



Lippo Limited

力寶有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 226)

Annual Report
2008

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Corporate Information

Honorary Chairman*

Dr. Mochtar Riady

Board of Directors

Executive Directors

Mr. Stephen Tjondro Riady (*Chairman*)

Mr. John Luen Wai Lee, J.P.

(*Managing Director and
Chief Executive Officer*)

Mr. Jark Pui Lee, S.B.S., O.B.E., J.P.

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

Committees

Audit Committee

Mr. Victor Ha Kuk Yung (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

Mr. King Fai Tsui

Remuneration Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Tjondro Riady

Nomination Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Tjondro Riady

Secretary

Mr. Davy Kwok Fai Lee

Auditors

Ernst & Young

Principal Bankers

Fubon Bank (Hong Kong) Limited

CITIC Ka Wah Bank Limited

Chong Hing Bank Limited

United Overseas Bank Limited

The Bank of East Asia, Limited

Raiffeisen Zentralbank Österreich AG,
Singapore Branch

Agricultural Bank of China, Shanghai Branch

Solicitors

Richards Butler

(in association with Reed Smith LLP)

Registrars

Tricor Progressive Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Registered Office

24th Floor, Tower One

Lippo Centre

89 Queensway

Hong Kong

Stock Code

226

Warrant Code

744

Website

www.lippold.com.hk

* non-officer position

Chairman's Statement

I would like to present the annual report of the Company for the year ended 31st December, 2008.

2008 will be remembered as the year of the global financial crisis. In the latter half of 2008, the global financial turmoil swept across the world in an unprecedented way. In the US, the deepening sub-prime mortgage crisis worsened and spread into the wider financial system, leading to a collapse of major US financial institutions which in turn plunged the global economy into a formidable crisis. In particular, the mark-to-market accounting rule and the definition of non-performing assets have had a significant impact on the balance sheets of most of the global financial institutions. Recovery of the global economy does not appear to be in the immediate horizon unless these two issues are properly addressed.

Results

Hong Kong, mainland China and the neighbouring Asian countries also succumbed to the crisis. The economies in the region where the Group conducts its core businesses suffered. As a result, the financial performance of the Group, as is the case with many companies, has been adversely affected. For the full year 2008, the Group recorded a consolidated loss attributable to shareholders of approximately HK\$337 million, as compared to a profit of HK\$699 million in 2007. The loss was mainly attributable to revaluation losses of the property portfolio, impairment of property-related investments and fair value changes in the investment portfolio as a result of the current adverse financial and economic conditions, as well as loss incurred by the Group's incipient retail business in mainland China. Despite this, the Group is still in solid financial standing. The Group had undertaken rights issue exercises to strengthen its capital base in June 2008. In the face of a deteriorating market, the Group has throughout the year been re-examining its property and investment portfolio, re-evaluating the continuing viability of its projects in the pipeline under the current economic conditions and monitoring its balance sheet position.

Prospects

Against the backdrop of the global economic crisis, the outlook for 2009 is very challenging indeed. It is likely that 2009 will be as, if not more, difficult as 2008. However, it is hard to predict how long the financial turmoil will last and whether it will further worsen. The broad view is that this crisis will be enduring. Nevertheless, it is encouraging to see that governments around the globe have taken concerted actions to address the crisis by taking fiscal steps to stimulate economy, measures to bolster the banking system and initiatives to restore confidence to the markets. As the financial turmoil further unfolds, more and more challenges will emerge. However, I am confident that these challenges will be addressed and resolved over time. I continue to be cautiously optimistic about the potential of the Asia Pacific region, including Hong Kong, mainland China and other neighbouring countries, over the medium term. In the period ahead, the Group will continue to adopt a prudent and diligent approach in managing its businesses.

Acknowledgement

On behalf of the Board of Directors, I would like to thank our shareholders, business partners and customers for their continuing support. I would like to express my appreciation to my fellow Directors and all the staff for their hard work, diligence and commitment for the past year, especially in this turbulent period.

Stephen Tjondro Riady
Chairman

17th April, 2009

Chief Executive Officer's Report

I hereby present a report on the business review and performance of the Group for the year ended 31st December, 2008.

Business Review

Overview

2008 turned out to be a difficult and challenging year for the Group. In the early part of the year, mainland China experienced a number of tragic natural disasters of snow storm and earthquakes. The property market in mainland China slowed down as a result of tightening macro-economic policies since late 2007. Towards the latter half of the year, the worsening US sub-prime mortgage crisis led to the collapse of major US financial institutions and a massive credit crunch which escalated into a global financial turmoil on a scale not seen before. Economies around the world, developed and developing alike, experienced contraction. Stock markets in Hong Kong and mainland China suffered as a result. In a sharp reversal from the surging prices in 2007, property markets in the region fell in the latter half of 2008. In mainland China, weak stock and property markets together with falling exports led to a GDP registering slower growth in 2008. Inevitably mainland China retail consumption was also affected.

Results

The present global financial crisis has been particularly severe and wide reaching, affecting economies across the globe, including Hong Kong and other locations in which the Group has investments. The Group, as is the case with many companies, has been adversely affected. For the year ended 31st December, 2008, the Group recorded a consolidated loss attributable to shareholders of approximately HK\$337 million, as compared to a profit of HK\$699 million in 2007. The deterioration in results was mainly attributable to revaluation losses of the property portfolio, impairment of property-related investments and fair value changes in the investment portfolio as a result of the current adverse financial and economic conditions as well as loss incurred by the Group's incipient retail business in mainland China.

The performance of the Group's principal subsidiaries was also adversely affected in the second half of the year. Hongkong Chinese Limited ("HKC", together with its subsidiaries, the "HKC Group"), a 55.8 per cent. listed subsidiary of the Company, recorded a consolidated loss attributable to shareholders of approximately HK\$227 million for the year ended 31st December, 2008, as compared to a profit of HK\$1,267 million for the year ended 31st December, 2007. Lippo China Resources Limited ("LCR", together with its subsidiaries, the "LCR Group"), a 71.2 per cent. listed subsidiary of the Company, recorded a consolidated loss attributable to shareholders of approximately HK\$397 million for the year ended 31st December, 2008, as compared to a profit of HK\$656 million for the year ended 31st December, 2007.

In the face of rapidly weakening market conditions, the Group took steps throughout the year to consolidate its core businesses, review the continuing viability of projects in the pipeline, re-examine the quality of its investment portfolio, and conserve cash to weather the tough times ahead. The Group does not have any exposure to equity or currency accumulators. Its cash and liquidity position has benefited from the raising of fresh equity before the onset of the global financial crisis and the disposal of assets during the year.

Property investment and development

Following the downturn of economic conditions in the second half of the year, the occupancy rate of the Group's investment properties dropped slightly but was still maintained at a satisfactory level. Rental from its investment properties in Hong Kong, mainland China and other locations continued to provide the Group with stable income.

The master plan for the development project at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the "Woonbook Project"), in which the Group is interested in approximately 47.9 per cent., was approved by the relevant government authorities in mid year. Site clearance work is in progress and expected to be completed soon. Infrastructure construction work has commenced. The Woonbook Project, located in the Incheon Free Economic Zone of Korea, involves the development, construction and management of a residential, leisure and business complex with an approved total gross floor area of approximately three million square metres. It will be completed in phases, and is intended to be a self-contained community with residential properties, shopping malls, hospital, schools, hotels and a business town.

In the past few years, the Group has participated in the development of various property projects in Singapore. These projects will likely be delivered onto the market over the medium term in 2011 and beyond.

The HKC Group participated in a joint venture which acquired and will develop the site located at 53 Holland Road, Singapore (the "Holland Road Property", formerly referred to as the "Aura Park Property") with a site area of approximately 36,339 square feet. The plan is to develop the Holland Road Property, to be named as "The Holland Collection", into a luxury residential development with completion expected to be in 2011. As at 31st December, 2008, the HKC Group had a 30 per cent. effective interest in the joint venture.

The HKC Group has a 50 per cent. interest in a joint venture established to acquire and develop the property located at Sentosa Cove, Sentosa Island, Singapore (the "Sentosa Cove Property"). The Sentosa Cove Property comprises two parcels of land with a total site area of approximately 239,200 square feet. A total of one hundred and twenty four high-end luxury residential units, now known as "Marina Collection", with a total saleable area of approximately 320,860 square feet, will be developed on the Sentosa Cove Property and construction works have been commenced. The pre-sale of the "Marina Collection" was launched before the end of 2007 and the response was satisfactory.

The HKC Group also has a 50 per cent. interest in a joint venture which acquired and will develop the property located at No. 100, Kim Seng Road, Singapore (the "Kim Seng Property"). The Kim Seng Property which has a site area of approximately 60,393 square feet will be re-developed into a residential development (to be named as "Centennia Suites") with a saleable area of approximately 177,555 square feet.

Lippo ASM Asia Property LP ("LAAP"), of which a wholly-owned subsidiary of HKC is the limited partner, is a property fund set up in 2005 with 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 of Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investments and development 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 the Meritus Mandarin Hotel in Singapore. Despite the current weak market conditions, these high quality properties are able to generate substantial, stable and recurring income for OUE.

The HKC Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) (the "BDA Project") in which the HKC Group has about 85.7 per cent. interest. With a total site area of approximately 51,209 square metres, the current development plan for the BDA Project comprises office buildings, apartments and shopping mall totalling a gross floor area of about 270,000 square metres including basement. The BDA Project is currently in the planning approval stage.

Since the beginning of 2008, the Group has taken a prudent strategy in managing its property portfolio. The Group took steps to realise the value of its assets and increase the cash reserve. During the year, the LCR Group successfully completed the disposal of the entire 23rd Floor of Tower One, Lippo Centre, Hong Kong for a consideration of HK\$250 million. It resulted in a gain of approximately HK\$200 million for the Group. In September 2008, the LCR Group also successfully disposed of its entire interest in the property located at No. 2 Pu Du Si Xi Xiang, Dongcheng District, Beijing, China for an aggregate consideration of approximately HK\$65 million. The Group will continue to be vigilant on market developments and will manage its portfolio in a prudent manner accordingly.

Retail business

The LCR Group's department store chain "Robbinz" was established in mainland China in 2007. In late 2007, Robbinz opened two department stores, in Tianjin and Chengdu respectively, with a total gross floor area of approximately 126,000 square metres.

The Tianjin and Chengdu stores were in full operation during the year. The Tianjin store, with its prime location in the city centre, provides a quality choice of shopping destination for consumers. Sales and promotional campaigns were launched on a regular basis to drive shopper traffic and build the "Robbinz" brand.

In May 2008, Sichuan was struck by a tragic earthquake that left thousands homeless. Robbinz's operation in Chengdu was inevitably affected and as a result the store was closed for two days. Overall consumer sentiment remained weak after the earthquake. A series of promotional campaigns were launched to rebuild traffic and the store resumed its normal operation shortly after.

Both the Tianjin store and the Chengdu store are in their second year of operation. Management has consistently been reviewing its businesses, identifying areas to drive operational improvement and bringing new products and brands to meet the changing needs of customers. The Tianjin store is in the process of optimising its vendor mix by introducing more competitive brands and wider product variety to further attract its target customers.

Despite the economic slowdown, the Group remains optimistic about the long-term prospects of the retail business in mainland China. The Group will seek to increase its market share should suitable opportunities arise, especially in the fast-growing provinces.

The downturn of the global economy has also adversely affected Auric Pacific Group Limited ("APG", a company listed on the Main Board of SGX-ST and in which the Group is interested in approximately 49.3 per cent. of its issued share capital, together with its subsidiaries, the "APG Group"). Singapore, where APG derives most of its revenues, is officially in negative growth and recession. As a result, APG recorded a loss of S\$34.2 million for the year ended 31st December, 2008, compared to a profit of S\$51.5 million for the year ended 31st December, 2007. Such loss was mainly attributable to its operating loss and unrealised loss on fair values of its investments. Although the downturn has brought commodity prices lower and the softening property markets have reduced rentals which can be helpful to retail based businesses, these are dwarfed by the impact of the global economic turmoil. It is expected that consumers will be more prudent in their spending in face of a gloomy economy. With food as a basic necessity, it is believed that APG's core food related businesses should remain resilient. During the year, to enhance its presence in the food businesses, the APG Group acquired additional interest in Food Junction Holdings Limited ("Food Junction") by way of a partial offer for shares in Food Junction at a price of S\$0.55 each (the "Partial Offer"). Food Junction is a regional food court operation and management specialist and its food courts spread over Singapore, Malaysia, Indonesia and mainland China. Upon the completion of the Partial Offer, Food Junction has become a subsidiary of APG. APG Group is currently interested in approximately 50.5 per cent. of the issued share capital of Food Junction. In October 2008, Food Junction received the Most Transparent Company Award – Catalyst (formerly known as SGX Sesdaq) Category from the Securities Investors Association of Singapore. Also, in October 2008, Food Junction had successfully transferred its listing from Catalyst to the Main Board of SGX-ST.

In view of the uncertainty in the prospects of Robinson and Company, Limited ("Robinson"), in which the APG Group was interested in approximately 29.99 per cent., the APG Group accepted the cash offer for Robinson (the "Robinson Offer") at a price of S\$7.20 per share in April 2008 which was a timely opportunity for the APG Group to divest its investment in Robinson at an attractive price. The aggregate consideration received by the APG Group under the Robinson Offer amounted to approximately S\$185.6 million.

Rights issues

To strengthen its capital base and in anticipation of increasing market uncertainty, the Company and HKC successfully launched the rights issues of new shares in June 2008. HKC raised net proceeds of approximately HK\$464 million by issuing 471,390,178 new shares (with bonus warrants on the basis of three warrants for every seven rights shares taken up) in the proportion of seven rights shares for every twenty shares held at HK\$1.00 each (the "HKC Rights Issue"). The Company also raised net proceeds of approximately HK\$407 million by issuing 108,433,752 new shares (with bonus warrants on the basis of one warrant for every two rights shares taken up) in the proportion of one rights share for every four shares held at HK\$3.80 each (the "Lippo Rights Issue"). The HKC Rights Issue and Lippo Rights Issue, which were oversubscribed by approximately 38.4 per cent. and 22 per cent. respectively, have strengthened the Group's capital base. The rights shares and bonus warrants of each of HKC and the Company were listed on The Stock Exchange of Hong Kong Limited on 4th July, 2008.

Prospects

Construction of two of the property projects in Singapore, Newton One, in which the LCR Group is interested in 100 per cent., and The Metropolitan Condominium, a 50:50 joint venture development of the LCR Group with CapitaLand Limited, are progressing smoothly and scheduled for completion in 2009. All units put up for sale in these two development projects were pre-sold before the end of 2007, and it is expected that the sales proceeds would be recognised in 2009. In addition, the renovation of the Mandarin Gallery at the Meritus Mandarin Hotel (which is fully owned by OUE) is expected to be completed in 2009. The renovation will update the Mandarin Gallery to a premier luxury retail mall, which will enhance the recurring rental income to OUE.

Looking ahead, markets will likely continue to be dampened by the global financial turmoil and economic slowdown for an extended period of time. Hong Kong and the neighbouring Asian economies will be similarly affected. However, it is hoped that once the storm subsides, mainland China will be one of the first economies to rebound and help pull Hong Kong and other Asian countries onto recovery with it.

The Group will continue to focus on its existing businesses. Despite the current economic adversity, management remains positive on the future prospects of the region over the medium term. At the same time, management will continue to adopt a cautious and prudent approach in managing the Group's existing businesses, and in assessing new investment opportunities.

John Luen Wai Lee

Chief Executive Officer

Hong Kong, 17th April, 2009

In 2008, the worsening of the US subprime mortgage crisis led to a massive credit crunch resulting in a severe global financial turmoil. Economies, property and consumer markets around the world suffered, which adversely affected the Group's property and retail related businesses. At the same time, volatility and dismal performance of the global financial markets last year caused deterioration in results of the Group's securities investment and securities broking businesses. Overall performance of the Group suffered as a result.

Results for the year

Turnover for the year ended 31st December, 2008 totalled HK\$579 million, which was 3 per cent. lower than the HK\$594 million (restated) recorded in 2007. Property investment and development as well as retail business were the principal sources of revenue of the Group, contributing 47 per cent. (2007 – 34 per cent., as restated) and 21 per cent. (2007 – 7 per cent., as restated) of the total turnover, respectively.

Facing the adversity, for the year 2008 the Group reported a loss attributable to shareholders of HK\$337 million (2007 – profit of HK\$699 million). The deterioration in results was mainly derived from downward adjustments to property revaluation, impairment of its property-related investments, fair value changes in its investment portfolio and loss incurred by the Group's incipient retail business in mainland China.

Property investment and development

The property investment and development business recorded a revenue of HK\$271 million in 2008 (2007 – HK\$182 million, excluding rental income generated from properties sold). The increase was mainly due to the sale of a residential development project in Singapore during the year. Approximately 96 per cent. of the units with a total gross area of about 20,870 square feet were sold in 2008.

Property markets in the region which the Group conducts its business deteriorated in the fourth quarter of 2008. Nevertheless, rental income in 2008 increased to HK\$186 million (2007 – HK\$182 million, excluding rental income generated from properties sold), benefiting from the quality and the strategic locations of its investment properties. Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, being the landmarks of the Group in Hong Kong and in mainland China respectively, continued to achieve satisfactory occupancy and renewal rental rates. The rental income of these properties registered an increase of 8 per cent. and 15 per cent. respectively. Property letting business continued to provide stable and recurrent revenue to the Group. However, given the downturn in the property markets in the region, the Group recorded a total revaluation loss on investment properties of HK\$242 million (2007 – gain of HK\$313 million) during the year. As a result, profit derived from this segment fell to HK\$7 million in 2008 (2007 – HK\$527 million).

The Group cautiously looked for opportunities to realise the increase in value of its property assets under the booming market before the onset of the financial turmoil. In January 2008, the Group completed the disposal of the entire 10th Floor together with 4 car parking spaces at AXA Centre in Wanchai, Hong Kong at a total consideration of HK\$69 million and its interest in 7th floor of Tower One, Lippo Centre in Hong Kong for a consideration of HK\$106 million. In August 2008, the Group completed the disposal of the entire 23rd Floor of Tower One, Lippo Centre, Hong Kong for a consideration of HK\$250 million. In September 2008, the Group completed the disposal of its interest in a property located at No. 2 Pu Du Si Xi Xiang, Dongcheng District, Beijing, China for a consideration of HK\$65 million. All these disposals contributed satisfactory profit to the Group during the year.

Results for the year *(continued)*

Property investment and development *(continued)*

The Group is interested in approximately 47.9 per cent. of a development project at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the “Woonbook Project”). This is a comprehensive property project to be developed into a self-contained community with an approved total gross floor area of approximately three million square metres. The master plan of the project was approved by the relevant government authorities of Korea in the middle of 2008. Site clearance work is expected to be completed soon while infrastructure construction work has already started.

The Group has invested in a property fund, Lippo ASM Asia Property LP (“LAAP”), which has indirect interests in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore principally engaged in property investments and development and hotel operations. The hotels managed by OUE, including inter alia, the Meritus Mandarin Hotel in Singapore, are strategically located in various well known tourist destinations in Singapore, Malaysia and mainland China. OUE also holds interests in prime office buildings such as 50 Collyer Quay near Marina Bay and the OUB Centre in the central financial and business district of Singapore. Over the last two years, OUE has participated in a number of property development and investment projects, which include the redevelopment projects at 21 Angullia Park (formerly Parisian) and 25 Leonie Hill Road (formerly Grangeford) in Singapore. To enhance its recurrent rental income, OUE has renovated the Mandarin Gallery of the Meritus Mandarin Hotel. In 2008, the Group registered a share of loss of HK\$41 million from the investment as compared to the share of profit of HK\$1,104 million in 2007. The drop was mainly attributable to a number of factors, which include lower revaluation gain on investment properties of OUE and its associates, provision for impairment loss on development properties, lower hotel revenue due to a weaker economy, and loss of rental income for part of the year from the Mandarin Gallery due to its renovation. The Mandarin Gallery is being upgraded to a premier luxury retail mall, which is expected to be completed in 2009.

Additionally, the Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore, Thailand and Japan. Two development projects in Singapore, Newton One in which Lippo China Resources Limited (“LCR”), a listed subsidiary of the Company, is interested in 100 per cent. and The Metropolitan Condominium which is a 50:50 joint venture development between LCR and CapitalLand Limited, are scheduled for completion in 2009. All units put up for sale in these two projects were pre-sold before the end of 2007 and the revenue is expected to be recognised in 2009. Other projects include the Sentosa Cove and Kim Seng development projects in Singapore, and the Beijing Economic-Technological Development Area Project in Beijing, which are expected to be delivered onto the market in 2011 and beyond.

Results for the year *(continued)*

Retail business

The Group opened two department stores in mainland China under the trade name of “Robbinz” in Tianjin and Chengdu respectively, with a total gross floor area of approximately 126,000 square metres in late 2007 and such stores became fully operational in 2008. Therefore, turnover generated from this segment increased significantly to HK\$120 million in 2008 (2007 – HK\$39 million). Turnover comprised of net proceeds received from concessionaire sales and gross rental income. These two stores are in their second year of operation and are in the process of optimising their performance. For the full year 2008, the retail business reported a loss of HK\$174 million (2007 – HK\$126 million). The segment recorded a capital expenditure of HK\$44 million (2007 – HK\$195 million). This is related to store capex recognised in 2008, including that incurred to draw additional vendors.

The Tianjin store is at a prime location in the city centre offering a shopping destination for consumers. It is currently in the process of optimising its vendor mix by introducing more competitive brands and wider product variety. In May 2008, the Chengdu store was temporarily closed for two days after a tragic earthquake struck in Sichuan. It resumed its normal operation shortly after.

Treasury and securities investments

Responding to the market uncertainties last year, since the beginning of 2008, the Group has been undertaking a prudent strategy by reducing its equity exposure further and increasing the cash portion of its investment portfolios. Despite this, the sharp market downturn has an adverse impact on the Group’s portfolios and fair value losses were recognised in 2008. For the year 2008, treasury and securities investments business registered a loss of HK\$164 million (2007 – profit of HK\$117 million).

It appears that the global economic crisis will be enduring and the financial markets will remain volatile. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality.

Corporate finance and securities broking

Hong Kong capital market was hard hit by the financial turmoil in the second half of 2008. Initial public offerings activities in local stock market almost came to a halt. The Group’s corporate finance and securities broking business was deeply impacted by the continuous downfall of the market. In 2008, it registered a decrease in turnover to HK\$66 million (2007 – HK\$159 million) and profit derived from this segment fell to HK\$13 million (2007 – HK\$43 million).

Banking business

The Macau Chinese Bank Limited (“MCB”) is a wholly-owned subsidiary of Hongkong Chinese Limited (“HKC”), a listed subsidiary of the Company. In 2008, the Macau banking market was also affected by the global credit crunch and the financial market volatility. Despite the tough operating environment, MCB managed to maintain the quality of its client and loan portfolio. Management continued to lend conservatively and seek growth in areas where appropriate in a selective manner. With a lower interest rate environment, the banking business delivered a turnover of HK\$16 million in 2008 (2007 – HK\$27 million), with a profit of HK\$0.3 million (2007 – HK\$4.2 million).

Results for the year *(continued)*

Other businesses

During the year, the Group registered a share of loss of HK\$91 million from a listed associate in Singapore, Auric Pacific Group Limited ("APG"). APG is mainly engaged in food manufacturing, wholesale and distribution, food retail and food court operation as well as property and securities investments. Singapore, where APG conducts most of its business, is in recession and as a result APG's performance is adversely affected. However, with food as a basic necessity, APG's core food related businesses should remain resilient.

Financial position

The Company and HKC successfully completed rights issues in June 2008 and raised net proceeds after expenses of approximately HK\$407 million and HK\$464 million respectively. The above rights issues, which were completed before the onset of the global financial crisis, is a timely exercise which helped strengthen the Group's capital base.

During the year 2008, the Group had acquired approximately 73 million additional shares in HKC from the market for a total consideration of approximately HK\$55 million. Such shares represented approximately 4 per cent. of HKC's issued capital as at 31st December, 2008 and the Company's interest in HKC has increased to 55.8 per cent. accordingly.

As at 31st December, 2008, the Group's total assets decreased to HK\$12.5 billion (2007 – HK\$13.0 billion). Property-related assets slightly decreases to HK\$8.5 billion (2007 – HK\$8.6 billion), representing 68 per cent. (2007 – 66 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced significantly to HK\$0.6 billion (2007 – HK\$1.0 billion), representing 5 per cent. (2007 – 8 per cent.) of the Group's total assets. Total liabilities amounted to HK\$4.5 billion (2007 – HK\$4.6 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.4 to 1 (2007 – 1.2 to 1).

As at 31st December, 2008, the bank and other borrowings of the Group (other than those attributable to banking business) slightly decreased to HK\$2,254 million (2007 – HK\$2,264 million). As at 31st December, 2008, total bank loans amounted to HK\$2,099 million (2007 – HK\$1,912 million), comprising secured bank loans of HK\$2,060 million (2007 – HK\$1,890 million) and unsecured bank loans of HK\$39 million (2007 – HK\$22 million), which were denominated in Hong Kong dollars, United States dollars, Singapore dollars or Renminbi (2007 – denominated in Hong Kong dollars, United States dollars, Singapore dollars or Renminbi). The bank loans were secured by certain properties, shares in certain subsidiaries and certain fixed deposits of the Group. The bank loans carried interest at floating rates and 26 per cent. of the bank loans (2007 – 30 per cent.) were repayable within one year. As at 31st December, 2008, a loan of HK\$155 million (2007 – HK\$352 million) was advanced by a third party. Such advance was unsecured and would be repayable on or before 26th June, 2009. At the end of the year, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) remained at 35.3 per cent. (2007 – 35.3 per cent.).

During the year, the Company made the 2007 final distribution of HK\$0.04 per share and 2008 interim distribution of HK\$0.02 per share to its shareholders, amounting to a total of HK\$28.2 million. As at 31st December, 2008, the net asset value of the Group remained strong and amounted to HK\$4.7 billion (2007 – HK\$4.8 billion). This was equivalent to HK\$8.8 per share (2007 – HK\$11.0 per share).

Financial position *(continued)*

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 (2007 – Nil). On 25th July, 2007, a jointly controlled entity of the Group entered into an agreement to sell all of the rights, title and interest in the receivables in respect of its residential project to Vesta Investment Corporation Limited ("Vesta") and Vesta issued floating rate notes to institutional investors upon the purchase of the receivables (the "Securitisation Exercise"). On the same date, LCR entered into a cost overruns undertaking and a deed of understanding in relation to the Securitisation Exercise. As at 31st December, 2008, the net maximum exposure to the Group was approximately HK\$18 million (2007 – HK\$86 million). Save as aforesaid and those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2007 – Nil).

As at 31st December, 2008, the Group's total capital commitment decreased to HK\$323 million (2007 – HK\$791 million). The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

The share price of the Group has been trading at a significant discount to its net book value, especially after the onset of the financial turmoil. The discount will be even larger if the pre-sold value of its development projects, which are booked at cost, is also taken into account. To enhance the value to its shareholders, the Company has executed a share buyback program. The Company repurchased 9,203,000 shares of its common stock on the Stock Exchange of Hong Kong for a total consideration, including expenses, of approximately HK\$21 million during the year 2008.

Staff and remuneration

The Group had approximately 1,075 employees as at 31st December, 2008 (2007 – 1,124 employees). The decrease in number of employees was mainly due to optimisation of our retail operation in mainland China. Total staff costs (including directors' emoluments) during the year amounted to HK\$184 million (2007 – HK\$206 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option schemes of the Company and its subsidiaries.

Outlook

It appears that 2009 will continue to be a difficult year. Economy remains sluggish globally, consumer sentiment is weak, property sector is still depressed and financial markets continue to be volatile. Business environment remains challenging to companies around the world. However, the Group remains positive of the prospects of the Asia Pacific region over the medium term despite the fact that, similar to other regions, it is hard hit by the economic crisis. It is possible that once the world recovers from the current doldrums, key economies in the region such as mainland China will be among the first to rebound and become vibrant again. The Group will continue to focus on developments in the Asia Pacific region and remain prudent in managing its property and investment portfolios.

Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance practices. The Board of Directors of the Company (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 2008, 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, 2008.

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 2008.

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 seven members (the composition of the Board is shown on page 22), including three executive Directors and four 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 22 to 24). Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

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

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

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. Six Board meetings were held in 2008. 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 2008 are set out below:

| Directors | Attendance/Number of Meetings | | | |
|---|-------------------------------|--------------------------|---------------------------------|-------------------------------|
| | Board Meetings | Audit Committee Meetings | Remuneration Committee Meetings | Nomination Committee Meetings |
| Executive Directors | | | | |
| Mr. Stephen Tjondro Riady (<i>Chairman</i>) | 5/6 | N/A | 2/2 | 2/2 |
| Mr. John Luen Wai Lee (<i>Managing Director and Chief Executive Officer</i>) | 5/6 | N/A | N/A | N/A |
| Mr. Jark Pui Lee | 6/6 | N/A | N/A | N/A |
| Non-executive Director | | | | |
| Mr. Leon Nim Leung Chan (<i>Chairman of the Remuneration Committee and Nomination Committee</i>) | 6/6 | 4/4 | 2/2 | 2/2 |
| Independent Non-executive Directors | | | | |
| Mr. Victor Ha Kuk Yung (<i>Chairman of the Audit Committee</i>) | 5/6 | 3/4 | 1/2 | 1/2 |
| Mr. Edwin Neo | 5/6 | 4/4 | 2/2 | 2/2 |
| Mr. King Fai Tsui | 3/6 | 4/4 | 1/2 | 1/2 |

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Mr. Stephen Tjondro 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. John Luen Wai Lee 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 four non-executive Directors of whom three are independent. Under the Company's Articles of Association, every Director, including the non-executive Directors, shall be subject to retirement by rotation at least once every three years. This means that the specific term of appointment of a Director cannot exceed three years.

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

Remuneration of Directors

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

Majority of the Committee members are non-executive Directors and three of them are independent. The Remuneration Committee currently comprises five members including one executive Director, namely, Mr. Stephen Tjondro Riady, one non-executive Director, namely, Mr. Leon Nim Leung Chan (being the Chairman of the Remuneration Committee) and three independent non-executive Directors, namely, Messrs. Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui. Two meetings were held in 2008 and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 8 and 2.4(u) to the financial statements, respectively.

Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Company's Articles of Association. No new Director was appointed during 2008.

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.lippold.com.hk). The principal role of the Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; assessment of the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. During the year, the Nomination Committee reviewed, inter alia, the eligibility of the Directors seeking for re-election at the last annual general meeting and assessed the independency of the independent non-executive Directors. The Nomination Committee also reviewed the existing size and efficiency of the Board.

Majority of the Committee members are non-executive Directors and three of them are independent. The Nomination Committee currently comprises five members including one executive Director, namely, Mr. Stephen Tjondro Riady, one non-executive Director, namely, Mr. Leon Nim Leung Chan (being the Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Messrs. Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui. Two meetings were held in 2008 and the individual attendance of each member is set out above.

Auditors' Remuneration

Messrs. Ernst & Young has been appointed by the shareholders annually as the Company's auditors. During the year, the fees charged to the accounts of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK\$5.0 million (2007 – HK\$5.1 million) and approximately HK\$0.3 million (2007 – HK\$0.5 million), respectively. The non-statutory audit services provided in 2008 mainly consisted of tax review of the Group and review of continuing connected transactions and matters relating to the rights issues of the Group during the year.

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.lippold.com.hk). It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including one non-executive Director, namely Mr. Leon Nim Leung Chan, and three independent non-executive Directors, namely Messrs. Victor Ha Kuk Yung (being the Chairman of the Audit Committee), Edwin Neo and King Fai Tsui. Four meetings were held in 2008 and the individual attendance of each member is set out above.

Audit Committee *(continued)*

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

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

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

Internal Controls

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

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

During the year, a review of the effectiveness of the Group's internal control system covering all material controls and risk management functions was conducted. The review will be conducted annually in accordance with the requirements of the Code.

Subsequent to the financial year end, the Board reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Internal Audit

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

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

Notifiable Transactions and Connected Transactions

During the year 2008, the Company released announcements in respect of a number of “notifiable transactions” and/or “connected transactions” which can be viewed in the Company’s website (www.lippold.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.

Upon the implementation of the amendments to the Listing Rules with effect from 1st January, 2009, all resolutions proposed at shareholders’ meetings must be voted by poll. Details of the poll procedures will be explained during the proceedings of shareholders’ meetings. The poll voting results will be released and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lippold.com.hk).

To provide effective communication, the Company maintains a website at www.lippold.com.hk. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars and notices are available on the Company’s website.

Fair Disclosure and Investor Relations

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

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

Financial Reporting

The Board recognises its responsibility to prepare the Company’s financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 31st December, 2008, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group’s financial position or continue as a going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The external auditor is responsible for audit and report, if any, material misstatement or non-compliance with Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group’s performance, position and prospects in financial reporting.

The responsibilities of the auditors with respect to financial reporting are set out in the Independent Auditors’ Report on pages 36 and 37.

Report of the Directors

The Directors hereby present their report together with the audited financial statements for the year ended 31st December, 2008.

Principal Activities

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

The activities and other particulars of the principal subsidiaries, principal associates and principal jointly controlled entities are set out in the financial statements on pages 134 to 145, pages 146 and 147 and page 148, respectively.

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

Segment Information

An analysis of the Group's revenue and results by principal activity and geographical area for the year ended 31st December, 2008 is set out in Note 4 to the financial statements.

Results and Dividends

The results and details of cash flows of the Group for the year ended 31st December, 2008 and the state of affairs of the Group and the Company as at 31st December, 2008 are set out in the financial statements on pages 38 to 148.

An interim dividend of HK2 cents per share (2007 – HK2 cents per share) for the six months ended 30th June, 2008 was paid on 24th October, 2008. The Directors have resolved to recommend the payment of a final dividend of HK2 cents per share (2007 – HK4 cents per share) amounting to approximately HK\$10 million for the year ended 31st December, 2008 (2007 – approximately HK\$17.3 million). Total dividends for the year ended 31st December, 2008 will be HK4 cents per share (2007 – HK6 cents per share) amounting to approximately HK\$20.8 million (2007 – approximately HK\$26 million).

Summary of Group Financial Information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2008 is set out on page 156.

Goodwill

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

Fixed Assets

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

Investment Properties

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

Bank Loans

Details of bank loans are summarised in Note 27 to the financial statements.

Share Capital and Warrants

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

Rights Issue

On 27th June, 2008, the Company allotted and issued 108,433,752 new ordinary shares of HK\$0.10 each and 54,216,876 warrants of the Company with an aggregate subscription value of HK\$254,819,317.20 (the "Warrants") by way of rights issue (the "Rights Issue") on the basis of one rights share for every four shares held (with bonus warrants on the basis of one warrant for every two rights shares taken up) at HK\$3.80 per rights share to the qualifying shareholders whose names appear on the Register of Members of the Company on 5th June, 2008. The holders of the Warrants are entitled to subscribe for up to 54,216,876 ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) upon exercise of the Warrants. The net proceeds from the Rights Issue of approximately HK\$407 million was applied for taking up assured entitlements and excess application in the rights issue of Hongkong Chinese Limited, a listed subsidiary of the Company, in June 2008 and for general working capital of the Group.

Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are set out in Note 32 to the financial statements.

Reserves and Distributable Reserves

Details of movements in the reserves during the year and details of the distributable reserves are set out in Note 33 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

Post Balance Sheet Event

Details of the significant post balance sheet event of the Group are set out in Note 43 to the financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 134 to 145.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$6,127,000 (2007 – HK\$15,553,000).

Honorary Chairman

On 25th April, 2003, the Directors of the Company appointed Dr. Mochtar Riady ("Dr. Riady") as Honorary Chairman of the Company in recognition of Dr. Riady's valuable contribution to the Company in the past. Dr. Riady was not appointed as a director or officer of the Company, has no executive or management function within the Company and will not attend or vote at meetings of Directors. He will not have any involvement in the day-to-day management, oversight or other operation of the Company.

Report of the Directors

Directors

The Directors of the Company during the year were:

Executive Directors

Mr. Stephen Tjondro Riady (*Chairman*)

Mr. John Luen Wai Lee, J.P. (*Managing Director and Chief Executive Officer*)

Mr. Jark Pui Lee, S.B.S., O.B.E., J.P.

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

In accordance with Article 120 of the Company's Articles of Association, Messrs. Stephen Tjondro Riady, John Luen Wai Lee and Edwin Neo will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

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

Brief Biographical Details of Directors and Senior Management

Mr. Stephen Tjondro Riady, aged 48, has been the Chairman of the Company since 1991. He is also the Deputy Chairman, Managing Director and Chief Executive Officer of Lippo China Resources Limited ("LCR"), and a director and Chief Executive Officer of Hongkong Chinese Limited ("HKC"), both are public listed companies in Hong Kong. Mr. Riady is a director of Lanius Limited, Lippo Cayman Limited and Lippo Capital Limited. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. He also holds directorship in certain subsidiaries of the Company. Mr. Riady is a director of Overseas Union Enterprise Limited and Auric Pacific Group Limited, both are public listed companies in Singapore. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region. Dr. Mochtar Riady and Madam Lidya Suryawaty are the parents of Mr. Riady.

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

Mr. John Luen Wai Lee, J.P., aged 60, has been the Managing Director of the Company since 1991. Mr. Lee is also the Chief Executive Officer of the Company and a director of LCR and HKC. Mr. Lee is also an authorised representative of the Company, LCR and HKC. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company. Mr. Lee is a director of Medco Holdings, Inc. and Export and Industry Bank, Inc., both are public listed companies in Philippines. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited, both are public listed companies in Hong Kong. He 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 and Non-local Higher and Professional Education Appeal Board. He is also the Chairman of the Queen Elizabeth Hospital Governing Committee.

Mr. Jark Pui Lee, S.B.S., O.B.E., J.P., aged 69, was appointed a Director of the Company in 1992. Mr. Lee holds a Bachelor of Arts degree (Hons) from The University of Hong Kong. He worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years, and was Chairman of International Chamber of Commerce – Hong Kong, China, the Government's Social Welfare Advisory Committee, Hong Kong Council of Social Service, the Legal Aid Services Council and Po Leung Kuk. Mr. Lee is currently the Chairman of The Agency for Volunteer Service, the Hong Kong Council of Volunteering and General Support Programme Vetting Committee, Innovation and Technology Commission.

Mr. Leon Nim Leung Chan, aged 53, was appointed an independent non-executive Director of the Company in 1997 and was re-designated as a non-executive director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of LCR and HKC. Mr. Chan is the Chairman of the Remuneration Committee and Nomination Committee as well as a member of the Audit Committee of each of the Company, LCR and HKC. He is also a director of a subsidiary of the Company and the chairman of the supervisory board member of a subsidiary of the Company.

Mr. Edwin Neo, aged 59, was appointed an independent non-executive Director of the Company in March 2002. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. Mr. Neo is a practising lawyer and a notary public and is presently the sole proprietor of Hoosenally & Neo, Solicitors & Notaries. He is also an independent non-executive director of LCR. Mr. Neo is a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company and LCR.

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

Mr. King Fai Tsui, aged 59, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He is an independent non-executive director of Vinda International Holdings Limited and China Aoyuan Property Group Limited, both are public listed companies in Hong Kong. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in Mainland China. Mr. Tsui worked for two of the Big Four audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. Mr. Tsui is also an independent non-executive director of LCR and HKC. He is a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company, LCR and HKC.

Mr. Victor Ha Kuk Yung, aged 55, 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 LCR and HKC. Mr. Yung is the Chairman of the Audit Committee as well as a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC.

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

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

Brief Biographical Details of Other Officers

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

Mr. Kwok Fai Lee, was appointed the company secretary of the Company in April 1991. He is also an authorised representative of the Company. Mr. Lee holds a Master of Science degree in Investment Management from The Hong Kong University of Science and Technology. He is an associate member of the Chartered Institute of Bankers and a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Lee has over 25 years' experience in corporate administration and company secretarial field.

Directors' and Five Highest Paid Employees' Emoluments

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

The emoluments of the Directors are determined by reference to the market terms and their duties and responsibilities within the Group. The emoluments of the non-executive Directors have been covered by their respective letter agreements with the Company. A Director will also receive additional fees for duties assigned to and services provided by him as Chairmen of various committees of the Company and its subsidiaries. The emoluments of Messrs. John Luen Wai Lee and Jark Pui Lee have been covered by their respective employment agreements with the Group save for the director's fees and fringe benefits of Mr. John Luen Wai Lee in the total amount of approximately HK\$220,000 paid for the year.

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, 2008, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

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

(a) The Company

| Name of Director | Number of ordinary shares of HK\$0.10 each in the Company | | | Number of underlying ordinary shares of HK\$0.10 each in the Company | | | | Approximate percentage of total interests in the issued share capital | |
|-----------------------|--|--|--------------------------------|---|--|-----------------------|-------------------------------|---|-------|
| | Personal interests (held as beneficial owner) | Family interests (interest of spouse) | Other interests | Personal interests (held as beneficial owner) | Family interests (interest of spouse) | Other interests | Warrants [®] | | |
| | | | | Options [*] | Warrants [®] | Warrants [®] | Warrants [®] | | |
| Stephen Tjondro Riady | - | - | 319,322,219 <i>Note (i)</i> | - | - | - | 35,312,240 <i>Note (i)</i> | 354,634,459 | 66.54 |
| Jark Pui Lee | - | 60 | - | 162,500 | - | 6 | - | 162,566 | 0.03 |
| John Luen Wai Lee | 1,031,250 | - | - | 1,125,000 | 103,125 | - | - | 2,259,375 | 0.42 |
| Leon Nim Leung Chan | - | - | - | 193,750 | - | - | - | 193,750 | 0.04 |
| Edwin Neo | - | - | - | 162,500 | - | - | - | 162,500 | 0.03 |
| King Fai Tsui | - | - | - | 162,500 | - | - | - | 162,500 | 0.03 |
| Victor Ha Kuk Yung | - | - | - | 162,500 | - | - | - | 162,500 | 0.03 |

Report of the Directors

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

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

(a) *The Company (continued)*

* The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an initial exercise price of HK\$6.98 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of one rights share for every four shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 32 to the financial statements.

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

(b) *Lippo China Resources Limited ("LCR")*

| Name of Director | Number of ordinary shares of HK\$0.10 each in LCR | Number of underlying ordinary shares of HK\$0.10 each in LCR | | Approximate percentage of total interests in the issued share capital |
|-----------------------|---|--|---|---|
| | | Other interests | Personal interests (held as beneficial owner) | |
| | | | Options [#] | |
| Stephen Tjondro Riady | 6,544,696,389 | – | – | 71.19 |
| | <i>Notes (i) and (ii)</i> | | | |
| John Luen Wai Lee | – | 22,000,000 | – | 0.24 |
| Leon Nim Leung Chan | – | 3,000,000 | – | 0.03 |
| Edwin Neo | – | 2,300,000 | – | 0.03 |
| King Fai Tsui | – | 2,300,000 | – | 0.03 |
| Victor Ha Kuk Yung | – | 2,300,000 | – | 0.03 |

The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the 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). None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 32 to the financial statements.

Report of the Directors

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

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

(c) Hongkong Chinese Limited ("HKC")

| Name of Director | Number of ordinary shares of HK\$1.00 each in HKC | | | Number of underlying ordinary shares of HK\$1.00 each in HKC | | | | Approximate percentage of total interests in the issued share capital | |
|-----------------------|---|--|---------------------------|---|-----------------------|-----------------------|-----------------------|---|-------|
| | Personal interests (held as beneficial owner) | Family interests (interest of spouse) | Other interests | Options [^] | Warrants ⁺ | Warrants ⁺ | Warrants ⁺ | | |
| Stephen Tjondro Riady | - | - | 1,014,222,978 | - | - | - | 106,765,641 | 1,120,988,619 | 61.65 |
| | | | <i>Notes (i) and (ii)</i> | | | | | <i>Notes (i) and (iii)</i> | |
| Jark Pui Lee | 469 | 469 | - | - | 51 | 51 | - | 1,040 | 0.00 |
| John Luen Wai Lee | 270 | 270 | - | 4,590,000 | 30 | 30 | - | 4,590,600 | 0.25 |
| King Fai Tsui | - | 67,500 | - | 607,500 | - | 7,500 | - | 682,500 | 0.04 |
| Leon Nim Leung Chan | - | - | - | 810,000 | - | - | - | 810,000 | 0.04 |
| Victor Ha Kuk Yung | - | - | - | 607,500 | - | - | - | 607,500 | 0.03 |

[^] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by HKC (the "HKC Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the HKC Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in HKC at an initial exercise price of HK\$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of HKC in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 32 to the financial statements.

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

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

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

Note:

- (i) As at 31st December, 2008, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 66.54 per cent. of the then issued share capital of, the Company. Lippo Securities is a wholly-owned subsidiary of HKC which in turn was a then 55.78 per cent. subsidiary of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of the issued share capital of, Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust include, inter alia, Mr. Stephen Tjondro Riady and his family members. Mr. Stephen Tjondro Riady, as beneficiary of the trust, is taken to be interested in Lippo Cayman under the SFO.
- (ii) As at 31st December, 2008, the Company was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.19 per cent. of the then issued share capital of, LCR.
- (iii) As at 31st December, 2008, the Company, through its wholly-owned subsidiary and Lippo Securities, was indirectly interested in an aggregate of 1,014,222,978 ordinary shares and HK\$133,457,051.25 warrants giving rise to an interest in 106,765,641 underlying ordinary shares of HKC, totalling 1,120,988,619 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 61.65 per cent. of the then issued share capital of, HKC.
- (iv) The percentages of the issued share capital stated in this section were arrived based on the issued share capital of each of the Company, LCR and HKC (as the case may be) as at 31st December, 2008.

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

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

Report of the Directors

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

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

As at 31st December, 2008, Mr. Stephen Tjondro Riady, as beneficiary of the aforesaid discretionary trust, through his interests in Lippo Cayman as mentioned in Note (i) above, was 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 | 72.45 |
| Actfield Limited | Ordinary shares | 1 | 100 |
| Boudry Limited | Ordinary shares | 1,000 | 100 |
| CRC China Limited | Ordinary shares | 1 | 100 |
| Congrad Holdings Limited | Ordinary shares | 1 | 100 |
| Cyport Limited | Ordinary shares | 1 | 100 |
| East Winds Food Pte Ltd. | Ordinary shares | 400,000 | 88.88 |
| First Bond Holdings Limited | 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 |
| Honix Holdings Limited | Ordinary shares | 1 | 100 |
| Huge Returns Limited | Ordinary shares | 1 | 100 |
| Ivey International Limited | Ordinary shares | 1 | 100 |
| J & S Company Limited | Ordinary shares | 1 | 100 |
| Lippo Assets (International) Limited | Ordinary shares | 1,000,000 | 100 |
| | Non-voting deferred shares | 15,000,000 | 100 |
| Lippo Capital Limited | Ordinary shares | 705,690,000 | 100 |
| Lippo Energy Company N.V. | Ordinary shares | 6,000 | 100 |
| Lippo Energy Holding Limited | Ordinary shares | 1 | 100 |
| Lippo Finance Limited | Ordinary shares | 6,176,470 | 82.35 |
| Lippo Holding America Inc. | Ordinary shares | 1 | 100 |
| Lippo Holding Company Limited | Ordinary shares | 2,500,000 | 100 |
| | Non-voting deferred shares | 7,500,000 | 100 |
| Lippo Holdings Inc. | Ordinary shares | 1 | 100 |
| Lippo Investments Limited | Ordinary shares | 2 | 100 |
| Lippo Realty Limited | Ordinary shares | 2 | 100 |
| Lippo Strategic Holdings Inc. | Ordinary shares | 1 | 100 |
| Lippo World Holdings Limited | Ordinary shares | 1 | 100 |
| 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 |

Report of the Directors

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

| Name of associated corporation | Class of shares | Number of shares interested | Approximate percentage of interest in the issued share capital |
|---|----------------------------|-----------------------------|--|
| Sinotrend Global Holdings Limited | Ordinary shares | 1 | 100 |
| The HCB General Investment (Singapore) Pte Ltd. | Ordinary shares | 70,000 | 70 |
| Thornton Pacific Limited | Ordinary shares | 1 | 100 |
| Times Grand Limited | Ordinary shares | 1 | 100 |
| Valencia Development Limited | Ordinary shares | 800,000 | 100 |
| | Non-voting deferred shares | 200,000 | 100 |
| Welux Limited | Ordinary shares | 1 | 100 |

As at 31st December, 2008, Mr. Stephen Tjondro 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 is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of the issued share capital of, Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady, father of Mr. Stephen Tjondro Riady, is the founder and the beneficiaries of the trust include, inter alia, Mr. Stephen Tjondro Riady.

As at 31st December, 2008, Mr. John Luen Wai Lee, as a beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of the issued share capital of, AcrossAsia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st December, 2008, save as disclosed herein, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2008, 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, 2008, 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

Arrangements to Acquire Shares or Debentures

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

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

As at 31st December, 2008, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other 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") and/or as notified to the Company as follows:

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares and underlying shares of the Company

| Name | Number of ordinary shares of HK\$0.10 each | Number of underlying ordinary shares of HK\$0.10 each | Total interests | Approximate percentage of total interests in the issued share capital |
|--|--|---|-----------------|---|
| | | Warrants (Note 8) | | |
| <i>Substantial shareholders:</i> | | | | |
| Lippo Capital Limited ("Lippo Capital") | 273,625,000 | 27,362,519 | 300,987,519 | 56.47 |
| Lippo Cayman Limited ("Lippo Cayman") | 319,322,219 | 35,312,240 | 354,634,459 | 66.54 |
| Lanius Limited ("Lanius") | 319,322,219 | 35,312,240 | 354,634,459 | 66.54 |
| Dr. Mochtar Riady | 319,322,219 | 35,312,240 | 354,634,459 | 66.54 |
| Madam Lidya Suryawaty | 319,322,219 | 35,312,240 | 354,634,459 | 66.54 |
| <i>Other persons:</i> | | | | |
| ASM Asia Recovery (Master) Fund ("ASM") | 26,228,000 | 3,026,500 | 29,254,500 | 5.40 |
| Argyle Street Management Limited ("Argyle") | 32,616,500 | 3,763,750 | 36,380,250 | 6.71 |
| Argyle Street Management Holdings Limited ("ASM Holdings") | 32,616,500 | 3,763,750 | 36,380,250 | 6.71 |
| Mr. Kin Chan | 32,616,500 | 3,763,750 | 36,380,250 | 6.71 |
| Farallon Capital Management, L.L.C. ("Farallon") | 31,306,071 | 4,971,735 | 36,277,806 | 6.63 |
| Noonday Asset Management, L.L.C. ("Noonday Asset") | 31,306,071 | 4,971,735 | 36,277,806 | 6.63 |
| Noonday Capital, L.L.C. ("Noonday Capital") | 31,306,071 | 4,971,735 | 36,277,806 | 6.63 |
| Noonday G.P. (U.S.), L.L.C. ("Noonday") | 31,306,071 | 4,971,735 | 36,277,806 | 6.63 |
| Mercury Real Estate Advisors, LLC ("Mercury Real Estate") | 29,406,000 | – | 29,406,000 | 5.42 |
| Mr. David R. Jarvis | 29,406,000 | – | 29,406,000 | 5.42 |
| Mr. Malcolm F. Maclean | 29,406,000 | – | 29,406,000 | 5.42 |

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

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares and underlying shares of the Company *(continued)*

Note:

1. 273,625,000 ordinary shares and HK\$128,603,750 warrants giving rise to an interest of 27,362,500 underlying ordinary shares of the Company were owned by Lippo Capital directly as beneficial owner. Lippo Cayman, through its wholly-owned subsidiaries, Lippo Capital, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was indirectly interested in 305,118,929 ordinary shares and HK\$159,291,981.70 warrants giving rise to an interest in 33,891,911 underlying ordinary shares of the Company. Lippo Securities is a wholly-owned subsidiary of Hongkong Chinese Limited which in turn was a then 55.78 per cent. subsidiary of the Company. Together with 14,203,290 ordinary shares and HK\$6,675,546.30 warrants giving rise to an interest in 1,420,329 underlying ordinary shares of the Company owned by Lippo Cayman directly as beneficial owner, Lippo Cayman was interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 66.54 per cent. of the then issued share capital of, the Company.
2. Lanius is the registered shareholder of the entire issued share capital of Lippo Cayman and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in the issued share capital of Lanius.
3. Lippo Cayman's interests in the ordinary shares and underlying ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 354,634,459 ordinary shares and underlying ordinary shares of the Company related to the same block of shares and underlying shares that Mr. Stephen Tjondro Riady was 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".
4. 26,228,000 ordinary shares and warrants giving rise to an interest in 3,026,500 underlying ordinary shares of the Company were held by ASM directly as beneficial owner. Argyle, as investment manager, through its managed funds, ASM and ASM Hudson River Fund, was indirectly interested in an aggregate of 32,616,500 ordinary shares and warrants giving rise to an interest in 3,763,750 underlying ordinary shares of the Company, totalling 36,380,250 ordinary shares and underlying ordinary shares in the Company. Argyle was a wholly-owned subsidiary of ASM Holdings. Mr. Kin Chan was interested in approximately 44 per cent. of ASM Holdings.
5. Farallon, through the entities and accounts managed by it as investment adviser, namely Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital Offshore Investors, Inc., Farallon Capital Offshore Investors II, L.P., Noonday Capital Partners, L.L.C. and Noonday Offshore, Inc., was indirectly interested in an aggregate of 31,306,071 ordinary shares and warrants giving rise to an interest in 4,971,735 underlying ordinary shares of the Company, totalling 36,277,806 ordinary shares and underlying ordinary shares of HK\$0.10 each in the Company. Noonday Asset, Noonday Capital and Noonday as subinvestment advisers to each of the aforementioned entities and accounts managed by Farallon, each has an indirect interest in the above 36,277,806 ordinary shares and underlying ordinary shares of the Company.
6. 29,406,000 ordinary shares of HK\$0.10 each in the Company were held by Mercury Real Estate directly as investment manager. Messrs. David R. Jarvis and Malcolm F. Maclean were directly interested in 57.50 per cent. and 42.50 per cent. of Mercury Real Estate respectively.
7. The percentages of interests of substantial shareholders in the issued share capital stated in this section were arrived based on 532,968,372 ordinary shares of HK\$0.10 each in issue of the Company as at 31st December, 2008. The percentages of interests of other persons in the issued share capital stated in this section were based on the respective disclosure forms filed with the Company.
8. The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).
9. The above interests in the underlying shares of the Company in respect of warrants were held pursuant to listed physically settled equity derivatives.

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

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares and underlying shares of the Company *(continued)*

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2008, none of the substantial shareholders (as defined under the Listing Rules) 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

The Lippo Group (a general reference to the companies (including Lippo Cayman Limited) in which Mr. Stephen Tjondro Riady and his family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31st December, 2008, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

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

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

Connected Transactions and Continuing Connected Transactions

During the year, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors' and Controlling Shareholders' Interest in Contracts

There were no 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

Directors' Service Contracts

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

Management Contracts

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

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

During the year, the Company had repurchased a total of 9,203,000 shares of HK\$0.10 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases are as follows:

| Month | Number of shares of HK\$0.10 each repurchased | Price per share or highest price paid per share | Lowest price paid per share | Total price paid |
|----------|---|---|-----------------------------|------------------|
| 2008 | | HK\$ | HK\$ | HK\$ |
| October | 5,461,000 | 3.20 | 2.50 | 14,242,730 |
| November | 3,742,000 | 1.90 | N/A | 7,109,800 |
| Total | 9,203,000 | | | 21,352,530 |
| | | Expenses incurred for shares repurchased | | 101,759 |
| | | | | 21,454,289 |

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

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year. Further details of the repurchases are set out in Note 31 to the financial statements.

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 Notes 2.4(u) and 7 to the financial statements, respectively.

Audit Committee

The Company has established an audit committee (the “Committee”). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31st December, 2008.

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 14 to 19.

Sufficiency of Public Float

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

Auditors

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

On behalf of the Board

John Luen Wai Lee

Managing Director and Chief Executive Officer

Hong Kong, 17th April, 2009



To the shareholders of Lippo Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Lippo Limited set out on pages 38 to 148, which comprise the consolidated and company balance sheets as at 31st December, 2008, 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

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, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young

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

Hong Kong, 17th April, 2009

Consolidated Profit and Loss Account

For the year ended 31st December, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 (restated) |
|--|-------|--------------------------------|--------------------------------|
| Revenue | 5 | 579,322 | 594,465 |
| Cost of sales | | (281,227) | (207,427) |
| Gross profit | | 298,095 | 387,038 |
| Administrative expenses | | (251,530) | (246,096) |
| Other operating expenses | | (231,399) | (146,635) |
| Fair value gains/(losses) on investment properties | | (242,221) | 312,942 |
| Gain/(Loss) on disposal of fixed assets | | 199,483 | (407) |
| Gain on disposal of subsidiaries | 36 | 28,838 | 83,779 |
| Gain on disposal of available-for-sale financial assets | | 20,298 | 746 |
| Gain on disposal of associates | | – | 57,620 |
| Net fair value gain/(loss) on financial assets at fair value through profit or loss | | (150,504) | 58,960 |
| Provisions for impairment losses: | | | |
| Associates | | (145,478) | (56,694) |
| Available-for-sale financial assets | | (52,266) | (13,775) |
| Properties held for sale | | (474) | (10,140) |
| Properties under development | | (9,089) | (26,780) |
| Allowance for bad and doubtful debts | | (21,603) | (2,415) |
| Excess over the cost of business combination | 6 | 155,635 | – |
| Finance costs | 10 | (84,158) | (131,525) |
| Share of results of associates | 11 | (128,636) | 1,222,656 |
| Share of results of jointly controlled entities | | (774) | 5,517 |
| Profit/(Loss) before tax | 7 | (615,783) | 1,494,791 |
| Tax | 12 | 33,194 | (31,161) |
| Profit/(Loss) for the year | | (582,589) | 1,463,630 |
| Attributable to: | | | |
| Equity holders of the Company | 13&33 | (336,744) | 698,927 |
| Minority interests | 33 | (245,845) | 764,703 |
| | | (582,589) | 1,463,630 |

Consolidated Profit and Loss Account

For the year ended 31st December, 2008

| | Note | 2008 HK cents | 2007 HK cents |
|--|------|------------------|------------------|
| Earnings/(Loss) per share attributable to equity holders of the Company | | | |
| Basic | 14 | (68) | 155 |
| Diluted | | N/A | N/A |
| Dividends | 15 | HK\$'000 | HK\$'000 |
| Interim, declared and paid | | 10,843 | 8,675 |
| Final, proposed/paid after the balance sheet date | | 10,009 | 17,349 |
| | | 20,852 | 26,024 |

Consolidated Balance Sheet

As at 31st December, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|---|------|-------------------|------------------|
| Non-current assets | | | |
| Goodwill | 16 | 94,856 | 94,856 |
| Fixed assets | 17 | 479,357 | 419,487 |
| Investment properties | 18 | 3,613,887 | 3,763,825 |
| Properties under development | 19 | 329,867 | 202,873 |
| Interests in associates | 20 | 4,080,457 | 4,626,972 |
| Interests in jointly controlled entities | 21 | 257,625 | 186,677 |
| Available-for-sale financial assets | 22 | 498,278 | 539,215 |
| Held-to-maturity financial assets | 23 | 9,467 | 9,572 |
| Loans and advances | 24 | 56,989 | 27,884 |
| Deferred tax assets | 30 | 184 | – |
| | | 9,420,967 | 9,871,361 |
| Current assets | | | |
| Properties held for sale | | 23,547 | 15,674 |
| Properties under development | 19 | 573,713 | 509,404 |
| Inventories | | 2,080 | 1,092 |
| Available-for-sale financial assets | 22 | – | 2,454 |
| Financial assets at fair value through profit or loss | 25 | 112,159 | 462,805 |
| Loans and advances | 24 | 161,390 | 242,777 |
| Debtors, prepayments and deposits | 26 | 275,405 | 383,517 |
| Client trust bank balances | | 509,355 | 730,995 |
| Treasury bills | | – | 34,920 |
| Pledged time deposits | 27 | 26,400 | – |
| Cash and bank balances | | 1,441,456 | 748,483 |
| | | 3,125,505 | 3,132,121 |
| Current liabilities | | | |
| Bank and other borrowings | 27 | 699,232 | 931,953 |
| Amount due to a jointly controlled entity | 21 | 46,638 | 46,968 |
| Creditors, accruals and deposits received | 28 | 1,357,803 | 1,473,113 |
| Current, fixed, savings and other deposits of customers | 29 | 133,220 | 165,223 |
| Tax payable | | 63,195 | 83,058 |
| | | 2,300,088 | 2,700,315 |
| Net current assets | | 825,417 | 431,806 |
| Total assets less current liabilities | | 10,246,384 | 10,303,167 |

Consolidated Balance Sheet

As at 31st December, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------|------------------|------------------|
| Non-current liabilities | | | |
| Bank and other borrowings | 27 | 1,554,550 | 1,332,337 |
| Deferred rental | | 131,617 | 84,151 |
| Deferred tax liabilities | 30 | 468,140 | 507,913 |
| | | 2,154,307 | 1,924,401 |
| Net assets | | 8,092,077 | 8,378,766 |
| Equity | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 31 | 53,297 | 43,373 |
| Reserves | 33 | 4,636,939 | 4,746,684 |
| | | 4,690,236 | 4,790,057 |
| Minority interests | 33 | 3,401,841 | 3,588,709 |
| | | 8,092,077 | 8,378,766 |

John Luen Wai Lee
Director

Stephen Tjondro Riady
Director

Consolidated Summary Statement of Changes in Equity

For the year ended 31st December, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|--|-------|------------------|------------------|
| Total equity at 1st January | | 8,378,766 | 6,865,407 |
| Changes in equity during the year: | | | |
| Exchange differences on translation of foreign operations | | (4,265) | 189,827 |
| Net fair value gain/(loss) on available-for-sale financial assets | | (58,859) | 157,843 |
| Deferred tax arising from fair value loss on available-for-sale financial assets | | 6,620 | 26 |
| Derecognition of available-for-sale financial assets | | (1,719) | (1,306) |
| Surplus on revaluation of leasehold land and buildings | 17 | - | 16,802 |
| Deferred tax arising from surplus on revaluation of leasehold land and buildings | | - | (2,941) |
| Release of reserves in respect of deconsolidation of subsidiaries | | (1,252) | - |
| Release of reserve in respect of disposal of subsidiaries | | (2,217) | 3,483 |
| Share of reserves of associates and jointly controlled entities | | (113,986) | 241,887 |
| Net income/(loss) recognised directly in equity | | (175,678) | 605,621 |
| Profit/(Loss) for the year | | (582,589) | 1,463,630 |
| Total recognised income and expense for the year | | (758,267) | 2,069,251 |
| Rights issues | | 616,642 | - |
| Issue of shares upon exercise of warrants | 33 | 12 | - |
| Repurchase of shares | | (21,454) | - |
| Repurchase of shares from minority shareholders of subsidiaries | 33 | (749) | - |
| Equity-settled share option arrangements | | 1,947 | 28,500 |
| Investment in a subsidiary by a minority shareholder | 33 | 165,551 | - |
| Changes in interests in subsidiaries | 33 | (197,901) | 392 |
| Deconsolidation of subsidiaries | | (272) | - |
| Advance from/(Repayment to) minority shareholders of subsidiaries | 33 | 17,884 | (223,431) |
| Issue of shares by subsidiaries to minority shareholders | 33 | - | 250 |
| Acquisition of shares in subsidiaries from minority shareholders | 33 | - | (132,843) |
| Disposal of subsidiaries | | - | (132,426) |
| 2006 final dividend, declared and paid to shareholders of the Company | 33 | - | (17,349) |
| 2006 final dividend and distribution, declared and paid to minority shareholders of subsidiaries | 33 | - | (32,291) |
| 2007 interim dividend, declared and paid to shareholders of the Company | 33 | - | (8,675) |
| 2007 interim dividend and distribution, declared and paid to minority shareholders of subsidiaries | 33 | - | (38,019) |
| 2007 final dividend declared and paid to shareholders of the Company | 15&33 | (17,349) | - |
| 2007 final dividend and distribution, declared and paid to minority shareholders of subsidiaries | 33 | (61,232) | - |
| 2008 interim dividend, declared and paid to shareholders of the Company | 15&33 | (10,843) | - |
| 2008 interim dividend and distribution, declared and paid to minority shareholders of subsidiaries | 33 | (20,658) | - |
| | | (286,689) | 1,513,359 |
| Total equity at 31st December | | 8,092,077 | 8,378,766 |
| Total recognised income and expense for the year attributable to: | | | |
| Equity holders of the Company | | (459,344) | 1,053,342 |
| Minority interests | | (298,923) | 1,015,909 |
| | | (758,267) | 2,069,251 |

Balance Sheet

As at 31st December, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------|------------------|------------------|
| Non-current assets | | | |
| Fixed assets | 17 | 42 | 25 |
| Interests in subsidiaries | 34 | 3,232,796 | 3,031,267 |
| Available-for-sale financial assets | 22 | 1,200 | 1,200 |
| | | 3,234,038 | 3,032,492 |
| Current assets | | | |
| Debtors, prepayments and deposits | | 1,315 | 1,873 |
| Pledged time deposits | 27 | 26,400 | – |
| Cash and bank balances | | 78,293 | 2,061 |
| | | 106,008 | 3,934 |
| Current liabilities | | | |
| Bank and other borrowings | 27 | 258,000 | 298,000 |
| Creditors, accruals and deposits received | | 11,638 | 3,442 |
| | | 269,638 | 301,442 |
| Net current liabilities | | (163,630) | (297,508) |
| Total assets less current liabilities | | 3,070,408 | 2,734,984 |
| Non-current liabilities | | | |
| Bank and other borrowings | 27 | 190,000 | 220,000 |
| Net assets | | 2,880,408 | 2,514,984 |
| Equity | | | |
| Share capital | 31 | 53,297 | 43,373 |
| Reserves | 33 | 2,827,111 | 2,471,611 |
| | | 2,880,408 | 2,514,984 |

John Luen Wai Lee
Director

Stephen Tjondro Riady
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 35 | 318,484 | 467,840 |
| Interest received | | 32,729 | 51,090 |
| Dividends received from: | | | |
| Associates | | 24,156 | 28,653 |
| A jointly controlled entity | | – | 708 |
| Listed investments | | 476 | 1,677 |
| Unlisted investments | | 2,152 | 7,152 |
| Taxes paid: | | | |
| Hong Kong | | (4,262) | (1,740) |
| Overseas | | (35,978) | (11,936) |
| Net cash inflow from operating activities | | 337,757 | 543,444 |
| Cash flows from investing activities | | | |
| Proceeds from disposals of: | | | |
| Fixed assets | | 248,331 | 149 |
| Investment properties | | 68,690 | – |
| Available-for-sale financial assets | | 22,131 | 2,687 |
| Interests in associates | | – | 85,022 |
| Payments to acquire: | | | |
| Fixed assets | | (60,894) | (205,876) |
| Available-for-sale financial assets | | (69,965) | (12,762) |
| Additions to properties under development | | (180,493) | (109,022) |
| Additions to investment properties | | (158,368) | (26,062) |
| Repayment from/(Advances to) associates | | 46,070 | (146,992) |
| Repayment from/(Advances to) jointly controlled entities | | (29,781) | 111,598 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | 36 | 168,244 | 585,224 |
| Increase in pledged time deposits | | (26,400) | – |
| Increase in interests in associates | | – | (286,623) |
| Increase in interests in jointly controlled entities | | (47,638) | (23,586) |
| Acquisition of shares in subsidiaries from minority shareholders | | (55,441) | (170,414) |
| Net cash outflow from investing activities | | (75,514) | (196,657) |

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

| | 2008 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Cash flows from financing activities | | |
| Drawdown of bank and other borrowings <i>(Note)</i> | 934,470 | 1,871,567 |
| Repayment of bank and other borrowings <i>(Note)</i> | (962,878) | (1,932,492) |
| Proceeds from rights issues | 629,817 | – |
| Advances from/(Repayment to) minority shareholders of subsidiaries | 17,884 | (223,431) |
| Issue of shares upon exercise of warrants | 12 | – |
| Repurchase of shares | (21,454) | – |
| Repurchase of shares by subsidiaries from minority shareholders | (749) | (411) |
| Interest paid | (91,761) | (124,563) |
| Dividends paid to shareholders of the Company | (28,192) | (26,024) |
| Dividends and distributions paid to minority shareholders of subsidiaries | (81,890) | (70,310) |
| Net cash inflow/(outflow) from financing activities | 395,259 | (505,664) |
| Net increase/(decrease) in cash and cash equivalents | 657,502 | (158,877) |
| Cash and cash equivalents at beginning of year | 783,403 | 926,048 |
| Exchange realignments | 551 | 16,232 |
| Cash and cash equivalents at end of year | 1,441,456 | 783,403 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and bank balances | 1,441,456 | 748,483 |
| Treasury bills | – | 34,920 |
| | 1,441,456 | 783,403 |

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

Lippo Limited is a limited liability company incorporated in Hong Kong Special Administrative Region of the People's Republic of China. The registered office of the Company is located at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment and development, retail business, food business, property management, 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 Lippo Capital Limited which is incorporated in the Cayman Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Cayman Limited which is incorporated in the Cayman Islands.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests shown in the consolidated 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

2.1 Basis of Preparation *(continued)*

Change in the presentation of revenue

In prior years, revenue included the proceeds from sales of securities investment, while the related costs of sales of securities investment were presented as “Cost of sales”.

In the current year, the Group has revised the presentation of revenue in order to provide more relevant information in respect of the Group’s operations and to conform with market practices. The proceeds from sales of securities investment are offset against the cost of sales of securities investment and are presented as gain/(loss) on sales of securities investment in the consolidated profit and loss account within revenue.

The effects of the change in the presentation of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|---------------------------|------------------|------------------|
| Decrease in revenue | (239,274) | (662,601) |
| Decrease in cost of sales | 239,274 | 662,601 |

The change does not have any impact on the results of the Group in respect of the current and prior years.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year’s financial statements:

| | |
|-----------------------------------|---|
| HKAS 39 and HKFRS 7 Amendments | Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets |
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

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

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

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

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets *(continued)*

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1st July, 2008.

During the outbreak of the global financial crisis in the third quarter of 2008, which was considered a rare circumstance, the Group decided to change its intention from holding certain of its debt instruments for the purpose of trading in the near term to holding them for the foreseeable future. The Group adopted these amendments and reclassified these debt instruments from the fair value through profit or loss category into the available-for-sale category. In accordance with the transitional provisions of the amendments, no restatement was made for the comparative amounts. At the date of reclassification, the debt instruments had a fair value of HK\$8,290,000. Prior to the reclassification, the Group recognised a fair value loss of HK\$443,000 on these debt instruments for the year. As at 31st December, 2008, the debt instruments were stated at fair value of HK\$3,490,000. Revaluation deficits of HK\$2,600,000 and HK\$2,200,000 were included in the investment revaluation reserve and minority interests respectively. Had the reclassification not taken place, the Group would have recognised a fair value loss of HK\$5,243,000 in the profit and loss account for the year.

(b) HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions

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 buys 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. The interpretation has had no impact on the financial position or results of operations of the Group.

Notes to the Financial Statements

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

(c) HK(IFRIC)-Int 12 Service Concession Arrangements

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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 1 and HKAS 27 Amendments | Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹ |
| HKFRS 1 (Revised) | First-time Adoption of HKFRSs ² |
| HKFRS 2 Amendments | Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations ¹ |
| HKFRS 3 (Revised) | Business Combinations ² |
| HKFRS 7 Amendments | Amendments to HKFRS 7 Financial Instrument: Disclosures – Improving Disclosures about Financial Instruments ¹ |
| 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 |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹ |
| HKAS 39 Amendment | Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items ² |
| HK(IFRIC)-Int 9 and HKAS 39 Amendments | Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments, Recognitions and Measurement – Embedded Derivatives ⁵ |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes ³ |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate ¹ |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation ⁴ |
| HK(IFRIC)-Int 17 | Distribution of Non-cash Assets to Owners ² |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers ⁶ |

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

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009 although there are separate transitional provisions for each standard.

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 July, 2008

⁴ Effective for annual periods beginning on or after 1st October, 2008

⁵ Effective for annual periods ending on or after 30th June, 2009

⁶ Effective for transfers of assets from customers received on or after 1st July, 2009

* Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries

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

The results of subsidiaries are included in the Company's 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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(b) Joint ventures *(continued)*

A joint venture is treated as:

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

(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 interests in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly controlled entities is included as part of the Group's interests in jointly controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly controlled entities are included in the Company's 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 interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

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

Goodwill arising on acquisition is recognised in the consolidated 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.

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 reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 Business Combinations in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the consolidated 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 the associates and jointly controlled entities is included in the Group's share of the associates' and jointly controlled entities' results in the period in which the investments are acquired.

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

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the 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

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 an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the 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 | Over the remaining lease terms |
| Leasehold land and buildings | Over the remaining lease terms |
| Leasehold improvements | 10 per cent. to 20 per cent. |
| Furniture, fixtures, plant and equipment | 10 per cent. to 33 ¹ / ₃ per cent. |
| Motor vehicles | 12 per cent. to 25 per cent. |

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

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

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

(i) Properties under development

Properties under development intended for sale are stated at the lower of cost and net realisable value, which is determined by reference to prevailing market prices, on an individual property basis. Other properties under development are stated at cost less any impairment losses. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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

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.

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 that 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 that the asset is received or delivered by the Group.

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 that 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 "Provisions for impairment losses on available-for-sale financial assets" and are transferred from the 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 that 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.

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

Available-for-sale financial assets

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 exists. 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.

2.4 Summary of Significant Accounting Policies *(continued)*

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

Available-for-sale financial assets (continued)

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 purchased 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.

(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.

Notes to the Financial Statements

2.4 Summary of Significant Accounting Policies *(continued)*

(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 of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; 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) Inventories

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

(r) Revenue recognition

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

- (i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms. Contingent rent, which is determined based on a factor other than just the passage of time, is recognised when the Group's entitlement to receive payment has been established in accordance with the terms of the agreements;
- (ii) income from the sale of properties, on the exchange of legally binding unconditional sales contracts or when the relevant completion certificates are issued by the respective government authorities, whichever is the later;

Notes to the Financial Statements

2.4 Summary of Significant Accounting Policies *(continued)*

(r) Revenue recognition *(continued)*

- (iii) sale from food business, on dispatch of goods to customers;
- (iv) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged, or the settlement dates when the securities are delivered;
- (v) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets;
- (vi) dividend income, when the shareholders' right to receive payment has been established;
- (vii) 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;
- (viii) net income from concession sales, upon the sales of goods by the relevant stores; and
- (ix) investment advisory, management and service fee income, when the services have been rendered.

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

2.4 Summary of Significant Accounting Policies *(continued)*

(s) Income tax *(continued)*

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

The carrying amount of deferred tax assets is reviewed at 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 tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the 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.

(u) Employee benefits

Paid leave entitlement

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(u) Employee benefits *(continued)*

Retirement benefits

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

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

Share-based payment transactions

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(u) Employee benefits *(continued)*

Share-based payment transactions (continued)

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 condition 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.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. 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.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7th November, 2002 that had not vested by 1st January, 2005 and to those granted on or after 1st January, 2005.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

2.4 Summary of Significant Accounting Policies *(continued)*

(w) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the 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.

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

(x) Cash and cash equivalents

For the purpose of the consolidated 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.

(y) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the 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 the 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(y) Foreign currencies *(continued)*

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.

(z) Related parties

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

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

(aa) Dividends and distributions

Final dividends and distributions proposed by the Directors are classified as a separate allocation of 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 judgements, 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, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

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

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

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

Notes to the Financial Statements

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

(b) Estimation uncertainty

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 arising from acquisition of subsidiaries, an associate and a jointly controlled entity at 31st December, 2008 were HK\$94,856,000 (2007 – HK\$94,856,000), HK\$85,025,000 (2007 – HK\$154,025,000) and nil (2007 – HK\$1,324,000), respectively. Further details are given in Notes 16, 20 and 21.

Estimation of the fair value of investment properties

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

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises 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. Impairment losses of HK\$52,266,000 (2007 – HK\$13,775,000) have been recognised for available-for-sale financial assets for the year. The carrying amount of available-for-sale financial assets at 31st December, 2008 was HK\$498,278,000 (2007 – HK\$541,669,000).

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 treasury investment segment includes investments in cash and bond markets;
- (b) the property investment and development segment includes letting, resale and development of properties;
- (c) the securities investment segment includes dealings in securities and disposals of investments;
- (d) the retail business segment engages in operation of department stores;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services; and
- (g) the "other" segment comprises principally food business, the development of computer hardware and software, money lending and the provision of property, project and fund management and investment advisory services.

Notes to the Financial Statements

4. Segment Information (continued)

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

Group

| 2008 | Property investment and development | | Securities investment | Retail business | Corporate finance and securities broking | Banking business | Other | Inter-segment elimination | Consolidated |
|--|-------------------------------------|----------------|-----------------------|-----------------|--|------------------|---------------|---------------------------|-------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | | | | | | | | | |
| External | 16,961 | 270,722 | 5,888 | 120,070 | 65,622 | 16,399 | 83,660 | - | 579,322 |
| Inter-segment | 10,107 | 13,258 | - | - | 519 | - | 10,309 | (34,193) | - |
| Total | 27,068 | 283,980 | 5,888 | 120,070 | 66,141 | 16,399 | 93,969 | (34,193) | 579,322 |
| Segment results | 25,412 | 6,733 | (188,925) | (174,255) | 12,770 | 299 | (21,268) | (23,669) | (362,903) |
| Unallocated corporate expenses (Note) | | | | | | | | | (42,089) |
| Finance costs | | | | | | | | | (81,381) |
| Share of results of associates | - | (43,038) | - | - | 12 | - | (85,610) | - | (128,636) |
| Share of results of jointly controlled entities | - | (104) | - | - | - | - | (670) | - | (774) |
| Loss before tax | | | | | | | | | (615,783) |
| Tax | | | | | | | | | 33,194 |
| Loss for the year | | | | | | | | | (582,589) |
| Assets and liabilities | | | | | | | | | |
| Segment assets | 1,348,137 | 4,814,722 | 620,030 | 342,476 | 586,772 | 389,514 | 50,569 | - | 8,152,220 |
| Interests in associates | - | 3,366,507 | - | - | 856 | 85,025 | 628,069 | - | 4,080,457 |
| Interests in jointly controlled entities | - | 257,625 | - | - | - | - | - | - | 257,625 |
| Unallocated assets | | | | | | | | | 56,170 |
| Total assets | | | | | | | | | 12,546,472 |
| Segment liabilities | - | 2,435,161 | 263,888 | 662,870 | 575,635 | 135,856 | 385,612 | (2,874,418) | 1,584,604 |
| Unallocated liabilities | | | | | | | | | 2,869,791 |
| Total liabilities | | | | | | | | | 4,454,395 |
| Other segment information: | | | | | | | | | |
| Capital expenditure | - | 1,282 | - | 44,138 | 373 | 242 | 341 | - | 46,376 |
| Depreciation | - | (4,218) | (61) | (29,589) | (366) | (1,916) | (2,784) | - | (38,934) |
| Allowance for bad and doubtful debts relating to: | | | | | | | | | |
| Banking operation | - | - | - | - | - | (729) | - | - | (729) |
| Non-banking operations | - | (14,246) | - | - | - | - | (6,628) | - | (20,874) |
| Provisions for impairment losses: | | | | | | | | | |
| Associates | - | (89,069) | - | - | - | - | (56,409) | - | (145,478) |
| Available-for-sale financial assets | - | - | (52,266) | - | - | - | - | - | (52,266) |
| Properties held for sale | - | (474) | - | - | - | - | - | - | (474) |
| Properties under development | - | (9,089) | - | - | - | - | - | - | (9,089) |
| A jointly controlled entity | - | - | - | - | - | - | (1,858) | - | (1,858) |
| Net fair value loss on financial assets at fair value through profit or loss | - | - | (150,504) | - | - | - | - | - | (150,504) |
| Fair value losses on investment properties | - | (242,221) | - | - | - | - | - | - | (242,221) |
| Unallocated: | | | | | | | | | |
| Capital expenditure | | | | | | | | | 14,518 |
| Depreciation | | | | | | | | | (3,088) |

Note: Amount included excess over the cost of business combination recognised as income of HK\$155,635,000 (Note 6).

Notes to the Financial Statements

4. Segment Information (continued)

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

Group

| 2007 (restated) | Treasury investment HK\$'000 | Property investment and development HK\$'000 | Securities investment HK\$'000 | Retail business HK\$'000 | Corporate finance and securities broking HK\$'000 | Banking business HK\$'000 | Other HK\$'000 | Inter-segment elimination HK\$'000 | Consolidated HK\$'000 |
|--|---------------------------------|---|-----------------------------------|-----------------------------|--|------------------------------|-------------------|---------------------------------------|--------------------------|
| Revenue | | | | | | | | | |
| External | 26,456 | 200,585 | 30,678 | 39,205 | 158,871 | 27,338 | 111,332 | - | 594,465 |
| Inter-segment | 29,197 | 13,485 | - | - | 174 | - | 4,285 | (47,141) | - |
| Total | 55,653 | 214,070 | 30,678 | 39,205 | 159,045 | 27,338 | 115,617 | (47,141) | 594,465 |
| Segment results | 45,275 | 527,040 | 71,531 | (125,824) | 42,686 | 4,173 | 42,108 | (30,311) | 576,678 |
| Unallocated corporate expenses | | | | | | | | | (204,520) |
| Finance costs | | | | | | | | | (105,540) |
| Share of results of associates | - | 1,089,356 | - | - | - | - | 133,300 | - | 1,222,656 |
| Share of results of jointly controlled entities | - | 6,812 | - | - | - | - | (1,295) | - | 5,517 |
| Profit before tax | | | | | | | | | 1,494,791 |
| Tax | | | | | | | | | (31,161) |
| Profit for the year | | | | | | | | | 1,463,630 |
| Assets and liabilities | | | | | | | | | |
| Segment assets | 594,983 | 4,769,075 | 1,015,266 | 352,376 | 937,874 | 418,745 | 43,661 | - | 8,131,980 |
| Interests in associates | - | 3,665,516 | - | - | 814 | 154,025 | 806,617 | - | 4,626,972 |
| Interests in jointly controlled entities | - | 184,198 | - | - | - | - | 2,479 | - | 186,677 |
| Unallocated assets | | | | | | | | | 57,853 |
| Total assets | | | | | | | | | 13,003,482 |
| Segment liabilities | - | 1,990,716 | 147,017 | 486,205 | 830,022 | 167,982 | 423,781 | (2,339,222) | 1,706,501 |
| Unallocated liabilities | | | | | | | | | 2,918,215 |
| Total liabilities | | | | | | | | | 4,624,716 |
| Other segment information: | | | | | | | | | |
| Capital expenditure | - | 2,554 | - | 195,009 | 708 | 1,389 | 4,241 | - | 203,901 |
| Depreciation | - | (4,180) | (227) | (2,787) | (548) | (2,074) | (1,715) | - | (11,531) |
| Write-back of allowance/(Allowance) for bad and doubtful debt relating to: | | | | | | | | | |
| Banking operation | - | - | - | - | - | 128 | - | - | 128 |
| Non-banking operations | - | - | - | (63) | - | - | (2,480) | - | (2,543) |
| Provisions for impairment losses: | | | | | | | | | |
| Associates | - | (3,686) | - | - | - | - | (53,008) | - | (56,694) |
| Available-for-sale financial assets | - | - | (13,775) | - | - | - | - | - | (13,775) |
| Properties held for sale | - | (10,140) | - | - | - | - | - | - | (10,140) |
| Properties under development | - | (26,780) | - | - | - | - | - | - | (26,780) |
| Net fair value gain on financial assets at fair value through profit or loss | - | - | 58,960 | - | - | - | - | - | 58,960 |
| Fair value gains on investment properties | - | 312,942 | - | - | - | - | - | - | 312,942 |
| Unallocated: | | | | | | | | | |
| Capital expenditure | | | | | | | | | 1,975 |
| Depreciation | | | | | | | | | (5,302) |

Notes to the Financial Statements

4. Segment Information *(continued)*

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

Group

| 2008 | Hong Kong HK\$'000 | Macau HK\$'000 | Republic of Singapore HK\$'000 | Mainland China HK\$'000 | Other HK\$'000 | Consolidated HK\$'000 |
|--|-----------------------|-------------------|--------------------------------------|-------------------------------|-------------------|--------------------------|
| Revenue | 176,248 | 16,399 | 99,426 | 275,733 | 11,516 | 579,322 |
| Segment assets | 2,890,411 | 805,931 | 917,335 | 3,036,900 | 557,813 | 8,208,390 |
| Interests in associates | 7,770 | - | 3,833,138 | 21,127 | 218,422 | 4,080,457 |
| Interests in jointly controlled entities | - | - | 248,572 | - | 9,053 | 257,625 |
| Total assets | | | | | | 12,546,472 |
| Capital expenditure | 841 | 242 | 5,778 | 45,275 | 8,758 | 60,894 |
| 2007 (restated) | Hong Kong HK\$'000 | Macau HK\$'000 | Republic of Singapore HK\$'000 | Mainland China HK\$'000 | Other HK\$'000 | Consolidated HK\$'000 |
| Revenue | 298,529 | 27,338 | 45,367 | 179,115 | 44,116 | 594,465 |
| Segment assets | 3,007,746 | 788,984 | 944,205 | 2,670,752 | 778,146 | 8,189,833 |
| Interests in associates | 13,553 | - | 4,085,429 | 64,043 | 463,947 | 4,626,972 |
| Interests in jointly controlled entities | - | - | 174,900 | 2,479 | 9,298 | 186,677 |
| Total assets | | | | | | 13,003,482 |
| Capital expenditure | 5,308 | 1,389 | 590 | 196,519 | 2,070 | 205,876 |

5. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of gross income on treasury investment which includes interest income on bank deposits and debt securities, gross rental income, gross proceeds from sales of properties, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, gross income from underwriting and securities broking, sales income from food business, gross rental income from department stores, gross income from property and 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.

Notes to the Financial Statements

5. Revenue (continued)

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

| | Group | |
|--|------------------|--------------------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 (restated) |
| Treasury investment | 16,961 | 26,456 |
| Property investment and development | 270,722 | 200,585 |
| Securities investment | 5,888 | 30,678 |
| Retail business | 120,070 | 39,205 |
| Corporate finance and securities broking | 65,622 | 158,871 |
| Banking business | 16,399 | 27,338 |
| Other | 83,660 | 111,332 |
| | 579,322 | 594,465 |

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 | |
|-------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Interest income | 11,650 | 21,253 |
| Commission income | 4,395 | 4,923 |
| Other revenues | 354 | 1,162 |
| | 16,399 | 27,338 |

6. Excess over the Cost of Business Combination

The amount represented the excess of the Group's additional share of net fair value of identifiable assets, liabilities and contingent liabilities of Hongkong Chinese Limited ("HKC") and Lippo China Resources Limited ("LCR"), both being listed subsidiaries of the Company, and its subsidiaries over the costs incurred thereon, resulted from (i) the acquisition of an aggregate of additional 72,842,000 shares of HK\$1.00 each in HKC at a cash consideration of HK\$55,297,000 from the market, (ii) the excess application of rights shares of HKC in the rights issue of HKC in June 2008, details of which are set out in Note 32(c) to the financial statements; and (iii) the repurchase of its own shares by each of HKC and LCR from the market.

Notes to the Financial Statements

7. Profit/(Loss) Before Tax

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

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Gross rental income | 186,483 | 200,585 |
| Less: Outgoings | (19,251) | (32,111) |
| Net rental income | 167,232 | 168,474 |
| Employee benefits expense (Note (a)): | | |
| Wages and salaries | (172,085) | (172,557) |
| Share options | (1,947) | (28,500) |
| Retirement benefits costs (Note (b)) | (9,669) | (4,487) |
| Total staff costs | (183,701) | (205,544) |
| Interest income: | | |
| Listed financial assets at fair value through profit or loss | 57 | 1,951 |
| Unlisted financial assets at fair value through profit or loss | 825 | 324 |
| Listed available-for-sale financial assets | 1,189 | – |
| Listed held-to-maturity financial assets | 877 | 853 |
| Loans and advances | 2,546 | 1,336 |
| Banking operation | 11,650 | 21,253 |
| Other | 16,961 | 26,456 |
| Dividend income: | | |
| Listed investments | 476 | 1,677 |
| Unlisted investments | 2,152 | 7,152 |
| Other unlisted investment income | 1,124 | 86 |
| Gain/(Loss) on disposal of: | | |
| Listed financial assets at fair value through profit or loss | (3,181) | 16,418 |
| Unlisted financial assets at fair value through profit or loss | 2,369 | 2,217 |
| Unlisted available-for-sale financial assets | 20,298 | 746 |
| Net fair value gain/(loss) on financial assets at fair value through profit or loss: | | |
| Listed | (28,010) | 29,270 |
| Unlisted | (122,494) | 29,690 |
| Provision for impairment losses on available-for-sale financial assets: | | |
| Listed | (39,015) | – |
| Unlisted | (13,251) | (13,775) |
| Provision for impairment losses on a jointly controlled entity | (1,858) | – |
| Receivables written off | (23,487) | – |
| Depreciation | (42,022) | (16,833) |
| Loss on disposal of investment properties | (510) | – |
| Foreign exchange gains – net | 2,086 | 17,249 |
| Gain/(Loss) on disposal of fixed assets: | | |
| Leasehold land and buildings | 199,520 | – |
| Other items of fixed assets | (37) | (407) |
| Cost of inventories sold | (78,382) | (7,330) |
| Auditors' remuneration | (5,114) | (5,944) |
| Minimum lease payments under operating lease rentals in respect of land and buildings | (179,239) | (127,491) |

Note:

- (a) The amounts include the Directors' emoluments disclosed in Note 8 to the financial statements.
- (b) The amounts of forfeited voluntary contributions available to offset future employer contributions against the pension schemes were not material at the year end.

Notes to the Financial Statements

8. Directors' Emoluments

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

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Directors' fees | 1,488 | 1,488 |
| Basic salaries, housing and other allowances and benefits in kind | 11,315 | 11,169 |
| Share options | - | 10,136 |
| Discretionary bonuses paid and payable | - | 7,000 |
| Retirement benefits costs | 102 | 95 |
| | 12,905 | 29,888 |

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

| 2008 | Basic salaries, housing and other Directors' allowances and fees benefits in kind | | Share options HK\$'000 | Discretionary bonuses paid and payable HK\$'000 | Retirement benefits costs HK\$'000 | Total HK\$'000 |
|--------------------------------------|---|----------|------------------------------|--|---|-------------------|
| | HK\$'000 | HK\$'000 | | | | |
| Executive directors: | | | | | | |
| Mr. Stephen Tjondro Riady | - | 8,315 | - | - | - | 8,315 |
| Mr. John Luen Wai Lee | 59 | 1,981 | - | - | 24 | 2,064 |
| Mr. Jark Pui Lee | - | 1,019 | - | - | 78 | 1,097 |
| | 59 | 11,315 | - | - | 102 | 11,476 |
| Non-executive director: | | | | | | |
| Mr. Leon Nim Leung Chan | 439 | - | - | - | - | 439 |
| Independent non-executive directors: | | | | | | |
| Mr. Edwin Neo | 240 | - | - | - | - | 240 |
| Mr. King Fai Tsui | 360 | - | - | - | - | 360 |
| Mr. Victor Ha Kuk Yung | 390 | - | - | - | - | 390 |
| | 990 | - | - | - | - | 990 |
| | 1,488 | 11,315 | - | - | 102 | 12,905 |

Notes to the Financial Statements

8. Directors' Emoluments (continued)

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

| 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 Tjondro Riady | - | 8,186 | - | 4,000 | - | 12,186 |
| Mr. John Luen Wai Lee | 59 | 1,976 | 6,502 | 3,000 | 17 | 11,554 |
| Mr. Jark Pui Lee | - | 1,007 | 349 | - | 78 | 1,434 |
| | 59 | 11,169 | 6,851 | 7,000 | 95 | 25,174 |
| Non-executive director: | | | | | | |
| Mr. Leon Nim Leung Chan | 439 | - | 1,042 | - | - | 1,481 |
| Independent non-executive directors: | | | | | | |
| Mr. Edwin Neo | 240 | - | 597 | - | - | 837 |
| Mr. King Fai Tsui | 360 | - | 823 | - | - | 1,183 |
| Mr. Victor Ha Kuk Yung | 390 | - | 823 | - | - | 1,213 |
| | 990 | - | 2,243 | - | - | 3,233 |
| | 1,488 | 11,169 | 10,136 | 7,000 | 95 | 29,888 |

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

Details of share options granted to the Directors are set out in Note 32 to the financial statements.

Notes to the Financial Statements

9. Five Highest Paid Employees' Emoluments

The five highest paid employees during the year included one Director (2007 – two Directors), details of whose emoluments are set out in Note 8 to the financial statements. Details of the emoluments of the remaining four (2007 – three) non-director, highest paid employees for the year are as follows:

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Basic salaries, housing and other allowances and benefits in kind | 6,006 | 2,475 |
| Share options | – | 4,944 |
| Discretionary bonuses paid and payable | 18,355 | 16,445 |
| Retirement benefits costs | 197 | 81 |
| | 24,558 | 23,945 |

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

| Emoluments bands (HK\$): | Group | |
|--------------------------|----------------------------------|----------------------------------|
| | 2008 Number of individuals | 2007 Number of individuals |
| 4,000,001 – 4,500,000 | 2 | – |
| 6,500,001 – 7,000,000 | 1 | – |
| 7,500,001 – 8,000,000 | – | 2 |
| 8,000,001 – 8,500,000 | – | 1 |
| 9,500,001 – 10,000,000 | 1 | – |
| | 4 | 3 |

10. Finance Costs

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Interest on bank and other borrowings wholly repayable within five years (<i>Note</i>) | 52,181 | 133,078 |
| Interest on other loans (<i>Note</i>) | 43,391 | 27,159 |
| Total interest | 95,572 | 160,237 |
| Less: Interest capitalised | (11,414) | (28,712) |
| | 84,158 | 131,525 |

Note: The amounts exclude interest expense incurred by a banking subsidiary of the Group.

Notes to the Financial Statements

11. Share of Results of Associates

The amount included the Group's share of loss in Lippo ASM Asia Property LP ("LAAP"), a property fund which has participated in a joint venture to invest in Overseas Union Enterprise Limited ("OUE"), a listed company in the Republic of Singapore principally engaged in property investment and development and hotel operations, of approximately HK\$41 million (2007 – share of profit of HK\$1,104 million). The profit in 2007 was mainly derived from revaluation gains on various investment properties held under LAAP and its associates while such net fair value gain was significantly lower in 2008.

12. Tax

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Hong Kong: | | |
| Charge for the year | 2,559 | 1,506 |
| Overprovision in prior years | (508) | (396) |
| Deferred | (52,369) | 35,865 |
| | (50,318) | 36,975 |
| Overseas: | | |
| Charge for the year | 17,689 | 27,765 |
| Underprovision/(Overprovision) in prior years | 506 | (101) |
| Deferred | (1,071) | (33,478) |
| | 17,124 | (5,814) |
| Total charge/(credit) for the year | (33,194) | 31,161 |

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2007 – 17.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31st December, 2008. 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

12. Tax (continued)

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

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Profit/(Loss) before tax | (615,783) | 1,494,791 |
| Tax at the statutory tax rate of 16.5 per cent. (2007 – 17.5 per cent.) | (101,604) | 261,588 |
| Effect of different tax rates in other jurisdictions | (29,897) | 13,418 |
| Effect of change in tax rate | (11,792) | (75,282) |
| Adjustments in respect of current tax of previous years | (2) | (497) |
| Profits and losses attributable to jointly controlled entities and associates | 21,353 | (214,930) |
| Income not subject to tax | (62,398) | (34,222) |
| Expenses not deductible for tax | 81,756 | 44,225 |
| Effect of withholding tax of 10 per cent. on the distributable profits of the Group's subsidiary in Mainland China | 2,409 | – |
| Tax losses utilised from previous years | (8,226) | (8,234) |
| Tax losses not recognised | 75,207 | 45,095 |
| Tax charge/(credit) at the Group's effective rate | (33,194) | 31,161 |

For the companies operated in the Republic of Singapore, Macau and Mainland China, corporate taxes have been calculated on the estimated assessable profits for the year at the rate of 18 per cent., 12 per cent. and 25 per cent. (2007 – 18 per cent., 12 per cent. and 33 per cent.), respectively.

The share of tax charge attributable to associates amounting to HK\$32,269,000 (2007 – HK\$406,778,000) is included in "Share of results of associates" on the face of the consolidated profit and loss account.

13. Results Attributable to Equity Holders of the Company

The consolidated results attributable to equity holders of the Company for the year includes a profit of HK\$6,447,000 (2007 – HK\$6,592,000) which has been dealt with in the financial statements of the Company as set out in Note 33 to the financial statements.

14. Earnings/(Loss) Per Share Attributable to Equity Holders of the Company

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated loss for the year attributable to equity holders of the Company of HK\$336,744,000 (2007 – profit of HK\$698,927,000); and (ii) the weighted average number of 496,970,000 ordinary shares (2007 – 451,966,000 ordinary shares after adjusting for the rights issue which was completed in June 2008) in issue during the year.

Notes to the Financial Statements

14. Earnings/(Loss) Per Share Attributable to Equity Holders of the Company

(continued)

(b) Diluted earnings/(loss) per share

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

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

15. Dividends

| | Group and Company | |
|--|-------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Interim dividend, declared and paid — HK2 cents (2007 — HK2 cents) per ordinary share | 10,843 | 8,675 |
| Final dividend, proposed — HK2 cents (2007 — HK4 cents) per ordinary share | 10,009 | 17,349 |
| | 20,852 | 26,024 |

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

16. Goodwill

| | Group HK\$'000 |
|--|-------------------|
| At 1st January, 2007: | |
| Cost | 140,891 |
| Accumulated impairment | (83,606) |
| Net carrying amount | 57,285 |
| Cost at 1st January, 2007, net of accumulated impairment | 57,285 |
| Acquisition of shares in subsidiaries from minority shareholders | 37,571 |
| Carrying amount at 31st December, 2007 | 94,856 |
| At 1st January, 2008 and 31st December, 2008: | |
| Cost | 178,462 |
| Accumulated impairment | (83,606) |
| Net carrying amount | 94,856 |

Notes to the Financial Statements

16. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Banking business cash-generating unit; and
- Property investment cash-generating unit.

Banking business cash-generating unit

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. (2007 – 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.

Property investment cash-generating unit

The recoverable amount of the property investment 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 5.3 per cent. (2007 – 7.0 per cent.). The growth rate used to extrapolate the cash flows of the property investment beyond the five-year period is assumed to be nil.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

| | Banking business HK\$'000 | Property investment HK\$'000 | Total HK\$'000 |
|-----------------------------|--|---|---------------------------|
| 2008 | | | |
| Carrying amount of goodwill | 71,485 | 23,371 | 94,856 |
| 2007 | | | |
| Carrying amount of goodwill | 71,485 | 23,371 | 94,856 |

Notes to the Financial Statements

17. Fixed Assets

Group

| 2008 | Leasehold land HK\$'000 | Leasehold land and buildings HK\$'000 | Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK\$'000 | Total HK\$'000 |
|--|-------------------------------|--|---|-------------------|
| Cost: | | | | |
| At 1st January, 2008 | - | 339,081 | 364,221 | 703,302 |
| Additions during the year | - | 14,218 | 46,676 | 60,894 |
| Reclassified from properties under development | 38,931 | 48,336 | - | 87,267 |
| Disposal of subsidiaries | - | - | (8,536) | (8,536) |
| Disposals during the year | - | (107,865) | (424) | (108,289) |
| Exchange adjustments | (2,424) | (2,771) | 12,453 | 7,258 |
| At 31st December, 2008 | 36,507 | 290,999 | 414,390 | 741,896 |
| Accumulated depreciation and impairment losses: | | | | |
| At 1st January, 2008 | - | 141,349 | 142,466 | 283,815 |
| Provided for the year | 99 | 4,362 | 37,561 | 42,022 |
| Disposal of subsidiaries | - | - | (4,405) | (4,405) |
| Disposals during the year | - | (59,074) | (367) | (59,441) |
| Exchange adjustments | (2) | 113 | 437 | 548 |
| At 31st December, 2008 | 97 | 86,750 | 175,692 | 262,539 |
| Net book value: | | | | |
| At 31st December, 2008 | 36,410 | 204,249 | 238,698 | 479,357 |

Notes to the Financial Statements

17. Fixed Assets (continued)

Group

| 2007 | Leasehold land and buildings HK\$'000 | Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK\$'000 | Total HK\$'000 |
|--|--|---|-------------------|
| Cost or valuation: | | | |
| At 1st January, 2007 | 355,863 | 158,260 | 514,123 |
| Additions during the year | 131 | 205,745 | 205,876 |
| Disposal of subsidiaries | (1,769) | – | (1,769) |
| Disposals during the year | – | (1,674) | (1,674) |
| Surplus on revaluation | 16,802 | – | 16,802 |
| Reclassified to investment properties | (32,202) | – | (32,202) |
| Exchange adjustments | 256 | 1,890 | 2,146 |
| At 31st December, 2007 | 339,081 | 364,221 | 703,302 |
| Accumulated depreciation and impairment losses: | | | |
| At 1st January, 2007 | 139,477 | 130,368 | 269,845 |
| Provided for the year | 4,752 | 12,081 | 16,833 |
| Disposal of subsidiaries | (287) | – | (287) |
| Disposals during the year | – | (1,118) | (1,118) |
| Reclassified to investment properties | (2,709) | – | (2,709) |
| Exchange adjustments | 116 | 1,135 | 1,251 |
| At 31st December, 2007 | 141,349 | 142,466 | 283,815 |
| Net book value: | | | |
| At 31st December, 2007 | 197,732 | 221,755 | 419,487 |

Certain leasehold land and buildings have been mortgaged to secure banking facilities made available to the Group as set out in Note 27 to the financial statements.

Notes to the Financial Statements

17. Fixed Assets (continued)

Group

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

| | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Long term leasehold land and buildings situated in Hong Kong | 119,075 | 171,636 |
| Leasehold land and buildings situated outside Hong Kong under: | | |
| Long term leases | 95,783 | – |
| Medium term leases | 25,801 | 26,096 |
| | 121,584 | 26,096 |
| Total | 240,659 | 197,732 |

Company

| | Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles | |
|------------------------------|--|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Cost: | | |
| Balance at beginning of year | 1,651 | 1,625 |
| Additions during the year | 37 | 26 |
| Balance at end of year | 1,688 | 1,651 |
| Accumulated depreciation: | | |
| Balance at beginning of year | 1,626 | 1,623 |
| Provided for the year | 20 | 3 |
| Balance at end of year | 1,646 | 1,626 |
| Net book value: | | |
| Balance at end of year | 42 | 25 |

Notes to the Financial Statements

18. Investment Properties

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Medium term leasehold land and buildings situated in Hong Kong: | | |
| Balance at beginning of year | 19,500 | 17,170 |
| Fair value adjustments | - | 2,330 |
| Balance at end of year | 19,500 | 19,500 |
| Long term leasehold land and buildings situated in Hong Kong: | | |
| Balance at beginning of year | 1,337,500 | 1,069,821 |
| Disposals during the year | (69,200) | - |
| Disposal of a subsidiary | (105,500) | - |
| Reclassified from fixed assets | - | 29,493 |
| Fair value adjustments | (177,700) | 238,186 |
| Balance at end of year | 985,100 | 1,337,500 |
| Medium term leasehold land and buildings situated outside Hong Kong: | | |
| Balance at beginning of year | 2,333,010 | 2,170,347 |
| Additions during the year | 191,852 | 8,474 |
| Fair value adjustments | (64,045) | 68,047 |
| Exchange adjustments | 121,011 | 86,142 |
| Balance at end of year | 2,581,828 | 2,333,010 |
| Long term leasehold land and buildings situated outside Hong Kong: | | |
| Balance at beginning of year | 44,106 | 40,000 |
| Disposal of a subsidiary | (47,062) | - |
| Fair value adjustments | - | 4,106 |
| Exchange adjustments | 2,956 | - |
| Balance at end of year | - | 44,106 |
| Freehold land and buildings situated outside Hong Kong: | | |
| Balance at beginning of year | 29,709 | 674,563 |
| Additions during the year | - | 17,588 |
| Disposal of subsidiaries | - | (668,585) |
| Fair value adjustments | (476) | 273 |
| Exchange adjustments | (1,774) | 5,870 |
| Balance at end of year | 27,459 | 29,709 |
| Total | 3,613,887 | 3,763,825 |

Based on professional valuations as at 31st December, 2008 made by Vigers Appraisal and Consulting Limited, an independent qualified valuer and by reference to the actual disposal value of an investment property which was disposed to an independent third party based on a sale and purchase agreement entered into between an indirect subsidiary of the Company and the independent third party on 29th December, 2008, which was completed subsequent to the balance sheet date, the investment properties in Hong Kong were revalued on an open market, existing use basis at HK\$1,004,600,000 (2007 – HK\$1,357,000,000).

Notes to the Financial Statements

18. Investment Properties *(continued)*

Based on professional valuations as at 31st December, 2008 made by RHL Appraisal Ltd., Savills (Macau) Limited, Professional Asset Valuers, Incorporated, CB Richard Ellis and Sichuan Dayon Real Estate Appraisal & Consultant Company Limited, independent qualified valuers, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK\$2,609,287,000 (2007 – HK\$2,406,825,000).

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

19. Properties under Development

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Land and buildings situated outside Hong Kong, at cost: | | |
| Balance at beginning of year | 853,111 | 694,975 |
| Additions during the year | 346,044 | 109,022 |
| Reclassified to fixed assets | (87,267) | – |
| Reclassified to properties held for sale | (80,479) | – |
| Exchange adjustments | 20,958 | 49,114 |
| Balance at end of year | 1,052,367 | 853,111 |
| Provisions for impairment losses: | | |
| Balance at beginning of year | (140,834) | (107,563) |
| Reclassified to properties held for sale | 10,083 | – |
| Impairment during the year | (9,089) | (26,780) |
| Exchange adjustments | (8,947) | (6,491) |
| Balance at end of year | (148,787) | (140,834) |
| | 903,580 | 712,277 |
| Less: Amount classified under current portion | (573,713) | (509,404) |
| Non-current portion | 329,867 | 202,873 |
| Land and buildings situated outside Hong Kong held under the following lease terms: | | |
| Leasehold <i>(Note)</i> | 291,383 | 164,469 |
| Freehold | 612,197 | 547,808 |
| | 903,580 | 712,277 |

Note: The lease terms of the properties under development situated outside Hong Kong of HK\$64,540,000 (2007 – HK\$119,991,000) are 99 years and those of HK\$226,843,000 (2007 – HK\$44,478,000) are determined by their final intended use upon completion and vary from 40 to 70 years.

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

Notes to the Financial Statements

20. Interests in Associates

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Share of net assets in listed investments | 598,141 | 727,094 |
| Share of net assets in unlisted investments | 3,084,413 | 3,319,882 |
| Goodwill arising from acquisition less impairment | 85,025 | 154,025 |
| Due from associates | 462,136 | 505,643 |
| Due to associates | (1,975) | (1,975) |
| | 4,227,740 | 4,704,669 |
| Provisions for impairment losses | (147,283) | (77,697) |
| | 4,080,457 | 4,626,972 |
| Market value of listed investments at 31st December | 317,613 | 500,097 |

The balance as at 31st December, 2008 included the Group's interest in LAAP of approximately HK\$2,990 million (2007 – HK\$3,115 million).

The balances with the associates include an amount due from Maxipo International Limited of HK\$4,500,000 (2007 – HK\$4,500,000), which bears interest at Hong Kong dollar prime rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited and has no fixed terms of repayment. The balance is neither overdue nor impaired and the carrying amount approximates to its fair value.

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

Impairment losses were recognised based on the recoverable amounts of associates which were determined by the estimated discounted net cash flows from these associates. The carrying amounts of interests in associates were reduced to the respective recoverable amounts.

Notes to the Financial Statements

20. Interests in Associates (continued)

The amounts of goodwill arising from the acquisition of associates are as follows:

| | Group HK\$'000 |
|--|---------------------------|
| At 1st January, 2007: | |
| Cost | 193,220 |
| Accumulated impairment | (7,436) |
| Net carrying amount | 185,784 |
| Cost at 1st January, 2007, net of accumulated impairment | 185,784 |
| Impairment during the year | (30,000) |
| Disposal of associates | (1,759) |
| Carrying amount at 31st December, 2007 | 154,025 |
| At 1st January, 2008: | |
| Cost | 184,025 |
| Accumulated impairment | (30,000) |
| Net carrying amount | 154,025 |
| Cost at 1st January, 2008, net of accumulated impairment | 154,025 |
| Impairment during the year | (69,000) |
| Carrying amount at 31st December, 2008 | 85,025 |
| At 31st December, 2008: | |
| Cost | 184,025 |
| Accumulated impairment | (99,000) |
| Net carrying amount | 85,025 |

Impairment testing of goodwill arising from the acquisition of associates

Goodwill arising from the acquisition of associates has been allocated to the banking business cash-generating unit 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 7.9 per cent. (2007 – 5.9 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.

Notes to the Financial Statements

20. Interests in Associates *(continued)*

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

| | Group | |
|---------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Assets | 30,493,592 | 30,998,030 |
| Liabilities | (18,708,445) | (18,850,238) |
| Revenues | 3,480,255 | 3,248,970 |
| Profit/(Loss) | (377,116) | 1,953,737 |

Details of the principal associates are set out on pages 146 and 147.

21. Interests in Jointly Controlled Entities

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Share of net assets in unlisted investments | 69,591 | 26,658 |
| Goodwill arising from acquisition less impairment | – | 1,324 |
| Due from jointly controlled entities | 188,568 | 158,695 |
| | 258,159 | 186,677 |
| Provision for impairment losses | (534) | – |
| | 257,625 | 186,677 |
| Due to a jointly controlled entity | (46,638) | (46,968) |
| | 210,987 | 139,709 |

The amount of goodwill arising from acquisition of jointly controlled entities is as follows:

| | Group | |
|------------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Cost | 1,324 | 1,324 |
| Impairment during the year | (1,324) | – |
| Net carrying amount at end of year | – | 1,324 |

Notes to the Financial Statements

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

As at 31st December, 2008, the balance due to a jointly controlled entity is unsecured, bears interest at a fixed rate of 3.61 per cent. (2007 – 3.61 per cent.) per annum and has no fixed terms of repayment. The carrying amount approximates to its fair value.

The balances with the jointly controlled entities include a loan of HK\$3,974,000 (2007 – HK\$4,000,000), which is secured by certain shares of a jointly controlled entity, bears interest at United States dollar prime rate plus 2 per cent. (2007 – United States dollar prime rate plus 2 per cent.) per annum and has no fixed terms of repayment. The loan is neither overdue nor impaired and the carrying amount approximates to its fair value.

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

The balances include the Group's interest in Tanglin Residential Pte. Ltd ("Tanglin") which was set up for the purposes of a property development project in the Republic of Singapore (the "Project"). Tanglin is the legal and beneficial owner, and developer of the Project and in respect of which Tanglin has sold all of the units to buyers under a deferred payment scheme. On 25th July, 2007, Tanglin entered into an agreement to sell all of the rights, title and interest in the receivables of the Project, in respect of units which have been sold, to Vesta Investment Corporation Limited ("Vesta") and Vesta issued floating rate notes to institutional investors upon the purchase of the receivables (the "Securitisation Exercise").

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

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Share of the jointly controlled entities' assets and liabilities: | | |
| Current assets | 1,352,897 | 1,057,919 |
| Non-current assets | 2,057 | 6,733 |
| Current liabilities | (729,590) | (36,301) |
| Non-current liabilities | (378,232) | (871,781) |
| Net assets | 247,132 | 156,570 |
| Share of the jointly controlled entities' results: | | |
| Turnover | 14,502 | 386 |
| Total expenses | (15,402) | (21,960) |
| Loss after tax | (900) | (21,574) |
| Share of the jointly controlled entities' capital commitments | 83,836 | 314,293 |

Details of the principal jointly controlled entities are set out on page 148.

Notes to the Financial Statements

22. Available-for-sale Financial Assets

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 | 2007 HK\$'000 |
| Financial assets stated at fair value: | | | | |
| Equity securities listed overseas | 376,616 | 373,883 | - | - |
| Debt securities listed overseas | 12,559 | - | - | - |
| Unlisted debt securities | 6,621 | 14,250 | - | - |
| Unlisted investment funds | 71,814 | 119,967 | - | - |
| | 467,610 | 508,100 | - | - |
| Financial assets stated at cost: | | | | |
| Unlisted equity securities | 140,941 | 117,393 | 8,920 | 8,920 |
| Unlisted debt securities | 12,175 | 40,875 | 1,200 | 1,200 |
| Unlisted investment funds | 15,461 | 15,461 | - | - |
| | 168,577 | 173,729 | 10,120 | 10,120 |
| Provisions for impairment losses | (137,909) | (140,160) | (8,920) | (8,920) |
| | 30,668 | 33,569 | 1,200 | 1,200 |
| | 498,278 | 541,669 | 1,200 | 1,200 |
| Less: Amount classified under current portion | - | (2,454) | - | - |
| Non-current portion | 498,278 | 539,215 | 1,200 | 1,200 |

The debt securities have effective interest rates ranging from nil to 10.0 per cent. (2007 – nil to 8.0 per cent.) per annum.

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 | 2007 HK\$'000 |
| Equity securities: | | | | |
| Corporate entities | 517,557 | 491,276 | 8,920 | 8,920 |
| Debt securities: | | | | |
| Club debentures | 12,175 | 12,175 | 1,200 | 1,200 |
| Corporate entities | 10,111 | 42,950 | - | - |
| Banks and other financial institutions | 9,069 | - | - | - |
| | 31,355 | 55,125 | 1,200 | 1,200 |

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

During the year, the gross loss of the Group's available-for-sale financial assets recognised directly in equity amounted to HK\$58,859,000 (2007 – gross gain of HK\$157,843,000) of which gain of HK\$1,719,000 (2007 – HK\$1,306,000) 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 and debt securities are based on quoted market prices. The fair values of certain unlisted available-for-sale financial assets have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated 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.

There has been a significant decline in the market value of a listed available-for-sale financial asset during the year. The Directors consider that such a decline indicates that the listed available-for-sale financial asset has been impaired and an impairment loss of HK\$39,015,000 (2007 – Nil) has been recognised in the consolidated profit and loss account for the year.

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 prepared by the investees' management. An impairment loss of HK\$13,251,000 (2007 – HK\$13,775,000) has been charged to the consolidated profit and loss account for the year.

Notes to the Financial Statements

23. Held-to-maturity Financial Assets

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Debt securities, at amortised cost: Listed overseas | 9,467 | 9,572 |
| Market value of listed debt securities | 9,760 | 10,555 |

The debt securities have an effective interest rate of 9 per cent. (2007 – 9 per cent.) per annum.

An analysis of the issuers of held-to-maturity financial assets is as follows:

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Banks and other financial institutions | 9,467 | 9,572 |

24. Loans and Advances

The loans and advances to customers of the Group have effective interest rates ranging from 3 per cent. to 9 per cent. (2007 – 3 per cent. to 18 per cent.) per annum. The carrying amounts of loans and advances approximate to their fair values. Certain balances arising from securities broking and banking operation are secured by clients' properties, deposits and securities being held as collaterals with carrying amounts of HK\$419,914,000 (2007 – HK\$643,429,000).

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

| | Group | |
|--------------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Balance at beginning of year | 2,868 | 2,996 |
| Allowance for bad and doubtful debts | 5,729 | 373 |
| Impairment allowance released | – | (501) |
| Balance at end of year | 8,597 | 2,868 |

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

25. Financial Assets at Fair Value through Profit or Loss

| | Group | |
|---------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Held for trading: | | |
| Equity securities: | | |
| Listed in Hong Kong | 7,611 | 66,080 |
| Listed overseas | 2,464 | 8,066 |
| | 10,075 | 74,146 |
| Debt securities: | | |
| Listed overseas | – | 8,733 |
| Investment funds: | | |
| Listed overseas | – | 31,498 |
| Unlisted | 94,284 | 342,129 |
| | 94,284 | 373,627 |
| Other: | | |
| Unlisted | 7,800 | 6,299 |
| | 112,159 | 462,805 |

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

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Equity securities: | | |
| Corporate entities | 10,075 | 66,876 |
| Banks and other financial institutions | – | 7,270 |
| | 10,075 | 74,146 |
| Debt securities: | | |
| Corporate entities | – | 8,733 |

Notes to the Financial Statements

26. Debtors, Prepayments and Deposits

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

| | Group | |
|---------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Outstanding balances with ages: | | |
| Repayable on demand | 44,010 | 44,416 |
| Within 30 days | 24,174 | 63,793 |
| Between 31 and 60 days | 2,643 | 411 |
| Between 61 and 90 days | 1,123 | 54 |
| Between 91 and 180 days | 2,722 | 132 |
| Over 180 days | 1,076 | – |
| | 75,748 | 108,806 |

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

As at 31st December, 2008, receivables of HK\$15,874,000 (2007 – Nil) related to a property development project were impaired and provided for. Except for this, 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. 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 approximate to their fair values.

Notes to the Financial Statements

27. Bank and Other Borrowings

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 | 2007 HK\$'000 |
| Bank loans: | | | | |
| Secured (<i>Note (a)</i>) | 2,059,503 | 1,890,523 | 448,000 | 478,000 |
| Unsecured | 39,277 | 21,747 | - | - |
| | 2,098,780 | 1,912,270 | 448,000 | 478,000 |
| Other borrowings: | | | | |
| Unsecured (<i>Note (b)</i>) | 155,002 | 352,020 | - | 40,000 |
| | 2,253,782 | 2,264,290 | 448,000 | 518,000 |
| Less: Amount classified under current portion | (699,232) | (931,953) | (258,000) | (298,000) |
| Non-current portion | 1,554,550 | 1,332,337 | 190,000 | 220,000 |
| Bank and other borrowings by currency: | | | | |
| Hong Kong dollar | 1,288,000 | 1,358,000 | 448,000 | 518,000 |
| United States dollar | 356,505 | 367,934 | - | - |
| Renminbi | 432,012 | 315,343 | - | - |
| Singapore dollar | 177,265 | 223,013 | - | - |
| | 2,253,782 | 2,264,290 | 448,000 | 518,000 |
| Bank loans repayable: | | | | |
| Within one year | 544,230 | 579,933 | 258,000 | 258,000 |
| In the second year | 405,357 | 332,138 | 190,000 | 30,000 |
| In the third to fifth years, inclusive | 337,575 | 558,153 | - | 190,000 |
| After five years | 811,618 | 442,046 | - | - |
| | 2,098,780 | 1,912,270 | 448,000 | 478,000 |
| Other borrowings repayable: | | | | |
| Within one year | 155,002 | 352,020 | - | 40,000 |

The carrying amounts of the Group's and Company's bank and other borrowings approximate to their fair values and bear interest at rates ranging from 1.3 per cent. to 6.0 per cent. (2007 – 3.9 per cent. to 7.5 per cent.) per annum.

Notes to the Financial Statements

27. Bank and Other Borrowings (continued)

Note:

- (a) At the balance sheet date, the bank loans were secured by:
- (i) shares in certain listed subsidiaries of the Group with market value of HK\$1,227,473,000 (2007 – HK\$2,617,877,000);
 - (ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development with carrying amounts of HK\$3,073,317,000 (2007 – HK\$3,398,265,000), HK\$119,075,000 (2007 – HK\$171,634,000) and HK\$573,713,000 (2007 – HK\$461,679,000); and
 - (iii) fixed deposits of the Company with carrying amount of HK\$26,400,000 (2007 – Nil), respectively.

The bank loans as at 31st December, 2007 were also secured by certain securities of the Group with carrying amounts of HK\$55,914,000.

- (b) The Group's other borrowings as at 31st December, 2008, comprised of an unsecured loan advanced from a third party of HK\$155,002,000 (2007 – HK\$352,020,000), which was renewed for one additional year on terms mutually agreed with the lender and is repayable on or before 26th June, 2009.

28. Creditors, Accruals and Deposits Received

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

| | Group | |
|---------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Outstanding balances with ages: | | |
| Repayable on demand | 534,248 | 767,208 |
| Within 30 days | 52,604 | 84,226 |
| Between 31 and 60 days | 10,107 | 7,361 |
| Between 61 and 90 days | 2,854 | – |
| Between 91 and 180 days | 1,405 | – |
| Over 180 days | 660 | – |
| | 601,878 | 858,795 |

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, 2008, total client trust bank balances amounted to HK\$509,355,000 (2007 – HK\$730,995,000).

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

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 0.3 per cent. to 4.5 per cent. (2007 – 1.2 per cent. to 5.3 per cent.) per annum.

30. Deferred Tax

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

Group

| | Depreciation allowance in excess of related depreciation HK\$'000 | Revaluation of properties of properties HK\$'000 | Fair value gains on available- for-sale financial assets HK\$'000 | Tax losses HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|--|--|---|---|------------------------|--------------------|-------------------|
| 2008 | | | | | | |
| At 1st January, 2008 | 5,930 | 501,833 | 7,957 | (7,807) | - | 507,913 |
| Deferred tax charged/(credited) to the profit and loss account during the year | (178) | (43,674) | - | (205) | 2,409 | (41,648) |
| Effect of change in tax rate | (305) | (11,933) | - | 446 | - | (11,792) |
| Deferred tax credited to equity during the year | - | - | (6,620) | - | - | (6,620) |
| Disposal of subsidiaries | - | (8,655) | - | - | - | (8,655) |
| Exchange adjustments | - | 28,775 | (17) | - | - | 28,758 |
| At 31st December, 2008 | 5,447 | 466,346 | 1,320 | (7,566) | 2,409 | 467,956 |
| 2007 | | | | | | |
| At 1st January, 2007 | 7,465 | 524,337 | 7,957 | (6,961) | - | 532,798 |
| Deferred tax charged/(credited) to the profit and loss account during the year | (1,538) | 80,053 | - | (846) | - | 77,669 |
| Effect of change in tax rate | - | (75,282) | - | - | - | (75,282) |
| Deferred tax debited/(credited) to equity during the year | - | 2,941 | (26) | - | - | 2,915 |
| Disposal of subsidiaries | - | (30,416) | - | - | - | (30,416) |
| Exchange adjustments | 3 | 200 | 26 | - | - | 229 |
| At 31st December, 2007 | 5,930 | 501,833 | 7,957 | (7,807) | - | 507,913 |

Notes to the Financial Statements

30. Deferred Tax (continued)

For the purpose of the balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Net deferred tax assets recognised in the consolidated balance sheet | (184) | – |
| Net deferred tax liabilities recognised in the consolidated balance sheet | 468,140 | 507,913 |
| | 467,956 | 507,913 |

The Group has deductible temporary differences and tax losses of HK\$5,617,000 (2007 – HK\$6,035,000) and HK\$765,256,000 (2007 – HK\$705,832,000), respectively, 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 deductible temporary differences and tax losses at the balance sheet date due to the unpredictability of future profit streams.

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

At 31st December, 2008, there were no significant unrecognised deferred tax liabilities (2007 – Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly controlled entities as the Group had no liability to additional tax should such amounts be remitted.

Notes to the Financial Statements

31. Share Capital Shares

| | Group and Company | |
|---|-------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Authorised: 30,000,000,000 (2007 – 30,000,000,000) ordinary shares of HK\$0.10 each | 3,000,000 | 3,000,000 |
| Issued and fully paid: 532,968,372 (2007 – 433,735,010) ordinary shares of HK\$0.10 each | 53,297 | 43,373 |

During the year, the movements in share capital were as follows:

- (a) A rights issue of new shares of the Company in the proportion of one rights share for every four shares held on 5th June, 2008 (the "Rights Issue") was made at an issue price of HK\$3.80 per rights share, resulting in the issue of 108,433,752 shares of HK\$0.10 each on 27th June, 2008 for a total cash consideration, before expenses, of approximately HK\$412,048,000.
- (b) A total of 2,610 shares of HK\$0.10 each in the Company were issued during the year upon exercise in cash of the subscription rights attaching to the warrants of the Company in an aggregate amount of HK\$12,267 at the subscription price of HK\$4.70 per share.
- (c) During the year, a total of 9,203,000 shares (2007 – Nil) of HK\$0.10 each were repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were subsequently cancelled by the Company. The premium of HK\$20,534,000 (2007 – Nil) arising from such repurchase has been charged to the retained profits of the Company and an amount of HK\$920,000 (2007 – Nil) was transferred from retained profits to the capital redemption reserve as set out in Note 33 to the financial statements.

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

Notes to the Financial Statements

31. Share Capital (continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

| | Number of shares in issue | Issued share capital HK\$'000 | Share premium account HK\$'000 | Total HK\$'000 |
|--|---------------------------------|--|---|-------------------|
| At 1st January, 2008 | 433,735,010 | 43,373 | 515,637 | 559,010 |
| Rights Issue (a) | 108,433,752 | 10,844 | 401,204 | 412,048 |
| Share issue expense (a) | - | - | (4,503) | (4,503) |
| Issue of shares upon exercise of warrants (b) | 2,610 | - | 12 | 12 |
| Repurchase of shares (c) | (9,203,000) | (920) | - | (920) |
| At 31st December, 2008 | 532,968,372 | 53,297 | 912,350 | 965,647 |

Warrants

During the year, a bonus issue of warrants of the Company (the "Warrants") was made on the basis of one Warrant for every two rights shares taken up pursuant to the Rights Issue, resulting in the issue of 54,216,876 units of Warrants with an aggregate subscription value of approximately HK\$254,819,000 on 27th June, 2008. Each Warrant entitles the holder thereof to subscribe in cash for one ordinary share of HK\$0.10 in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both days inclusive). During the year, 2,610 units of Warrants with an aggregate subscription value of HK\$12,267 were exercised for 2,610 ordinary shares of HK\$0.10 each at a subscription price of HK\$4.70 per share. At the balance sheet date, the Company had 54,214,266 units of Warrants outstanding with an aggregate subscription value of approximately HK\$254,807,000. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 54,214,266 additional ordinary shares of HK\$0.10 each of the Company.

32. Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are as follows:

(a) Share Option Scheme of the Company adopted on 7th June, 2007

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company on 7th June, 2007 (the "Adoption Date"), the board of the Directors (the "Board") may, at its discretion, offer to grant to any eligible employee (including director, officer and/or employee of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Person") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which 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, that is, 43,373,501 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed 1 per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of 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; or the nominal value of the shares of the Company on the date of grant of the option.

32. Share Option Schemes *(continued)*

(a) Share Option Scheme of the Company adopted on 7th June, 2007 *(continued)*

As at 1st January, 2008, there were outstanding options 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 4,337,000 ordinary shares of HK\$0.10 each in the Company (the "Shares") at an initial exercise price of HK\$6.98 per share (subject to adjustment). Due to the Rights Issue, adjustments were made to the number of shares subject to the options and the exercise price, which was adjusted to HK\$5.58 per share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

On 1st August, 2008, an option was granted under the Share Option Scheme without consideration to an Eligible Person to subscribe for 625,000 Shares at an exercise price of HK\$3.95 per share (subject to adjustment). Such option cannot be exercised from the date of grant to 31st July, 2009. Such option will be exercisable from 1st August, 2009 to 16th December, 2012. The closing price of the Shares on 31st July, 2008, being the trading day immediately preceding the date of grant of the option, as stated in the daily quotations sheet of the Stock Exchange was HK\$4.45 per share.

As at 31st December, 2008, there were outstanding options granted under the Share Option Scheme to subscribe for 6,046,250 ordinary shares of HK\$0.10 each in the Company (the "Option Shares").

Notes to the Financial Statements

32. Share Option Schemes *(continued)*

(a) Share Option Scheme of the Company adopted on 7th June, 2007 *(continued)*

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

| Participants | Date of grant | Exercise price per share HK\$ | Number of Option Shares | | | |
|--|---------------------|-------------------------------------|--|---|-------------------------------|--|
| | | | Balance as at 1st January, 2008 | Adjustment during the year [#] | Granted during the year | Balance as at 31st December, 2008 |
| Directors: | | | | | | |
| John Luen Wai Lee | 17th December, 2007 | 5.58* | 900,000 | 225,000 | - | 1,125,000 |
| Leon Nim Leung Chan | 17th December, 2007 | 5.58* | 155,000 | 38,750 | - | 193,750 |
| Jark Pui Lee | 17th December, 2007 | 5.58* | 130,000 | 32,500 | - | 162,500 |
| Edwin Neo | 17th December, 2007 | 5.58* | 130,000 | 32,500 | - | 162,500 |
| King Fai Tsui | 17th December, 2007 | 5.58* | 130,000 | 32,500 | - | 162,500 |
| Victor Ha Kuk Yung | 17th December, 2007 | 5.58* | 130,000 | 32,500 | - | 162,500 |
| Employees <i>(Note)</i> | | | | | | |
| | 17th December, 2007 | 5.58* | 2,682,000 | 670,500 | - | 3,352,500 |
| | 1st August, 2008 | 3.95 | - | - | 625,000 | 625,000 |
| Others | | | | | | |
| | 17th December, 2007 | 5.58* | 80,000 | 20,000 | - | 100,000 |
| Total | | | 4,337,000 | 1,084,250 | 625,000 | 6,046,250 |
| Weighted average exercise price per share (HK\$) | | | 6.98 | 5.58 | 3.95 | 5.41 |

* adjusted from HK\$6.98 to HK\$5.58 with effect from 27th June, 2008 due to the Rights Issue
adjustment due to the Rights Issue

Note: Employees refer to the employees of the Group as at 31st December, 2008 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.

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

As at the date of this report, the total number of shares available for issue under the Share Option Scheme, save for those subject to options granted but not yet exercised under the Share Option Scheme, was 37,327,251 ordinary shares of HK\$0.10 each, representing approximately 7.5 per cent. of the existing issued share capital of the Company.

Notes to the Financial Statements

32. Share Option Schemes *(continued)*

(a) Share Option Scheme of the Company adopted on 7th June, 2007 *(continued)*

The exercise prices of the Option Shares and exercise periods of the options of the Company outstanding as at 31st December, 2008 are as follows:

| Number of Option Shares | Exercise price per share <i>(Note)</i> HK\$ | Exercise period |
|-------------------------|--|---|
| 5,421,250 | 5.58* | 17th June, 2008 to 16th December, 2012 |
| 625,000 | 3.95 | 1st August, 2009 to 16th December, 2012 |

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

* Pursuant to the Rights Issue, the exercise price of the Option Shares was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008.

The fair value of the option granted during the year was HK\$1,066,000 (2007 – HK\$11,700,000) of which the Group recognised an option expense of HK\$1,066,000 (2007 – HK\$11,700,000) during the year ended 31st December, 2008.

The fair value of equity-settled option 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 option was granted. The following table lists the inputs to the model used:

| | 2008 | 2007 |
|--|-------|-------|
| Dividend yield (per cent.) | 1.519 | 0.611 |
| Historical and expected volatility (per cent.) | 55.58 | 45.79 |
| Risk-free interest rate (per cent.) | 3 | 4 |
| Expected life of options (year) | 4.5 | 5.0 |
| Weighted average share price (HK\$) | 3.95 | 6.55 |

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

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

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

32. Share Option Schemes *(continued)*

(a) Share Option Scheme of the Company adopted on 7th June, 2007 *(continued)*

At the balance sheet date, the Company had options outstanding under the Share Option Scheme to subscribe for 6,046,250 ordinary shares of HK\$0.10 each in the Company, which represented approximately 1.1 per cent. of the then issued share capital of the Company. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 6,046,250 additional ordinary shares of the Company and cash proceeds, before expenses, of HK\$32,719,000. In addition, the exercise in full of all these options would provide additional share capital of HK\$605,000 and share premium of HK\$32,114,000 (before issue expenses).

(b) Share Option Scheme of Lippo China Resources Limited adopted on 7th June, 2007

The principal terms of the rules of the share option scheme of LCR, a listed subsidiary of the Company, adopted and approved by the shareholders of LCR and the Company on 7th June, 2007 (the "LCR Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above.

As at 1st January, 2008, there were outstanding options granted under the LCR Share Option Scheme without consideration to eligible persons of the LCR Share Option Scheme including, inter alia, certain directors of LCR and employees of LCR and its subsidiaries to subscribe for a total of 92,010,000 ordinary shares of HK\$0.10 each in LCR (the "LCR Shares") at an exercise price of HK\$0.267 per share (subject to adjustment). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

On 1st August, 2008, an option was granted under the LCR Share Option Scheme without consideration to an Eligible Person to subscribe for 7,000,000 LCR Shares at an exercise price of HK\$0.169 per share (subject to adjustment). Such option cannot be exercised from the date of grant to 31st July, 2009. Such option will be exercisable from 1st August, 2009 to 16th December, 2012. The closing price of the LCR Shares on 31st July, 2008, being the trading day immediately preceding the date of grant of the option, as stated in the daily quotations sheet of the Stock Exchange was HK\$0.17 per share.

As at 31st December, 2008, there were outstanding options granted under the LCR Share Option Scheme to subscribe for 99,010,000 LCR Shares (the "LCR Option Shares").

Notes to the Financial Statements

32. Share Option Schemes (continued)

(b) Share Option Scheme of Lippo China Resources Limited adopted on 7th June, 2007 (continued)

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

| Participants | Date of grant | Exercise price per share HK\$ | Number of LCR Option Shares | | |
|--|---------------------|-------------------------------------|--|-------------------------------|--|
| | | | Balance as at 1st January, 2008 | Granted during the year | Balance as at 31st December, 2008 |
| Directors: | | | | | |
| John Luen Wai Lee | 17th December, 2007 | 0.267 | 22,000,000 | – | 22,000,000 |
| Leon Nim Leung Chan | 17th December, 2007 | 0.267 | 3,000,000 | – | 3,000,000 |
| Edwin Neo | 17th December, 2007 | 0.267 | 2,300,000 | – | 2,300,000 |
| King Fai Tsui | 17th December, 2007 | 0.267 | 2,300,000 | – | 2,300,000 |
| Victor Ha Kuk Yung | 17th December, 2007 | 0.267 | 2,300,000 | – | 2,300,000 |
| Employees (Note 1) | | | | | |
| | 17th December, 2007 | 0.267 | 20,260,000 | – | 20,260,000 |
| | 1st August, 2008 | 0.169 | – | 7,000,000 | 7,000,000 |
| Others (Note 2) | | | | | |
| | 17th December, 2007 | 0.267 | 39,850,000 | – | 39,850,000 |
| Total | | | 92,010,000 | 7,000,000 | 99,010,000 |
| Weighted average exercise price per share (HK\$) | | | 0.267 | 0.169 | 0.260 |

Notes:

1. Employees refer to the employees of LCR and its subsidiaries as at 31st December, 2008 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.
2. Including options to subscribe for a total of 7,500,000 LCR Option Shares held by former employees of LCR and such options lapsed subsequent to the year end.

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

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

Notes to the Financial Statements

32. Share Option Schemes *(continued)*

(b) Share Option Scheme of Lippo China Resources Limited adopted on 7th June, 2007 *(continued)*

The exercise prices of the LCR Option Shares and exercise periods of the options of LCR outstanding as at 31st December, 2008 are as follows:

| Number of LCR Option Shares | Exercise price per share <i>(Note)</i> HK\$ | Exercise period |
|--------------------------------|---|--|
| 92,010,000 | 0.267 | 17th June, 2008 to 16th December, 2012 |
| 7,000,000 | 0.169 | 1st August, 2009 to 16th December, 2012 |

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

The fair value of the option of LCR granted during the year was HK\$462,000 (2007 – HK\$10,000,000) of which the Group recognised an option expense of HK\$462,000 (2007 – HK\$10,000,000) during the year ended 31st December, 2008.

The fair value of equity-settled option granted by LCR 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 option was granted. The following table lists the inputs to the model used:

| | 2008 | 2007 |
|--|-------|-------|
| Dividend yield (per cent.) | 3.55 | 2.40 |
| Historical and expected volatility (per cent.) | 58.09 | 58.02 |
| Risk-free interest rate (per cent.) | 3 | 4 |
| Expected life of options (year) | 4.5 | 5 |
| Weighted average share price (HK\$) | 0.169 | 0.250 |

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

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

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

32. Share Option Schemes *(continued)*

(b) Share Option Scheme of Lippo China Resources Limited adopted on 7th June, 2007 *(continued)*

At the balance sheet date, LCR had options outstanding under the LCR Share Option Scheme to subscribe for 99,010,000 ordinary shares of HK\$0.10 each in LCR, which represented approximately 1.1 per cent. of the then issued share capital of LCR. Subsequent to the year end, options to subscribe for 7,500,000 LCR Shares lapsed. The exercise in full of the outstanding options would, under the present capital structure of LCR, result in the issue of 91,510,000 additional ordinary shares of LCR and cash proceeds, before expenses, of HK\$23,747,000. In addition, the exercise in full of all these options would provide additional share capital of HK\$9,151,000 and share premium of HK\$14,596,000 (before issue expenses).

(c) Share Option Scheme of Hongkong Chinese Limited adopted on 7th June, 2007

The principal terms of the rules of the share option scheme of HKC, a listed subsidiary of the Company, adopted and approved by the shareholders of HKC, LCR and the Company on 7th June, 2007 (the "HKC Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above.

As at 1st January, 2008, there were outstanding options granted under the HKC Share Option Scheme without consideration to eligible persons of HKC Share Option Scheme including, inter alia, certain directors of HKC and employees of HKC and its subsidiaries to subscribe for a total of 13,468,000 ordinary shares of HK\$1.00 each in HKC (the "HKC Shares") at an initial exercise price of HK\$1.68 per share (subject to adjustment). Due to the rights issue of new shares of HKC in June 2008 (the "HKC Rights Issue") in the proportion of seven rights shares for every twenty shares held, adjustments were made to the number of HKC Shares subject to the options of HKC and the exercise price, which was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

On 1st August, 2008, an option was granted under the HKC Share Option Scheme without consideration to an Eligible Person to subscribe for 2,025,000 HKC Shares at an exercise price of HK\$1.00 per share (subject to adjustment). Such option cannot be exercised from the date of grant to 31st July, 2009. Such option will be exercisable from 1st August, 2009 to 16th December, 2012. The closing price of the shares of HKC on 31st July, 2008, being the trading day immediately preceding the date of grant of the option, as stated in the daily quotations sheet of the Stock Exchange was HK\$0.93 per share.

As at 31st December, 2008, there were outstanding options granted under the HKC Share Option Scheme to subscribe for 20,206,800 HKC Shares (the "HKC Option Shares").

Notes to the Financial Statements

32. Share Option Schemes *(continued)*

(c) Share Option Scheme of Hongkong Chinese Limited adopted on 7th June, 2007 *(continued)*

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

| Participants | Date of grant | Exercise price per share HK\$ | Number of HKC Option Shares | | | Balance as at 31st December, 2008 |
|--|---|-------------------------------------|--|---|-------------------------------|--|
| | | | Balance as at 1st January, 2008 | Adjustment during the year [#] | Granted during the year | |
| Directors: | | | | | | |
| John Luen Wai Lee | 17th December, 2007 | 1.24* | 3,400,000 | 1,190,000 | - | 4,590,000 |
| Leon Nim Leung Chan | 17th December, 2007 | 1.24* | 600,000 | 210,000 | - | 810,000 |
| King Fai Tsui | 17th December, 2007 | 1.24* | 450,000 | 157,500 | - | 607,500 |
| Victor Ha Kuk Yung | 17th December, 2007 | 1.24* | 450,000 | 157,500 | - | 607,500 |
| Other directors of HKC | 17th December, 2007 | 1.24* | 900,000 | 315,000 | - | 1,215,000 |
| Employees <i>(Note)</i> | 17th December, 2007 | 1.24* | 5,568,000 | 1,948,800 | - | 7,516,800 |
| Others | 17th December, 2007 1st August, 2008 | 1.24* 1.00 | 2,100,000 - | 735,000 - | - 2,025,000 | 2,835,000 2,025,000 |
| Total | | | 13,468,000 | 4,713,800 | 2,025,000 | 20,206,800 |
| Weighted average exercise price per share (HK\$) | | | 1.68 | 1.24 | 1.00 | 1.22 |

* adjusted from HK\$1.68 to HK\$1.24 with effect from 27th June, 2008 due to the HKC Rights Issue
adjustment due to the HKC Rights Issue

Note: Employees refer to the employees of HKC and its subsidiaries as at 31st December, 2008 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.

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

As at the date of this report, the total number of HKC Shares available for issue under the HKC Share Option Scheme, save for those subject to options granted but not yet exercised under the HKC Share Option Scheme, was 114,476,109 ordinary shares of HK\$1.00 each, representing approximately 6.3 per cent. of the existing issued share capital of HKC.

Notes to the Financial Statements

32. Share Option Schemes *(continued)*

(c) Share Option Scheme of Hongkong Chinese Limited adopted on 7th June, 2007 *(continued)*

The exercise prices of the HKC Option Shares and exercise periods of the options of HKC outstanding as at 31st December, 2008 are as follows:

| Number of HKC Option Shares | Exercise price per share <i>(Note)</i> HK\$ | Exercise period |
|-----------------------------|--|---|
| 18,181,800 | 1.24* | 17th June, 2008 to 16th December, 2012 |
| 2,025,000 | 1.00 | 1st August, 2009 to 16th December, 2012 |

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

* Pursuant to the HKC Rights Issue, the exercise price of the HKC Option Shares was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008.

The fair value of the option of HKC granted during the year was HK\$419,000 (2007 – HK\$6,800,000) of which the Group recognised an option expense of HK\$419,000 (2007 – HK\$6,800,000) during the year ended 31st December, 2008.

The fair value of equity-settled option granted by HKC 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 option was granted. The following table lists the inputs to the model used:

| | 2008 | 2007 |
|--|-------|-------|
| Dividend yield (per cent.) | 7.258 | 4.037 |
| Historical and expected volatility (per cent.) | 47.78 | 46.53 |
| Risk-free interest rate (per cent.) | 3 | 4 |
| Expected life of options (year) | 4.5 | 5.0 |
| Weighted average share price (HK\$) | 0.93 | 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 calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

At the balance sheet date, HKC had options outstanding under the HKC Share Option Scheme to subscribe for 20,206,800 ordinary shares of HK\$1.00 each in HKC, which represented approximately 1.1 per cent. of the then issued share capital of HKC. The exercise in full of the outstanding options would, under the present capital structure of HKC, result in the issue of 20,206,800 additional ordinary shares of HKC and cash proceeds, before expenses, of HK\$24,570,000. In addition, the exercise in full of all these options would provide additional share capital of HK\$20,207,000 and share premium of HK\$4,363,000 (before issue expenses).

Notes to the Financial Statements

33. Reserves Group

| 2008 | Share premium account | Share option reserve | Special capital reserve (Note (a)) | Capital redemption reserve | Legal reserve (Note (b)) | Investment revaluation reserve | Other asset revaluation reserve | Exchange equalisation reserve | Regulatory reserve (Note (c)) | Retained profits | Total | Minority interests |
|--|-----------------------|----------------------|---------------------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------|-------------------------------|----------------------------------|------------------|------------------|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January, 2008 | 517,794 | 22,308 | 1,709,202 | 17,861 | 2,732 | 222,643 | 9,859 | 224,454 | 458 | 2,019,373 | 4,746,684 | 3,588,709 |
| Rights Issues | 396,701 | - | - | - | - | - | - | - | - | - | 396,701 | 209,097 |
| Issue of shares upon exercise of warrants | 12 | - | - | - | - | - | - | - | - | - | 12 | - |
| Repurchase of shares | - | - | - | 920 | - | - | - | - | - | (21,454) | (20,534) | - |
| Repurchase of shares from minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (749) |
| Net fair value loss on available-for-sale financial assets | - | - | - | - | - | (33,079) | - | - | - | - | (33,079) | (25,780) |
| Deferred tax arising from fair value loss on available-for-sale financial assets | - | - | - | - | - | 3,450 | - | - | - | - | 3,450 | 3,170 |
| Derecognition of available-for-sale financial assets | - | - | - | - | - | (920) | - | - | - | - | (920) | (799) |
| Share of reserves of associates and jointly controlled entities | - | - | - | - | - | (57,240) | - | (6,989) | - | - | (64,229) | (49,757) |
| Transfer of reserves | - | - | - | - | 733 | - | - | - | - | (733) | - | - |
| Advance from a minority shareholder of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | 17,884 |
| Changes in interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (197,901) |
| Investment in a subsidiary by a minority shareholder | - | - | - | - | - | - | - | - | - | - | - | 165,551 |
| Deconsolidation of subsidiaries | - | - | - | - | - | - | - | (644) | - | - | (644) | (880) |
| Disposal of a subsidiary | - | - | - | - | - | - | - | (1,577) | - | - | (1,577) | (640) |
| Equity-settled share option arrangements | - | 1,612 | - | - | - | - | - | - | - | - | 1,612 | 335 |
| Exchange realignment | - | - | - | - | - | - | - | (25,601) | - | - | (25,601) | 21,336 |
| Loss for the year | - | - | - | - | - | - | - | - | - | (336,744) | (336,744) | (245,845) |
| 2007 final dividend, declared and paid to shareholders of the Company | - | - | - | - | - | - | - | - | - | (17,349) | (17,349) | - |
| 2007 final dividend and distribution, declared and paid to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (61,232) |
| 2008 interim dividend, declared and paid to shareholders of the Company | - | - | - | - | - | - | - | - | - | (10,843) | (10,843) | - |
| 2008 interim dividend and distribution, declared and paid to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (20,658) |
| At 31st December, 2008 | 914,507 | 23,920 | 1,709,202 | 18,781 | 3,465 | 134,854 | 9,859 | 189,643 | 458 | 1,632,250 | 4,636,939 | 3,401,841 |

Notes to the Financial Statements

33. Reserves (continued)

Group

| 2007 | Share premium account | Share option reserve | Special capital reserve (Note (a)) | Capital redemption reserve | Legal reserve (Note (b)) | Investment revaluation reserve | Other asset revaluation reserve | Exchange equalisation reserve | Regulatory reserve | Retained profits (Note (c)) | Total | Minority interests |
|--|-----------------------|----------------------|------------------------------------|----------------------------|--------------------------|--------------------------------|---------------------------------|-------------------------------|--------------------|-----------------------------|-----------|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January, 2007 | 517,794 | - | 1,709,202 | 17,861 | 2,007 | 81,821 | - | 20,720 | 649 | 1,347,004 | 3,697,058 | 3,124,976 |
| Net fair value gain on available-for-sale financial assets | - | - | - | - | - | 107,885 | - | - | - | - | 107,885 | 49,958 |
| Deferred tax arising from fair value gain on available-for-sale financial assets | - | - | - | - | - | 13 | - | - | - | - | 13 | 13 |
| Derecognition of available-for-sale financial assets | - | - | - | - | - | (671) | - | - | - | - | (671) | (635) |
| Surplus on revaluation of leasehold land and buildings | - | - | - | - | - | - | 11,951 | - | - | - | 11,951 | 4,851 |
| Deferred tax arising from surplus on revaluation of leasehold land and buildings | - | - | - | - | - | - | (2,092) | - | - | - | (2,092) | (849) |
| Share of reserves of associates and jointly controlled entities | - | - | - | - | - | 33,595 | - | 89,970 | - | - | 123,565 | 118,322 |
| Transfer of reserves | - | - | - | - | 725 | - | - | - | (191) | (534) | - | - |
| Repayment to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (223,431) |
| Acquisition of shares in subsidiaries from minority shareholders | - | - | - | - | - | - | - | - | - | - | - | (132,843) |
| Changes in interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 392 |
| Issue of shares by subsidiaries to minority shareholders | - | - | - | - | - | - | - | - | - | - | - | 250 |
| Equity-settled share option arrangements | - | 22,308 | - | - | - | - | - | - | - | - | 22,308 | 6,192 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | 4,759 | - | - | 4,759 | (133,702) |
| Exchange realignment | - | - | - | - | - | - | - | 109,005 | - | - | 109,005 | 80,822 |
| Profit for the year | - | - | - | - | - | - | - | - | - | 698,927 | 698,927 | 764,703 |
| 2006 final dividend, declared and paid to shareholders of the Company | - | - | - | - | - | - | - | - | - | (17,349) | (17,349) | - |
| 2006 final dividend and distribution, declared and paid to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (32,291) |
| 2007 interim dividend, declared and paid to shareholders of the Company | - | - | - | - | - | - | - | - | - | (8,675) | (8,675) | - |
| 2007 interim dividend and distribution, declared and paid to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (38,019) |
| At 31st December, 2007 | 517,794 | 22,308 | 1,709,202 | 17,861 | 2,732 | 222,643 | 9,859 | 224,454 | 458 | 2,019,373 | 4,746,684 | 3,588,709 |

Notes to the Financial Statements

33. Reserves (continued)

Company

| | Share premium account HK\$'000 | Share option reserve HK\$'000 | Special capital reserve <i>(Note (a))</i> HK\$'000 | Capital redemption reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--|---|--|--|--|-------------------------------------|-----------------------|
| 2008 | | | | | | |
| At 1st January, 2008 | 515,637 | 11,700 | 1,709,202 | 17,860 | 217,212 | 2,471,611 |
| Rights issue | 396,701 | - | - | - | - | 396,701 |
| Issue of shares upon exercise of warrants | 12 | - | - | - | - | 12 |
| Repurchase of shares | - | - | - | 920 | (21,454) | (20,534) |
| Equity-settled share option arrangements | - | 1,066 | - | - | - | 1,066 |
| Profit for the year <i>(Note 13)</i> | - | - | - | - | 6,447 | 6,447 |
| 2007 final dividend, declared and paid | - | - | - | - | (17,349) | (17,349) |
| 2008 interim dividend, declared and paid | - | - | - | - | (10,843) | (10,843) |
| At 31st December, 2008 | 912,350 | 12,766 | 1,709,202 | 18,780 | 174,013 | 2,827,111 |
| 2007 | | | | | | |
| At 1st January, 2007 | 515,637 | - | 1,709,202 | 17,860 | 236,644 | 2,479,343 |
| Equity-settled share option arrangements | - | 11,700 | - | - | - | 11,700 |
| Profit for the year <i>(Note 13)</i> | - | - | - | - | 6,592 | 6,592 |
| 2006 final dividend, declared and paid | - | - | - | - | (17,349) | (17,349) |
| 2007 interim dividend, declared and paid | - | - | - | - | (8,675) | (8,675) |
| At 31st December, 2007 | 515,637 | 11,700 | 1,709,202 | 17,860 | 217,212 | 2,471,611 |

At 31st December, 2008, the Company's reserves available for distribution, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$174,013,000 (2007 – HK\$217,212,000). As at 31st December, 2008, other distributable reserve amounted to HK\$1,709,202,000 (2007 – HK\$1,709,202,000).

Included in the retained profits of the Group and the Company at 31st December, 2008 was an amount of a proposed final dividend for the year then ended of HK\$10,009,000 (2007 – HK\$17,349,000) declared after the balance sheet date.

Notes to the Financial Statements

33. Reserves (continued)

Note:

(a) Special capital reserve

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 23rd December, 1998 and the subsequent confirmation by the court on 26th January, 1999, the then entire amount standing to the credit of the share capital account of the Company of approximately HK\$1,709,202,000 was cancelled on 27th January, 1999 (the "Cancellation").

The credit arising from the Cancellation was transferred to a special capital reserve account. A summary of the terms of the undertaking given by the Company (the "Undertaking") in respect of the application of the special capital reserve is set out below:

- (1) The reserve shall not be treated as realised profits; and
- (2) The reserve shall be treated as an undistributable reserve for so long as there shall remain any outstanding debts or claims which was in existence on the date of the Cancellation provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking.

As at 31st December, 2008, no special capital reserve remained subject to the Undertaking (2007 – Nil).

(b) Legal reserve

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.

(c) Regulatory reserve

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.

34. Interests in Subsidiaries

| | Company | |
|----------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Unlisted shares, at cost | 1 | 5,000 |
| Due from subsidiaries | 3,890,755 | 3,675,342 |
| Due to subsidiaries | (452,886) | (457,001) |
| | 3,437,870 | 3,223,341 |
| Provisions for impairment losses | (205,074) | (192,074) |
| | 3,232,796 | 3,031,267 |

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

Details of the principal subsidiaries are set out on pages 134 to 145.

Notes to the Financial Statements

35. Notes to the Consolidated Cash Flow Statement

Reconciliation of profit/(loss) before tax to cash generated from operations is as follows:

| | Note | Group | |
|--|------|------------------|------------------|
| | | 2008 HK\$'000 | 2007 HK\$'000 |
| Profit/(Loss) before tax | | (615,783) | 1,494,791 |
| Adjustments for: | | | |
| Share of results of associates | | 128,636 | (1,222,656) |
| Share of results of jointly controlled entities | | 774 | (5,517) |
| Loss/(Gain) on disposal of: | | | |
| Fixed assets | | (199,483) | 407 |
| Investment properties | 7 | 510 | – |
| Subsidiaries | 36 | (28,838) | (83,779) |
| Available-for-sale financial assets | | (20,298) | (746) |
| Associates | | – | (57,620) |
| Provisions for impairment losses: | | | |
| Associates | | 145,478 | 56,694 |
| A jointly controlled entity | 7 | 1,858 | – |
| Available-for-sale financial assets | | 52,266 | 13,775 |
| Properties held for sale | | 474 | 10,140 |
| Properties under development | | 9,089 | 26,780 |
| Fair value losses/(gains) on investment properties | | 242,221 | (312,942) |
| Net fair value loss/(gain) on financial assets at fair value through profit or loss | | 150,504 | (58,960) |
| Loss on changes in interests in subsidiaries | | – | 1,053 |
| Allowance for bad and doubtful debts | | 21,603 | 2,415 |
| Receivables written off | 7 | 23,487 | – |
| Finance costs | | 84,158 | 131,525 |
| Interest income | | (34,105) | (52,173) |
| Dividend income | | (2,628) | (8,829) |
| Depreciation | 7 | 42,022 | 16,833 |
| Share options | 7 | 1,947 | 28,500 |
| Excess over the cost of business combination | | (155,635) | – |
| Operating loss before working capital changes | | (151,743) | (20,309) |
| Decrease/(Increase) in properties held for sale | | 60,956 | (577) |
| Increase in inventories | | (988) | (1,092) |
| Decrease in held-to-maturity financial assets | | 105 | 10 |
| Decrease in financial assets at fair value through profit or loss | | 191,852 | 530,895 |
| Decrease in loans and advances | | 46,504 | 38,868 |
| Decrease/(Increase) in debtors, prepayments and deposits | | 44,491 | (156,730) |
| Decrease/(Increase) in client trust bank balances | | 221,640 | (148,090) |
| Increase/(Decrease) in creditors, accruals and deposits received | | (109,796) | 281,012 |
| Decrease in current, fixed, savings and other deposits of customers | | (32,003) | (140,298) |
| Increase in deferred rental | | 47,466 | 84,151 |
| Cash generated from operations | | 318,484 | 467,840 |

Notes to the Financial Statements

36. Disposal of Subsidiaries

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Net assets disposed of: | | |
| Fixed assets | 4,131 | 1,482 |
| Investment properties | 152,562 | 668,585 |
| Interests in associates | – | 124 |
| Cash and bank balances | 1,152 | 28,944 |
| Debtors, prepayments and deposits | 9,651 | 207 |
| Creditors, accruals and deposits received | (7,885) | (9,594) |
| Deferred tax liabilities | (8,655) | (30,416) |
| Release of exchange equalisation reserve | (2,221) | 4,759 |
| Minority interests | (1,520) | (133,702) |
| | 147,215 | 530,389 |
| Gain on disposal of subsidiaries | 28,838 | 83,779 |
| | 176,053 | 614,168 |
| Satisfied by: | | |
| Cash consideration | 169,396 | 614,168 |
| Increase in interests in associates | 6,657 | – |
| | 176,053 | 614,168 |

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

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Cash consideration | 169,396 | 614,168 |
| Cash and bank balances disposed of | (1,152) | (28,944) |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | 168,244 | 585,224 |

Notes to the Financial Statements

37. Contingent Liabilities

At the balance sheet date, the Group had the following contingent liabilities:

(a) Guarantees in respect of banking facilities

| | Group | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Guarantees provided in respect of banking facilities granted to: | | |
| An associate | 258 | 460 |
| An investee company | - | 920 |
| | 258 | 1,380 |

(b) Details of the off-balance sheet exposures relating to banking operation

As at 31st December, 2008, the Group had contingent liabilities relating to its banking subsidiary of HK\$25,020,000 (2007 – HK\$27,478,000), comprising guarantees and other endorsements of HK\$17,753,000 (2007 – HK\$17,881,000) and liabilities under letters of credit on behalf of customers of HK\$7,267,000 (2007 – HK\$9,597,000).

(c) Cost overruns undertaking and deed of understanding relating to the Securitisation Exercise

On 25th July, 2007, the Group entered into a cost overruns undertaking and a deed of understanding in relation to the Securitisation Exercise of a jointly controlled entity. As at 31st December, 2008, the net maximum exposure to the Group is approximately HK\$18,224,000 (2007 – HK\$86,177,000). Details of the Securitisation Exercise are described in Note 21 to the financial statements.

The Company did not have any material contingent liabilities at the balance sheet date (2007 – Nil).

Notes to the Financial Statements

38. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties and properties held for sale under operating lease arrangements with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. At 31st December, 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Within one year | 109,666 | 117,397 |
| In the second to fifth years, inclusive | 54,816 | 63,513 |
| After five years | - | 1,284 |
| | 164,482 | 182,194 |

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 31st December, 2027 and the leases for properties contain provision for rental adjustments. As at 31st December, 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 | 2007 HK\$'000 |
| Within one year | 178,178 | 156,948 | - | 4,500 |
| In the second to fifth years, inclusive | 661,506 | 847,775 | - | - |
| After five years | 1,897,849 | 2,796,549 | - | - |
| | 2,737,533 | 3,801,272 | - | 4,500 |

Notes to the Financial Statements

39. Capital Commitments

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

| | Group | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Capital commitments in respect of property, plant and equipment: | | |
| Contracted, but not provided for | 243,871 | 290,318 |
| Other capital commitments: | | |
| Contracted, but not provided for (<i>Note</i>) | 79,240 | 500,361 |
| | 323,111 | 790,679 |

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in the Republic of Singapore (2007 – the Republic of Singapore and the People's Republic of China), of approximately HK\$64 million (2007 – HK\$371 million).

The Company did not have any material commitments at the balance sheet date (2007 – Nil).

40. Related Party Transactions

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

- (a) As at 31st December, 2008, the Group had balances with its associates and jointly controlled entities, further details of which are set out in Notes 20 and 21 to the financial statements, respectively.
- (b) During the year, Impac Asset Management (HK) Limited, being a wholly-owned subsidiary of HKC which in turn is a non-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 (2007 – HK\$11,349,000).
- (c) During the year, Lippo Realty (Singapore) Pte. Limited, being a wholly-owned subsidiary of HKC which in turn is a non-wholly owned subsidiary of the Company, received project management incomes of HK\$15,456,000 (2007 – HK\$5,767,000) and HK\$1,795,000 (2007 – HK\$600,000) from associates and jointly controlled entities of the Group, respectively.

Notes to the Financial Statements

41. 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, 2008

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 |
|---|--|---|-----------------------------------|---|-------------------|
| Amount due from an associate | - | - | 4,500 | - | 4,500 |
| Amount due from a jointly controlled entity | - | - | 3,974 | - | 3,974 |
| Held-to-maturity financial assets | - | 9,467 | - | - | 9,467 |
| Available-for-sale financial assets | - | - | - | 498,278 | 498,278 |
| Financial assets at fair value through profit or loss | 112,159 | - | - | - | 112,159 |
| Loans and advances | - | - | 218,379 | - | 218,379 |
| Debtors and deposits | - | - | 219,890 | - | 219,890 |
| Client trust bank balances | - | - | 509,355 | - | 509,355 |
| Pledged time deposits | - | - | 26,400 | - | 26,400 |
| Cash and bank balances | - | - | 1,441,456 | - | 1,441,456 |
| | 112,159 | 9,467 | 2,423,954 | 498,278 | 3,043,858 |

Financial liabilities

| | Financial liabilities at amortised cost HK\$'000 |
|---|---|
| Bank and other borrowings | 2,253,782 |
| Amount due to a jointly controlled entity | 46,638 |
| Creditors, accruals and deposits received | 1,357,803 |
| Current, fixed, savings and other deposits of customers | 133,220 |
| | 3,791,443 |

Notes to the Financial Statements

41. 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, 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 |
|--|--|---|--------------------------------------|---|-------------------|
| Amount due from an associate | - | - | 4,500 | - | 4,500 |
| Amount due from a jointly controlled entity | - | - | 4,000 | - | 4,000 |
| Held-to-maturity financial assets | - | 9,572 | - | - | 9,572 |
| Available-for-sale financial assets | - | - | - | 541,669 | 541,669 |
| Financial assets at fair value through profit or loss | 462,805 | - | - | - | 462,805 |
| Loans and advances | - | - | 270,661 | - | 270,661 |
| Debtors and deposits | - | - | 311,218 | - | 311,218 |
| Client trust bank balances | - | - | 730,995 | - | 730,995 |
| Treasury bills | - | - | 34,920 | - | 34,920 |
| Cash and bank balances | - | - | 748,483 | - | 748,483 |
| | 462,805 | 9,572 | 2,104,777 | 541,669 | 3,118,823 |

Financial liabilities

| | Financial liabilities at amortised cost HK\$'000 |
|---|--|
| Bank and other borrowings | 2,264,290 |
| Amount due to a jointly controlled entity | 46,968 |
| Creditors, accruals and deposits received | 1,473,113 |
| Current, fixed, savings and other deposits of customers | 165,223 |
| | 3,949,594 |

Notes to the Financial Statements

41. 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, 2008

Financial assets

| | Loans and receivables HK\$'000 | Available- for-sale financial assets HK\$'000 | Total HK\$'000 |
|-------------------------------------|--------------------------------------|---|-------------------|
| Available-for-sale financial assets | – | 1,200 | 1,200 |
| Debtors and deposits | 255 | – | 255 |
| Pledged time deposits | 26,400 | – | 26,400 |
| Cash and bank balances | 78,293 | – | 78,293 |
| | 104,948 | 1,200 | 106,148 |

Financial liabilities

| | Financial liabilities at amortised cost HK\$'000 |
|---|--|
| Bank and other borrowings | 448,000 |
| Creditors, accruals and deposits received | 11,638 |
| | 459,638 |

Notes to the Financial Statements

41. 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

| | Loans and receivables HK\$'000 | Available- for-sale financial assets HK\$'000 | Total HK\$'000 |
|-------------------------------------|--------------------------------------|---|-------------------|
| Available-for-sale financial assets | – | 1,200 | 1,200 |
| Debtors and deposits | 548 | – | 548 |
| Cash and bank balances | 2,061 | – | 2,061 |
| | 2,609 | 1,200 | 3,809 |

Financial liabilities

| | Financial liabilities at amortised cost HK\$'000 |
|---|--|
| Bank and other borrowings | 518,000 |
| Creditors, accruals and deposits received | 3,442 |
| | 521,442 |

42. Financial Risk Management Objectives and Policies

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

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

(a) Credit risk

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

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

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

| | Group | |
|------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| By geographical area: | | |
| Hong Kong | 86,720 | 198,763 |
| Mainland China | 11,376 | 31,800 |
| Republic of Singapore | 34,452 | 176 |
| Macau | 154,142 | 132,357 |
| Europe | – | 1,338 |
| Others | 7,437 | 15,033 |
| | 294,127 | 379,467 |

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

Notes to the Financial Statements

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

(b) Liquidity risk

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

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources. 31 per cent. of the Group's debts would mature in less than one year as at 31st December, 2008 (2007 – 41 per cent.) based on the carrying values 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, 2008 | | | | | | | |
| Assets | | | | | | | |
| Amount due from an associate | - | - | - | - | - | 4,500 | 4,500 |
| Amount due from a jointly controlled entity | - | - | - | - | - | 3,974 | 3,974 |
| Debt securities: | | | | | | | |
| Held-to-maturity financial assets | - | - | - | - | 9,467 | - | 9,467 |
| Available-for-sale financial assets | - | - | - | - | 6,621 | 24,734 | 31,355 |
| Loans and advances | 114,477 | 30,514 | 16,399 | 33,294 | 23,695 | - | 218,379 |
| Debtors and deposits | 45,367 | 33,436 | 9,084 | 37,450 | - | 94,553 | 219,890 |
| Client trust bank balances | 157,023 | 352,332 | - | - | - | - | 509,355 |
| Pledged time deposits | - | 26,400 | - | - | - | - | 26,400 |
| Cash and bank balances | 444,352 | 997,104 | - | - | - | - | 1,441,456 |
| | 761,219 | 1,439,786 | 25,483 | 70,744 | 39,783 | 127,761 | 2,464,776 |
| Liabilities | | | | | | | |
| Bank and other borrowings | - | 50,000 | 649,232 | 742,932 | 811,618 | - | 2,253,782 |
| Amount due to a jointly controlled entity | - | - | - | - | - | 46,638 | 46,638 |
| Creditors, accruals and deposits received | 535,373 | 117,630 | 34,855 | 588,713 | - | 81,232 | 1,357,803 |
| Current, fixed, savings and other deposits of customers | 101,153 | 27,120 | 4,947 | - | - | - | 133,220 |
| | 636,526 | 194,750 | 689,034 | 1,331,645 | 811,618 | 127,870 | 3,791,443 |

Notes to the Financial Statements

42. 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, 2007 | | | | | | | |
| Assets | | | | | | | |
| Amount due from an associate | - | - | - | - | - | 4,500 | 4,500 |
| Amount due from a jointly controlled entity | - | - | - | - | - | 4,000 | 4,000 |
| Debt securities: | | | | | | | |
| Held-to-maturity financial assets | - | - | - | - | 9,572 | - | 9,572 |
| Available-for-sale financial assets | - | - | 8,953 | - | 14,250 | 31,922 | 55,125 |
| Financial assets at fair value through profit or loss | - | - | - | - | 880 | 7,853 | 8,733 |
| Loans and advances | 182,266 | 43,540 | 16,971 | 13,134 | 14,750 | - | 270,661 |
| Debtors and deposits | 46,864 | 129,045 | 22,443 | 21,772 | - | 91,094 | 311,218 |
| Client trust bank balances | 92,151 | 638,844 | - | - | - | - | 730,995 |
| Treasury bills | - | 34,920 | - | - | - | - | 34,920 |
| Cash and bank balances | 316,754 | 431,729 | - | - | - | - | 748,483 |
| | 638,035 | 1,278,078 | 48,367 | 34,906 | 39,452 | 139,369 | 2,178,207 |
| Liabilities | | | | | | | |
| Bank and other borrowings | - | 305,914 | 626,039 | 890,291 | 442,046 | - | 2,264,290 |
| Amount due to a jointly controlled entity | - | - | - | - | - | 46,968 | 46,968 |
| Creditors, accruals and deposits received | 767,560 | 159,498 | 10,568 | 296,931 | - | 238,556 | 1,473,113 |
| Current, fixed, savings and other deposits of customers | 142,299 | 18,121 | 4,803 | - | - | - | 165,223 |
| | 909,859 | 483,533 | 641,410 | 1,187,222 | 442,046 | 285,524 | 3,949,594 |

Notes to the Financial Statements

42. 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, 2008 | | | | | | |
| Assets | | | | | | |
| Debt securities: | | | | | | |
| Available-for-sale financial assets | - | - | - | - | 1,200 | 1,200 |
| Debtors and deposits | - | - | - | - | 255 | 255 |
| Pledged time deposits | - | 26,400 | - | - | - | 26,400 |
| Cash and bank balances | 729 | 77,564 | - | - | - | 78,293 |
| | 729 | 103,964 | - | - | 1,455 | 106,148 |
| Liabilities | | | | | | |
| Bank and other borrowings | - | 15,000 | 243,000 | 190,000 | - | 448,000 |
| At 31st December, 2007 | | | | | | |
| Assets | | | | | | |
| Debt securities: | | | | | | |
| Available-for-sale financial assets | - | - | - | - | 1,200 | 1,200 |
| Debtors and deposits | - | - | - | - | 248 | 248 |
| Cash and bank balances | 436 | 1,625 | - | - | - | 2,061 |
| | 436 | 1,625 | - | - | 1,448 | 3,509 |
| Liabilities | | | | | | |
| Bank and other borrowings | - | 15,000 | 243,000 | 260,000 | - | 518,000 |

Notes to the Financial Statements

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

(c) Interest rate risk

Interest rate risk primarily resulted from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions arises 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 is managed and monitored regularly by senior management of the Group.

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

| | 2008 | | | 2007 | | |
|----------------------|---|--|--|---|--|--|
| | Increase/ (Decrease) in basis points | Increase/ (Decrease) in profit before tax HK\$'000 | Increase/ (Decrease) in equity HK\$'000 | Increase/ (Decrease) in basis points | Increase/ (Decrease) in profit before tax HK\$'000 | Increase/ (Decrease) in equity HK\$'000 |
| Group | | | | | | |
| Hong Kong dollar | +50 | (8,061) | (8,061) | +50 | (9,241) | (9,241) |
| United States dollar | +50 | 445 | (1) | +50 | 135 | 135 |
| Singapore dollar | +50 | (303) | (303) | +50 | (88) | (88) |
| Renminbi | +50 | 242 | 242 | +50 | 122 | 122 |
| Hong Kong dollar | -50 | 8,061 | 8,061 | -50 | 9,241 | 9,241 |
| United States dollar | -50 | (445) | 353 | -50 | (135) | (135) |
| Singapore dollar | -50 | 303 | 303 | -50 | 88 | 88 |
| Renminbi | -50 | (242) | (242) | -50 | (122) | (122) |
| Company | | | | | | |
| Hong Kong dollar | +50 | (1,837) | (1,837) | +50 | (2,246) | (2,246) |
| Hong Kong dollar | -50 | 1,837 | 1,837 | -50 | 2,246 | 2,246 |

Notes to the Financial Statements

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

(d) Foreign currency risk

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

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

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

| | Increase/(Decrease) in profit before tax | |
|---|---|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Group | | |
| United States dollar against Hong Kong dollar | | |
| – strengthened 3 per cent. (2007 – 3 per cent.) | 7,271 | 6,726 |
| – weakened 3 per cent. (2007 – 3 per cent.) | (7,271) | (6,726) |
| Singapore dollar against Hong Kong dollar | | |
| – strengthened 3 per cent. (2007 – 3 per cent.) | 1,382 | 2,863 |
| – weakened 3 per cent. (2007 – 3 per cent.) | (1,382) | (2,863) |

The Company has no material foreign currency risk as at balance sheet date (2007 – Nil).

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

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

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 22) and financial assets at fair value through profit or loss (Note 25) as at 31st December, 2008. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore and Indonesia 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, 2008 | High/Low 2008 | 31st December, 2007 | High/Low 2007 |
|-------------------------------------|------------------------|------------------|------------------------|------------------|
| Hong Kong – Hang Seng Index | 14,387 | 27,854/10,676 | 27,812 | 31,638/18,664 |
| Singapore – Straits Times Index | 1,762 | 3,475/1,474 | 3,482 | 3,865/2,961 |
| Indonesia – Jakarta Composite Index | 1,355 | 2,838/1,089 | 2,746 | 2,811/1,678 |

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

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

| | Carrying amount HK\$'000 | VaR HK\$'000 |
|------------------------------|--------------------------------|-----------------|
| 2008 | | |
| Financial assets: | | |
| Hong Kong | 7,611 | 1,024 |
| Republic of Singapore | 1,780 | 231 |
| Indonesia | 370,814 | 37,577 |
| Global and other | 180,384 | 7,025 |
| 2007 | | |
| Financial assets: | | |
| Hong Kong | 66,080 | 7,973 |
| Republic of Singapore | 4,920 | 501 |
| Indonesia | 373,883 | 115,450 |
| Global and other | 526,022 | 8,567 |

Notes to the Financial Statements

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

(f) Capital management

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

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

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 its 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 Monetaria de Macau, the Monetary Authority of Macau, and keeps the ratio at not less than 8 per cent. throughout the current year.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2008 and 31st December, 2007.

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

| | Group | |
|---|-----------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Bank and other borrowings <i>(Note 27)</i> | 2,253,782 | 2,264,290 |
| Less: Minority interests in bank and other borrowings | (595,927) | (571,707) |
| Bank and other borrowings, net of minority interests | 1,657,855 | 1,692,583 |
| Equity attributable to the equity holders of the Company | 4,690,236 | 4,790,057 |
| Gearing ratio | 35.3 per cent. | 35.3 per cent. |

43. Post Balance Sheet Event

On 29th December, 2008, an indirect subsidiary of the Company entered into a sale and purchase agreement with an independent third party for the disposal of an investment property for a consideration of HK\$19,500,000. The consideration was determined by reference to the fair market value of the investment property. The transaction was subsequently completed on 5th February, 2009.

44. 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, 2007.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 17th April, 2009.

Particulars of Principal Subsidiaries

Particulars of Principal Subsidiaries as at 31st December, 2008 are as set out below.

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | | Principal activities |
|--|---|--|---|------|--|
| Acematic Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Lippo Commercial Paper Limited | British Virgin Islands | US\$1 | 100 | 100 | Financing |
| Lippo Korea Holdings Pte. Limited** | Republic of Singapore | S\$2 | 100 | 100 | Investment holding |
| Lippo Treasury Limited | British Virgin Islands/ Hong Kong | US\$1 | 100 | 100 | Financing |
| Creaworld (Holdings) Company Limited | Hong Kong | HK\$2 | – | 100 | Investment holding |
| 福建華陽湄洲開發有限公司 (Fujian Creaworld Meizhou Development Co., Ltd.)** – wholly foreign-owned enterprise## | People's Republic of China | HK\$70,865,037* | – | 100 | Property investment and development |
| Hennessy Holdings Limited | British Virgin Islands | US\$1 | – | 100 | Investment holding |
| Skyscraper Realty Limited | British Virgin Islands | US\$10 | – | 100 | Investment holding |
| Lippo China Resources Limited (listed on The Stock Exchange of Hong Kong Limited) | Hong Kong | HK\$919,300,271.60 [®] | – | 71.2 | Investment holding |
| Admiralty Development Limited | Hong Kong | HK\$446,767,129 | – | 71.2 | Property investment |
| Alsurpreme Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| Apexwin Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| Bondlink Investment Limited | Hong Kong | HK\$100 and HK\$2 non-voting deferred shares | – | 71.2 | Property investment |
| Boom Peak Investments Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|--|---|--|---|-------------------------|
| Brighting Investments Limited | Hong Kong | HK\$1 | – 71.2 | Investment holding |
| Brilliant Star Investment Limited <i>(carry on business in Hong Kong as BS Star Investment Limited)</i> | British Virgin Islands/ Hong Kong | US\$1 | – 71.2 | Property investment |
| Broadwell Asia Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| Cajan Enterprises Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Caross Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Carvio Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Castar Assets Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| Celestial Fortune Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Chalton Assets Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| China Gold Pte. Ltd.** | Republic of Singapore | S\$1 | – 71.2 | Investment holding |
| China Pacific Electric Limited | British Virgin Islands | US\$100 | – 71.2 | Investment holding |
| Chung Po Investment and Development Company Limited | Hong Kong | HK\$1,000 and HK\$2,000,000 non-voting deferred shares | – 71.2 | Investment holding |
| Citinvest Asia Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Classic Premium Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Conreal Holdings Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Dhillon Investments Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Dragon Board Holdings Limited | British Virgin Islands | S\$1 | – 71.2 | Investment holding |
| Easy Fame Inc. | British Virgin Islands | US\$1 | – 71.2 | Leasing |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | – | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|---|---|--|---|---|--|
| Energetic Holdings Limited | British Virgin Islands | US\$1 | – | 71.2 | Property investment |
| Ever Praise Limited | British Virgin Islands | US\$1 | – | 71.2 | Property investment |
| Federal Investments Limited | Hong Kong | HK\$1 | – | 71.2 | Investment holding |
| Fortune Finance Investment Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment |
| Frontop Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| 福建莆田忠信物業管理有限公司 (Fujian Putian Zhong Xin Property Management Limited)** – wholly foreign-owned re-invested enterprise## | People's Republic of China | RMB810,000* | – | 71.2 | Property management |
| 福建大地湄洲工業區開發 有限公司 (Fujian Tati Meizhou Industrial Park Development Co., Ltd.)** – wholly foreign-owned enterprise## | People's Republic of China | US\$5,000,000* | – | 71.2 | Property investment and development |
| Gabarro Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| GIMME 5 Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| Golden Harmony Limited | British Virgin Islands | US\$1 | – | 71.2 | Financing and investment holding |
| Gothic Investments Limited | Samoa | US\$1 | – | 71.2 | Property investment |
| Grand Vista Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| Grandtop Pacific Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment |
| HKCL Investments Pte. Ltd.** | Republic of Singapore | S\$1,000,000 | – | 71.2 | Property development |
| Hilltop Pacific Inc. | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|--|---|--|---|----------------------------------|
| Hongkong China Treasury Limited | British Virgin Islands/ Hong Kong | US\$1 | – 71.2 | Investment holding |
| Istan Assets Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| Keytime Holdings Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| Kingmild Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Kingz Ltd | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| LCR Ltd. | British Virgin Islands | US\$1 | – 71.2 | Intellectual property |
| Lippo Commercial Management & Consulting Limited | Hong Kong | HK\$1 | – 71.2 | Investment holding |
| 力寶商業管理諮詢（深圳）有限公司 (Lippo Commercial Management & Consulting (Shenzhen) Limited)** – wholly foreign-owned enterprise## | People's Republic of China | US\$1,500,000* | – 71.2 | Provision of consulting services |
| Lippo Consortium Pte. Limited** | Republic of Singapore | S\$2 | – 71.2 | Property development |
| Lippo Group International Pte. Limited** | Republic of Singapore | S\$2 | – 71.2 | Investment holding |
| Lippo Network Limited | Hong Kong | HK\$1 | – 71.2 | Liaison office in Korea |
| Lippo Retail Holdings Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Lippoland (Singapore) Pte. Ltd.** | Republic of Singapore | S\$2,000,000 | – 71.2 | Investment holding |
| LPH Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| New Blueprint Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Mantor Assets Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| Maxsun International Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | – | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|--|---|--|---|---|-------------------------|
| Metrogreat Limited | Hong Kong | HK\$1 | – | 71.2 | Investment holding |
| Netscope Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment |
| Nigel International Limited | British Virgin Islands | US\$1 | – | 71.2 | Financing |
| Palmhill Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| Porbandar Limited | British Virgin Islands/ Hong Kong | US\$2 | – | 71.2 | Property investment |
| Prime Power Investment Limited | Hong Kong | HK\$100 and HK\$2 non-voting deferred shares | – | 71.2 | Property investment |
| Prime Score Investment Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 71.2 | Property investment |
| 莆田塔林基礎建設有限公司 (Putian Talin Infrastructure Company Limited)** – wholly foreign-owned enterprise## | People's Republic of China | US\$300,000* | – | 71.2 | Property services |
| Radical Profits Limited | British Virgin Islands | US\$1 | – | 71.2 | Property investment |
| Ranktop International Limited | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| Reiley Inc. | British Virgin Islands | US\$1 | – | 71.2 | Investment holding |
| 樂賓百貨(成都)有限公司 (Robbinz Department Stores (Chengdu) Limited)** – wholly foreign-owned enterprise## | People's Republic of China | US\$12,000,000* | – | 71.2 | Department store |
| 樂賓百貨(天津)有限公司 (Robbinz Department Stores (Tianjin) Limited)** – wholly foreign-owned enterprise## | People's Republic of China | US\$33,300,000* | – | 71.2 | Department store |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|------------------------------|---|--|---|----------------------------------|
| Sanfield Australia Pty Ltd** | Australia | A\$2 | – 71.2 | Investment holding |
| Sinofix Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Sprada Limited | British Virgin Islands | US\$1 | – 71.2 | Provision of consulting services |
| Starrico Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Superform Investment Limited | Hong Kong | HK\$100 and HK\$2 non-voting deferred shares | – 71.2 | Property investment |
| Super Assets Company Limited | Samoa | US\$1 | – 71.2 | Investment holding |
| Tamsett Holdings Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Tecwell Limited | British Virgin Islands | US\$100 | – 71.2 | Investment holding |
| Trefar Enterprises Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| Valiant Star Limited | British Virgin Islands | US\$1 | – 71.2 | Investment |
| Vitaland Limited | Hong Kong | HK\$1 | – 71.2 | Investment holding |
| West Tower Holding Limited | British Virgin Islands/ Hong Kong | US\$1 | – 71.2 | Property investment |
| Win Joyce Limited | Hong Kong | HK\$2 | – 71.2 | Money lending |
| Winfire Limited | British Virgin Islands | US\$1 | – 71.2 | Financing |
| Winnery Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Winsoar Limited | Hong Kong | HK\$1 | – 71.2 | Investment holding |
| Winwell Properties Limited | British Virgin Islands | US\$1 | – 71.2 | Investment holding |
| Wollora Assets Limited | British Virgin Islands | US\$1 | – 71.2 | Property investment |
| Writring Investments Limited | Hong Kong | HK\$2 | – 71.2 | Property investment |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | – | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|--|---|--|---|---|--|
| 珠海中寶房產開發有限公司 (Zhuhai Chung Po House Property Development Company Limited)** – wholly foreign-owned enterprise## | People's Republic of China | RMB165,120,621* | – | 71.2 | Property investment and development |
| 上海力寶復興房地產有限公司 (Shanghai Lippo Fuxing Real Estate Limited)** – equity joint venture enterprise## | People's Republic of China | US\$25,000,000* | – | 67.6 | Property investment |
| LCR Catering Services Limited** | Hong Kong | HK\$9,000,000 | – | 64.1 | Catering services |
| Jeremiah Holdings Limited | British Virgin Islands | S\$1,298,645 | – | 42.7 | Investment holding |
| Pantogon Holdings Pte Ltd** | Republic of Singapore | S\$1,000,000 | – | 42.7 | Investment holding |
| Aussie Land Pty Ltd** | Australia | A\$100,000 | – | 39.2 | Property development |
| Nine Heritage Pte Ltd** | Republic of Singapore | S\$1,000,000 | – | 34.2 | Investment holding |
| Hongkong Chinese Limited (listed on The Stock Exchange of Hong Kong Limited) | Bermuda/Hong Kong | HK\$1,818,219,927@@ | – | 55.8 | Investment holding |
| Allyield Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Capital Place International Limited** | British Virgin Islands/ Republic of the Philippines | US\$1 | – | 55.8 | Property investment |
| 成都力寶置業有限公司 (Chengdu Lippo Realty Limited)** – wholly foreign-owned enterprise## | People's Republic of China | US\$3,000,000* | – | 55.8 | Property investment and management |
| Choregeo Pte. Ltd.** | Republic of Singapore | S\$1,000,000 | – | 55.8 | Property investment |
| Conrich Inc. | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | – | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|---|---|--|---|---|---|
| Cony Ltd. | British Virgin Islands/ Hong Kong | US\$1 | – | 55.8 | Investments |
| Cyberspot Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Cyfield Limited | British Virgin Islands | US\$1 | – | 55.8 | Property investment |
| Everbest Pacific Ltd. | British Virgin Islands | US\$1 | – | 55.8 | Investments |
| Everwin Pacific Ltd. | British Virgin Islands | US\$1 | – | 55.8 | Property investment |
| Fiatsco Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Firstclass Real Estate Development Limited | Macau | MOP25,000 | – | 55.8 | Property investment |
| Goldlux Holdings Limited | British Virgin Islands | US\$1 | – | 55.8 | Investments |
| Goldsney Investment Limited | Hong Kong | HK\$2 | – | 55.8 | Securities investment |
| Grand Fusion Limited | British Virgin Islands | US\$1 | – | 55.8 | Investments |
| Green Lane Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| HKC Property Investment Holdings Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| HKC Realty LLC** | United States of America | US\$2,250,000* | – | 55.8 | Property investment |
| HKCL Investments Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Hong Kong Housing Loan Limited | Hong Kong | HK\$40,000,000 | – | 55.8 | Money lending |
| ImPac Asset Management (HK) Limited | Hong Kong | HK\$8,500,000 | – | 55.8 | Investment advisory and asset management |
| ImPac Asset Management (Holdings) Ltd. | British Virgin Islands | US\$2,000,100 | – | 55.8 | Investment holding |
| ImPac Fund Managers (BVI) Ltd. | British Virgin Islands | US\$13,000 | – | 55.8 | Fund management |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | – | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|--|---|--|---|---|-------------------------|
| Kenda Limited <i>(carry on business in Hong Kong as Kenda Property Holding Limited)</i> | British Virgin Islands/ Hong Kong | US\$1 | – | 55.8 | Property investment |
| Lifepower Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Lippo Asia Limited | Hong Kong | HK\$120,000,000 | – | 55.8 | Investment holding |
| Lippo Asset Management (HK) Limited | Hong Kong | HK\$400,000 | – | 55.8 | Fund management |
| Lippo Futures Limited | Hong Kong | US\$2,000,000 | – | 55.8 | Commodities brokerage |
| Lippo Hospital Management Inc. | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Lippo Investments Management Limited | Hong Kong | HK\$15,000,000 | – | 55.8 | Fund management |
| Lippo Medical Holdings Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Lippo Realty (Singapore) Pte. Limited** | Republic of Singapore | S\$2 | – | 55.8 | Project management |
| Lippo (S) Pte. Ltd.** | Republic of Singapore | S\$2,000,000 | – | 55.8 | Property investment |
| Lippo Securities Holdings Limited | Hong Kong | US\$23,000,000 | – | 55.8 | Investment holding |
| Lippo Securities, Inc.** | Republic of the Philippines | Pesos 69,500,000 | – | 55.8 | Investment holding |
| Lippo Securities Limited | Hong Kong | HK\$220,000,000 | – | 55.8 | Securities brokerage |
| L.S. Finance Limited | Hong Kong | HK\$5,000,000 | – | 55.8 | Money lending |
| Masta Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Masuda Limited | British Virgin Islands | US\$10,000 | – | 55.8 | Investment holding |
| MGS Ltd. | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | – | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|--------------------------------------|---|--|---|---|-------------------------|
| Norfolk International Limited | Hong Kong | HK\$25,000,000 | – | 55.8 | Investment holding |
| Okio Ltd. | British Virgin Islands/ Hong Kong | US\$1 | – | 55.8 | Investment holding |
| Pacific Bond Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Pacific Landmark Holdings Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Peakmillion Asia Limited | British Virgin Islands | US\$1 | – | 55.8 | Investments |
| Redsun Ltd. | British Virgin Islands/ Hong Kong | US\$1 | – | 55.8 | Property investment |
| Rosery Inc. | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Sinogain Asia Limited | British Virgin Islands | US\$1 | – | 55.8 | Property investment |
| Sinorite Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 55.8 | Investments |
| Skyblue International Limited | British Virgin Islands | US\$1 | – | 55.8 | Investments |
| Stargala Limited | British Virgin Islands | US\$1 | – | 55.8 | Property investment |
| The Macau Chinese Bank Limited** | Macau | MOP180,000,000 | – | 55.8 | Banking |
| Topbest Asia Inc. | British Virgin Islands/ Hong Kong | US\$1 | – | 55.8 | Investments |
| Uchida Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Wealtop Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Winluck Asia Limited | British Virgin Islands | US\$1 | – | 55.8 | Property investment |
| Winluck Pacific Limited | British Virgin Islands | US\$1 | – | 55.8 | Property investment |
| Winrider Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |

Particulars of Principal Subsidiaries

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | – | Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) # | Principal activities |
|--|---|--|---|---|--|
| Winsite Limited | British Virgin Islands | US\$1 | – | 55.8 | Investments |
| Winus Holdings Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| Wonder Plan Holdings Limited | British Virgin Islands | US\$1 | – | 55.8 | Investments |
| Yield Point Limited | British Virgin Islands | US\$1 | – | 55.8 | Investment holding |
| 北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)** – cooperative joint venture enterprise## | People's Republic of China | US\$5,400,000* | – | 47.8 | Property investment |
| TechnoSolve Limited | Hong Kong | HK\$26,296,000 | – | 38.3 | Development of computer hardware and software |
| 科慧(珠海)軟件有限公司** | People's Republic of China | RMB80,000* | – | 38.3 | Development and sale of banking software and technical advisory |
| Kingtek Limited | British Virgin Islands | US\$100 | – | 33.5 | Investment holding |
| Four Prosperity Holdings Limited | British Virgin Islands | US\$40,816 | – | 28.4 | Investment holding |

represents the effective holding of the Group after minority interests therein

type of legal entity

* paid up registered capital

** audited by certified public accountants other than Ernst & Young, Hong Kong

@ before taking into account 150,000 ordinary shares of HK\$0.10 each repurchased by Lippo China Resources Limited prior to 31st December, 2008 which were cancelled subsequent to the year end date

@@ before taking into account 34,000 ordinary shares of HK\$1.00 each repurchased by Hongkong Chinese Limited prior to 31st December, 2008 which were cancelled subsequent to the year end date

Particulars of Principal Subsidiaries

Note:

| | | |
|--------------|---|--|
| <i>A\$</i> | – | <i>Australian dollars</i> |
| <i>MOP</i> | – | <i>Macau patacas</i> |
| <i>Pesos</i> | – | <i>Philippines pesos</i> |
| <i>RMB</i> | – | <i>People's Republic of China renminbi</i> |
| <i>S\$</i> | – | <i>Singapore dollars</i> |
| <i>US\$</i> | – | <i>United States dollars</i> |

As at 31st December, 2008, all the subsidiaries of the Company had no loan capital or convertible loan capital.

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

Particulars of Principal Associates

Particulars of Principal Associates as at 31st December, 2008 are as set out below.

| Name of company | Form of business structure | Place of incorporation and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Approximate percentage of equity attributable to the Group # | Principal activities |
|---|---------------------------------|---------------------------------------|--|--|--------------------------------|
| Standard Pacific Limited | Corporate | Hong Kong | HK\$4,290,000 | 50 | Investment holding |
| Lippo Incheon Development Co., Ltd. | Corporate | Korea | KRW71,817,000,000 | 47.9 | Property development |
| King Success Limited | Corporate | Hong Kong | HK\$10,000 | 35.6 | Property investment |
| Lippo-Savills Property Management Limited | Corporate | Hong Kong | HK\$2 | 35.6 | Property management services |
| Maxipo International Limited | Corporate | Hong Kong | HK\$51,874,833 | 34.7 | Trading and investment holding |
| Medco Holdings, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i> | Corporate | Republic of the Philippines | Pesos 700,000,000 | 32.8 | Investment holding |
| 莆田華正自來水有限公司 <i>(Putian Hua Zheng Water Co., Ltd.)</i> | Equity joint venture enterprise | People's Republic of China | RMB9,236,644* | 28.5 | Water supply |
| CTC Entrepreneurs Incorporation | Corporate | Republic of the Philippines | Pesos 250,000 | 28.4 | Investment holding |
| Greenix Limited | Corporate | British Virgin Islands | US\$100,000 | 27.9 | Investment holding |
| Lippo Marina Collection Pte. Ltd. | Corporate | Republic of Singapore | S\$1,000,000 | 27.9 | Property development |
| Lippo ASM Investment Management Limited | Corporate | Cayman Islands | US\$100 | 27.3 | Investment management |
| Catalyst Enterprises Limited | Corporate | British Virgin Islands | US\$50,000 | 24.9 | Investment holding |
| Grosswin Limited | Corporate | British Virgin Islands | US\$10,000 | 25.1 | Investment holding |
| Goldfix Pacific Ltd. | Corporate | British Virgin Islands | US\$15,036.58 | 22.3 | Investment holding |
| Auric Pacific Group Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i> | Corporate | Republic of Singapore | S\$64,461,000 | 19.9 | Investment holding |

Particulars of Principal Associates

| Name of company | Form of business structure | Place of incorporation and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Approximate percentage of equity attributable to the Group # | Principal activities |
|--|--------------------------------------|---------------------------------------|--|--|-------------------------------------|
| Export and Industry Bank, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i> | Corporate | Republic of the Philippines | Pesos 4,734,452,540 | 19.5 | Commercial banking |
| China Singkong Development Holdings Limited | Corporate | British Virgin Islands | US\$95 | 16.5 | Investment holding |
| 上海星港工業城發展有限公司 <i>(Shanghai Singkong Industrial Park Development Co., Ltd.)</i> | Cooperative joint venture enterprise | People's Republic of China | US\$1,500,000* | 16.5 | Property investment and development |
| Food Junction Holdings Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i> | Corporate | Republic of Singapore | S\$14,296,000 | 10 | 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

* *paid up registered capital*

** *Lippo ASM Asia Property LP is a limited partnership of which a wholly-owned subsidiary of Hongkong Chinese Limited, is an indirect subsidiary of the Company, is the limited partner*

Note:

| | | |
|-------|---|-------------------------------------|
| KRW | – | Korean Won |
| Pesos | – | Philippines pesos |
| RMB | – | People's Republic of China renminbi |
| S\$ | – | Singapore dollars |
| US\$ | – | United States dollars |

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

Particulars of Principal Jointly Controlled Entities

Particulars of Principal Jointly Controlled Entities as at 31st December, 2008 are as set out below.

| Name of company | Form of business structure | Place of incorporation and operations | Issued and fully paid ordinary share capital | Approximate percentage of equity attributable to the Group # | Principal activities |
|--------------------------------|-----------------------------------|--|---|---|-------------------------------------|
| Tanglin Residential Pte. Ltd. | Corporate | Republic of Singapore | S\$2 | 35.6 | Property investment and development |
| Sunning Asia Limited | Corporate | British Virgin Islands | US\$50,000 | 27.9 | Investment holding |
| Lippo Real Estate Pte. Limited | Corporate | Republic of Singapore | S\$1,000,000 | 27.9 | Property development |
| Yamoo Bay Project Limited | Corporate | British Virgin Islands | US\$2 | 27.9 | Investment holding |
| Wealthy Place Limited | Corporate | British Virgin Islands | US\$18,323,814 | 16.7 | Investment holding |
| Lippo Project Pte. Limited | Corporate | Republic of Singapore | S\$25,225,736 | 16.7 | Property development |

represents the effective holding of the Group after minority interests therein

Note:

S\$ – Singapore dollars

US\$ – United States dollars

Schedule of Major Properties

(1) Properties held for Investment as at 31st December, 2008

| Description | Use | Approximate gross floor area | Status | Approximate percentage of Group's interest |
|---|-------------|--|--------|--|
| Hong Kong | | | | |
| Lippo Centre 89 Queensway Central Inland Lot No. 8615* | Commercial | Office: 37,222 (sq.ft.) Retail: 20,827 (sq.ft.) (net floor area) | Rental | 71.2 |
| * The above property comprises various shop units on the podium floors and certain office floors. | | | | |
| 12 units and 17 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979 | Residential | 28,416 (sq.ft.) | Rental | 71.2 |
| <i>All the above properties are held under long term leases.</i> | | | | |
| House 17, Siena Two B Discovery Bay Lantau Island New Territories Lot No. 385 R.P. in Demarcation District No. 352 and the extensions thereto [#] | Residential | 2,180 (sq.ft.) | Rental | 55.8 |

The above property is held under a medium term lease.

[#] The above property was subsequently sold in February 2009.

Schedule of Major Properties

(1) Properties held for Investment as at 31st December, 2008 *(continued)*

| Description | Use | Approximate gross floor area | Status | Approximate percentage of Group's interest |
|---|-----------------------------------|---|---------------------------|--|
| People's Republic of China | | | | |
| 19th Floor to 29th Floor and 13 car parking spaces of Lippo Tianma Plaza 1 Wuyibei Road Fuzhou, Fujian | Commercial | 128,000 (sq.ft.) | Rental | 71.2 |
| Lippo CTS Plaza Shuiwan Road Gongbei, Zhuhai Guangdong | Commercial Multi-use/ Hotel | 308,800 (sq.ft.) 625,000 (sq.ft.) | Rental To be developed | 71.2 |
| Lippo Plaza (excluding Unit 2 on Basement 1, 12th, 13th, 15th and 16th Floors and 4 car parking spaces) 222 Huaihai Zhong Road Shanghai Lot No. 141 | Commercial | Office: 416,000 (sq.ft.) Retail: 99,200 (sq.ft.) | Rental | 67.6 |
| 5th Floor of Unit 1 Building 1 No. 62 North Kehua Road Wuhou District Chengdu | Commercial | 5,421 (sq.m.) | Rental | 55.8 |

The above properties are held under medium term leases.

Schedule of Major Properties

(1) Properties held for Investment as at 31st December, 2008 *(continued)*

| Description | Use | Approximate gross floor area | Status | Approximate percentage of Group's interest |
|---|----------------|------------------------------------|--------------------------------|---|
| Overseas | | | | |
| 31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines | Commercial | 885 (sq.m.) | Rental | 55.8 |
| 522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America | Commercial | 925 (sq.m.) | Rental | 55.8 |
| <i>The above properties are freehold.</i> | | | | |
| 83 Estrada de Cacilhas Macau | Non-industrial | 3,623 (sq.m.) (site area) | Vacant site for development | 55.8 |

The above property is held under a medium term lease.

Schedule of Major Properties

(2) Properties held for Sale as at 31st December, 2008

| Description | Use | Approximate site area | Approximate gross floor area | Approximate percentage of Group's interest |
|--|-------------|-----------------------|------------------------------|--|
| Overseas | | | | |
| Unit #03-03 The Residences Katana No. 20 Jalan Madge 55000 Kuala Lumpur Malaysia | Residential | N/A | 3,875 (sq.ft.) | 71.2 |
| 2 units at Rosehill 8-16 Virginia Street New South Wales Australia | Residential | N/A | 346 (sq.m.) | 71.2 |
| 854 West Adams Boulevard Los Angeles CA 90007 United States of America | Residential | 12,950 (sq.ft.) | 845 (sq.m.) | 55.8 |

Schedule of Major Properties

(3) Properties held for Development as at 31st December, 2008

| Description | Use | Approximate site area | Approximate gross floor area | Approximate percentage of the Group's interest | Estimated completion date | Stage of development as at 31st December, 2008 |
|---|------------------------|--------------------------|------------------------------------|---|---------------------------------|--|
| People's Republic of China | | | | | | |
| Meizhou Island Putian, Fujian | Tourism/ Commercial | 13,000,000 (sq.ft.) | 289,000 (sq.ft.) | 100 | N/A | Phase I substantially completed |
| Tati City Shanting Township Putian, Fujian | Multi-use | 13,910,000 (sq.ft.) | 1,625,000 (sq.ft.) | 71.2 | N/A | Phase I completed |
| Land Lot No.4C1 Beijing Economic- Technological Development Area (北京經濟技術 開發區) Beijing | Multi-use | 51,209 (sq.m.) | 270,000 (sq.m.) | 47.8 | 2012 | Under planning stage |

Schedule of Major Properties

(3) Properties held for Development as at 31st December, 2008 *(continued)*

| Description | Use | Approximate site area | Approximate gross floor area | Approximate percentage of the Group's interest | Estimated completion date | Stage of development as at 31st December, 2008 |
|--|-------------|---------------------------|------------------------------------|---|---------------------------------|--|
| Overseas | | | | | | |
| Lot 1344M (Plot B8C-1) MK 34 Ocean Drive Sentosa Cove Singapore | Residential | 708 <i>(sq.m.)</i> | 530 <i>(sq.m.)</i> | 71.2 | December 2009 | Under construction |
| Lot 626C, 1049C PT(SL), 106M PT(SL), 99484A PT(SL) and 99485K PT(SL) Town Subdivision 28 Newton One 1 Newton Road Singapore | Residential | 56,117 <i>(sq.ft.)</i> | 157,122 <i>(sq.ft.)</i> | 71.2 | June 2009 | Under construction |
| 3 pieces of land at Minakami Heights Golf Residence Gumma Japan | Residential | 12,484 <i>(sq.m.)</i> | N/A | 55.8 | N/A | Vacant land |
| Lots 1342L & 1343C (Plot B8B – 5/6) Ocean Drive Sentosa Cove Singapore | Residential | 1,400 <i>(sq.m.)</i> | 698 <i>(sq.m.)</i> | 55.8 | 2009 | Under construction |
| Moo 4 Yamu Village Ror Por Chor 4003 Road Pa Klog Subdistrict Thalang District Phuket Province Thailand | Residential | 27,292 <i>(sq.m.)</i> | 6,344 <i>(sq.m.)</i> | 27.9 | Late 2009/ Early 2010 | Under construction |

Schedule of Major Properties

(4) Properties held as Fixed Assets as at 31st December, 2008

| Description | Use | Approximate gross floor area | Approximate percentage of Group's interest |
|---|-------------|------------------------------------|---|
| Hong Kong | | | |
| Certain office floors of Tower One, Lippo Centre 89 Queensway Central Inland Lot No. 8615 | Commercial | 18,949 (sq.ft.) | 71.2 |
| 1 unit of AXA Centre 151 Gloucester Road Wanchai Sec. A R.P. and Inland Lot No. 2755 R.P. | Commercial | 5,852 (sq.ft.) | 71.2 |
| 3 units and 3 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979 | Residential | 7,101 (sq.ft.) | 71.2 |
| <i>The above properties are held under long term leases.</i> | | | |
| Overseas | | | |
| The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau | Commercial | 4,147 (sq.m.) | 55.8 |
| <i>The above property is held under a medium term lease.</i> | | | |
| Lots 1362W & 1363V (Plot B9A – 4/5) Ocean Drive Sentosa Cove Singapore | Residential | 797 (sq.m.) | 55.8 |
| Apartment No.2 Blumenthalstrasse 22 69120 Heidelberg Germany | Residential | 153 (sq.m.) (net floor area) | 55.8 |
| <i>The above properties are held under long term leases.</i> | | | |

Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the five financial years ended 31st December, 2008, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

| | 2008 HK\$'000 | 2007 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 |
|---|--------------------------------|------------------|------------------|------------------|------------------|
| Profit/(Loss) attributable to equity holders of the Company | (336,744) | 698,927 | 261,414 | 121,403 | 157,222 |
| Total assets | 12,546,472 | 13,003,482 | 11,242,200 | 9,449,698 | 8,733,380 |
| Total liabilities | (4,454,395) | (4,624,716) | (4,376,793) | (2,693,386) | (2,587,521) |
| Net assets | 8,092,077 | 8,378,766 | 6,865,407 | 6,756,312 | 6,145,859 |
| Minority interests | (3,401,841) | (3,588,709) | (3,124,976) | (3,386,770) | (3,156,221) |
| | 4,690,236 | 4,790,057 | 3,740,431 | 3,369,542 | 2,989,638 |

