Lippo China Resources Limited
力寶華潤有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 156)

Annual Report 2008

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Corporate Information

Board of Directors

Non-executive Directors

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

Executive Directors

Mr. James Tjahaja Riady *(Chairman)*
Mr. Stephen Tjondro Riady
(Deputy Chairman, Managing Director and Chief Executive Officer)
Mr. John Luen Wai Lee, J.P.

Independent non-executive Directors

Mr. Edwin Neo
Mr. King Fai Tsui
Mr. Victor Ha Kuk Yung

Committees

Audit Committee

Mr. Victor Ha Kuk Yung *(Chairman)*
Mr. Leon Nim Leung Chan
Mr. Edwin Neo
Mr. King Fai Tsui

Remuneration Committee

Mr. Leon Nim Leung Chan *(Chairman)*
Mr. Victor Ha Kuk Yung
Mr. Edwin Neo
Mr. King Fai Tsui
Mr. Stephen Tjondro Riady

Nomination Committee

Mr. Leon Nim Leung Chan *(Chairman)*
Mr. Victor Ha Kuk Yung
Mr. Edwin Neo
Mr. King Fai Tsui
Mr. Stephen Tjondro Riady

Secretary

Ms. Millie Yuen Fun Luk

Auditors

Ernst & Young

Principal Bankers

Fubon Bank (Hong Kong) Limited
CITIC Ka Wah Bank Limited
Agricultural Bank of China, Shanghai Branch
United Overseas Bank Limited

Solicitors

Richards Butler
(in association with Reed Smith LLP)

Registrars

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

Registered Office

Room 2301, 23rd Floor
Tower One
Lippo Centre
89 Queensway
Hong Kong

Stock Code

156

Website

www.lcr.com.hk

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$397 million, as compared to a profit of HK$656 million in 2007. The loss was mainly attributable to revaluation losses of the property portfolio 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. In the face of a deteriorating market, the Group has 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.

Mochtar Riady
Honorary Chairman

Hong Kong, 16th April, 2009

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 Company recorded a consolidated loss attributable to shareholders of approximately HK$397 million, as compared to a profit of HK$656 million in 2007. The deterioration in results was mainly attributable to revaluation losses of the property portfolio 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.

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 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 and mainland China continued to provide the Group with stable income.

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 Group successfully completed the disposal of the entire 23rd Floor of Tower One, Lippo Centre, Hong Kong for a consideration of HK$250 million and such disposal contributed satisfactory profit to the Group. In September 2008, the 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 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 – Catalist (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 Catalist 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.

Prospects

Construction of two property projects in Singapore, Newton One, in which the Group is interested in 100 per cent., and The Metropolitan Condominium, a 50:50 joint venture development 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.

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.

Stephen Tjondro Riady
Chief Executive Officer

16th 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 and property markets around the world suffered, which adversely affected the Group's property related businesses. At the same time, the economic downturn and rising unemployment significantly weakened consumer sentiment, posing challenges to the Group's retail business. Overall performance of the Group suffered as a result.

Results for the year

Turnover for the year ended 31st December, 2008 totalled HK$379 million (2007 – HK$378 million, as restated). Property investment and development as well as retail business were the principal sources of revenue of the Group, contributing 50 per cent. (2007 – 53 per cent., as restated) and 32 per cent. (2007 – 10 per cent., as restated) of the total turnover, respectively.

Facing the adversity, for the year 2008 the Group reported a loss attributable to shareholders from continuing operations of HK$397 million (2007 – profit of HK$263 million when profit contributed by Hongkong Chinese Limited ("HKC") and its subsidiaries (collectively the "HKC Group"), which ceased to be subsidiaries since July 2007, was excluded). The deterioration in results was mainly derived from downward adjustments to property revaluation, impairment of its 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

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$190 million (2007 – HK$180 million, excluding the rental income of HK$20 million contributed by HKC Group), 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 11 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$246 million (2007 – gain of HK$319 million) during the year. As a result, the segment had a loss of HK$36 million in 2008 (2007 – profit of HK$580 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. In August 2008, the Group completed the disposal of the entire 23rd Floor of Tower One, Lippo Centre, Hong Kong at 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.

The Group has also participated in a number of well-located property development projects in Singapore and mainland China. Two development projects in Singapore, Newton One in which the Group is interested in 100 per cent. and The Metropolitan Condominium which is a 50:50 joint venture development with CapitaLand 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.

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.

Other businesses

Following the distribution of its interest in HKC in July 2007, treasury and securities investment no longer remained as one of the core businesses of the Group. Loss attributable to treasury and securities investments for the year amounted to HK$27 million (2007 – profit of HK$66 million). The loss is mainly due to impairment of its investments as a result of the current adverse financial and economic conditions. 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

As at 31st December, 2008, the Group's total assets amounted to HK$6.1 billion (2007 – HK$6.2 billion). Property-related assets decreased to HK$3.9 billion (2007 – HK$4.1 billion), representing 64 per cent. (2007 – 66 per cent.) of the total assets. On the other hand, investment portfolio of the Group stood at HK$0.5 billion (2007 – HK$0.5 billion), representing 8 per cent. (2007 – 8 per cent.) of the Group's total assets. The cash and cash equivalents of the Group increased to HK$615 million (2007 – HK$345 million). The Group's financial position remained strong. Current ratio of the Group (measured as current assets to current liabilities) stood at 1.33 to 1 (2007 – 1.45 to 1).

As at 31st December, 2008, the bank loans of the Group increased to HK$1,410 million (2007 – HK$1,147 million). All the bank loans were secured by certain properties of the Group. 58 per cent. and 29 per cent. (2007 – 54 per cent. and 27 per cent.) of the loans were denominated in Hong Kong dollars and Renminbi, respectively. All bank loans carried interest at floating rates and 18 per cent. (2007 – 4 per cent.) of the bank loans were repayable within one year. At the end of the year, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) was 43.9 per cent. (2007 – 31.2 per cent.).

As at 31st December, 2008, the net asset value of the Group amounted to HK$3.2 billion (2007 – HK$3.6 billion). This was equivalent to HK$0.34 per share (2007 – HK$0.39 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, the Company 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, the Group had no material contingent liabilities outstanding (2007 – Nil).

As at 31st December, 2008, the Group had total capital commitment of HK$203 million (2007 – HK$366 million). The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Staff and remuneration

The Group had approximately 851 employees as at 31st December, 2008, (2007 – 931 employees). The decrease in the number of employees was due to optimisation of our retail operation in mainland China. Total staff costs (including directors' emoluments) during the year amounted to HK$99 million (2007 – HK$135 million, including staff costs from discontinued operation). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under share option scheme of the Company.

Outlook

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, especially in mainland China. At the same time, it will continue to 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 Company's Board of Directors (the "Board") believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure they meet public and shareholders' expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance.

In 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 except for the deviation from code provision E.1.2 which stipulates that the chairman of the board of a listed issuer should attend the annual general meeting of that issuer. As Mr. James Tjahaja Riady, the Chairman of the Board (the "Chairman") was in overseas for other business commitment, he was unable to attend the annual general meeting of the Company held on 5th June, 2008. To comply with the Code, the Chairman will use his best endeavours to attend future annual general meetings of the Company.

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

The Company has three independent non-executive Directors, representing 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. Four 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.

	Attendance/Number of Meetings			
Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**
Non-executive Directors				
Dr. Mochtar Riady *(Honorary Chairman)*	2/4	N/A	N/A	N/A
Mr. Ning Gaoning	0/4	N/A	N/A	N/A
Mr. Leon Nim Leung Chan *(Chairman of the Remuneration Committee and Nomination Committee)*	4/4	4/4	2/2	2/2
Executive Directors				
Mr. James Tjahaja Riady *(Chairman)*	3/4	N/A	N/A	N/A
Mr. Stephen Tjondro Riady *(Deputy Chairman, Managing Director and Chief Executive Officer)*	4/4	N/A	2/2	2/2
Mr. John Luen Wai Lee	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Victor Ha Kuk Yung *(Chairman of the Audit Committee)*	3/4	3/4	1/2	1/2
Mr. Edwin Neo	3/4	4/4	2/2	2/2
Mr. King Fai Tsui	4/4	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. James Tjahaja Riady is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr. Stephen Tjondro Riady is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

Non-executive Directors

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

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

Remuneration of Directors

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website (www.lcr.com.hk). 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 option under the share option scheme of the Company.

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

Majority of the Committee members are non-executive Directors and three of them are independent. The Nomination Committee currently comprises five members including one executive Director, namely, Mr. Stephen Tjondro Riady, one non-executive Director, namely, Mr. Leon Nim Leung Chan (being the Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Messrs. Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui. Two meetings were held in 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$1.8 million (2007 – HK$2.7 million) and approximately HK$15,000 (2007 – HK$317,000), respectively. The non-statutory audit service provided in 2008 was to review the continuing connected transactions of the Company.

Audit Committee

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website (www.lcr.com.hk). 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 "connected transactions" which can be viewed in the Company's website (www.lcr.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.lcr.com.hk).

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

Fair Disclosure and Investor Relations

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

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

Financial Reporting

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 31st December, 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.

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, retail business, property investment and development, food business, property management, securities investment, treasury investment, money lending, banking and other related financial services.

The activities and other particulars of the principal subsidiaries, principal associates and principal jointly controlled entity are set out in the financial statements on pages 127 to 132, pages 133 and 134 and page 135, 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 5 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 135.

An interim dividend of HK0.2 cent per share (2007 – excluding the special interim distribution declared on 17th July, 2007, HK0.2 cent per share and a special interim dividend of HK0.8 cent per share) for the six months ended 30th June, 2008 was paid on 22nd October, 2008. The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share (2007 – HK0.4 cent per share and a special final dividend of HK0.6 cent per share) amounting to approximately HK$91.9 million for the year ended 31st December, 2008 (2007 – approximately HK$92 million). Total dividends for the year ended 31st December, 2008 will be HK1.2 cent per share (2007 – excluding the special interim distribution declared on 17th July, 2007, HK2 cents per share) amounting to approximately HK$110.3 million (2007 – approximately HK$184 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 140.

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 26 to the financial statements.

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

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

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

Subsidiaries
Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 127 to 132.

Donations
Charitable and other donations made by the Group during the year amounted to HK$5,145,000 (2007 – HK$15,217,000).

Directors
The Directors of the Company during the year were:

Non-executive Directors
Dr. Mochtar Riady *(Honorary Chairman)*
Mr. Ning Gaoning
Mr. Leon Nim Leung Chan

Executive Directors
Mr. James Tjahaja Riady *(Chairman)*
Mr. Stephen Tjondro Riady *(Deputy Chairman, Managing Director and Chief Executive Officer)*
Mr. John Luen Wai Lee, J.P.

Independent non-executive Directors
Mr. Edwin Neo
Mr. King Fai Tsui
Mr. Victor Ha Kuk Yung

Directors *(continued)*

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

Each of Dr. Mochtar Riady, Messrs. Ning Gaoning, 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 for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2008. All these letter agreements will be terminable by either party by giving three months' prior written notice. Their terms of services are also subject to the provisions of the Articles. Mr. John Luen Wai Lee has an employment agreement with the Company, which will be terminable by either party by giving three months' prior written notice. Messrs. James Tjahaja Riady and Stephen Tjondro Riady do not have any service contract with the Company and/or its subsidiaries. In accordance with the Articles, one-third of the Directors of the Company must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

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

Brief Biographical Details of Directors and Senior Management

Dr. Mochtar Riady (also known as Dr. Lee Man Tjin), aged 79, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the spouse of Madam Lidya Suryawaty and father of Messrs. James Tjahaja Riady and Stephen Tjondro Riady. Dr. Riady has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and the United States of America. He was appointed the Honorary Chairman of the Company in 1992. He is also the Chairman of Hongkong Chinese Limited ("HKC"), a public listed company in Hong Kong, and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital"). Dr. Riady also holds directorship in a subsidiary of the Company.

Mr. James Tjahaja Riady, aged 52, is the Deputy Chairman of the group of companies controlled by the Riady family. Mr. Riady is a son of Dr. Mochtar Riady and Madam Lidya Suryawaty and a brother of Mr. Stephen Tjondro Riady. He holds a Bachelor of Commerce degree from the University of Melbourne, Australia. He was appointed the Chairman of the Company in 1992.

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

Mr. Stephen Tjondro Riady, aged 48, has been the Deputy Chairman and Managing Director of the Company since 1992. He is also the Chief Executive Officer of the Company. Mr. Riady is a son of Dr. Mochtar Riady and Madam Lidya Suryawaty and a brother of Mr. James Tjahaja Riady. He is also the Chairman of Lippo Limited ("Lippo"), a public listed company in Hong Kong, and a director and Chief Executive Officer of HKC. Mr. Riady is a director of Lanius Limited, Lippo Cayman, Lippo Capital, First Tower Corporation ("First Tower") and Skyscraper Realty Limited ("Skyscraper"). He is a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and HKC. Mr. Riady also holds directorship in certain subsidiaries of the Company, Lippo and HKC. He is also 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.

Mr. Ning Gaoning, aged 50, was appointed a Director of the Company in December 1998. He has a Bachelor of Arts degree in Economics from Shandong University in China and a Master of Business Administration degree in Finance from the University of Pittsburgh in the United States of America. Mr. Ning is currently a non-executive director and the chairman of China Agri-Industries Holdings Limited and an executive director and the chairman of China Foods Limited, both are public listed companies in Hong Kong, and the chairman of COFCO Limited and a director of BOC International Holdings Limited. He is also a director of Smithfield Foods, Inc., a public listed company in the United States of America, and Hua Yuan Property Co. Ltd., a public listed company in China.

Mr. John Luen Wai Lee, J.P., aged 60, was appointed a Director of the Company in 1992. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo and a director of HKC, First Tower and Skyscraper. Mr. Lee is also an authorised representative of the Company, Lippo and HKC. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company, Lippo and HKC. Mr. Lee is a 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. 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 Lippo and HKC. Mr. Chan is the Chairman of the Remuneration Committee and Nomination Committee as well as a member of the Audit Committee of each of the Company, Lippo and HKC. He is also a director of a subsidiary of HKC and the chairman of the supervisory board member of a subsidiary of HKC.

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

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 Lippo. Mr. Neo is a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company and Lippo.

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 Lippo and HKC. He is a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company, Lippo and HKC.

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

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

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

Brief Biographical Details of Other Officers

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

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

Directors' and Five Highest Paid Employees' Emoluments

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

The emoluments of the Directors are determined by reference to the market 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 a fee for duties assigned to and services provided by him as Chairmen of various committees of the Company. The emoluments of Mr. John Luen Wai Lee have been covered by his employment agreement with the Company save for his fringe benefits in the total amount of approximately HK$160,660 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

	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		
Name of Director	Other interests	Personal interests (held as beneficial owner)	Total interests	Approximate percentage of total interests in the issued share capital
		Options#		
Mochtar Riady	6,544,696,389 *Notes (i) and (ii)*	–	6,544,696,389	71.19
James Tjahaja Riady	6,544,696,389 *Notes (i) and (ii)*	–	6,544,696,389	71.19
Stephen Tjondro Riady	6,544,696,389 *Notes (i) and (ii)*	–	6,544,696,389	71.19
John Luen Wai Lee	–	22,000,000	22,000,000	0.24
Leon Nim Leung Chan	–	3,000,000	3,000,000	0.03
Edwin Neo	–	2,300,000	2,300,000	0.03
King Fai Tsui	–	2,300,000	2,300,000	0.03
Victor Ha Kuk Yung	–	2,300,000	2,300,000	0.03

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

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

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

(b) Lippo Limited ("Lippo")

	Number of ordinary shares of HK$0.10 each in Lippo		Number of underlying ordinary shares of HK$0.10 each in Lippo				
Name of Director	Personal interests (held as beneficial owner)	Other interests	Personal interests (held as beneficial owner)		Other interests	Total interests	Approximate percentage of total interests in the issued share capital
			Options*	Warrants@	Warrants@		
Mochtar Riady	–	319,322,219 *Note (i)*	–	–	35,312,240 *Note (i)*	354,634,459	66.54
James Tjahaja Riady	–	319,322,219 *Note (i)*	–	–	35,312,240 *Note (i)*	354,634,459	66.54
Stephen Tjondro Riady	–	319,322,219 *Note (i)*	–	–	35,312,240 *Note (i)*	354,634,459	66.54
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

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

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

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")

	Number of ordinary shares of HK$1.00 each in HKC			Number of underlying ordinary shares of HK$1.00 each in HKC					
Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)		Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
				Options^	Warrants+	Warrants+	Warrants+		
Mochtar Riady	–	–	1,014,222,978 *Notes (i) and (iii)*	–	–	–	106,765,641 *Notes (i) and (iii)*	1,120,988,619	61.65
James Tjahaja Riady	–	–	1,014,222,978 *Notes (i) and (iii)*	–	–	–	106,765,641 *Notes (i) and (iii)*	1,120,988,619	61.65
Stephen Tjondro Riady	–	–	1,014,222,978 *Notes (i) and (iii)*	–	–	–	106,765,641 *Notes (i) and (iii)*	1,120,988,619	61.65
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 (the "HKC Rights Issue") in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK$1.68 per share to HK$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note (vi) below.

+ 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 of 35,312,240 underlying ordinary shares of Lippo, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK$0.10 each in, representing approximately 66.54 per cent. of the then issued share capital of, Lippo. Lippo Securities is a wholly-owned subsidiary of HKC which in turn was a then 55.78 per cent. subsidiary of Lippo. 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 and in accordance with whose instructions Lanius is accustomed to act. Dr. Mochtar Riady does not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. James Tjahaja Riady, Mr. Stephen Tjondro Riady and their respective family members. Dr. Mochtar Riady, as the founder and beneficiary of the trust, and Messrs. James Tjahaja Riady and Stephen Tjondro Riady, as beneficiaries of the trust, are taken to be interested in Lippo Cayman under the SFO.

(ii) As at 31st December, 2008, Lippo 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, the Company.

(iii) As at 31st December, 2008, Lippo, through its wholly-owned subsidiary and Lippo Securities, was indirectly interested in an aggregate of 1,014,222,978 ordinary shares and HK$133,457,051.25 warrants giving rise to an interest of 106,765,641 underlying ordinary shares of HKC, totalling 1,120,988,619 ordinary shares and underlying ordinary shares of HK$1.00 each in, representing approximately 61.65 per cent. of the then issued share capital of, HKC.

(iv) The percentages of issued share capital stated in this section were arrived based on the issued share capital of each of the Company, Lippo and HKC (as the case may be) as at 31st December, 2008.

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: (continued)

(v) The movements of underlying shares in respect of the options granted to the Directors under the Lippo Share Option Scheme during the year are as follows:

Name of Director	Adjusted exercise price per share*	Number of underlying ordinary shares of HK$0.10 each in Lippo in respect of which options have been granted: Balance as at 1st January, 2008	Adjustment during the year*	Balance as at 31st December, 2008
	HK$			
John Luen Wai Lee	5.58	900,000	225,000	1,125,000
Leon Nim Leung Chan	5.58	155,000	38,750	193,750
Edwin Neo	5.58	130,000	32,500	162,500
King Fai Tsui	5.58	130,000	32,500	162,500
Victor Ha Kuk Yung	5.58	130,000	32,500	162,500

* *adjustments due to the Lippo Rights Issue*

(vi) The movements of underlying shares in respect of the options granted to the Directors under the HKC Share Option Scheme during the year are as follows:

Name of Director	Adjusted exercise price per share^	Number of underlying ordinary shares of HK$1.00 each in HKC in respect of which options have been granted: Balance as at 1st January, 2008	Adjustment during the year^	Balance as at 31st December, 2008
	HK$			
John Luen Wai Lee	1.24	3,400,000	1,190,000	4,590,000
Leon Nim Leung Chan	1.24	600,000	210,000	810,000
King Fai Tsui	1.24	450,000	157,500	607,500
Victor Ha Kuk Yung	1.24	450,000	157,500	607,500

^ *adjustments due to the HKC Rights Issue*

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

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788 *(Note a)*	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
CRC China Limited	Ordinary shares	1	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 *(Note b)*	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1 *(Note c)*	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandform Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
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

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo 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
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10 *(Note d)*	100
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Thornton Pacific Limited	Ordinary shares	1	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100

Note:

a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.

b. The interests were held by HCB General, a 70 per cent. subsidiary of Lippo Cayman.

c. The interest was held by Lippo, a then 59.91 per cent. subsidiary of Lippo Cayman.

d. The interests were held through Lippo, a then 59.91 per cent. subsidiary of Lippo Cayman.

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

As at 31st December, 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).

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 persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") as follows:

Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK$0.10 each	Approximate percentage of the issued share capital
Lippo Limited ("Lippo")	6,544,696,389	71.19
Lippo Cayman Limited ("Lippo Cayman")	6,544,696,389	71.19
Lanius Limited ("Lanius")	6,544,696,389	71.19
Madam Lidya Suryawaty	6,544,696,389	71.19

Note:

1. 6,544,696,389 ordinary shares of the Company were held by Skyscraper Realty Limited directly as beneficial owner which in turn is a wholly-owned subsidiary of First Tower Corporation ("First Tower"). First Tower is a wholly-owned subsidiary of Lippo. Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited (which owned ordinary shares representing approximately 51.34 per cent. of the then issued share capital of Lippo), J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in ordinary shares representing approximately 59.91 per cent. of the then issued share capital of Lippo.

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's interests in the shares of the Company were recorded as the interests of Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady, Messrs. James Tjahaja Riady and Stephen Tjondro Riady were interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2008, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

The Lippo Group (a general reference to the companies (including Lippo Cayman Limited) in which Dr. Mochtar Riady, Mr. James Tjahaja Riady and Mr. Stephen Tjondro Riady and their respective family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31st December, 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.

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

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

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

Continuing Connected Transactions

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

(A) On 29th January, 2007, a tenancy agreement was entered into between Superform Investment Limited ("Superform"), a wholly-owned subsidiary of the Company, and Lippo Limited ("Lippo"), an intermediate holding company of the Company, pursuant to which Lippo agreed to lease from Superform a portion of 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of approximately 11,028 square feet, for a term of two years from 1st January, 2007 to 31st December, 2008, both days inclusive, at a monthly rental of HK$375,100 (equivalent to HK$4,501,200 per annum), exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals.

The independent non-executive Directors have confirmed that the above tenancy has been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above tenancy agreement has received the approval of the Board of Directors of the Company; (ii) the above tenancy is in accordance with the pricing policies stated in the financial statements of the Company for the year ended 31st December, 2008 (the "Pricing Policies"); (iii) the above tenancy was entered into in accordance with the terms of the above tenancy agreement; and (iv) the rental paid has not exceeded the rental as agreed in the above tenancy agreement and the maximum annual cap disclosed in the announcement dated 29th January, 2007.

Further details of the above tenancy are disclosed in Note 38(b) to the financial statements.

Continuing Connected Transactions *(continued)*

(B) Following the payment of a special interim distribution by the Company by way of a distribution in specie of the shares in Hongkong Chinese Limited ("HKC") held by the Company on 6th August, 2007, HKC ceased to be a subsidiary of the Company and becomes a fellow subsidiary of the Company. Due to the change in the shareholding structure, HKC is regarded as a connected person of the Company under the Listing Rules. Accordingly, the following tenancy agreements constituted continuing connected transactions of the Company:

(1) a tenancy agreement dated 18th September, 2006 entered into between Porbandar Limited ("Porbandar"), a wholly-owned subsidiary of the Company, and HKC, pursuant to which HKC agreed to lease from Porbandar Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of approximately 4,879 square feet, for a term of two years from 16th September, 2006 to 15th September, 2008, both days inclusive, at a monthly rental of HK$163,446.50 (equivalent to HK$1,961,358 per annum), exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals; and

(2) a tenancy agreement dated 29th January, 2007 (the "Prime Power Tenancy Agreement") entered into between Prime Power Investment Limited ("Prime Power"), a wholly-owned subsidiary of the Company, and Lippo Securities Holdings Limited ("Lippo Securities"), a wholly-owned subsidiary of HKC, pursuant to which Lippo Securities agreed to lease from Prime Power Rooms 2302-2306, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of approximately 12,038 square feet, for a term of two years from 18th January, 2007 to 17th January, 2009, both days inclusive, at a monthly rental of HK$385,216 (equivalent to HK$4,622,592 per annum), exclusive of rates, service charges and all other outgoings, for carrying on securities brokerage business. The rental was determined by reference to the then prevailing open market rentals.

During the year, Prime Power entered into an agreement for the disposal of the entire 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong (the "Disposal") and the Disposal was completed on 1st August, 2008. Following the Disposal, the Prime Power Tenancy Agreement no longer constituted a continuing connected transaction for the Company. On 1st August, 2008, Lippo Securities and Prime Power entered into a novation agreement with the purchaser of the above property (the "Purchaser") pursuant to which Lippo Securities agreed that the deposit in the amount of HK$385,216 paid by Lippo Securities under the Prime Power Tenancy Agreement would be transferred by Prime Power to the Purchaser. Upon the transfer of the above deposit, Prime Power should be absolutely discharged from its obligations under the Prime Power Tenancy Agreement.

The independent non-executive Directors have confirmed that the above tenancies have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above tenancy agreements have received the approval of the Board of Directors of the Company; (ii) the above tenancies are in accordance with the Pricing Policies; (iii) the above tenancies were entered into in accordance with the terms of the above tenancy agreements; and (iv) the rentals paid have not exceeded the rentals as agreed in the above tenancy agreements and the maximum annual caps disclosed in the announcement dated 17th August, 2007.

Further details of the above tenancies are disclosed in Note 38(c) to the financial statements.

Continuing Connected Transactions *(continued)*

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

The independent non-executive Directors have confirmed that the above tenancy has been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above tenancy agreement has received the approval of the Board of Directors of the Company; (ii) the above tenancy is in accordance with the Pricing Policies; (iii) the above tenancy was entered into in accordance with the terms of the above tenancy agreement; and (iv) the rental paid has not exceeded the rental as agreed in the above tenancy agreement and the maximum annual cap disclosed in the announcement dated 18th September, 2008.

Further details of the above tenancy are disclosed in Note 38(c) to the financial statements.

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

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

Directors’ and Controlling Shareholders’ Interest in Contracts

Save as disclosed above and in Note 38 to the financial statements, there were no other contracts of significance in relation to the Company’s business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

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

Directors' Service Contracts

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

Management Contracts

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

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

During the year, the Company had repurchased a total of 8,236,000 shares of HK$0.10 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases are as follows:

Month	Number of shares of HK$0.10 each repurchased	Highest price paid per share	Lowest price paid per share	Total price paid
2008		*HK$*	*HK$*	*HK$*
October	8,086,000	0.100	0.071	687,286
December	150,000	0.097	0.093	14,198
Total	8,236,000			701,484
			Expenses incurred for shares repurchased	22,757
				724,241

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 29 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 Scheme

Details of the retirement benefits scheme 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 3(v) 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 10 to 15.

Sufficiency of Public Float

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

Auditors

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

On behalf of the Board
John Luen Wai Lee
Director

Hong Kong, 16th April, 2009

ERNST & YOUNG
安永

To the shareholders of Lippo China Resources Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Lippo China Resources Limited set out on pages 38 to 135, 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, 16th April, 2009

Consolidated Profit and Loss Account

For the year ended 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000 (restated)
Continuing Operations			
Revenue	6	**379,090**	378,055
Cost of sales		**(187,018)**	(149,919)
Gross profit		**192,072**	228,136
Administrative expenses		**(139,872)**	(136,663)
Other operating expenses		**(135,192)**	(110,539)
Fair value gains/(losses) on investment properties		**(245,718)**	319,250
Gain on disposal of fixed assets		**43,055**	38
Gain on disposal of subsidiaries	34	**21,421**	83,779
Gain on disposal of available-for-sale financial assets		**14,310**	746
Gain on disposal of associates		**–**	57,620
Net fair value gain on financial assets at fair value through profit or loss		**657**	29,979
Provisions for impairment losses:			
Associates		**(74,478)**	(33,692)
Available-for-sale financial assets		**(50,655)**	(13,775)
Finance costs	10	**(51,368)**	(73,029)
Share of results of associates		**(89,749)**	620,674
Share of results of jointly controlled entities		**–**	6,680
Profit/(Loss) before tax	7	**(515,517)**	979,204
Tax	11	**74,271**	(40,455)
Profit/(Loss) for the year from continuing operations		**(441,246)**	938,749
Discontinued Operation			
Profit for the year from discontinued operation	12	**–**	13,180
Profit/(Loss) for the year		**(441,246)**	951,929
Attributable to:			
Equity holders of the Company	13&31	**(396,871)**	656,159
Minority interests	31	**(44,375)**	295,770
		(441,246)	951,929

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	14		
Basic			
– For profit/(loss) for the year		**(4.31)**	7.13
– For profit/(loss) from continuing operations		**(4.31)**	7.03
Diluted			
– For profit/(loss) for the year		**N/A**	N/A
– For profit/(loss) from continuing operations		**N/A**	N/A

	Note	**HK$'000**	HK$'000
Dividends and distributions	15		
Interim dividend, declared and paid		**18,402**	18,402
Special interim dividend, declared and paid		**–**	73,609
Special interim distribution, declared and paid		**–**	2,170,326
Final dividend, proposed/paid after the balance sheet date		**91,913**	36,804
Special final dividend, proposed/paid after the balance sheet date		**–**	55,206
		110,315	2,354,347

Consolidated Balance Sheet

As at 31st December, 2008

	Note	**2008 HK$'000**	2007 HK$'000
Non-Current Assets			
Goodwill	16	**23,371**	23,371
Fixed assets	17	**327,970**	316,636
Investment properties	18	**3,134,151**	3,426,316
Properties under development	19	**48,310**	43,747
Interests in associates	20	**707,305**	915,338
Interests in jointly controlled entities	21	**2,694**	2,713
Available-for-sale financial assets	22	**406,173**	411,057
Loans and advances	23	**15,930**	–
		4,665,904	5,139,178
Current Assets			
Properties held for sale		**10,792**	5,058
Properties under development	19	**573,713**	461,679
Inventories		**2,080**	1,092
Financial assets at fair value through profit or loss	24	**64,654**	63,997
Loans and advances	23	**–**	5,445
Debtors, prepayments and deposits	25	**172,763**	208,898
Cash and bank balances		**614,922**	345,418
		1,438,924	1,091,587
Current Liabilities			
Bank loans	26	**246,953**	46,019
Amount due to a jointly controlled entity	21	**46,638**	46,968
Creditors, accruals and deposits received	27	**730,959**	586,378
Tax payable		**54,038**	72,022
		1,078,588	751,387
Net Current Assets		**360,336**	340,200
Total Assets Less Current Liabilities		**5,026,240**	5,479,378

As at 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-Current Liabilities			
Bank loans	26	**1,163,047**	1,100,590
Deferred rental		**131,617**	84,151
Deferred tax liabilities	28	**450,990**	512,654
		1,745,654	1,697,395
Net Assets		**3,280,586**	3,781,983
Equity			
Equity attributable to equity holders of the Company			
Share capital	29	**919,285**	920,109
Reserves	31	**2,248,240**	2,705,640
		3,167,525	3,625,749
Minority interests	31	**113,061**	156,234
		3,280,586	3,781,983

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		**3,781,983**	6,916,060
Changes in equity during the year:			
Exchange differences on translation of foreign operations		**74,246**	136,344
Net fair value gain/(loss) on available-for-sale financial assets		**(10,699)**	146,062
Deferred tax arising from net fair value gain on available-for-sale financial assets		**–**	(353)
Derecognition of available-for-sale financial assets		**–**	(1,204)
Surplus on revaluation of leasehold land and buildings	31	**–**	117,263
Deferred tax arising from surplus on revaluation of leasehold land and buildings	31	**–**	(20,522)
Release of reserves in respect of disposal of subsidiaries		**(2,217)**	3,483
Share of reserves of associates and jointly controlled entities		**(8,866)**	25,872
Net income recognised directly in equity		**52,464**	406,945
Profit/(Loss) for the year		**(441,246)**	951,929
Total recognised income and expense for the year		**(388,782)**	1,358,874
Equity-settled share option arrangements	31	**462**	10,000
Repurchase of shares		**(724)**	–
Issue of shares by subsidiaries to minority shareholders	31	**–**	250
Acquisition of shares in a subsidiary from a minority shareholder	31	**–**	(100,918)
Repayment to minority shareholders of subsidiaries	31	**–**	(233,904)
Disposal of subsidiaries		**–**	(132,426)
Effect on distribution in specie		**–**	(3,885,473)
2006 final dividend, declared and paid to shareholders of the Company	31	**–**	(36,804)
2006 final distribution, declared and paid to minority shareholders of subsidiaries	31	**–**	(18,680)
2007 interim dividend and special interim dividend, declared and paid to shareholders of the Company		**–**	(92,011)
2007 interim distribution, declared and paid to minority shareholders of subsidiaries	31	**–**	(2,985)
2007 final dividend and special final dividend, declared and paid to shareholders of the Company	31	**(92,010)**	–
2007 final dividend, declared and paid to a minority shareholder of a subsidiary	31	**(1,941)**	–
2008 interim dividend, declared and paid to shareholders of the Company	15&31	**(18,402)**	–
		(501,397)	(3,134,077)
Total equity at 31st December		**3,280,586**	3,781,983
Total recognised income and expense for the year attributable to:			
Equity holders of the Company		**(347,550)**	1,033,813
Minority interests		**(41,232)**	325,061
		(388,782)	1,358,874

Balance Sheet

As at 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-Current Assets			
Fixed assets	17	**507**	561
Interests in subsidiaries	32	**2,808,883**	2,950,593
Interests in an associate	20	**1**	1
Available-for-sale financial assets	22	**14,431**	22,060
		2,823,822	2,973,215
Current Assets			
Debtors, prepayments and deposits		**29,846**	18,767
Cash and bank balances		**367,335**	136,728
		397,181	155,495
Current Liabilities			
Bank loans	26	**30,000**	30,000
Creditors, accruals and deposits received		**18,163**	18,037
Tax payable		**297**	297
		48,460	48,334
Net Current Assets		**348,721**	107,161
Total Assets Less Current Liabilities		**3,172,543**	3,080,376
Non-Current Liabilities			
Bank loans	26	**790,000**	590,000
Net Assets		**2,382,543**	2,490,376
Equity			
Share capital	29	**919,285**	920,109
Reserves	31	**1,463,258**	1,570,267
		2,382,543	2,490,376

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/(used in) operations	33	**150,699**	(539,404)
Interest received		**7,127**	38,990
Dividends received from:			
Associates		**24,156**	28,653
A jointly controlled entity		**–**	708
Listed investments		**43**	1,003
Unlisted investments		**816**	5,648
Taxes paid:			
Hong Kong		**(2,347)**	(926)
Overseas		**(29,116)**	(12,044)
Net cash inflow/(outflow) from operating activities		**151,378**	(477,372)
Cash flows from investing activities			
Proceeds from disposals of:			
Fixed assets		**53,633**	149
Investment properties		**263,368**	–
Available-for-sale financial assets		**14,310**	2,378
Interests in associates		**–**	85,000
Payments to acquire:			
Fixed assets		**(44,691)**	(203,244)
Available-for-sale financial assets		**(55,635)**	(7,093)
Additions to properties under development		**(121,486)**	(76,551)
Additions to investment properties		**(142,180)**	(22,028)
Repayment from/(Advances to) associates		**5,316**	(105,757)
Repayment from jointly controlled entities		**–**	111,599
Disposal of subsidiaries, net of cash and cash equivalents disposed of	34	**63,264**	216,903
Acquisition of shares in subsidiaries from minority shareholders		**–**	(124,289)
Net cash inflow/(outflow) from investing activities		**35,899**	(122,933)

For the year ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
Cash flows from financing activities		
Drawdown of bank loans *(Note)*	**706,163**	2,574,074
Repayment of bank loans *(Note)*	**(461,962)**	(2,080,587)
Repayment to minority shareholders of subsidiaries	**–**	(233,904)
Issue of shares by subsidiaries to minority shareholders	**–**	250
Interest paid	**(51,293)**	(94,572)
Dividends paid to shareholders of the Company	**(110,412)**	(128,815)
Dividends and distributions paid to minority shareholders of subsidiaries	**(1,941)**	(21,665)
Repurchase of shares	**(724)**	–
Net cash inflow from financing activities	**79,831**	14,781
Net increase/(decrease) in cash and cash equivalents	**267,108**	(585,524)
Cash and cash equivalents at beginning of year	**345,418**	915,737
Exchange realignments	**2,396**	15,205
Cash and cash equivalents at end of year	**614,922**	345,418
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**614,922**	345,418

Note: In 2007, the amounts excluded bank borrowings drawn down by the Group for lending to its margin clients in respect of the initial public offerings. All such bank borrowings were fully repaid during 2007.

1. Corporate Information

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

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

The immediate holding company of the Company is Skyscraper Realty Limited which is incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Cayman Limited ("Lippo Cayman") 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. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 3. 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.

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 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.

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.

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)*

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.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(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.

(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]

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.

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

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.

3. Summary of Significant Accounting Policies

(a) Subsidiaries

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

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

A joint venture is treated as:

(i) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors;

(ii) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20 per cent. of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20 per cent. of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

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

(c) Jointly controlled entities

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

The Group's interests in jointly controlled entities are stated in the consolidated 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.

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.

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

(e) Goodwill

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

Goodwill on acquisitions for which the agreement date is on or after 1st January, 2005
Goodwill arising on acquisition is recognised in the consolidated 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.

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.

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

(e) Goodwill *(continued)*

Excess over the cost of business combinations

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

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.

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

(g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Leasehold land and buildings	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.

3. 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) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be a available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

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

(k) Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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.

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

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

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.

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.

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

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

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.

(l) 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.

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

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

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment 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.

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.

(m) 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.

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

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Inventories

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

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

(s) 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;

(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; and

(viii) net income from concession sales, upon the sales of goods by the relevant stores.

(t) 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.

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

(t) Income tax *(continued)*

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.

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.

(u) 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.

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

(v) 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.

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 30 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.

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

(v) Employee benefits *(continued)*

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market 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.

(w) 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.

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

(x) 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.

(y) 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.

(z) 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.

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

(z) 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.

(aa) 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.

(ab) 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.

4. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the 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.

(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 a subsidiary and an associate at 31st December, 2008 were HK$23,371,000 (2007 – HK$23,371,000) and HK$85,025,000 (2007 – HK$154,025,000), respectively. Further details are given in Notes 16 and 20.

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

(b) Estimation uncertainty *(continued)*

Estimation of the fair value of investment properties

The best evidence of fair value is the current prices in an active market for similar lease terms and other contracts. In the absence of such information, the Group considers information from a variety of sources, including (i) by reference to independent valuations; (ii) the current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (iii) the recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other 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$50,655,000 (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$406,173,000 (2007 – HK$411,057,000).

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.

5. 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 "other" segment comprises principally food business, the provision of commercial and retail banking services, the development of computer hardware and software, money lending and the provision of property, project and fund management and investment advisory services; and

(f) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services. As at the balance sheet date, the corporate finance and securities broking segment is classified as discontinued operation of the Group.

5. Segment Information *(continued)*

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

Group

2008	Continuing operations Treasury investment HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Retail business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000	Discontinued operation Corporate finance and securities broking HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue										
External	7,555	189,989	2,677	120,070	58,799	–	379,090	–	–	379,090
Inter-segment	–	3,669	–	–	–	(3,669)	–	–	–	–
Total	7,555	193,658	2,677	120,070	58,799	(3,669)	379,090	–	–	379,090
Segment results	6,457	(35,959)	(33,011)	(174,255)	(31,358)	(3,669)	(271,795)	–	–	(271,795)
Unallocated corporate expenses							(102,605)	–		(102,605)
Finance costs							(51,368)	–		(51,368)
Share of results of associates	–	1,331	–	–	(91,080)	–	(89,749)	–	–	(89,749)
Loss before tax							(515,517)	–		(515,517)
Tax							74,271	–		74,271
Loss for the year							(441,246)	–		(441,246)

5. Segment Information *(continued)*

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

Group

2008	Continuing operations							Discontinued operation	
	Treasury investment HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Retail business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000	Corporate finance and securities broking HK$'000	Consolidated HK$'000
Assets and liabilities									
Segment assets	614,922	3,896,041	470,827	342,476	26,947	–	5,351,213	–	5,351,213
Interests in associates	–	6,301	–	–	701,004	–	707,305	–	707,305
Interests in jointly controlled entities	–	2,694	–	–	–	–	2,694	–	2,694
Unallocated assets							43,616	–	43,616
Total assets							6,104,828	–	6,104,828
Segment liabilities	–	2,420,236	263,888	662,870	385,072	(2,874,418)	857,648	–	857,648
Unallocated liabilities							1,966,594	–	1,966,594
Total liabilities							2,824,242	–	2,824,242
Other segment information:									
Capital expenditure	–	162	–	44,138	96	–	44,396	–	44,396
Depreciation	–	(2,079)	–	(29,589)	(1,054)	–	(32,722)	–	(32,722)
Provision for impairment losses:									
Associates	–	(69)	–	–	(74,409)	–	(74,478)	–	(74,478)
Available-for-sale financial assets	–	–	(50,655)	–	–	–	(50,655)	–	(50,655)
Net fair value gain on financial assets at fair value through profit or loss	–	–	657	–	–	–	657	–	657
Fair value losses on investment properties	–	(245,718)	–	–	–	–	(245,718)	–	(245,718)
Unallocated:									
Capital expenditure							295	–	295
Depreciation							(1,868)	–	(1,868)

5. Segment Information *(continued)*

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

Group

	Continuing operations							Discontinued operation		
2007 (restated)	Treasury investment HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Retail business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000	Corporate finance and securities broking HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue										
External	20,361	200,240	9,883	39,205	108,366	–	378,055	67,424	–	445,479
Inter-segment	21,046	5,692	–	–	882	(27,620)	–	164	(164)	–
Total	41,407	205,932	9,883	39,205	109,248	(27,620)	378,055	67,588	(164)	445,479
Segment results	39,626	579,539	26,126	(125,824)	83,147	(27,341)	575,273	13,180	–	588,453
Unallocated corporate expenses							(151,912)	–		(151,912)
Finance costs							(71,511)	–		(71,511)
Share of results of associates	–	492,387	–	–	128,287	–	620,674	–	–	620,674
Share of results of jointly controlled entities	–	7,442	–	–	(762)	–	6,680	–	–	6,680
Profit before tax							979,204	13,180		992,384
Tax							(40,455)	–		(40,455)
Profit for the year							938,749	13,180		951,929

5. Segment Information *(continued)*

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

Group

2007	Continuing operations: Treasury investment HK$'000	Continuing operations: Property investment and development HK$'000	Continuing operations: Securities investment HK$'000	Continuing operations: Retail business HK$'000	Continuing operations: Other HK$'000	Continuing operations: Inter segment elimination HK$'000	Continuing operations: Consolidated HK$'000	Discontinued operation: Corporate finance and securities broking HK$'000	Consolidated HK$'000
Assets and liabilities									
Segment assets	345,418	4,082,399	475,054	352,376	14,588	–	5,269,835	–	5,269,835
Interests in associates	–	10,389	–	–	904,949	–	915,338	–	915,338
Interests in jointly controlled entities	–	2,713	–	–	–	–	2,713	–	2,713
Unallocated assets							42,879	–	42,879
Total assets							6,230,765	–	6,230,765
Segment liabilities	–	1,977,776	90,704	486,205	412,956	(2,339,222)	628,419	–	628,419
Unallocated liabilities							1,820,363	–	1,820,363
Total liabilities							2,448,782	–	2,448,782
Other segment information:									
Capital expenditure	–	1,506	–	195,009	4,489	–	201,004	297	201,301
Depreciation	–	(2,741)	(195)	(2,787)	(2,465)	–	(8,188)	(273)	(8,461)
Allowance for bad and doubtful debts relation to:									
Banking operations	–	–	–	–	(168)	–	(168)	–	(168)
Non-banking operations	–	–	–	(63)	(2,480)	–	(2,543)	–	(2,543)
Provision for impairment losses:									
Associates	–	(3,686)	–	–	(30,006)	–	(33,692)	–	(33,692)
Available-for-sale financial assets	–	–	(13,775)	–	–	–	(13,775)	–	(13,775)
Net fair value gain on financial assets at fair value through profit or loss	–	–	29,979	–	–	–	29,979	–	29,979
Fair value gains on investment properties	–	319,250	–	–	–	–	319,250	–	319,250
Unallocated:									
Capital expenditure							1,943	–	1,943
Depreciation							(3,997)	–	(3,997)

5. Segment Information *(continued)*

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

Group

2008	Hong Kong HK$'000	Republic of Singapore HK$'000	Mainland China HK$'000	Other HK$'000	Consolidated HK$'000
Revenue	102,368	911	275,010	801	379,090
Attributable to discontinued operation	–	–	–	–	–
Revenue from continuing operations	102,368	911	275,010	801	379,090
Segment assets	1,567,600	686,735	2,727,491	413,003	5,394,829
Interests in associates	7,651	589,241	9,155	101,258	707,305
Interests in jointly controlled entities	–	2,694	–	–	2,694
Total assets					6,104,828
Capital expenditure	222	–	44,347	122	44,691

2007 (restated)	Hong Kong HK$'000	Republic of Singapore HK$'000	Mainland China HK$'000	Other HK$'000	Consolidated HK$'000
Revenue	178,218	58,464	179,074	29,723	445,479
Attributable to discontinued operation	(67,424)	–	–	–	(67,424)
Revenue from continuing operations	110,794	58,464	179,074	29,723	378,055
Segment assets	1,752,211	559,800	2,583,134	417,569	5,312,714
Interests in associates	13,460	706,391	8,445	187,042	915,338
Interests in jointly controlled entities	–	2,713	–	–	2,713
Total assets					6,230,765
Capital expenditure	4,814	564	195,350	2,516	203,244

6. 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 management, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

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

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Treasury investment	**7,555**	20,361
Property investment and development	**189,989**	200,240
Securities investment	**2,677**	9,883
Retail business	**120,070**	39,205
Other	**58,799**	108,366
Attributable to continuing operations	**379,090**	378,055
Corporate finance and securities broking attributable to discontinued operation	**–**	67,424
	379,090	445,479

Revenue attributable to other business in 2007 included revenue generated from The Macau Chinese Bank Limited, a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China up to the date when the bank ceased to be a subsidiary of the Company of HK$15,388,000. Revenue attributable to banking business was analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Interest income	**–**	12,428
Commission income	**–**	2,132
Other revenues	**–**	828
	–	15,388

7. Profit/(Loss) Before Tax

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

	Group	
	2008	2007
	HK$'000	HK$'000
Gross rental income	**189,989**	200,240
Less: Outgoings	**(17,497)**	(30,755)
Net rental income	**172,492**	169,485
Employee benefits expense *(Note (a))*:		
Wages and salaries	**(91,994)**	(122,054)
Share options	**(462)**	(10,000)
Retirement benefits costs *(Note (b))*	**(6,513)**	(3,327)
Total staff costs	**(98,969)**	(135,381)
Interest income:		
Listed financial assets at fair value through profit or loss	**–**	821
Unlisted financial assets at fair value through profit or loss	**–**	324
Loans and advances	**331**	575
Banking operation	**–**	12,428
Other	**7,555**	20,361
Dividend income:		
Listed investments	**43**	1,003
Unlisted investments	**816**	5,648
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**1,818**	(130)
Unlisted financial assets at fair value through profit or loss	**–**	2,217
Unlisted available-for-sale financial assets	**14,310**	746
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	**(446)**	11,388
Unlisted	**1,103**	18,591
Provision for impairment losses on available-for-sale financial assets:		
Listed	**(39,015)**	–
Unlisted	**(11,640)**	(13,775)
Receivables written off	**(23,487)**	–
Depreciation	**(34,590)**	(12,458)
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	**43,094**	–
Other items of fixed assets	**(39)**	38
Loss on disposal of investment properties	**(1,834)**	–
Foreign exchange gains – net	**6,337**	11,602
Cost of inventories sold	**(10,660)**	(7,330)
Auditors' remuneration	**(1,799)**	(2,674)
Minimum lease payments under operating lease rentals in respect of land and buildings	**(163,091)**	(119,054)

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

Note:

(a) The amounts include the Directors' emoluments disclosed in Note 8 to the financial statements.

(b) The amounts of forfeited voluntary contributions available to offset future employer contributions against the pension schemes were not material at the year end.

(c) The disclosures presented in this note include those amounts credited/(charged) in respect of the discontinued operation.

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	**740**	1,069
Basic salaries, housing and other allowances and benefits in kind	**8,205**	8,958
Share options	**–**	3,444
Discretionary bonuses paid and payable	**–**	3,000
Retirement benefits costs	**12**	12
	8,957	16,483

8. Directors' Emoluments *(continued)*

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

2008	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. James Tjahaja Riady	-	785	-	-	-	785
Mr. Stephen Tjondro Riady	-	6,345	-	-	-	6,345
Mr. John Luen Wai Lee	-	1,075	-	-	12	1,087
	-	8,205	-	-	12	8,217
Non-executive directors:						
Dr. Mochtar Riady	120	-	-	-	-	120
Mr. Ning Gaoning	120	-	-	-	-	120
Mr. Leon Nim Leung Chan	130	-	-	-	-	130
	370	-	-	-	-	370
Independent non-executive directors:						
Mr. Edwin Neo	120	-	-	-	-	120
Mr. King Fai Tsui	120	-	-	-	-	120
Mr. Victor Ha Kuk Yung	130	-	-	-	-	130
	370	-	-	-	-	370
	740	8,205	-	-	12	8,957

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. James Tjahaja Riady	–	1,248	–	–	–	1,248
Mr. Stephen Tjondro Riady	–	6,213	–	–	–	6,213
Mr. John Luen Wai Lee	32	1,497	2,376	3,000	12	6,917
	32	8,958	2,376	3,000	12	14,378
Non-executive directors:						
Dr. Mochtar Riady	185	–	–	–	–	185
Mr. Ning Gaoning	120	–	–	–	–	120
Mr. Leon Nim Leung Chan	227	–	324	–	–	551
	532	–	324	–	–	856
Independent non-executive directors:						
Mr. Edwin Neo	120	–	248	–	–	368
Mr. King Fai Tsui	185	–	248	–	–	433
Mr. Victor Ha Kuk Yung	200	–	248	–	–	448
	505	–	744	–	–	1,249
	1,069	8,958	3,444	3,000	12	16,483

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 30 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	2007
	HK$'000	HK$'000
Basis salaries, housing and other allowances and benefits in kind	**6,891**	2,981
Share options	**–**	2,376
Discretionary bonuses paid and payable	**9,200**	9,500
Retirement benefits costs	**12**	56
	16,103	14,913

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

	Group	
	2008	2007
Emoluments bands (HK$):	**Number of employees**	Number of employees
2,000,001 – 2,500,000	**2**	–
2,500,001 – 3,000,000	**1**	–
3,500,001 – 4,000,000	**–**	1
4,500,001 – 5,000,000	**–**	1
6,000,001 – 6,500,000	**–**	1
8,500,001 – 9,000,000	**1**	–
	4	3

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

10. Finance Costs

	Group 2008 HK$'000	Group 2007 HK$'000
Interest on bank loans wholly repayable within five years *(Note)*	**13,208**	80,081
Interest on other loans *(Note)*	**43,391**	27,159
Total interest	**56,599**	107,240
Less: Interest capitalised	**(5,231)**	(24,534)
	51,368	82,706
Represented by:		
Finance costs attributable to continuing operations	**51,368**	73,029
Finance costs attributable to discontinued operation	**–**	9,677
	51,368	82,706

Note: The amounts in 2007 excluded interest expense incurred by a then banking subsidiary of the Group.

11. Tax

	Group 2008 HK$'000	Group 2007 HK$'000
Hong Kong:		
Charge for the year	**2,557**	1,376
Overprovision in prior years	**(508)**	(396)
Deferred	**(75,281)**	50,227
	(73,232)	51,207
Overseas:		
Charge for the year	**10,733**	23,889
Underprovision in prior years	**566**	112
Deferred	**(12,338)**	(34,753)
	(1,039)	(10,752)
Total charge/(credit) for the year	**(74,271)**	40,455

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.

11. 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	2007
	HK$'000	HK$'000
Profit/(Loss) before tax (including profit from discontinued operation)	**(515,517)**	992,384
Tax at the statutory tax rate of 16.5 per cent. (2007 – 17.5 per cent.)	**(85,060)**	173,667
Effect of different tax rates in other jurisdictions	**(25,972)**	21,932
Effect of change in tax rate	**(13,342)**	(75,282)
Adjustments in respect of current tax of previous years	**58**	(284)
Profits and losses attributable to jointly controlled entitles and associates	**14,809**	(109,787)
Income not subject to tax	**(24,782)**	(25,770)
Expenses not deductible for tax	**17,340**	35,177
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	**(7,449)**	(9,102)
Tax losses not recognised	**47,718**	29,904
Tax charge/(credit) at the Group's effective rate	**(74,271)**	40,455
Represented by:		
Tax charge/(credit) attributable to continuing operations	**(74,271)**	40,455
Tax charge/(credit) attributable to discontinued operation	**–**	–
	(74,271)	40,455

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

The share of tax charge attributable to associates amounting to HK$11,283,000 (2007 – HK$125,958,000) is included in "Share of results of associates" on the face of the consolidated profit and loss account.

12. Discontinued Operation

On 18th June, 2007, the Company announced a proposal to declare a special interim distribution to be satisfied by way of a distribution in specie (the "Distribution") comprising substantially all the Company's beneficial shareholding of 973,240,440 shares of HK$1.00 each in Hongkong Chinese Limited ("HKC"), representing approximately 72.26 per cent. of the then issued share capital of HKC, held by the Company. On 17th July, 2007, the Company announced the decision of its Board of Directors to declare the Distribution in the proportion of 1.057745 share of HKC ("HKC share") for every ten shares of the Company held by the Company's shareholders based on the market price of HKC at HK$2.23 per share. Following the Distribution, HKC and its subsidiaries (the "HKC Group") ceased to be subsidiaries of the Company and the corporate finance and securities broking business which was solely carried out by the HKC Group became discontinued operation. Results of the HKC Group ceased to be accounted for in the consolidated financial statements of the Group.

(a) Profit for the year from corporate finance and securities broking business was presented below:

	Note	2007 HK$'000
Revenue	6	67,424
Cost of sales		(23,234)
Gross profit		44,190
Administrative expenses		(15,760)
Other operating expenses		(5,573)
Finance costs	10	(9,677)
Profit before tax		13,180
Tax	11	–
Profit for the year		13,180
		HK cents
Earnings per share	14	
Basic, from the discontinued operation		0.10
Diluted, from the discontinued operation		N/A

12. Discontinued Operation *(continued)*

(b) The net cash flows incurred by corporate finance and securities broking business are presented below:

	2007 HK$'000
Operating activities	(1,062,412)
Investing activities	15,825
Financing activities	1,010,119
Net cash outflow	(36,468)

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$10,470,000 (2007 – HK$209,101,000) which has been dealt with in the financial statements of the Company as set out in Note 31 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 profit/(loss) for the year attributable to equity holders of the Company; and (ii) the weighted average number of 9,199,648,000 ordinary shares (2007 – 9,201,089,000 ordinary shares) in issue during the year.

	2008 HK$'000	2007 HK$'000
Consolidated profit/(loss) for the year attributable to equity holders of Company:		
From continuing operations	**(396,871)**	646,635
From discontinued operation	**–**	9,524
	(396,871)	656,159

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the years ended 31st December, 2008 and 2007 as the share options outstanding during these years had no dilutive effect on the basic earnings/(loss) per share for these years.

15. Dividends and Distributions

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Interim dividend, declared and paid, of HK0.2 cent (2007 – HK0.2 cent) per ordinary share	**18,402**	18,402
2007 special interim dividend, declared and paid, of HK0.8 cent per ordinary share	**–**	73,609
2007 special interim distribution, declared, of 1.057745 HKC share per ten ordinary shares *(Note 12)*	**–**	2,170,326
Final dividend, proposed, of HK1.0 cent (2007 – HK0.4 cent) per ordinary share	**91,913**	36,804
2007 special final dividend, proposed, of HK0.6 cent per ordinary share	**–**	55,206
	110,315	2,354,347

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
Disposal of subsidiaries	(57,285)
Acquisition of shares in a subsidiary from a minority shareholder	23,371
Carrying amount at 31st December, 2007	23,371
At 1st January, 2008 and 31st December, 2008:	
Cost	**23,371**
Accumulated impairment	**–**
Net carrying amount	**23,371**

Impairment testing of goodwill

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

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.

17. Fixed Assets

Group

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

17. Fixed Assets *(continued)*

Group

2007	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures, plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 1st January, 2007	666,797	56,387	82,828	17,019	823,031
Additions during the year	131	196,536	4,235	2,342	203,244
Disposal of subsidiaries	(26,816)	(25,501)	(48,800)	(7,979)	(109,096)
Disposals during the year	–	–	(59)	(301)	(360)
Surplus on revaluation	117,263	–	–	–	117,263
Reclassified to investment properties	(358,818)	(545)	–	–	(359,363)
Exchange adjustments	256	314	492	323	1,385
At 31st December, 2007	398,813	227,191	38,696	11,404	676,104
Accumulated depreciation and impairment losses:					
At 1st January, 2007	450,411	51,414	67,936	9,067	578,828
Provided for the year	3,903	3,970	2,839	1,746	12,458
Disposal of subsidiaries	(1,182)	(20,735)	(36,260)	(3,538)	(61,715)
Disposals during the year	–	–	(58)	(191)	(249)
Reclassified to investment properties	(170,206)	(545)	–	–	(170,751)
Exchange adjustments	116	231	383	167	897
At 31st December, 2007	283,042	34,335	34,840	7,251	359,468
Net book value:					
At 31st December, 2007	115,771	192,856	3,856	4,153	316,636

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

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

	Group	
	2008 HK$'000	2007 HK$'000
Long term leasehold land and buildings situated in Hong Kong	**100,438**	113,700
Medium term leasehold land and buildings situated outside Hong Kong	**2,027**	2,071
Total	**102,465**	115,771

17. Fixed Assets *(continued)*

Company

2008	**Leasehold improvements HK$'000**	**Furniture, fixtures, plant and equipment HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
Cost:				
At 1st January, 2008	**2,244**	**5,367**	**4,227**	**11,838**
Additions during the year	**–**	**175**	**–**	**175**
Disposals during the year	**–**	**(8)**	**–**	**(8)**
At 31st December, 2008	**2,244**	**5,534**	**4,227**	**12,005**
Accumulated depreciation:				
At 1st January, 2008	**2,226**	**4,994**	**4,057**	**11,277**
Provided for the year	**5**	**126**	**92**	**223**
Disposals during the year	**–**	**(2)**	**–**	**(2)**
At 31st December, 2008	**2,231**	**5,118**	**4,149**	**11,498**
Net book value:				
At 31st December, 2008	**13**	**416**	**78**	**507**

2007	Leasehold improvements HK$'000	Furniture, fixtures, plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1st January, 2007	2,244	5,142	4,445	11,831
Additions during the year	–	225	–	225
Disposals during the year	–	–	(218)	(218)
At 31st December, 2007	2,244	5,367	4,227	11,838
Accumulated depreciation:				
At 1st January, 2007	2,221	4,892	4,125	11,238
Provided for the year	5	102	108	215
Disposals during the year	–	–	(176)	(176)
At 31st December, 2007	2,226	4,994	4,057	11,277
Net book value:				
At 31st December, 2007	18	373	170	561

18. Investment Properties

	Group	
	2008	2007
	HK$'000	HK$'000
Medium term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	**–**	17,170
Fair value adjustments	**–**	746
Disposal of subsidiaries	**–**	(17,916)
Balance at end of year	**–**	–
Long term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	**1,419,200**	1,069,821
Disposals during the year	**(265,202)**	–
Fair value adjustments	**(118,298)**	253,877
Reclassified from fixed assets	**–**	188,612
Disposal of subsidiaries	**–**	(93,110)
Balance at end of year	**1,035,700**	1,419,200
Medium term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**1,963,010**	2,170,347
Additions during the year	**142,180**	4,440
Fair value adjustments	**(127,420)**	60,521
Exchange adjustments	**120,681**	86,142
Disposal of subsidiaries	**–**	(358,440)
Balance at end of year	**2,098,451**	1,963,010
Long term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**44,106**	40,000
Fair value adjustments	**–**	4,106
Exchange adjustments	**2,956**	–
Disposal of a subsidiary	**(47,062)**	–
Balance at end of year	**–**	44,106
Freehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**–**	674,563
Additions during the year	**–**	17,588
Fair value adjustments	**–**	–
Exchange adjustments	**–**	3,996
Disposal of subsidiaries	**–**	(696,147)
Balance at end of year	**–**	–
Total	**3,134,151**	3,426,316

18. Investment Properties *(continued)*

Based on professional valuations as at 31st December, 2008 made by Vigers Appraisal and Consulting Limited, an independent qualified valuer, the investment properties in Hong Kong were revalued on an open market, existing use basis at HK$1,035,700,000 (2007 – HK$1,419,200,000).

Based on professional valuations as at 31st December, 2008 made by RHL Appraisal Ltd., an independent qualified valuer, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK$2,098,451,000 (2007 – HK$2,007,116,000).

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

19. Properties under Development

	Group	
	2008	2007
	HK$'000	HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**600,917**	660,039
Additions during the year	**121,486**	76,551
Exchange adjustments	**1,011**	33,694
Disposal of subsidiaries	**–**	(169,367)
Balance at end of year	**723,414**	600,917
Provisions for impairment losses:		
Balance at beginning of year	**(95,491)**	(89,000)
Exchange adjustments	**(5,900)**	(6,491)
Balance at end of year	**(101,391)**	(95,491)
	622,023	505,426
Less: Amount classified under current portion	**(573,713)**	(461,679)
Non-current portion	**48,310**	43,747
Land and buildings situated outside Hong Kong held under the following lease terms:		
Leasehold *(Note)*	**48,310**	43,747
Freehold	**573,713**	461,679
	622,023	505,426

Note: The lease terms of the properties under development situated outside Hong Kong of HK$24,097,000 (2007 – HK$20,629,000) are 99 years and those of HK$24,213,000 (2007 – HK$23,118,000) are determined by their final intended use upon completion and vary from 40 to 70 years.

19. Properties under Development *(continued)*

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

20. Interests in Associates

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets in listed investments	**598,141**	727,094
Share of net assets in unlisted investments	**8,999**	6,413
Goodwill arising from acquisition less impairment	**85,025**	154,025
Due from associates	**53,989**	60,641
Due to associates	**(1,975)**	(1,975)
	744,179	946,198
Provisions for impairment losses	**(36,874)**	(30,860)
	707,305	915,338
Market value of listed investments at 31st December	**317,613**	500,097

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.

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**

20. Interests in Associates *(continued)*

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.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Assets	**7,660,318**	10,705,990
Liabilities	**(5,634,633)**	(8,086,012)
Revenues	**2,552,925**	2,197,869
Profit/(Loss)	**(320,178)**	876,788

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1

Details of the principal associates are set out on pages 133 and 134.

21. Interests in Jointly Controlled Entities

	Group 2008 HK$'000	2007 HK$'000
Share of net assets in an unlisted investment	**2,694**	2,713
Due to a jointly controlled entity	**(46,638)**	(46,968)
	(43,944)	(44,255)

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 balance represents 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	**692,927**	597,292
Non-current assets	**1,706**	6,297
Current liabilities	**(702,121)**	(10,112)
Non-current liabilities	**–**	(620,200)
Net liabilities	**(7,488)**	(26,723)
Share of the jointly controlled entities' results:		
Revenue	**84**	13
Total expenses	**(210)**	(19,604)
Loss after tax	**(126)**	(19,591)
Share of the jointly controlled entities' capital commitments	**63,437**	163,418

Details of the principal jointly controlled entity are set out on page 135.

22. Available-for-sale Financial Assets

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets stated at fair value:				
Equity securities listed overseas	**376,616**	373,883	**–**	–
Unlisted debt securities	**6,621**	14,250	**6,621**	14,250
	383,237	388,133	**6,621**	14,250
Financial assets stated at cost:				
Unlisted equity securities	**43,635**	28,871	**–**	–
Unlisted debt securities	**7,810**	27,557	**7,810**	7,810
Unlisted investment funds	**15,461**	15,461	**–**	–
	66,906	71,889	**7,810**	7,810
Provisions for impairment losses	**(43,970)**	(48,965)	**–**	–
	22,936	22,924	**7,810**	7,810
	406,173	411,057	**14,431**	22,060

The debt securities are non-interest-bearing (2007 – The debt securities had effective interest rates ranging from nil to 8 per cent. per annum).

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities:				
Corporate entities	**420,251**	402,754	**–**	–
Debt securities:				
Club debentures	**7,810**	7,810	**7,810**	7,810
Corporate entities	**6,621**	33,997	**6,621**	14,250
	14,431	41,807	**14,431**	22,060

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$10,699,000 (2007 – gross gain of HK$146,062,000, of which HK$1,204,000 was removed from equity and recognised in the consolidated profit and loss account).

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

The fair values of listed equity securities are based on quoted market prices. The fair values of certain unlisted available-for-sale financial assets have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated 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$11,640,000 (2007 – HK$13,775,000) has been charged to the consolidated profit and loss account for the year.

23. Loans and Advances

The loans and advances to customers of the Group have effective interest rates of 3.44 per cent. (2007 – 3 per cent.) per annum. The carrying amounts of loans and advances approximate to their fair values.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Balance at beginning of year	**–**	2,996
Allowance for bad and doubtful debts	**–**	326
Disposal of subsidiaries	**–**	(3,322)
Balance at end of year	**–**	–

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.

24. Financial Assets at Fair Value through Profit or Loss

	Group	
	2008	2007
	HK$'000	HK$'000
Held for trading:		
Equity securities listed overseas	**323**	769
Unlisted investment funds	**64,331**	63,228
	64,654	63,997

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

	Group	
	2008	2007
	HK$'000	HK$'000
Equity securities:		
Corporate entities	**323**	769

25. Debtors, Prepayments and Deposits

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

	Group	
	2008	2007
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 30 days	**5,012**	27,133
Between 31 and 60 days	**2,643**	139
Between 61 and 90 days	**1,123**	1
Between 91 and 180 days	**2,722**	132
Over 180 days	**1,076**	–
	12,576	27,405

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

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

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

26. Bank Loans

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank loans *(Note)*	**1,410,000**	1,146,609	**820,000**	620,000
Less: Amount classified under current portion	**(246,953)**	(46,019)	**(30,000)**	(30,000)
Non-current portion	**1,163,047**	1,100,590	**790,000**	590,000
Bank loans by currency:				
Hong Kong dollar	**820,000**	620,000	**820,000**	620,000
Renminbi	**412,735**	303,596	**–**	–
Singapore dollar	**177,265**	223,013	**–**	–
	1,410,000	1,146,609	**820,000**	620,000
Bank loans repayable:				
Within one year	**246,953**	46,019	**30,000**	30,000
In the second year	**215,357**	290,391	**170,000**	30,000
In the third to fifth years, inclusive	**136,072**	368,153	**–**	240,000
After five years	**811,618**	442,046	**620,000**	320,000
	1,410,000	1,146,609	**820,000**	620,000

The carrying amounts of the Group's and Company's bank loans approximate to their fair values and bear interest at rates ranging from 1.3 per cent. to 3.5 per cent. (2007 – 3.9 per cent. to 7.1 per cent.) per annum.

Note: At the balance sheet date, the bank loans were secured by first legal mortgages over certain investment properties, leasehold land and buildings and properties under development with carrying amounts of HK$2,713,917,000 (2007 – HK$3,109,965,000), HK$100,438,000 (2007 – HK$113,700,000) and HK$573,713,000 (2007 – HK$461,679,000), respectively.

27. Creditors, Accruals and Deposits Received

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

	Group	
	2008	2007
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 30 days	**33,285**	38,585
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**	–
	48,311	45,946

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

28. Deferred Tax

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

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'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	**4,217**	**516,244**	**–**	**(7,807)**	**–**	**512,654**
Deferred tax charged/(credited) to the profit and loss account during the year	**78**	**(76,559)**	**–**	**(205)**	**2,409**	**(74,277)**
Effect of change in tax rate	**(241)**	**(13,547)**	**–**	**446**	**–**	**(13,342)**
Disposal of a subsidiary	**–**	**(2,738)**	**–**	**–**	**–**	**(2,738)**
Exchange adjustments	**–**	**28,693**	**–**	**–**	**–**	**28,693**
At 31st December, 2008	**4,054**	**452,093**	**–**	**(7,566)**	**2,409**	**450,990**
2007						
At 1st January, 2007	7,771	523,298	7,957	(6,961)	–	532,065
Deferred tax charged/(credited) to the profit and loss account during the year	(3,371)	94,973	–	(846)	–	90,756
Effect of change in tax rate	–	(75,282)	–	–	–	(75,282)
Deferred tax debited to equity during the year	–	20,522	353	–	–	20,875
Disposal of subsidiaries	(183)	(47,467)	(8,355)	–	–	(56,005)
Exchange adjustments	–	200	45	–	–	245
At 31st December, 2007	4,217	516,244	–	(7,807)	–	512,654

The Group has deductible temporary differences and tax losses of HK$5,617,000 (2007 – HK$6,035,000) and HK$571,553,000 (2007 – HK$528,915,000), 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.

28. Deferred Tax *(continued)*

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.

29. Share Capital

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Authorised:		
28,000,000,000 (2007 – 28,000,000,000) ordinary shares of HK$0.10 each	**2,800,000**	2,800,000
Issued and fully paid:		
9,192,852,716* (2007 – 9,201,088,716) ordinary shares of HK$0.10 each	**919,285**	920,109

* After taking into account 150,000 ordinary shares of HK$0.10 each repurchased prior to 31st December, 2008 and cancelled subsequent to the year end.

During the year, a total of 8,236,000 ordinary shares (2007 – Nil) of HK$0.10 each were repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), of which 8,086,000 shares were cancelled by the Company before the year end and 150,000 shares were subsequently cancelled in January 2009. The discount of HK$100,000 (2007 – Nil) arising from such repurchase has been credited to the retained profits of the Company and an amount of HK$824,000 (2007 – Nil) was transferred from retained profits to the capital redemption reserve as set out in Note 31 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.

30. Share Option Scheme

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

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

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 92,010,000 ordinary shares of HK$0.10 each in the Company (the "Shares") at an exercise price of HK$0.267 per Share (subject to adjustment). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

30. Share Option Scheme *(continued)*

On 1st August, 2008, an option was granted under the Share Option Scheme without consideration to an Eligible Person to subscribe for 7,000,000 Shares at an exercise price of HK$0.169 per Share (subject to adjustment). Such option 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$0.17 per Share. As at 31st December, 2008, there were outstanding options granted under the Share Option Scheme to subscribe for 99,010,000 Shares (the "Option Shares").

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

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

Note:

1. 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.

2. Including options to subscribe for a total of 7,500,000 Option Shares held by former employees and such options lapsed subsequent to the year end.

30. Share Option Scheme *(continued)*

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 the options granted but not yet exercised and/or lapsed under the Share Option Scheme, is 828,598,871 Shares, representing approximately 9 per cent. of the existing issued share capital of the Company.

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

Number of Option Shares	Exercise price per share *(Note)* 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 Option Shares are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the option granted during the year 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 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.

30. Share Option Scheme *(continued)*

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

31. Reserves

Group

2008	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Other asset revaluation reserve HK$'000	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000
At 1st January, 2008	785,257	10,000	-	216,361	96,741	59,200	1,538,081	2,705,640	156,234
Net fair value loss on available-for-sale financial assets	-	-	-	(10,699)	-	-	-	(10,699)	-
Share of reserves of associates	-	-	-	(8,377)	-	(298)	-	(8,675)	(191)
Transfer of reserves	-	-	-	-	(55,840)	-	55,840	-	-
Equity-settled share option arrangements	-	462	-	-	-	-	-	462	-
Repurchase of shares	-	-	824	-	-	-	(724)	100	-
Disposal of a subsidiary	-	-	-	-	-	(2,217)	-	(2,217)	-
Exchange realignment	-	-	-	-	-	70,912	-	70,912	3,334
Loss for the year	-	-	-	-	-	-	(396,871)	(396,871)	(44,375)
2007 final dividend and special final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	(92,010)	(92,010)	-
2007 final dividend, declared and paid to a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	(1,941)
2008 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	(18,402)	(18,402)	-
At 31st December, 2008	785,257	10,462	824	197,285	40,901	127,597	1,085,914	2,248,240	113,061

31. Reserves *(continued)*

Group

2007	Share premium account HK$'000	Share option reserve HK$'000	Special capital reserve *(Note (a))* HK$'000	Legal reserve *(Note (b))* HK$'000	Investment revaluation reserve HK$'000	Other asset revaluation reserve HK$'000	Exchange equalisation reserve HK$'000	Regulatory reserve *(Note (c))* HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000
At 1st January, 2007	785,257	–	2,075,948	2,861	115,030	–	(8,457)	913	1,611,208	4,582,760	1,413,191
Net fair value gain on available-for-sale financial assets	–	–	–	–	143,149	–	–	–	–	143,149	2,913
Deferred tax arising from fair value gain on available-for-sale financial assets	–	–	–	–	(255)	–	–	–	–	(255)	(98)
Derecognition of available-for-sale financial assets	–	–	–	–	(870)	–	–	–	–	(870)	(334)
Surplus on revaluation of leasehold land and buildings	–	–	–	–	–	117,263	–	–	–	117,263	–
Deferred tax arising from surplus on revaluation of leasehold land and buildings	–	–	–	–	–	(20,522)	–	–	–	(20,522)	–
Share of reserves of associates and jointly controlled entities	–	–	–	–	8,634	–	8,987	–	–	17,621	8,251
Transfer of reserves	–	–	–	1,019	–	–	–	–	(1,019)	–	–
Repayment to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(233,904)
Acquisition of shares in a subsidiary from a minority shareholder	–	–	–	–	–	–	–	–	–	–	(100,918)
Issue of shares by subsidiaries to minority shareholders	–	–	–	–	–	–	–	–	–	–	250
Equity-settled share option arrangements	–	10,000	–	–	–	–	–	–	–	10,000	–
Disposal of subsidiaries	–	–	–	–	–	–	6,691	–	–	6,691	(135,634)
Effect on distribution in specie	–	–	(2,075,948)	(3,880)	(49,327)	–	(54,243)	(913)	(599,452)	(2,783,763)	(1,101,710)
Exchange realignment	–	–	–	–	–	–	106,222	–	–	106,222	30,122
Profit for the year	–	–	–	–	–	–	–	–	656,159	656,159	295,770
2006 final dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	(36,804)	(36,804)	–
2006 final distribution, declared and paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(18,680)
2007 interim dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	(18,402)	(18,402)	–
2007 interim distribution, declared and paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,985)
2007 special interim dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	(73,609)	(73,609)	–
At 31st December, 2007	785,257	10,000	–	–	216,361	96,741	59,200	–	1,538,081	2,705,640	156,234

31. Reserves *(continued)*

Note:

(a) Special capital reserve

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 2nd December, 1997 and the subsequent confirmation by the court on 22nd December, 1997, the then entire amount standing to the credit of the share premium account of the Company in the amount of HK$849,149,000 was cancelled on 23rd December, 1997 (the "Cancellation"). The credit arising from the Cancellation was transferred to a special capital reserve account.

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 issued and fully paid-up share capital of the Company was reduced from approximately HK$1,533,498,000 divided into 3,066,996,246 shares of HK$0.50 each to approximately HK$306,699,000 divided into 3,066,996,246 shares of HK$0.10 each and an amount standing to the credit of the share capital account of the Company of approximately HK$1,226,799,000 was cancelled and transferred to a special capital reserve account. The special capital reserve was distributed to the shareholders of the Company in 2007.

(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. The banking subsidiary ceased to be a subsidiary of the Group in 2007.

(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. The banking subsidiary ceased to be a subsidiary of the Group in 2007.

31. Reserves *(continued)*

Company

	Share premium account HK$'000	Share option reserve HK$'000	Special capital reserve HK$'000	Capital reserve HK$'000	Investment redemption reserve HK$'000	Capital revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
2008								
At 1st January, 2008	783,382	10,000	–	705	–	5,305	770,875	1,570,267
Net fair value loss on available-for-sale financial assets	–	–	–	–	–	(7,629)	–	(7,629)
Equity-settled share option arrangements	–	462	–	–	–	–	–	462
Repurchase of shares	–	–	–	–	824	–	(724)	100
Profit for the year *(Note 13)*	–	–	–	–	–	–	10,470	10,470
2007 final dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	(92,010)	(92,010)
2008 interim dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	(18,402)	(18,402)
At 31st December, 2008	**783,382**	**10,462**	**–**	**705**	**824**	**(2,324)**	**670,209**	**1,463,258**
2007								
At 1st January, 2007	783,382	–	2,075,948	705	–	3,176	688,506	3,551,717
Net fair value gain on available-for-sale financial assets	–	–	–	–	–	2,129	–	2,129
Equity-settled share option arrangements	–	10,000	–	–	–	–	–	10,000
Profit for the year *(Note 13)*	–	–	–	–	–	–	209,101	209,101
2006 final dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	(36,804)	(36,804)
2007 interim dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	(18,402)	(18,402)
2007 special interim dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	(73,609)	(73,609)
Effect on distribution in specie	–	–	(2,075,948)	–	–	–	2,083	(2,073,865)
At 31st December, 2007	783,382	10,000	–	705	–	5,305	770,875	1,570,267

31. Reserves *(continued)*

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$670,209,000 (2007 – HK$770,875,000).

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$91,913,000 (2007 – HK$36,804,000) declared after the balance sheet date. No special final dividend for 2008 was declared after the balance sheet date (2007 – HK$55,206,000).

32. Interests in Subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted investments at cost	**178,383**	178,383
Due from subsidiaries	**5,173,198**	7,122,922
Due to subsidiaries	**(1,360,164)**	(3,302,202)
	3,991,417	3,999,103
Provisions for impairment losses	**(1,182,534)**	(1,048,510)
	2,808,883	2,950,593

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, the balances are considered as quasi-equity investments in the subsidiaries.

Details of the principal subsidiaries are set out on pages 127 to 132.

33. Notes to the Consolidated Cash Flow Statement

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

	Note	2008 HK$'000	2007 HK$'000
Profit/(Loss) before tax			
(including profit from discontinued operation)		**(515,517)**	992,384
Adjustments for:			
Share of results of associates		**89,749**	(620,674)
Share of results of jointly controlled entities		**–**	(6,680)
Loss/(Gain) on disposal of:			
Fixed assets		**(43,055)**	(38)
Investment properties	7	**1,834**	–
Interests in subsidiaries	34	**(21,421)**	(83,779)
Available-for-sale financial assets		**(14,310)**	(746)
Interests in an associate		**–**	(57,620)
Provisions for impairment losses:			
Interests in associates		**74,478**	33,686
Available-for-sale financial assets		**50,655**	13,775
Loans and advances		**–**	2,199
Receivables written off	7	**23,487**	–
Fair value losses/(gains) on investment properties		**245,718**	(319,250)
Finance costs		**51,368**	82,706
Interest income		**(7,886)**	(34,509)
Dividend income		**(859)**	(6,651)
Depreciation	7	**34,590**	12,458
Share options	7	**462**	10,000
Operating profit/(loss) before working capital changes		**(30,707)**	17,261
Increase in properties held for sale		**(6,765)**	(443)
Increase in inventories		**(988)**	(1,092)
Decrease/(Increase) in financial assets at fair value			
through profit or loss		**(657)**	491,825
Increase in loans and advances		**(9,800)**	(436,466)
Decrease/(Increase) in debtors, prepayments			
and deposits		**23,703**	(845,895)
Decrease in client trust bank balances		**–**	24,388
Increase in creditors, accruals and deposits received		**128,447**	281,241
Decrease in current, fixed, savings and			
other deposits of customers		**–**	(146,843)
Increase in deferred rental		**47,466**	76,620
Cash generated from/(used in) operations		**150,699**	(539,404)

34. Disposal of Subsidiaries

	Group 2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Goodwill	–	57,285
Fixed assets	–	47,381
Investment properties	**47,062**	1,165,613
Interests in associates	–	2,573,000
Interests in jointly controlled entities	–	151,684
Properties under development	–	169,367
Available-for-sale financial assets	–	111,444
Held-to-maturity financial assets	–	9,613
Loans and advances	–	738,451
Properties held for sale	–	19,666
Financial asset at fair value through profit or loss	–	378,009
Debtors, prepayments and deposits	–	858,578
Client trust bank balances	–	558,517
Treasury bills	–	13,580
Cash and bank balances	–	383,685
Bank loans	–	(1,592,240)
Creditors, accruals and deposits received	**(264)**	(875,182)
Current, fixed, savings and other deposits of customers	–	(158,678)
Tax payable	–	(8,963)
Deferred tax liabilities	**(2,738)**	(56,005)
Minority interests	–	(1,237,344)
Release of legal reserve	–	(3,880)
Release of investment revaluation reserve	–	(49,327)
Release of exchange equalisation reserve	**(2,217)**	(47,552)
Release of regulatory reserve	–	(913)
	41,843	3,205,789
Gain on disposal of subsidiaries	**21,421**	83,779
Excess of the net assets value over the fair market value of a disposal group	–	(505,074)
	63,264	2,784,494
Satisfied by:		
Cash consideration	**63,264**	614,168
Special interim distribution *(Note 15)*	–	2,170,326
	63,264	2,784,494

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	**63,264**	614,168
Cash and bank balances disposed of	–	(397,265)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**63,264**	216,903

35. Contingent Liabilities

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

(a) Guarantees in respect of banking facilities

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Guarantees provided in respect of banking facilities granted to:		
An associate	**258**	460
An investee company	**–**	920
	258	1,380

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

On 25th July, 2007, the Company 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.

36. Operating Lease Arrangements

(a) As lessor

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

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**116,414**	121,915
In the second to fifth years, inclusive	**61,790**	62,648
After five years	**–**	1,284
	178,204	185,847

36. Operating Lease Arrangements *(continued)*

(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 had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**161,968**	150,481
In the second to fifth years, inclusive	**642,584**	841,924
After five years	**1,897,849**	2,796,549
	2,702,401	3,788,954

37. Capital Commitments

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

	Group	
	2008	2007
	HK$'000	HK$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**192,313**	248,960
Other capital commitments:		
Contracted, but not provided for	**10,850**	117,473
	203,163	366,433

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

38. 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, the Group received rental income of HK$4,501,000 (2007 – HK$4,501,000) from Lippo. The rental was determined by reference to open market rentals.

(c) During the year, the Group received rental income of HK$2,709,000 and HK$2,379,000 (2007 – HK$2,311,000 and HK$981,000) from Lippo Securities Holdings Limited and HKC, being fellow subsidiaries of the Company, respectively. The rentals were determined by reference to open market rentals.

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

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

39. 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
As 31st December, 2008

Financial assets

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

Financial liabilities

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

39. 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

As 31st December, 2007

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amount due from an associate	–	4,500	–	4,500
Available-for-sale financial assets	–	–	411,057	411,057
Financial assets at fair value through profit or loss	63,997	–	–	63,997
Loans and advances	–	5,445	–	5,445
Debtors and deposits	–	142,437	–	142,437
Cash and bank balances	–	345,418	–	345,418
	63,997	497,800	411,057	972,854

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank loans	1,146,609
Amount due to a jointly controlled entity	46,968
Creditors, accruals and deposits received	586,378
	1,779,955

39. 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
As 31st December, 2008

Financial assets

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

Financial liabilities

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

39. 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

As 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	–	22,060	22,060
Debtors and deposits	17,019	–	17,019
Cash and bank balances	136,728	–	136,728
	153,747	22,060	175,807

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank loans	620,000
Creditors, accruals and deposits received	18,037
	638,037

40. Financial Risk Management Objectives and Policies

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

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

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

(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.

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	2007
	HK$'000	HK$'000
By geographical area:		
Hong Kong	**929**	1,050
Mainland China	**11,376**	31,800
Republic of Singapore	**15,930**	–
Others	**271**	–
	28,506	32,850

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

(b) Liquidity risk

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

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources. 18 per cent. of the Group's debts would mature in less than one year as at 31st December, 2008 (2007 – 4 per cent.) based on the carrying values of bank loans.

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

(b) Liquidity risk *(continued)*

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the 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
Debt securities:							
Available-for-sale financial assets	–	–	–	–	6,621	7,810	14,431
Loans and advances	–	–	–	15,930	–	–	15,930
Debtors and deposits	114	10,435	8,811	37,450	–	67,758	124,568
Cash and bank balances	197,654	417,268	–	–	–	–	614,922
	197,768	427,703	8,811	53,380	6,621	80,068	774,351
Liabilities							
Bank loans	–	15,000	231,953	351,429	811,618	–	1,410,000
Amount due to a jointly controlled entity	–	–	–	–	–	46,638	46,638
Creditors, accruals and deposits received	404	56,625	29,530	588,293	–	56,107	730,959
	404	71,625	261,483	939,722	811,618	102,745	2,187,597
At 31st December, 2007							
Assets							
Amount due from an associate	–	–	–	–	–	4,500	4,500
Debt securities:							
Available-for-sale financial assets	–	–	–	–	14,250	27,557	41,807
Loans and advances	5,445	–	–	–	–	–	5,445
Debtors and deposits	–	90,302	20,806	21,772	–	9,557	142,437
Cash and bank balances	140,729	204,689	–	–	–	–	345,418
	146,174	294,991	20,806	21,772	14,250	41,614	539,607
Liabilities							
Bank loans	–	15,000	31,019	658,544	442,046	–	1,146,609
Amount due to a jointly controlled entity	–	–	–	–	–	46,968	46,968
Creditors, accruals and deposits received	–	96,439	–	295,620	–	194,319	586,378
	–	111,439	31,019	954,164	442,046	241,287	1,779,955

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

(b) Liquidity risk *(continued)*

An analysis of the maturity profile of assets and liabilities of the Company analysed by the remaining period at the 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	After 5 years HK$'000	Undated HK$'000	Total HK$'000
At 31st December, 2008							
Assets							
Debt securities:							
Available-for-sale financial assets	**–**	**–**	**–**	**–**	**6,621**	**7,810**	**14,431**
Debtors and deposits	**–**	**365**	**–**	**–**	**–**	**28,134**	**28,499**
Cash and bank balances	**5,259**	**362,076**	**–**	**–**	**–**	**–**	**367,335**
	5,259	**362,441**	**–**	**–**	**6,621**	**35,944**	**410,265**
Liabilities							
Bank loans	**–**	**15,000**	**15,000**	**170,000**	**620,000**	**–**	**820,000**
Creditors, accruals and deposits received	**–**	**–**	**–**	**–**	**–**	**18,163**	**18,163**
	–	**15,000**	**15,000**	**170,000**	**620,000**	**18,163**	**838,163**
At 31st December, 2007							
Assets							
Debt securities:							
Available-for-sale financial assets	–	–	–	–	14,250	7,810	22,060
Debtors and deposits	–	446	–	–	–	16,573	17,019
Cash and bank balances	4,260	132,468	–	–	–	–	136,728
	4,260	132,914	–	–	14,250	24,383	175,807
Liabilities							
Bank loans	–	15,000	15,000	270,000	320,000	–	620,000
Creditors, accruals and deposits received	–	–	–	–	–	18,037	18,037
	–	15,000	15,000	270,000	320,000	18,037	638,037

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

(c) Interest rate risk

Interest rate risk primarily resulted from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions arose mainly from treasury, 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 (through the impact on interest-bearing monetary assets and liabilities).

	2008		2007	
	Increase/ Decrease in basis points	**Increase/ (Decrease) in profit before tax HK$000**	Increase/ Decrease in basis points	Increase/ (Decrease) in profit before tax HK$'000
Group				
Hong Kong dollar	**+50**	**(2,613)**	+50	(6,170)
United States dollar	**+50**	**458**	+50	945
Singapore dollar	**+50**	**(686)**	+50	198
Renminbi	**+50**	**259**	+50	150
Hong Kong dollar	**-50**	**2,613**	-50	6,170
United States dollar	**-50**	**(458)**	-50	(945)
Singapore dollar	**-50**	**686**	-50	(198)
Renminbi	**-50**	**(259)**	-50	(150)
Company				
Hong Kong dollar	**+50**	**669**	+50	497
United States dollar	**+50**	**326**	+50	945
Singapore dollar	**+50**	**27**	+50	411
Hong Kong dollar	**-50**	**(669)**	-50	(497)
United States dollar	**-50**	**(326)**	-50	(945)
Singapore dollar	**-50**	**(27)**	-50	(411)

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

(d) Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its 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 and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(Decrease) in profit before tax	
	2008 HK$'000	2007 HK$'000
Group		
United States dollar against Hong Kong dollar		
– strengthened 3 per cent. (2007 – 3 per cent.)	**2,234**	9,177
– weakened 3 per cent. (2007 – 3 per cent.)	**(2,234)**	(9,177)
Singapore dollar against Hong Kong dollar		
– strengthened 3 per cent. (2007 – 3 per cent.)	**1,896**	5,707
– weakened 3 per cent. (2007 – 3 per cent.)	**(1,896)**	(5,707)
Company		
United States dollar against Hong Kong dollar		
– strengthened 3 per cent. (2007 – 3 per cent.)	**1,382**	3,323
– weakened 3 per cent. (2007 – 3 per cent.)	**(1,382)**	(3,323)
Singapore dollar against Hong Kong dollar		
– strengthened 3 per cent. (2007 – 3 per cent.)	**14**	11
– weakened 3 per cent. (2007 – 3 per cent.)	**(14)**	(11)

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

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets *(Note 22)* and financial assets at fair value through profit or loss *(Note 24)* as at 31st December, 2008. The Group's listed financial assets are mainly listed on the 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
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:		
Indonesia	**370,814**	**37,577**
Global and other	**70,456**	**2,529**
2007		
Financial assets:		
Indonesia	373,883	115,450
Global and other	78,247	4,588

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

(f) Capital management

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 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 loans. Total shareholders' equity represents equity attributable to equity holders of the Company.

	Group	
	2008	2007
	HK$'000	HK$'000
Bank loans *(Note 26)*	**1,410,000**	1,146,609
Less: Minority interests in bank loans	**(20,637)**	(15,180)
Bank loans, net of minority interests	**1,389,363**	1,131,429
Equity attributable to the equity holders of the Company	**3,167,525**	3,625,749
Gearing ratio	**43.9 per cent.**	31.2 per cent.

41. 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.

42. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 16th April, 2009.

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
Bondlink Investment Limited	Hong Kong	HK$100 and HK$2 non-voting deferred shares	100	100	Property investment
Hongkong China Treasury Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
Prime Power Investment Limited	Hong Kong	HK$100 and HK$2 non-voting deferred shares	100	100	Property investment
Reiley Inc.	British Virgin Islands	US$1	100	100	Investment holding
Superform Investment Limited	Hong Kong	HK$100 and HK$2 non-voting deferred shares	100	100	Property investment
Tamsett Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Win Joyce Limited	Hong Kong	HK$2	100	100	Money lending
Admiralty Development Limited	Hong Kong	HK$446,767,129	–	100	Property investment
Alsurpreme Limited	British Virgin Islands	US$1	–	100	Investment holding
Apexwin Limited	British Virgin Islands	US$1	–	100	Investment holding
Boom Peak Investments Limited	British Virgin Islands	US$1	–	100	Investment holding
Brighting Investments Limited	Hong Kong	HK$1	–	100	Investment holding
Brilliant Star Investment Limited *(carry on business in Hong Kong as BS Star Investment Limited)*	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment

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
Broadwell Asia Limited	British Virgin Islands	US$1	–	100	Property investment
Cajan Enterprises Limited	British Virgin Islands	US$1	–	100	Investment holding
Caross Limited	British Virgin Islands	US$1	–	100	Investment holding
Carvio Limited	British Virgin Islands	US$1	–	100	Investment holding
Castar Assets Limited	British Virgin Islands	US$1	–	100	Property investment
Celestial Fortune Limited	British Virgin Islands	US$1	–	100	Investment holding
Chalton Assets Limited	British Virgin Islands	US$1	–	100	Property investment
China Gold Pte. Ltd.**	Republic of Singapore	S$1	–	100	Investment holding
China Pacific Electric Limited	British Virgin Islands	US$100	–	100	Investment holding
Chung Po Investment and Development Company Limited	Hong Kong	HK$1,000 and HK$2,000,000 non-voting deferred shares	–	100	Investment holding
Citivest Asia Limited	British Virgin Islands	US$1	–	100	Investment holding
Classic Premium Limited	British Virgin Islands	US$1	–	100	Investment holding
Conreal Holdings Limited	British Virgin Islands	US$1	–	100	Investment holding
Dhillon Investments Limited	British Virgin Islands	US$1	–	100	Investment holding
Dragon Board Holdings Limited	British Virgin Islands	S$1	–	100	Investment holding
Easy Fame Inc.	British Virgin Islands	US$1	–	100	Leasing
Energetic Holdings Limited	British Virgin Islands	US$1	–	100	Property investment
Ever Praise Limited	British Virgin Islands	US$1	–	100	Property investment
Federal Investments Limited	Hong Kong	HK$1	–	100	Investment holding
Fortune Finance Investment Limited	British Virgin Islands	US$1	–	100	Investment
Frontop Limited	British Virgin Islands	US$1	–	100	Investment holding

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
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*	–	100	Property management
福建大地湄洲工業區開發有限公司 (Fujian Tati Meizhou Industrial Park Development Co., Ltd.)** – wholly foreign-owned enterprise##	People's Republic of China	US$5,000,000*	–	100	Property investment and development
Gabarro Limited	British Virgin Islands	US$1	–	100	Investment holding
GIMME 5 Limited	British Virgin Islands	US$1	–	100	Investment holding
Golden Harmony Limited	British Virgin Islands	US$1	–	100	Financing and investment holding
Gothic Investments Limited	Samoa	US$1	–	100	Property investment
Grand Vista Limited	British Virgin Islands	US$1	–	100	Investment holding
Grandtop Pacific Limited	British Virgin Islands	US$1	–	100	Investment
HKCL Investments Pte. Ltd.**	Republic of Singapore	S$1,000,000	–	100	Property development
Hilltop Pacific Inc.	British Virgin Islands	US$1	–	100	Investment holding
Istan Assets Limited	British Virgin Islands	US$1	–	100	Property investment
Keytime Holdings Limited	British Virgin Islands	US$1	–	100	Property investment
Kingmild Limited	British Virgin Islands	US$1	–	100	Investment holding
Kingz Ltd	British Virgin Islands	US$1	–	100	Investment holding
LCR Ltd.	British Virgin Islands	US$1	–	100	Intellectual property
Lippo Commercial Management & Consulting Limited	Hong Kong	HK$1	–	100	Investment holding
力寶商業管理諮詢(深圳)有限公司 (Lippo Commercial Management & Consulting (Shenzhen) Limited)** – wholly foreign-owned enterprise##	People's Republic of China	US$1,500,000*	–	100	Provision of consulting services
Lippo Consortium Pte. Limited**	Republic of Singapore	S$2	–	100	Property development

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
Lippo Group International Pte. Limited**	Republic of Singapore	S$2	–	100	Investment holding
Lippo Network Limited	Hong Kong	HK$1	–	100	Liaison office in Korea
Lippo Retail Holdings Limited	British Virgin Islands	US$1	–	100	Investment holding
Lippoland (Singapore) Pte. Ltd.**	Republic of Singapore	S$2,000,000	–	100	Investment holding
LPH Limited	British Virgin Islands	US$1	–	100	Investment holding
New Blueprint Limited	British Virgin Islands	US$1	–	100	Investment holding
Mantor Assets Limited	British Virgin Islands	US$1	–	100	Property investment
Maxsun International Limited	British Virgin Islands	US$1	–	100	Investment holding
Metrogreat Limited	Hong Kong	HK$1	–	100	Investment holding
Netscope Limited	British Virgin Islands	US$1	–	100	Investment
Nigel International Limited	British Virgin Islands	US$1	–	100	Financing
Palmhill Limited	British Virgin Islands	US$1	–	100	Investment holding
Porbandar Limited	British Virgin Islands/ Hong Kong	US$2	–	100	Property investment
Prime Score Investment Limited	British Virgin Islands/ Hong Kong	US$1	–	100	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*	–	100	Property services
Radical Profits Limited	British Virgin Islands	US$1	–	100	Property investment
Ranktop International Limited	British Virgin Islands	US$1	–	100	Investment holding
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*	–	100	Department store

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
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*	–	100	Department store
Sanfield Australia Pty Ltd**	Australia	A$2	–	100	Investment holding
Sinofix Limited	British Virgin Islands	US$1	–	100	Investment holding
Sprada Limited	British Virgin Islands	US$1	–	100	Provision of consulting services
Starrico Limited	British Virgin Islands	US$1	–	100	Investment holding
Super Assets Company Limited	Samoa	US$1	–	100	Investment holding
Tecwell Limited	British Virgin Islands	US$100	–	100	Investment holding
Trefar Enterprises Limited	British Virgin Islands	US$1	–	100	Property investment
Valiant Star Limited	British Virgin Islands	US$1	–	100	Investment
Vitaland Limited	Hong Kong	HK$1	–	100	Investment holding
West Tower Holding Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Winfire Limited	British Virgin Islands	US$1	–	100	Financing
Winnery Limited	British Virgin Islands	US$1	–	100	Investment holding
Winsoar Limited	Hong Kong	HK$1	–	100	Investment holding
Winwell Properties Limited	British Virgin Islands	US$1	–	100	Investment holding
Wollora Assets Limited	British Virgin Islands	US$1	–	100	Property investment
Writring Investments Limited	Hong Kong	HK$2	–	100	Property investment
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*	–	100	Property investment and development

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
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*	–	95	Property investment
LCR Catering Services Limited**	Hong Kong	HK$9,000,000	–	90	Catering services
Jeremiah Holdings Limited	British Virgin Islands	S$1,298,645	–	60	Investment holding
Pantogon Holdings Pte Ltd**	Republic of Singapore	S$1,000,000	–	60	Investment holding
Aussie Land Pty Ltd**	Australia	A$100,000	–	55	Property development
Nine Heritage Pte Ltd**	Republic of Singapore	S$1,000,000	–	48	Investment holding

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*

Note:

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

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 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
King Success Limited	Corporate	Hong Kong	HK$10,000	50	Property investment
Lippo-Savills Property Management Limited	Corporate	Hong Kong	HK$2	50	Property management services
Maxipo International Limited	Corporate	Hong Kong	HK$51,874,833	48.8	Trading and investment holding
Medco Holdings, Inc. *(listed on The Philippine Stock Exchange, Inc.)*	Corporate	Republic of the Philippines	Pesos 700,000,000	46.04	Investment holding
莆田華正自來水有限公司 (Putian Hua Zheng Water Co., Ltd.)	Equity joint venture enterprise	People's Republic of China	RMB9,236,644*	40	Water supply
CTC Entrepreneurs Incorporation	Corporate	Republic of the Philippines	Pesos 250,000	39.9	Investment holding
Catalyst Enterprises Limited	Corporate	British Virgin Islands	US$50,000	35	Investment holding
Auric Pacific Group Limited *(listed on Singapore Exchange Securities Trading Limited)*	Corporate	Republic of Singapore	S$64,461,000	27.9	Investment holding
Export and Industry Bank, Inc. *(listed on The Philippine Stock Exchange, Inc.)*	Corporate	Republic of the Philippines	Pesos 4,734,452,540	27.4	Commercial banking

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
China Singkong Development Holdings Limited	Corporate	British Virgin Islands	US$95	23.2	Investment holding
上海星港工業城發展有限公司 (Shanghai Singkong Industrial Park Development Co., Ltd.)	Cooperative joint venture enterprise	People's Republic of China	US$1,500,000*	23.2	Property investment and development
Food Junction Holdings Limited *(listed on Singapore Exchange Securities Trading Limited)*	Corporate	Republic of Singapore	S$14,296,000	14.1	Investment holding

represents the effective holding of the Group after minority interests therein
* *paid up registered capital*

Note:

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

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

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

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group#	Principal activities
Tanglin Residential Pte. Ltd.	Corporate	Republic of Singapore	S$2	50	Property investment and development

represents the effective holding of the Group after minority interests therein

Note:

S$ – Singapore dollars

(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 *(Note)*	Commercial	Office: 42,101 *(sq.ft.)* Retail: 20,827 *(sq.ft.)* (net floor area)	Rental	100

Note: The above property comprises various shop units on the podium floors and certain office floors.

Description	Use	Approximate gross floor area	Status	Approximate percentage of Group's interest
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	100

All the above properties are held under long term leases.

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	100
Lippo CTS Plaza Shuiwan Road Gongbei, Zhuhai Guangdong	Commercial Multi-use/Hotel	308,800 *(sq.ft.)* 625,000 *(sq.ft.)*	Rental To be developed	100
Lippo Plaza (excluding Unit 2 on Basement 1, 12th, 13th, 15th and 16th Floors and 4 car parking spaces) 222 Huaihai Zhong Road Shanghai Lot No. 141	Commercial	Office: 416,000 *(sq.ft.)* Retail: 99,200 *(sq.ft.)*	Rental	95

The above properties are held under medium term leases.

(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				
2 units at Rosehill 8-16 Virginia Street New South Wales Australia	Residential	N/A	346 *(sq.m.)*	100
Unit #03-03 The Residences Katana No. 20 Jalan Madge 55000 Kuala Lumpur Malaysia	Residential	N/A	3,875 *(sq.ft.)*	100

(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						
Tati City Shanting Township Putian, Fujian	Multi-use	13,910,000 *(sq.ft.)*	1,625,000 *(sq.ft.)*	100	N/A	Phase I completed
Overseas						
Lot 1344M (Plot B8C-1) MK 34 Ocean Drive Sentosa Cove Singapore	Residential	708 *(sq.m.)*	530 *(sq.m.)*	100	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 *(sq.ft)*	157,122 *(sq.ft)*	100	June 2009	Under construction

(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			
24th Floor of Tower One Lippo Centre 89 Queensway Central Inland Lot No. 8615	Commercial	14,070 *(sq.ft.)*	100
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.)*	100
3 units and 3 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	7,101 *(sq.ft.)*	100

The above properties are held under long term leases.

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	**(396,871)**	656,159	393,629	183,442	45,860
Total assets	**6,104,828**	6,230,765	11,209,883	9,415,480	8,815,859
Total liabilities	**(2,824,242)**	(2,448,782)	(4,293,823)	(2,606,993)	(2,498,451)
Net assets	**3,280,586**	3,781,983	6,916,060	6,808,487	6,317,408
Minority interests	**(113,061)**	(156,234)	(1,413,191)	(1,824,872)	(1,700,077)
	3,167,525	3,625,749	5,502,869	4,983,615	4,617,331