva*
MOP – *Macau patacas*
Pesos – *Philippines pesos*
S$ – *Singapore dollars*
US$ – *United States dollars*

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, 2007 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Greenix Limited	Corporate	British Virgin Islands	US$100,000	50	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US$100	49	Investment management
Grosswin Limited	Corporate	British Virgin Islands	US$10,000	45	Investment holding
Lippo ASM Asia Property LP**	Limited partnership	Cayman Islands	N/A	N/A	Property-related investment

\# *represents the effective holding of the Group after minority interests therein*

** *Lippo ASM Asia Property LP is a limited partnership of which a wholly-owned subsidiary of the Company is the limited partner*

Note:

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, 2007 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
上海醫甸醫院管理諮詢有限公司 (Shanghai Eden Hospital Management Consulting Co., Ltd.)	Corporate	People's Republic of China	RMB10,000,000*	50	Hospital management
Sunning Asia Limited	Corporate	British Virgin Islands	US$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$1,000,000	50	Property investment
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	50	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US$6,070,870	30	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S$9,225,736	30	Property investment

\# *represents the effective holding of the Group after minority interests therein*

* *paid up registered capital*

Note:

RMB – *People's Republic of China renminbi*
S$ – *Singapore dollars*
US$ – *United States dollars*

Schedule of Properties

(1) Properties Held for Investment as at 31st December, 2007

Description	Use	Approximate gross floor area (*square metres*)	Status	Percentage of the Group's interest
HONG KONG				
House 17 Siena Two B Discovery Bay Lantau Island Hong Kong	Residential	202.5	Rental	100
7th Floor Tower One Lippo Centre 89 Queensway Hong Kong (*Note*)	Commercial	1,057	Rental	100

Note: This property was disposed of in January 2008.

Description	Use	Approximate gross floor area (*square metres*)	Status	Percentage of the Group's interest
OVERSEAS				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	100
522 S. Sepulveda Boulevard Los Angeles, CA 90049 U.S.A.	Commercial	925	Rental	100
83 Estrada de Cacilhas Macau	Non-industrial	3,623	Vacant site for development	100

(2) Property Held as Fixed Assets as at 31st December, 2007

Description	Use	Approximate gross floor area (*square metres*)	Percentage of the Group's interest
OVERSEAS			
The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	4,146.9	100

Schedule of Properties *(continued)*

(3) Properties Held for Development as at 31st December, 2007

Description	Use	Approximate site area *(square metres)*	Approximate gross floor area *(square metres)*	Percentage of the Group's interest	Estimated completion date	Stage of development at 31st December, 2007
OVERSEAS						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land
Moo 4 Yamu Village Ror Por Chor 4003 Road Pa Klog Subdistrict Thalang District Phuket Province Thailand	Residential	27,292	6,344	50	2009	Under construction
2 pieces of land at Ocean Drive Sentosa Cove Singapore	Residential	2,990	1,495	100	Second Quarter of 2009	Under construction
353 Pasir Panjang Road Singapore	Residential	1,326	1,907	100	Second Quarter of 2008	Under construction

(4) Property Held for Sale as at 31st December, 2007

Description	Use	Approximate gross floor area *(square metres)*	Percentage of the Group's interest
OVERSEAS			
854 West Adams Boulevard Los Angeles, CA 90007 U.S.A.	Residential	845	100

Summary of Financial Information

A summary of the published results and of the assets and liabilities and minority interest of the Group for the five financial years ended 31st December, 2007, as extracted from the audited consolidated financial statements and reclassified and restated as appropriate, is set as below.

	2007 **HK$'000**	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Profit/(Loss) attributable to equity holders of the Company	**1,267,271**	391,472	111,761	(64,957)	106,067
Total assets	**6,593,582**	5,985,984	3,652,523	3,608,806	4,354,460
Total liabilities	**(1,896,179)**	(2,694,295)	(791,428)	(873,502)	(1,508,344)
Net assets	**4,697,403**	3,291,689	2,861,095	2,735,304	2,846,116
Minority interests	**(12,078)**	(99,285)	(32,079)	(30,204)	(24,793)
	4,685,325	3,192,404	2,829,016	2,705,100	2,821,323

Supplementary Financial Information

Disclosure Pursuant to Rule 13.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Set out below is a pro forma combined balance sheet of the Group's affiliates as at 31st December, 2007 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	Pro forma combined balance sheet as at 31st December, 2007 HK$'000	Group's attributable interest as at 31st December, 2007 HK$'000
Intangible assets	1,003,124	1,003,124
Fixed assets	2,865,029	2,863,506
Investment properties	3,968,921	3,968,921
Properties under development	3,561,818	2,434,385
Interests in associates	3,218,000	3,218,000
Available-for-sale financial assets	595,545	595,545
Deposits paid for acquisition of properties	39,219	11,766
Debtors, prepayments and deposits	82,554	75,817
Cash and bank balances	2,885,317	2,816,316
Creditors, accruals and deposits received	(308,471)	(250,366)
Bank and other borrowings	(6,518,886)	(5,820,474)
Tax payable	(190,498)	(190,493)
Shareholders' advance	(1,057,971)	(604,347)
Deferred tax liabilities	(796,960)	(796,960)
Other net assets	314,198	311,335
	9,660,939	9,636,075

The Group's attributable interest in the respective assets and liabilities represents that portion attributable to the Group before minority interests included therein.