Hongkong Chinese Limited
香 港 華 人 有 限 公 司

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

Annual Report 2008

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Corporate Information

Board of Directors

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

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

Independent non-executive Directors
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

Committees

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

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

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

Secretary

Mr. Andrew Hau Tat Kwong

Auditors

Ernst & Young

Principal Bankers

CITIC Ka Wah Bank Limited
Public Bank (Hong Kong) Limited
Wing Hang Bank, Ltd.
Standard Chartered Bank
Bank of China Limited
The Bank of East Asia, Limited
Raiffeisen Zentralbank Österreich AG,
Singapore Branch
Oversea-Chinese Banking Corporation Limited

Solicitors

Richards Butler (in association with
Reed Smith LLP)

Principal Share Registrars and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch Share Registrars, Warrant Registrars and Transfer Office

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

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

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

Stock Code

655

Warrant Code

561

Website

www.hkchinese.com.hk

On behalf of the Board of Directors, 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 world 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 global financial institutions. Recovery of the world economy does not appear to be in the immediate horizon unless these two issues are properly addressed.

Group Results

Hong Kong, mainland China and the neighbouring Asian countries also succumbed to the crisis. Property markets in these countries suffered. This is also the region where the Group conducts its core business of property investment and development. 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$227 million, as compared to a profit of HK$1,267 million in 2007. The loss is mainly due to impairment and fair value changes in the Group's property and investment portfolio as a result of the current adverse financial and economic conditions. Despite this, the Group is in a strong financial position. This is because its cash and liquidity position has benefited from the raising of fresh equity before the onset of the global financial crisis. The Group had undertaken a rights issue exercise to strengthen its capital base in June 2008. In the face of a deteriorating market, the Group has through the year been re-examining its property and investment portfolio, re-evaluating the continuing viability of its projects in the pipeline 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 the management of its businesses.

Acknowledgement

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

Mochtar Riady
Chairman

17th 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

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 involving snow storms and earthquakes. The property market in China slowed down as a result of tightening macro-economic policy 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 Hong Kong, mainland China and the neighbouring South East Asian countries fell in the latter half of 2008.

The present global financial crisis has been particularly severe and wide reaching, affecting economies across the globe, including Hong Kong and other locations in which the Group has investments. The Group, as is the case with many companies, has been adversely affected. For the year ended 31st December, 2008, the Group recorded a consolidated loss attributable to shareholders of approximately HK$227 million, as compared to a profit of HK$1,267 million recorded in 2007. The loss was mainly attributable to the revaluation losses from the impairment of property-related investments and fair value changes in trading securities as a result of the current adverse financial and economic conditions.

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

To capitalise on the booming property market in 2007, the Group completed the disposal of its entire 100 per cent. interest in an office floor at Lippo Centre in Hong Kong in January 2008. Apart from the rental income earned, this property investment has contributed a total profit of approximately HK$33.8 million to the Group since acquisition.

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

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

Business Review (continued)

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

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

Lippo ASM Asia Property LP ("LAAP") of which a wholly-owned subsidiary of the Company is the limited partner, is a property fund set up in 2005 with the investment objective of investing in real estate in the East Asia Region. LAAP has an indirect ownership interest in Golden Concord Asia Limited which is the majority shareholder of a joint venture which in turn is a majority shareholder of Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investments and development and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore as well as hotels in the Asia region, including the Meritus Mandarin Hotel in Singapore. Despite the current weak market conditions, these high quality properties are able to generate substantial, stable and recurring income for OUE.

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

The Macau Chinese Bank Limited ("MCB"), a wholly-owned subsidiary of the Company, continued to be a net income contributor to the Group. The Macau economy which was relatively stable in the first half of 2008 also succumbed to the global financial crisis towards the end of the year. While recognising that MCB's future performance will be dependent on Macau's economy, the Group will nevertheless continue to seek business opportunities for MCB to enhance its competitiveness in the Macau banking sector.

The weak stock market in Hong Kong has resulted in reduced market turnover and public offering activities in 2008. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on developments in the market environment in China and globally.

Business Review (continued)

Since the beginning of 2008, the Group has adopted a prudent strategy in the management of its investment portfolio which saw it reducing its equity exposure and increasing the cash portion of the portfolio. The Group will continue to be watchful on market developments and will manage its portfolio with a continuing focus on improving overall asset quality.

Rights Issue

To strengthen its capital base and in anticipation of increasing market uncertainty, the Company launched a rights issue in June 2008. It successfully raised approximately HK$464 million of net proceeds. The rights issue comprised 471,390,178 rights shares at HK$1.00 each in the proportion of seven rights shares for every twenty shares held, with bonus warrants granted on the basis of three warrants for every seven rights shares successfully applied. The rights shares and the bonus warrants were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 4th July, 2008.

Prospects

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, China will be one of the first economies to rebound and help pull Hong Kong and other Asian countries onto recovery with it.

The Company, being the principal property arm of the Lippo Group, will continue to focus on property investment and development businesses. Despite the current economic adversity, management remains positive about 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 property portfolio and other businesses and in assessing new investment opportunities.

Stephen Tjondro Riady
Chief Executive Officer

17th April, 2009

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

Results for the year

Turnover for the year 2008 totalled HK$208 million, which was 32 per cent. lower than the HK$308 million (restated) recorded in 2007 resulting from the adverse impact of the global financial and economic turmoil.

Facing the adversity, for the year 2008 the Group reported a loss attributable to shareholders of HK$227 million (2007 — profit of HK$1,267 million). The deterioration in results was mainly derived from impairment of its property-related investments, fair value changes in its investment portfolio and lower property revaluation gains in its associate as a result of the current adverse financial and economic conditions.

Property investment and development

The property investment and development business recorded a revenue of HK$90 million in 2008 (2007 — HK$28 million). The increase was mainly due to the sale of a residential development project in Singapore during the year. Approximately 96 per cent. of the units with a total gross area of about 20,870 square feet were sold in 2008. To capitalise on the booming property market in 2007, the Group completed the disposal of its interest in an office floor at Lippo Centre in Hong Kong with a total consideration of HK$106 million in January 2008 and realized a gain in 2008 of HK$7 million and a total capital gain of HK$33.8 million since acquisition. However, the global financial turmoil forced the property markets in the region to take a downturn in the latter half of last year and adversely impacted the operating environment of the Group's property business. As a result, the segment had a profit contribution of HK$54 million, as compared to HK$97 million in 2007.

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

Results for the year (continued)

Property investment and development (continued)

Additionally, the Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore, Thailand and Japan. These include the Sentosa Cove and Kim Seng development projects in Singapore, and the Beijing Economic-Technological Development Area Project in Beijing. These projects are expected to be delivered onto the market in 2011 and beyond.

Treasury and securities investments

Responding to the market uncertainties last year, since the beginning of 2008, the Group has been undertaking a prudent strategy by reducing its equity exposure further and increasing the cash portion of its investment portfolios. Despite this, the sharp market downturn has an adverse impact on the Group's portfolios and fair value losses were recognised in 2008. For the year 2008, treasury and securities investments business registered a loss of HK$148 million (2007 — profit of HK$74 million).

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

Corporate finance and securities broking

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

Banking business

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

Other businesses

With the deterioration in property market, revenue generated from property project management in Singapore in 2008 fell to HK$11 million (2007 — HK$53 million), and profit contribution was HK$7 million (2007 — HK$30 million).

Financial position

The Group successfully completed a rights issue in June 2008. This fundraising exercise generated approximately HK$464 million of net proceeds after expenses. The above rights issue, which was completed before the onset of the global financial crisis, is a timely exercise which helped strengthen the Group's capital base.

As at 31st December, 2008, the Group's total assets decreased to HK$6.2 billion (2007 — HK$6.6 billion). Property-related assets remained at HK$4.4 billion (2007 — HK$4.4 billion), representing 71 per cent. (2007 — 66 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced significantly to HK$148 million (2007 — HK$538 million), comprising debt and equity securities of HK$46 million (2007 — HK$108 million) and investment funds of HK$102 million (2007 — HK$430 million). The investment portfolio represented 2 per cent. (2007 — 8 per cent.) of the Group's total assets. Total liabilities dropped to HK$1.4 billion (2007 — HK$1.9 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.4 to 1 (2007 — 1.2 to 1).

As at 31st December, 2008, the bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK$588 million (2007 — HK$814 million). As at 31st December, 2008, total bank loans amounted to HK$241 million (2007 — HK$288 million), comprising secured bank loans of HK$202 million (2007 — HK$266 million) and unsecured bank loans of HK$39 million (2007 — HK$22 million), which were denominated in Hong Kong dollars, United States dollars or Renminbi (2007 — denominated in Hong Kong dollars, United States dollars and Renminbi). The bank loans were secured by first legal mortgages over certain investment properties of the Group. The bank loans carried interest at floating rates and 16 per cent. of the bank loans (2007 — 96 per cent.) were repayable within one year. The Group's other borrowings as at 31st December, 2008 comprised of unsecured loans advanced from Lippo Limited ("Lippo") and a third party of HK$192 million (2007 — HK$214 million) and HK$155 million (2007 — HK$312 million) respectively. The advance from Lippo would be repayable on or before 30th June, 2009, while the third party's advance would be repayable on or before 26th June, 2009. At the end of the year, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) dropped to 13 per cent. (2007 — 17 per cent.).

During the year, the Company made the 2007 final distribution of HK$0.05 per share and 2008 interim distribution of HK$0.0175 per share to its shareholders, amounting to a total of HK$99.2 million. The net asset value of the Group remained strong and amounted to HK$4.7 billion (2007 — HK$4.7 billion). This was equivalent to HK$2.6 per share (2007 — HK$3.5 per share).

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (2007 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2007 — Nil).

As at 31st December, 2008, the Group's total capital commitment decreased to HK$0.1 billion (2007 — HK$0.4 billion). 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 215 employees as at 31st December, 2008 (2007 — 185 employees). Total staff costs (including directors' emoluments) during the year amounted to HK$76 million (2007 — HK$104 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option scheme of the Company.

Outlook

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

Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance practices. The 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 Dr. Mochtar 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 eight members (the composition of the Board is shown on page 18), including three executive Directors and five non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 19 to 21). Dr. Mochtar Riady (being the Chairman) is the father of Mr. Stephen Tjondro Riady (being the Chief Executive Officer). Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Company has three independent non-executive Directors, representing more than one-third of the Board. All the 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.

Board of Directors (continued)

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

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

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

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Six Board meetings were held in 2008. Individual attendance of each Director at the Board meetings and each committee member at meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee during 2008 are set out below.

	Attendance/Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Non-executive Directors				
Dr. Mochtar Riady *(Chairman)*	3/6	N/A	N/A	N/A
Mr. Leon Chan Nim Leung *(Chairman of the Remuneration Committee and Nomination Committee)*	6/6	4/4	2/2	2/2
Executive Directors				
Mr. Stephen Tjondro Riady *(Chief Executive Officer)*	6/6	N/A	2/2	2/2
Mr. John Lee Luen Wai	5/6	N/A	N/A	N/A
Mr. Kor Kee Yee	1/6	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Victor Yung Ha Kuk *(Chairman of the Audit Committee)*	4/6	3/4	1/2	1/2
Mr. Albert Saychuan Cheok	6/6	2/4	2/2	2/2
Mr. Tsui King Fai	3/6	4/4	1/2	1/2

Chairman and Chief Executive Officer

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

Non-executive Directors

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

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

Remuneration of Directors

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website (www.hkchinese.com.hk). The principal role of the Committee is to exercise the powers of the Board to determine and review the remuneration package of individual Directors and key executives, including salaries, bonuses, share options and benefits in kind. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the year, the Remuneration Committee reviewed and approved, inter alia, (i) the remuneration package of the Directors and fees payable to the committee members of the Company's Board committees; (ii) service contracts of certain Directors; and (iii) matters relating to the granting of options 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 Chan Nim Leung (being the Chairman of the Remuneration Committee) and three independent non-executive Directors, namely, Messrs. Albert Saychuan Cheok, Victor Yung Ha Kuk and Tsui King Fai. Two meetings were held in 2008 and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 7 and 2.4(t) to the financial statements, respectively.

Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Company's Bye-laws. No new Director was appointed during 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.hkchinese.com.hk). The principal role of the Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; assessment of the 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 Chan Nim Leung (being the Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Messrs. Albert Saychuan Cheok, Victor Yung Ha Kuk and Tsui King Fai. Two meetings were held in 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 and Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK$2.52 million (2007 — HK$2.12 million) and approximately HK$0.2 million (2007 — HK$0.3 million), respectively. The non-statutory audit services provided in 2008 mainly consisted of tax review of the Group and review of continuing connected transactions and matters relating to the rights issue of the Company during the year.

Audit Committee

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website (www.hkchinese.com.hk). It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including one non-executive Director, namely Mr. Leon Chan Nim Leung, and three independent non-executive Directors, namely Messrs. Victor Yung Ha Kuk (being the Chairman of the Audit Committee), Albert Saychuan Cheok and Tsui King Fai. 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, internal audit department (the "IA Department") and external auditors regarding the financial, risk management and/or internal audit and control 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 unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations.

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

Subsequent to the financial year end, the Board has 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 minimize 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 has released announcements in respect of a number of "notifiable transactions" and "connected transactions" which can be viewed in the Company's website (www.hkchinese.com.hk).

Communication with Shareholders

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

Upon the implementation of certain 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 vote 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.hkchinese.com.hk).

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

Fair Disclosure and Investor Relations

The Company uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. When announcements are made through the Stock Exchange, the same information will be available to the public on the Company's website. The Company recognises its responsibility to disclose its activities to those with a legitimate interest and to respond to their questions.

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 endeavour to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the auditors with respect to financial reporting are set out in the Independent Auditors' Report on pages 35 and 36.

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

Principal Activities

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

Results and Distributions

The results of the Group for the year ended 31st December, 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 37 to 124.

An interim distribution of HK1.75 cents (2007 — HK1.75 cents) per share for the year ended 31st December, 2008 was paid on 21st October, 2008.

The Directors have resolved not to recommend payment of any final distribution for the year ended 31st December, 2008 (2007 — HK$67.3 million, equivalent to HK5 cents per share). Total distribution for the year ended 31st December, 2008 amounted to HK$31.8 million (2007 — HK$90.9 million), equivalent to HK1.75 cents (2007 — HK6.75 cents) per share.

Summary of Group Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2008 is set out on page 127.

Share Capital

Details of movements in the share capital of the Company are set out in Note 30 to the financial statements.

Rights Issue

On 27th June, 2008, the Company allotted and issued 471,390,178 new ordinary shares of HK$1.00 each and 202,024,362 warrants of the Company with an aggregate subscription value of HK$252,530,452.50 (the "Warrants") by way of rights issue (the "Rights Issue") in the proportion of seven rights shares for every twenty shares held (with bonus warrants on the basis of three warrants for every seven rights shares taken up) at HK$1.00 per rights share to the qualifying shareholders whose names appear on the Register of Members of the Company on 5th June, 2008. The holders of the Warrants are entitled to subscribe for up to 202,024,362 ordinary shares of HK$1.00 each in the Company at a subscription price of HK$1.25 per share (subject to adjustment) upon exercise of the Warrants. The net proceeds from the Rights Issue of approximately HK$464 million was applied for financing the Group's various property development projects and for general working capital of the Group.

Share Option Scheme

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

Reserves

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves are set out in Note 32 to the financial statements.

Fixed Assets

Details of movements in the fixed assets of the Company and of the Group during the year are set out in Note 16 to the financial statements.

Investment Properties

Details of movements in the investment properties of the Group are set out in Note 17 to the financial statements.

Donations

During the year, the Group made charitable and other donations of HK$706,000 (2007 — HK$5,310,000).

Directors

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

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

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

Independent Non-executive Directors
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

In accordance with Bye-law 87 of the Bye-laws of the Company (the "Bye-laws"), Dr. Mochtar Riady and Mr. Kor Kee Yee 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. Leon Chan Nim Leung and Albert Saychuan Cheok entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1st January, 2008. Each of Messrs. Victor Yung Ha Kuk and Tsui King Fai entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2008. All the above letter agreements will be terminable by either party by giving three months' prior written notice. Their terms of services are also subject to the provisions of the Bye-laws. Each of Messrs. John Lee Luen Wai and Kor Kee Yee has an employment agreement with the Company, which will be terminable by either party by giving three months' prior written notice. Mr. Stephen Tjondro Riady does not have any service contract with the Company and/or its subsidiaries. In accordance with the Bye-laws, 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.

Directors (continued)

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

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

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 the father of Mr. 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 a Director in 1992 and is the Chairman of the Company. He is also the Honorary Chairman of Lippo China Resources Limited ("LCR"), a public listed company in Hong Kong and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital").

Mr. Stephen Tjondro Riady, aged 48, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. He is also the Chairman of Lippo Limited ("Lippo"), a public listed company in Hong Kong, and the Deputy Chairman, Managing Director and Chief Executive Officer of LCR, and a director of Lanius Limited, Lippo Cayman and Lippo Capital. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR. He also holds directorship in certain subsidiaries of the Company, Lippo and LCR. Mr. Riady is a director of Overseas Union Enterprise Limited and Auric Pacific Group Limited ("Auric"), both are public listed companies in Singapore. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region. Dr. Mochtar Riady and Madam Lidya Suryawaty are the parents of Mr. Riady.

Mr. John Lee Luen Wai, 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 LCR, Prime Success Limited and Hennessy Holdings Limited. Mr. Lee is also an authorised representative of the Company, Lippo and LCR. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company, Lippo and LCR. Mr. Lee is a director of Medco Holdings, Inc. and Export and Industry Bank, Inc. ("EIB"), both are public listed companies in the 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. Mr. Lee is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital markets. Mr. Lee serves as a member on a number of Hong Kong Government Boards and Committees including the Hospital Authority and Non-local Higher and Professional Education Appeal Board. He is also the Chairman of the Queen Elizabeth Hospital Governing Committee.

Brief Biographical Details of Directors and Senior Management (continued)

Mr. Leon Chan Nim Leung, aged 53, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of Lippo and LCR. He is also a director of a subsidiary of the Company and the Chairman of the supervisory board of a subsidiary of the Company. 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 LCR.

Mr. Albert Saychuan Cheok, aged 58, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a Fellow of the Australian Society of Certified Public Accountants and is a banker with over 30 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Thailand and Malaysia. Mr. Cheok is the Chairman of Auric and the Vice Chairman of EIB. Mr. Cheok is also the Chairman of AcrossAsia Limited, a public listed company in Hong Kong, the Chairman of Bowsprit Capital Corporation Limited, a public listed company in Singapore and the Manager of First Real Estate Investment Trust (First REIT) in Singapore. He is a director of Metal Reclamation Berhad, a public listed company in Malaysia. Mr. Cheok is currently a committee member of the Malaysian Institute of Corporate Governance in Malaysia. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005. Mr. Cheok is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. Kor Kee Yee, aged 60, was appointed a Director of the Company in 2002. He also holds directorship in certain subsidiaries of the Company. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

Mr. Victor Yung Ha Kuk, aged 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 LCR. 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 LCR.

Brief Biographical Details of Directors and Senior Management (continued)

Mr. Tsui King Fai, 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 LCR. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR.

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

Mr. Hau Tat Kwong, was appointed the company secretary of the Company in January 1994. He is also an authorised representative of the Company. He holds a master's degree in Business Administration from the University of Warwick in the United Kingdom. Mr. Hau is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Hau has over 25 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 7 and 8 to the financial statements, respectively.

Directors' and Five Highest Paid Employees' Emoluments (continued)

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 of the Company have been covered by their respective letter agreement with the Company. A Director will also receive additional fees for duties assigned to and services provided by him as Chairman of various committees of the Company.

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

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

(a) The Company

	Number of ordinary shares of HK$1.00 each in the Company			Number of underlying ordinary shares of HK$1.00 each in the Company					
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 *Note (i)*	–	–	–	106,765,641 *Note (i)*	1,120,988,619	61.65
Stephen Tjondro Riady	–	–	1,014,222,978 *Note (i)*	–	–	–	106,765,641 *Note (i)*	1,120,988,619	61.65
John Lee Luen Wai	270	270	–	4,590,000	30	30	–	4,590,600	0.25
Leon Chan Nim Leung	–	–	–	810,000	–	–	–	810,000	0.04
Tsui King Fai	–	67,500	–	607,500	–	7,500	–	682,500	0.04
Albert Saychuan Cheok	–	–	–	607,500	–	–	–	607,500	0.03
Kor Kee Yee	–	–	–	607,500	–	–	–	607,500	0.03
Victor Yung Ha Kuk	–	–	–	607,500	–	–	–	607,500	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$1.00 each in the Company at an initial exercise price of HK$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK$1.68 per share to HK$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 31 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)

(a) The Company (continued)

+ The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK$1.00 each in the Company 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).

(b) Lippo Limited ("Lippo")

Name of Director	Number of ordinary shares of HK$0.10 each in Lippo: Personal interests (held as beneficial owner)	Number of ordinary shares of HK$0.10 each in Lippo: Other interests	Number of underlying ordinary shares of HK$0.10 each in Lippo: Personal interests (held as beneficial owner) Options*	Number of underlying ordinary shares of HK$0.10 each in Lippo: Personal interests (held as beneficial owner) Warrants@	Number of underlying ordinary shares of HK$0.10 each in Lippo: Other interests Warrants@	Total interests	Approximate percentage of total interests in the issued share capital
Mochtar Riady	–	319,322,219 *Notes (i) and (ii)*	–	–	35,312,240 *Notes (i) and (ii)*	354,634,459	66.54
Stephen Tjondro Riady	–	319,322,219 *Notes (i) and (ii)*	–	–	35,312,240 *Notes (i) and (ii)*	354,634,459	66.54
John Lee Luen Wai	1,031,250	–	1,125,000	103,125	–	2,259,375	0.42
Leon Chan Nim Leung	–	–	193,750	–	–	193,750	0.04
Victor Yung Ha Kuk	–	–	162,500	–	–	162,500	0.03
Tsui King Fai	–	–	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) Lippo China Resources Limited ("LCR")

Name of Director	Number of ordinary shares of HK$0.10 each in LCR Other interests	Number of underlying ordinary shares of HK$0.10 each in LCR Personal interests (held as beneficial owner) Options#	Total interests	Approximate percentage of total interests in the issued share capital
Mochtar Riady	6,544,696,389 *Notes (i), (ii) and (iii)*	—	6,544,696,389	71.19
Stephen Tjondro Riady	6,544,696,389 *Notes (i), (ii) and (iii)*	—	6,544,696,389	71.19
John Lee Luen Wai	—	22,000,000	22,000,000	0.24
Leon Chan Nim Leung	—	3,000,000	3,000,000	0.03
Victor Yung Ha Kuk	—	2,300,000	2,300,000	0.03
Tsui King Fai	—	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 LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK$0.10 each in LCR at an exercise price of HK$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year and the number of underlying ordinary shares of HK$0.10 each in LCR in respect of which options have been granted to them as at 1st January, 2008 and 31st December, 2008 were the same as set out above.

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, was indirectly interested in 1,014,222,978 ordinary shares and HK$133,457,051.25 warrants giving rise to an interest in 106,765,641 underlying ordinary shares of the Company, 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, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the registered shareholder of 10,000,000 ordinary shares of US$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder 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. Stephen Tjondro Riady and their respective family members. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Tjondro Riady as beneficiary of the trust are taken to be interested in Lippo Cayman under the SFO.

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)

(ii) As at 31st December, 2008, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of 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 the Company which in turn is a 55.78 per cent. subsidiary of Lippo.

(iii) 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, LCR.

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

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

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

* *adjustments due to the Lippo 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 and its 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 founder and beneficiary of the aforesaid discretionary trust, and Mr. Stephen Tjondro Riady, as beneficiary 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
Congrad Holdings Limited	Ordinary shares	1	100
CRC China Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 *(Note b)*	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandform Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1 *(Note c)*	100
HKCL Holdings Limited	Ordinary shares	50,000	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
Ivey International Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Holdings Inc.	Ordinary shares	1	100

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 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
Prime Success Limited	Ordinary shares	1 *(Note d)*	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
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 through Lippo, a then 59.91 per cent. subsidiary of Lippo Cayman.

d. The interest was held by 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, Mr. Stephen Tjondro Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which is the registered shareholder of 10,000,000 ordinary shares of US$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady, father of Mr. Stephen Tjondro Riady, is the founder and beneficiary. The beneficiaries of the trust also include, inter alia, Mr. 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 Lee Luen Wai, as beneficial owner, was also interested in 230,000 ordinary shares of HK$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st December, 2008, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

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 arrangement to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st December, 2008, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

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

Name	Number of ordinary shares of HK$1.00 each	Number of underlying ordinary shares of HK$1.00 each	Total interests	Approximate percentage of total interests in the issued share capital
		Warrants *(Note 8)*		
Substantial shareholders:				
Hennessy Holdings Limited ("Hennessy")	1,014,222,978	106,765,641	1,120,988,619	61.65
Prime Success Limited ("Prime Success")	1,014,222,978	106,765,641	1,120,988,619	61.65
Lippo Limited ("Lippo")	1,014,222,978	106,765,641	1,120,988,619	61.65
Lippo Cayman Limited ("Lippo Cayman")	1,014,222,978	106,765,641	1,120,988,619	61.65
Lanius Limited ("Lanius")	1,014,222,978	106,765,641	1,120,988,619	61.65
Madam Lidya Suryawaty	1,014,222,978	106,765,641	1,120,988,619	61.65
Other persons:				
Farallon Capital Management, L.L.C. ("Farallon")	144,135,902	18,371,478	162,507,380	8.94
Noonday Asset Management, L.P. ("Noonday Asset")	144,135,902	18,371,478	162,507,380	8.94
Noonday Capital, L.L.C. ("Noonday Capital")	144,135,902	18,371,478	162,507,380	8.94
Noonday G.P. (U.S.), L.L.C. ("Noonday G.P.")	144,135,902	18,371,478	162,507,380	8.94

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,014,222,978 ordinary shares and HK$133,456,080 warrants giving rise to an interest in 106,764,864 underlying ordinary shares of the Company, and through Lippo Securities Limited, a wholly-owned subsidiary of the Company, was indirectly interested in HK$971.25 warrants giving rise to an interest in 777 underlying ordinary shares of the Company, 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 issued share capital of, the Company.

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

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

Note: (continued)

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

3. Lippo Cayman is the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which is Lippo Capital Limited which directly holds ordinary shares representing approximately 51.34 per cent. of the issued share capital of Lippo.

4. 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.

5. Hennessy's interests in the ordinary shares and underlying ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 1,120,988,619 ordinary shares and underlying ordinary shares in the Company related to the same block of shares and underlying shares that Dr. Mochtar Riady and Mr. 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".

6. Farallon, through the entities and accounts managed by it as investment adviser, namely Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital Offshore Investors, Inc., Farallon Capital Offshore Investors II, L.P., Noonday Capital Partners, L.L.C. and Noonday Offshore, Inc., was indirectly interested in an aggregate of 144,135,902 ordinary shares and HK$22,964,347.50 warrants giving rise to an interest in 18,371,478 underlying ordinary shares of the Company, totalling 162,507,380 ordinary shares and underlying ordinary shares of HK$1.00 each in, representing approximately 8.94 per cent. of the issued share capital of, the Company. Noonday Asset, Noonday Capital and Noonday G.P. as subinvestment advisers to each of the aforementioned entities and accounts managed by Farallon, each has an indirect interest in the above 162,507,380 ordinary shares and underlying ordinary shares of the Company.

7. The percentages of the issued share capital stated in this section were arrived based on 1,818,219,927 ordinary shares of HK$1.00 each in issue of the Company as at 31st December, 2008. The percentages of interests of "other persons" in the issued share capital stated in this section were based on the respective disclosure forms filed with the Company.

8. The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK$1.00 each in the Company 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).

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

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

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

Directors' Interests in Competing Business

The Lippo Group (a general reference to the companies (including Lippo Cayman Limited) in which Dr. Mochtar 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 Lee Luen Wai and Leon Chan Nim Leung are also directors of Lippo Limited ("Lippo"), an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company. Dr. Mochtar Riady is also a director of LCR. Further details of the Directors' interests in Lippo and LCR 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 LCR 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 Bye-laws 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 interest in any business which competes or is likely to compete, either directly or indirectly, with the business 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) (i) On 18th September, 2006, a tenancy agreement was entered into between the Company and Porbandar Limited ("Porbandar"), a fellow subsidiary of the Company, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,879 square feet for a term of two years from 16th September, 2006 to 15th September, 2008, both days inclusive, at a monthly rental of HK$163,446.50, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals;

(ii) on 29th January, 2007, a tenancy agreement (the "LSHL Tenancy Agreement") was entered into between Lippo Securities Holdings Limited ("LSHL"), a wholly-owned subsidiary of the Company, and Prime Power Investment Limited ("Prime Power"), a fellow subsidiary of the Company, pursuant to which Prime Power agreed to let to LSHL of Rooms 2302–2306, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 12,038 square feet for a term of two years from 18th January, 2007 to 17th January, 2009, both days inclusive, at a monthly rental of HK$385,216, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals. During the year, Prime Power entered into agreements for the disposal of the whole 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong (the "Disposal") to an independent third party (the "Purchaser") and the Disposal was completed on 1st August, 2008. Following completion of the Disposal, the Purchaser became the landlord by operation of laws and the LSHL Tenancy Agreement no longer constituted a continuing connected transaction for the Company; and

(iii) on 18th September, 2008, a tenancy agreement was entered into between the Company and Porbandar, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,879 square feet for a term of two years from 16th September, 2008 to 15th September, 2010, both days inclusive, at a monthly rental of HK$282,982, 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 tenancies have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above tenancy agreements have received the approval of the Board of Directors of the Company; (ii) the above tenancies were entered into in accordance with the terms of the above tenancy agreements; and (iii) the rentals paid have not exceeded the rentals as agreed in the above tenancy agreements and the maximum annual caps as disclosed in the Company's announcements dated 18th September, 2006, 29th January, 2007 and 18th September, 2008.

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

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

Directors' and Controlling Shareholders' Interests 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.

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 34,000 shares of HK$1.00 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases were as follows:

2008	Number of shares of HK$1.00 each repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	*HK$*	*HK$*
December	34,000	0.71	0.70	24,120.00
			Expenses incurred for shares repurchased	514.18
			Aggregate consideration paid	24,634.18

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 30 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 2.4(t) and 6 to the financial statements.

Post Balance Sheet Event

Details of the significant post balance sheet event of the Group are set out in Note 41 to the financial statements.

Audit Committee

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Yung Ha Kuk (Chairman), Mr. Albert Saychuan Cheok and Mr. Tsui King Fai and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31st December, 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 11 to 16.

Sufficiency of Public Float

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

Pre-emptive Rights

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

Auditors

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

On behalf of the Board
John Lee Luen Wai
Director

Hong Kong, 17th April, 2009

ERNST & YOUNG
安 永

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

We have audited the financial statements of Hongkong Chinese Limited set out on pages 37 to 124, 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 disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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 disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 17th April, 2009

Consolidated Profit and Loss Account

For the year ended 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000 (restated)
Revenue	5	**208,187**	308,234
Cost of sales		**(94,209)**	(66,591)
Gross profit		**113,978**	241,643
Administrative expenses		**(105,756)**	(132,399)
Other operating expenses		**(69,753)**	(50,616)
Fair value gains on investment properties		**62,899**	25,106
Gain on disposal of subsidiaries	34(b)	**7,417**	101,956
Gain on disposal of available-for-sale financial assets		**5,988**	724
Gain on disposal of associates		**–**	57,620
Net fair value gain/(loss) on financial assets at fair value through profit or loss		**(151,161)**	52,276
Write-back of/(Provisions for) impairment losses:			
Associates		**18,000**	(23,008)
Properties held for sale		**(389)**	(10,090)
Properties under development		**(9,089)**	(26,780)
Write-back of allowance/(Allowance) for bad and doubtful debts		**(21,603)**	128
Finance costs	9	**(26,038)**	(70,674)
Share of results of associates	10	**(36,191)**	1,110,830
Share of results of jointly controlled entities		**(774)**	(1,974)
Profit/(Loss) before tax	6	**(212,472)**	1,274,742
Tax	11	**(18,065)**	(6,615)
Profit/(Loss) for the year		**(230,537)**	1,268,127
Attributable to:			
Equity holders of the Company	12 & 32	**(227,070)**	1,267,271
Minority interests	32	**(3,467)**	856
		(230,537)	1,268,127
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company	13		
Basic		**(13.8)**	86.1
Diluted		**N/A**	N/A
		HK$'000	HK$'000
Distributions	14		
Interim, declared and paid		**31,819**	23,570
Final, proposed/paid after the balance sheet date		**–**	67,341
		31,819	90,911

Consolidated Balance Sheet

As at 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Goodwill	15	**71,485**	71,485
Fixed assets	16	**132,625**	44,810
Investment properties	17	**530,336**	524,709
Properties under development	18	**259,482**	137,766
Interests in associates	19	**3,261,481**	3,433,610
Interests in jointly controlled entities	20	**254,931**	183,964
Available-for-sale financial assets	21	**90,905**	126,958
Held-to-maturity financial assets	22	**9,467**	9,572
Loans and advances	23	**41,059**	27,884
Deferred tax assets	29	**184**	—
		4,651,955	4,560,758
Current assets			
Properties held for sale		**11,975**	9,751
Properties under development	18	**—**	47,725
Available-for-sale financial assets	21	**—**	2,454
Financial assets at fair value through profit or loss	24	**47,505**	398,808
Loans and advances	23	**161,390**	237,332
Debtors, prepayments and deposits	25	**99,619**	171,176
Client trust bank balances		**509,355**	730,995
Treasury bills		**—**	34,920
Cash and bank balances		**743,112**	399,663
		1,572,956	2,032,824
Current liabilities			
Bank and other borrowings	26	**386,182**	587,934
Creditors, accruals and deposits received	27	**606,140**	877,370
Current, fixed, savings and other deposits of customers	28	**133,220**	165,223
Tax payable		**9,157**	11,036
		1,134,699	1,641,563
Net current assets		**438,257**	391,261
Total assets less current liabilities		**5,090,212**	4,952,019

Consolidated Balance Sheet

As at 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Bank and other borrowings	26	**201,503**	225,705
Deferred tax liabilities	29	**27,792**	28,911
		229,295	254,616
Net assets		**4,860,917**	4,697,403
Equity			
Equity attributable to equity holders of the Company			
Share capital	30	**1,818,186**	1,346,829
Reserves	32	**2,851,404**	3,338,496
		4,669,590	4,685,325
Minority interests	32	**191,327**	12,078
		4,860,917	4,697,403

Stephen Tjondro Riady
Director

John Lee Luen Wai
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		**4,697,403**	3,291,689
Changes in equity during the year:			
Exchange differences on translation of foreign operations		**(5,144)**	49,295
Net fair value gain/(loss) on available-for-sale financial assets		**(48,160)**	22,129
Deferred tax arising from fair value loss on available-for-sale financial assets	32	**6,620**	26
Derecognition of available-for-sale financial assets	32	**(1,719)**	(1,306)
Release of reserve in respect of deconsolidation of subsidiaries	32	**(1,252)**	—
Release of reserve in respect of disposal of subsidiaries	32	**—**	(11,563)
Share of reserves of associates and jointly controlled entities	32	**(105,120)**	250,882
Net income/(loss) recognised directly in equity		**(154,775)**	309,463
Profit/(Loss) for the year		**(230,537)**	1,268,127
Total recognised income and expense for the year		**(385,312)**	1,577,590
Rights issue		**464,428**	—
Issuance of shares upon exercise of warrants		**1**	—
Repurchase of shares		**(25)**	—
Equity-settled share option arrangements	32	**419**	6,800
Investment in a subsidiary by a minority shareholder	32	**165,551**	—
Advances from minority shareholders of subsidiaries	32	**17,884**	74,554
Deconsolidation of subsidiaries	32	**(272)**	—
Acquisition of shares in a subsidiary from a minority shareholder	32	**—**	(31,925)
Disposal of subsidiaries	32	**—**	(130,786)
Changes in interests in subsidiaries	32	**—**	392
2006 final distribution, declared and paid	32	**—**	(67,341)
2007 interim distribution, declared and paid	32	**—**	(23,570)
2007 final distribution, declared and paid	14 & 32	**(67,341)**	—
2008 interim distribution, declared and paid	14 & 32	**(31,819)**	—
		163,514	1,405,714
Total equity at 31st December		**4,860,917**	4,697,403
Total recognised income and expense for the year attributable to:			
Equity holders of the Company		**(381,398)**	1,577,032
Minority interests		**(3,914)**	558
		(385,312)	1,577,590

Balance Sheet

As at 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets	16	**1,496**	2,709
Interests in subsidiaries	33	**2,988,895**	3,048,522
Available-for-sale financial assets	21	**3,165**	3,165
		2,993,556	3,054,396
Current assets			
Financial assets at fair value through profit or loss	24	**5,207**	33,814
Debtors, prepayments and deposits		**4,069**	1,464
Cash and bank balances		**234,618**	13,559
		243,894	48,837
Current liabilities			
Bank and other borrowings	26	**346,905**	372,020
Creditors, accruals and deposits received		**34,615**	31,706
		381,520	403,726
Net current liabilities		**(137,626)**	(354,889)
Total assets less current liabilities		**2,855,930**	2,699,507
Non-current liability			
Bank and other borrowings	26	**—**	213,958
Net assets		**2,855,930**	2,485,549
Equity			
Share capital	30	**1,818,186**	1,346,829
Reserves	32	**1,037,744**	1,138,720
		2,855,930	2,485,549

Stephen Tjondro Riady
Director

John Lee Luen Wai
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**196,420**	327,755
Interest received		**24,347**	33,902
Dividend received from listed and unlisted investments		**1,769**	6,521
Taxes recovered/(paid):			
Hong Kong		**(1,913)**	7
Overseas		**(6,862)**	(2,936)
Net cash inflow from operating activities		**213,761**	365,249
Cash flows from investing activities			
Proceeds from disposal of:			
Fixed assets		**20**	—
Available-for-sale financial assets		**7,821**	2,665
Associates		**—**	85,022
Payments to acquire:			
Fixed assets		**(16,166)**	(4,857)
Available-for-sale financial assets		**(14,330)**	(6,393)
Additions to properties under development		**(59,007)**	(42,127)
Additions to investment properties		**(16,188)**	(26,062)
Increase in interests in jointly controlled entities		**(47,638)**	(23,586)
Repayment from/(Advances to) associates		**40,754**	(147,027)
Advances to jointly controlled entities		**(29,781)**	(103,128)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	34(b)	**104,980**	588,355
Acquisition of shares in a subsidiary from a minority shareholder		**—**	(46,125)
Net cash inflow/(outflow) from investing activities		**(29,535)**	276,737
Cash flows from financing activities			
Interest paid		**(32,275)**	(72,843)
Distributions paid		**(99,160)**	(90,911)
Drawdown of bank and other borrowings *(Note)*		**228,307**	546,929
Repayment of bank and other borrowings *(Note)*		**(452,971)**	(1,228,121)
Issue of shares upon exercise of warrants		**1**	—
Proceeds from rights issue		**464,428**	—
Repurchase of shares		**(25)**	—
Repurchase of shares by subsidiaries from minority shareholders		**—**	(661)
Advances from minority shareholders of subsidiaries		**17,884**	74,554
Net cash inflow/(outflow) from financing activities		**126,189**	(771,053)

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
Net increase/(decrease) in cash and cash equivalents	**310,415**	(129,067)
Cash and cash equivalents at beginning of year	**434,583**	558,457
Exchange realignments	**(1,886)**	5,193
Cash and cash equivalents at end of year	**743,112**	434,583
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**743,112**	399,663
Treasury bills	**—**	34,920
	743,112	434,583

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

1. Corporate Information

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

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

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 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 specific line items affected are as follows:

	2008 **HK$'000**	2007 HK$'000
Decrease in revenue	**(239,274)**	(590,150)
Decrease in cost of sales	**239,274**	590,150

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

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

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

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

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

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

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

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

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

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

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

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

During the outbreak of the global financial crisis in the third quarter of 2008, which was considered a rare circumstance, the Group decided to change its intention from holding certain of its debt instruments for the purpose of trading in the near term to holding them for the foreseeable future. The Group adopted these amendments and reclassified these debt instruments from the fair value through profit or loss category into the available-for-sale category. In accordance with the transitional provisions of the amendments, no restatement was made for the comparative amounts. At the date of reclassification, the debt instruments had a fair value of HK$8,290,000. Prior to the reclassification, the Group recognised a fair value loss of HK$443,000 on these debt instruments for the year. As at 31st December, 2008, the debt instruments were stated at fair value of HK$3,490,000. A revaluation deficit of HK$4,800,000 was included in the investment revaluation reserve. Had the reclassification not taken place, the Group would have recognised a fair value loss of HK$5,243,000 in the profit and loss account for the year.

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

HK(IFRIC) — Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC) — Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The interpretation has had no impact on the financial position or results of operations of the Group.

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

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

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

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

HK(IFRIC) — Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instrument: Disclosures — Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[2]
HK(IFRIC) — Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) — Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments, Recognitions and Measurement — Embedded Derivatives[5]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[6]

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

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

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st July, 2008
[4] Effective for annual periods beginning on or after 1st October, 2008
[5] Effective for annual periods ending on or after 30th June, 2009
[6] Effective for transfers of assets from customers received on or after 1st July, 2009

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries

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

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. Interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(b) Joint ventures

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

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

2.4 Summary of Significant Accounting Policies (continued)

(b) Joint ventures (continued)

A joint venture is treated as:

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

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

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

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

(c) Jointly controlled entities

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

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

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

(d) Associates

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

2.4 Summary of Significant Accounting Policies (continued)

(d) Associates (continued)

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

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

(e) Goodwill

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

(e) Goodwill (continued)

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

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

Goodwill previously eliminated against consolidated distributable 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 distributable reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated distributable reserves and is not recognised in the consolidated profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

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

The excess for associates and jointly controlled entities is included in the Group's share of the associates' and jointly controlled entities' 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 financial assets, investment properties, properties held for sale and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as 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.

2.4 Summary of Significant Accounting Policies (continued)

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

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

(g) Fixed assets and depreciation

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

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

Leasehold land	Over the remaining lease terms
Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	10 per cent. to $33^1/_3$ per cent.
Motor vehicles	20 per cent. to 25 per cent.

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

(h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

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

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

(i) Properties under development

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

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

(j) Investments and other financial assets

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

(j) Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the profit and loss account. The net fair value gain or loss recognised in the profit and loss account does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

The Group's financial assets at fair value through profit or loss which are under regular way of purchases or sales are recognised on the trade date, that is, the date the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the profit and loss account when the financial assets are derecognised or impaired, as well as through the amortisation process.

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

2.4 Summary of Significant Accounting Policies (continued)

(j) Investments and other financial assets (continued)

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

Fair value

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and other valuation models.

2.4 Summary of Significant Accounting Policies (continued)

(k) Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the profit and loss account. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

Assets carried at cost

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

2.4 Summary of Significant Accounting Policies (continued)

(k) Impairment of financial assets (continued)

Available-for-sale financial assets

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

(l) Derecognition of financial assets

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

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

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

2.4 Summary of Significant Accounting Policies (continued)

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

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

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

(n) Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(o) Derecognition of financial liabilities

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

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

(p) Properties held for sale

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

(q) Revenue recognition

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

(i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(ii) 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;

2.4 Summary of Significant Accounting Policies (continued)

(q) Revenue recognition (continued)

(iii) 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;

(iv) 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;

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

(vi) 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

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

(r) Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

(i) where the deferred tax liability arise from goodwill or the initial recognition of an asset or liability in transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

(s) Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

(t) Employee benefits

Paid leave entitlement

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

2.4 Summary of Significant Accounting Policies (continued)

(t) Employee benefits (continued)

Retirement benefits

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an adjusted Black-Scholes model, further details of which are given in Note 31 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

2.4 Summary of Significant Accounting Policies (continued)

(t) Employee benefits (continued)

Share-based payment transactions (continued)

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

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

Where and equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

(u) Borrowing costs

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

(v) Operating leases

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

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.

2.4 Summary of Significant Accounting Policies (continued)

(w) Cash and cash equivalents

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

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

(x) Foreign currencies

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

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.

2.4 Summary of Significant Accounting Policies (continued)

(y) Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under 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.

(z) Dividends and distributions

Final dividends and distributions proposed by the Directors are classified as a separate allocation of distributable reserves within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends and distributions have been approved by the shareholders and declared, they are recognised as a liability.

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

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make 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 a jointly controlled entity at 31st December, 2008 were HK$71,485,000 (2007 — HK$71,485,000) and nil (2007 — HK$1,324,000), respectively. Further details are given in Notes 15 and 20.

3. 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$1,611,000 have been recognised for available-for-sale financial assets for the year (2007 — Nil). The carrying amount of available-for-sale financial assets as at 31st December, 2008 was HK$90,905,000 (2007 — HK$129,412,000).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Segment Information

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

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

Descriptions of the business segments are as follows:

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

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

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

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

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

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

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

4. Segment Information (continued)

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

Group

2008	Property investment and development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	90,286	8,133	3,211	65,622	16,399	10,894	13,642	–	208,187
Inter-segment	–	–	–	519	–	8,625	1,684	(10,828)	–
Total	90,286	8,133	3,211	66,141	16,399	19,519	15,326	(10,828)	208,187
Segment results	53,884	7,575	(155,915)	12,770	299	6,940	2,826	(9,893)	(81,514)
Unallocated corporate expenses									(70,732)
Finance costs									(23,261)
Share of results of associates	(41,673)	–	–	12	–	–	5,470	–	(36,191)
Share of results of jointly controlled entities	(104)	–	–	–	–	–	(670)	–	(774)
Loss before tax									(212,472)
Tax									(18,065)
Loss for the year									(230,537)
Assets and liabilities									
Segment assets	927,704	623,393	148,003	586,772	389,514	14,648	8,974	–	2,699,008
Interests in associates	3,250,469	–	–	856	–	–	10,156	–	3,261,481
Interests in jointly controlled entities	254,931	–	–	–	–	–	–	–	254,931
Unallocated assets									9,491
Total assets									6,224,911
Segment liabilities	10,900	–	–	575,635	135,856	203	337	–	722,931
Unallocated liabilities									641,063
Total liabilities									1,363,994
Other segment information:									
Capital expenditure	1,083	–	–	373	242	42	203	–	1,943
Depreciation	(1,070)	–	(61)	(366)	(1,916)	(256)	(1,474)	–	(5,143)
Allowance for bad and doubtful debts relating to:									
Banking operation	–	–	–	–	(729)	–	–	–	(729)
Non-banking operations	(14,246)	–	–	–	–	–	(6,628)	–	(20,874)
Write-back of/(Provisions for) impairment loss:									
Associates	–	–	–	–	–	–	18,000	–	18,000
Properties held for sale	(389)	–	–	–	–	–	–	–	(389)
Properties under development	(9,089)	–	–	–	–	–	–	–	(9,089)
Available-for-sale financial assets	–	–	(1,611)	–	–	–	–	–	(1,611)
A jointly controlled entity	–	–	–	–	–	–	(1,858)	–	(1,858)
Net fair value loss on financial assets at fair value through profit or loss	–	–	(151,161)	–	–	–	–	–	(151,161)
Fair value gains on investment properties	62,899	–	–	–	–	–	–	–	62,899
Unallocated:									
Capital expenditure									14,223
Depreciation									(1,220)

4. Segment Information (continued)

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

Group

2007 (restated)	Property investment and development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	27,867	9,475	17,511	158,871	27,338	52,655	14,517	–	308,234
Inter-segment	–	15	–	174	–	3,353	932	(4,474)	–
Total	27,867	9,490	17,511	159,045	27,338	56,008	15,449	(4,474)	308,234
Segment results	97,389	8,897	65,454	42,686	4,173	30,270	26,113	(3,588)	271,394
Unallocated corporate expenses									(60,819)
Finance costs									(44,689)
Share of results of associates	1,104,022	–	–	–	–	–	6,808	–	1,110,830
Share of results of jointly controlled entities	(679)	–	–	–	–	–	(1,295)	–	(1,974)
Profit before tax									1,274,742
Tax									(6,615)
Profit for the year									1,268,127
Assets and liabilities									
Segment assets	792,705	247,503	539,012	937,874	418,745	10,188	18,885	–	2,964,912
Interests in associates	3,379,037	–	–	814	–	–	53,759	–	3,433,610
Interests in jointly controlled entities	181,485	–	–	–	–	–	2,479	–	183,964
Unallocated assets									11,096
Total assets									6,593,582
Segment liabilities	10,174	–	56,313	830,022	167,982	9,007	1,818	–	1,075,316
Unallocated liabilities									820,863
Total liabilities									1,896,179
Other segment information:									
Capital expenditure	2,115	–	–	708	1,389	73	16	–	4,301
Depreciation	(1,312)	–	(227)	(548)	(2,074)	(234)	(505)	–	(4,900)
Write-back of allowance for bad and doubtful debts relating to banking operation	–	–	–	–	128	–	–	–	128
Provisions for impairment losses:									
Associates	–	–	–	–	–	–	(23,008)	–	(23,008)
Properties held for sale	(10,090)	–	–	–	–	–	–	–	(10,090)
Properties under development	(26,780)	–	–	–	–	–	–	–	(26,780)
Net fair value gain on financial assets at fair value through profit or loss	–	–	52,276	–	–	–	–	–	52,276
Fair value gains on investment properties	25,106	–	–	–	–	–	–	–	25,106
Unallocated:									
Capital expenditure									556
Depreciation									(2,609)

4. Segment Information (continued)

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

Group

2008	Hong Kong HK$'000	Macau HK$'000	Republic of Singapore HK$'000	Japan HK$'000	Other HK$'000	Consolidated HK$'000
Revenue	**81,842**	**16,399**	**98,515**	**—**	**11,431**	**208,187**
Segment assets	**1,245,880**	**805,931**	**230,600**	**38,484**	**387,604**	**2,708,499**
Interests in associates	**119**	**—**	**3,243,897**	**—**	**17,465**	**3,261,481**
Interests in jointly controlled entities	**—**	**—**	**245,878**	**—**	**9,053**	**254,931**
Total assets						**6,224,911**
Capital expenditure	**582**	**242**	**5,778**	**—**	**9,564**	**16,166**

2007 (restated)	Hong Kong HK$'000	Macau HK$'000	Republic of Singapore HK$'000	Japan HK$'000	Other HK$'000	Consolidated HK$'000
Revenue	192,409	27,338	43,162	21,055	24,270	308,234
Segment assets	1,377,998	788,984	384,405	42,396	382,225	2,976,008
Interests in associates	93	—	3,379,038	—	54,479	3,433,610
Interests in jointly controlled entities	—	—	172,187	—	11,777	183,964
Total assets						6,593,582
Capital expenditure	782	1,389	590	—	2,096	4,857

5. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, gross proceeds from sales of properties, gross income on treasury investment which includes interest income on bank deposits and debt securities, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, gross income from underwriting and securities broking, gross income from project management, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

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

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Property investment and development	**90,286**	27,867
Treasury investment	**8,133**	9,475
Securities investment	**3,211**	17,511
Corporate finance and securities broking	**65,622**	158,871
Banking business	**16,399**	27,338
Project management	**10,894**	52,655
Other	**13,642**	14,517
	208,187	308,234

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

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

6. Profit/(Loss) Before Tax

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

	Group	
	2008	2007
	HK$'000	HK$'000
Gross rental income	**6,047**	27,867
Less: Outgoings	**(1,754)**	(6,563)
Net rental income	**4,293**	21,304
Employee benefits expense *(Note (a))*:		
Wages and salaries	**(72,666)**	(94,397)
Share options	**(419)**	(6,800)
Retirement benefits costs *(Note (b))*	**(3,037)**	(3,096)
Total staff costs	**(76,122)**	(104,293)
Interest income:		
Listed financial assets at fair value through profit or loss	**57**	1,951
Unlisted financial assets at fair value through profit or loss	**825**	324
Listed available-for-sale financial assets	**1,189**	—
Listed held-to-maturity financial assets	**877**	853
Loans and advances	**2,215**	1,336
Banking operation	**11,650**	21,253
Other	**8,133**	9,475
Dividend income:		
Listed investments	**433**	805
Unlisted investments	**1,336**	5,716
Other unlisted investment income	**1,124**	86
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**(4,999)**	7,749
Unlisted financial assets at fair value through profit or loss	**2,369**	27
Unlisted available-for-sale financial assets	**5,988**	724
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	**(27,564)**	29,115
Unlisted	**(123,597)**	23,161
Provision for impairment losses on unlisted available-for-sale financial assets	**(1,611)**	—
Provision for impairment losses on a jointly controlled entity	**(1,858)**	—
Depreciation	**(6,363)**	(7,509)
Gain/(Loss) on disposal of fixed assets	**2**	(445)
Foreign exchange gains/(losses) — net	**(4,252)**	10,912
Cost of inventories sold	**(67,722)**	—
Auditors' remuneration	**(2,626)**	(2,890)
Minimum lease payments under operating lease rentals in respect of land and buildings	**(20,647)**	(17,240)

Note:

(a) The amounts include the Directors' emoluments disclosed in Note 7 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.

7. Directors' Emoluments

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

	Group	
	2008 HK$'000	2007 HK$'000
Directors' fees	**747**	747
Basic salaries, housing and other allowances and benefits in kind	**2,626**	3,260
Share options	**–**	2,916
Discretionary bonuses paid and payable	**–**	4,000
Retirement benefits costs	**24**	24
	3,397	10,947

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. Stephen Tjondro Riady	–	–	–	–	–	–
Mr. John Lee Luen Wai	59	906	–	–	12	977
Mr. Kor Kee Yee	–	1,720	–	–	12	1,732
	59	2,626	–	–	24	2,709
Non-executive directors:						
Dr. Mochtar Riady	120	–	–	–	–	120
Mr. Leon Chan Nim Leung	179	–	–	–	–	179
	299	–	–	–	–	299
Independent non-executive directors:						
Mr. Albert Saychuan Cheok	139	–	–	–	–	139
Mr. Victor Yung Ha Kuk	130	–	–	–	–	130
Mr. Tsui King Fai	120	–	–	–	–	120
	389	–	–	–	–	389
	747	2,626	–	–	24	3,397

7. Directors' Emoluments (continued)

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

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

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

Details of share options granted to the Directors are set out in Note 31 to the financial statements.

8. 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 7 to the financial statements. Details of the emoluments of the remaining four (2007 — three) non-director, highest paid employees for the year are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Basic salaries, housing and other allowances and benefits in kind	**5,786**	1,030
Share options	**—**	453
Discretionary bonuses paid and payable	**7,154**	13,649
Retirement benefits costs	**116**	100
	13,056	15,232

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

	Group	
Emoluments bands (HK$):	**2008 Number of employees**	2007 Number of employees
1,500,001–2,000,000	**2**	—
2,500,001–3,000,000	**1**	—
3,000,001–3,500,000	**—**	1
3,500,001–4,000,000	**—**	1
6,500,001–7,000,000	**1**	—
8,000,001–8,500,000	**—**	1
	4	3

9. Finance Costs

	Group	
	2008 HK$'000	2007 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**32,221**	78,812
Less: Interest capitalised	**(6,183)**	(8,138)
	26,038	70,674

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

10. Share of Results of Associates

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

11. Tax

	Group	
	2008 HK$'000	2007 HK$'000
Hong Kong:		
Charge for the year	**–**	130
Deferred	**(98)**	3,020
	(98)	3,150
Overseas:		
Charge for the year	**6,956**	5,819
Overprovision in prior years	**(60)**	(249)
Deferred	**11,267**	(2,105)
	18,163	3,465
Total charge for the year	**18,065**	6,615

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 rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Profit/(Loss) before tax	**(212,472)**	1,274,742
Tax at the statutory tax rate of 16.5 per cent. (2007 — 17.5 per cent.)	**(35,058)**	223,080
Effect of different tax rates in other jurisdictions	**6,488**	(36,665)
Effect of change in tax rate	**(94)**	—
Adjustments in respect of current tax of previous years	**(60)**	(249)
Profits and losses attributable to jointly controlled entities and associates	**6,099**	(194,050)
Income not subject to tax	**(8,619)**	(15,701)
Expenses not deductible for tax	**32,830**	20,932
Tax losses utilised from previous years	**(777)**	(4,855)
Tax losses not recognised	**17,256**	14,123
Tax charge at the Group's effective rate	**18,065**	6,615

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

The share of tax attributable to associates amounting to HK$20,986,000 (2007 — HK$376,491,000) is included in "Share of results of associates" on the face of the consolidated profit and loss account.

12. Results Attributable to Equity Holders of the Company

The consolidated results attributable to equity holders of the Company for the year included a profit of HK$5,218,000 (2007 — HK$49,274,000) which has been dealt with in the financial statements of the Company as set out in Note 32 to the financial statements.

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated loss for the year attributable to equity holders of the Company of HK$227,070,000 (2007 — profit of HK$1,267,271,000); and (ii) the weighted average number of 1,650,016,000 ordinary shares (2007 — 1,472,362,000 ordinary shares after adjusting for the rights issue which was completed in June 2008) in issue during the year.

(b) Diluted earnings/(loss) per share

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

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

14. Distributions

	Group and Company	
	2008 **HK$'000**	2007 HK$'000
Interim, declared and paid — HK1.75 cents (2007 — HK1.75 cents) per ordinary share	**31,819**	23,570
Final, proposed — Nil (2007 — HK5 cents, paid) per ordinary share	**—**	67,341
	31,819	90,911

15. Goodwill

	Group
	HK$'000
At 1st January, 2007, 31st December, 2007 and 31st December, 2008:	
Cost	**75,227**
Accumulated impairment	**(3,742)**
Net carrying amount	**71,485**

Impairment testing of goodwill

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

The recoverable amount of the banking business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projection is 5 per cent. (2007 — 5 per cent.). The growth rate used to extrapolate the cash flows of the banking business beyond the five-year period is assumed to be nil.

16. Fixed Assets

Group

2008	Leasehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:				
At 1st January, 2008	—	25,047	84,303	109,350
Additions during the year	—	14,218	1,948	16,166
Reclassified from properties under development	38,931	48,336	—	87,267
Disposal of subsidiaries	—	—	(8,536)	(8,536)
Disposals during the year	—	—	(172)	(172)
Exchange adjustments	(2,424)	(3,011)	129	(5,306)
At 31st December, 2008	36,507	84,590	77,672	198,769
Accumulated depreciation:				
At 1st January, 2008	—	1,022	63,518	64,540
Provided for the year	99	424	5,840	6,363
Disposal of subsidiaries	—	—	(4,405)	(4,405)
Disposals during the year	—	—	(154)	(154)
Exchange adjustments	(2)	(3)	(195)	(200)
At 31st December, 2008	97	1,443	64,604	66,144
Net book value:				
At 31st December, 2008	36,410	83,147	13,068	132,625

16. Fixed Assets (continued)

Group

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

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 outside Hong Kong	**95,783**	—
Medium term leasehold land and buildings situated outside Hong Kong	**23,774**	24,025
Total	**119,557**	24,025

16. Fixed Assets (continued)

Company

2008	Furniture, fixtures, equipment and motor vehicles HK$'000
Cost:	
At 1st January, 2008	**7,153**
Additions during the year	**6**
At 31st December, 2008	**7,159**
Accumulated depreciation:	
At 1st January, 2008	**4,444**
Provided for the year	**1,219**
At 31st December, 2008	**5,663**
Net book value:	
At 31st December, 2008	**1,496**
2007	
Cost:	
At 1st January, 2007	7,115
Additions during the year	38
At 31st December, 2007	7,153
Accumulated depreciation:	
At 1st January, 2007	3,145
Provided for the year	1,299
At 31st December, 2007	4,444
Net book value:	
At 31st December, 2007	2,709

17. Investment Properties

	Group	
	2008	2007
	HK$'000	HK$'000
Balance at beginning of year	**524,709**	1,136,256
Additions during the year	**49,672**	26,062
Disposal of a subsidiary	**(105,500)**	(668,585)
Fair value adjustments	**62,899**	25,106
Exchange adjustments	**(1,444)**	5,870
Balance at end of year	**530,336**	524,709
Investment properties held under the following lease terms:		
Leasehold *(Note)*	**502,877**	495,000
Freehold situated outside Hong Kong	**27,459**	29,709
	530,336	524,709

Note: The leasehold investment properties consisted of medium term leasehold land and buildings situated in Hong Kong, long term leasehold land and buildings situated in Hong Kong and medium term leasehold land and buildings situated outside Hong Kong of HK$19,500,000 (2007 — HK$19,500,000), nil (2007 — HK$105,500,000) and HK$483,377,000 (2007 — HK$370,000,000) respectively.

The investment property in Hong Kong was re-valued at HK$19,500,000 by reference to the actual disposal value of an investment property which was disposed to an independent third party based on a sale and purchase agreement entered into between an indirect subsidiary of the Company and the independent third party on 29th December, 2008. The transaction was completed subsequent to the balance sheet date.

Based on professional valuations as at 31st December, 2008 made by Professional Asset Valuers, Incorporated, Savills (Macau) Limited, CB Richard Ellis and Sichuan Dayon Real Estate Appraisal & Consultant Company Limited, independent qualified valuers, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK$510,836,000 (2007 — HK$399,709,000).

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

18. Properties under Development

	Group	
	2008	2007
	HK$'000	HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**212,271**	160,115
Additions during the year	**224,558**	42,127
Reclassified to fixed assets	**(87,267)**	—
Reclassified to properties held for sale	**(80,479)**	—
Exchange adjustments	**16,068**	10,029
Balance at end of year	**285,151**	212,271
Provisions for impairment losses:		
Balance at beginning of year	**(26,780)**	—
Reclassified to properties held for sale	**10,083**	—
Impairment during the year	**(9,089)**	(26,780)
Exchange adjustments	**117**	—
Balance at end of year	**(25,669)**	(26,780)
	259,482	185,491
Less: Amount classified under current portion	**—**	(47,725)
Non-current portion	**259,482**	137,766
Land and buildings situated outside Hong Kong held under the following lease terms:		
Long term land and buildings	**40,443**	99,362
Medium term land and buildings	**180,555**	—
Freehold	**38,484**	86,129
	259,482	185,491

19. Interests in Associates

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets in unlisted investments	**2,874,743**	3,028,004
Due from associates	**408,147**	445,002
	3,282,890	3,473,006
Provisions for impairment losses	**(21,409)**	(39,396)
	3,261,481	3,433,610

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

19. Interests in Associates (continued)

The 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.

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

	Group	
	2008 HK$'000	2007 HK$'000
Assets	**19,368,376**	17,611,597
Liabilities	**(9,997,818)**	(7,999,845)
Revenues	**895,596**	1,118,750
Profit/(Loss)	**(51,281)**	1,105,141

Details of the principal associates are set out on page 123.

20. Interests in Jointly Controlled Entities

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets in unlisted investments	**66,897**	23,945
Goodwill arising from acquisition less impairment	**—**	1,324
Due from jointly controlled entities	**188,568**	158,695
	255,465	183,964
Provision for impairment losses	**(534)**	—
	254,931	183,964

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

	Group	
	2008 HK$'000	2007 HK$'000
Cost	**1,324**	1,324
Impairment during the year	**(1,324)**	—
Net carrying amount at end of year	**—**	1,324

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

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

20. Interests in Jointly Controlled Entities (continued)

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

	Group	
	2008 HK$'000	2007 HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**659,970**	460,627
Non-current assets	**351**	436
Current liabilities	**(27,469)**	(26,189)
Non-current liabilities	**(378,232)**	(251,581)
Net assets	**254,620**	183,293
Share of the jointly controlled entities' results:		
Turnover	**14,418**	382
Total expenses	**(15,192)**	(2,356)
Loss after tax	**(774)**	(1,974)
Share of the jointly controlled entities' capital commitments	**20,399**	150,875

Details of the principal jointly controlled entities are set out on page 124.

21. Available-for-sale Financial Assets

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Financial assets stated at fair value:				
Debt securities listed overseas	**12,559**	—	**—**	—
Unlisted investment funds	**71,814**	119,967	**—**	—
	84,373	119,967	**—**	—
Financial assets stated at cost:				
Unlisted equity securities	**88,386**	79,602	**—**	—
Unlisted debt securities	**3,165**	12,118	**3,165**	3,165
Provision for impairment losses	**(85,019)**	(82,275)	**—**	—
	6,532	9,445	**3,165**	3,165
	90,905	129,412	**3,165**	3,165
Less: Amount classified under current portion	**—**	(2,454)	**—**	—
Non-current portion	**90,905**	126,958	**3,165**	3,165

21. Available-for-sale Financial Assets (continued)

The debt securities have effective interest rates ranging from nil to 10 per cent. (2007 — nil to 8 per cent.) per annum.

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Equity securities:				
Corporate entities	**88,386**	79,602	**—**	—
Debt securities:				
Club debenture	**3,165**	3,165	**3,165**	3,165
Corporate entities	**3,490**	8,953	**—**	—
Banks and other financial institutions	**9,069**	—	**—**	—
	15,724	12,118	**3,165**	3,165

During the year, the gross loss of the Group's available-for-sale financial assets recognised directly in equity amounted to HK$48,160,000 (2007 — gain of HK$22,129,000), of which gain of HK$1,719,000 (2007 — HK$1,306,000) was removed from equity and recognised in the consolidated profit and loss account for the year.

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

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

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. Impairment loss of HK$1,611,000 (2007 — Nil) has been charged to the consolidated profit and loss account for the year.

22. Held-to-maturity Financial Assets

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

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

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

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

23. Loans and Advances

The loans and advances to customers of the Group have effective interest rates ranging from 3 per cent. to 9 per cent. (2007 — 6 per cent. to 18 per cent.) per annum. The carrying amounts of loans and advances approximate to their fair values. Certain balances arising from securities broking and banking operation are secured by clients' properties, deposits and securities being held as collaterals with carrying amounts of HK$419,914,000 (2007 — HK$643,429,000).

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

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

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

24. Financial Assets at Fair Value Through Profit or Loss

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Equity securities:				
Listed in Hong Kong	**7,611**	66,080	**3,750**	29,663
Listed overseas	**2,141**	7,297	**1,457**	4,151
	9,752	73,377	**5,207**	33,814
Debt securities:				
Listed overseas	**–**	8,733	**–**	–
Investment funds:				
Listed overseas	**–**	31,498	**–**	–
Unlisted	**29,953**	278,901	**–**	–
	29,953	310,399	**–**	–
Other:				
Unlisted	**7,800**	6,299	**–**	–
	47,505	398,808	**5,207**	33,814

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities:				
Corporate entities	**9,752**	66,107	**5,207**	26,544
Banks and other financial institutions	**–**	7,270	**–**	7,270
	9,752	73,377	**5,207**	33,814
Debt securities:				
Corporate entities	**–**	8,733	**–**	–

25. Debtors, Prepayments and Deposits

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

	Group	
	2008	2007
	HK$'000	HK$'000
Outstanding balances with ages:		
Repayable on demand	**44,010**	44,416
Within 30 days	**19,162**	36,660
Between 31 and 60 days	**—**	272
Between 61 and 90 days	**—**	53
	63,172	81,401

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

As at 31st December, 2008, receivables of HK$15,874,000 (2007 — Nil) related to a property development project were impaired and provided for. Except for this, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

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

26. Bank and Other Borrowings

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans:				
Secured *(Note (a))*	**201,503**	265,914	**—**	60,000
Unsecured	**39,277**	21,747	**—**	—
	240,780	287,661	**—**	60,000
Other borrowings:				
Unsecured *(Note (b))*	**346,905**	525,978	**346,905**	525,978
	587,685	813,639	**346,905**	585,978
Less: Amount classified under current portion	**(386,182)**	(587,934)	**(346,905)**	(372,020)
Non-current portion	**201,503**	225,705	**—**	213,958
Bank and other borrowings by currency:				
Hong Kong dollar	**211,903**	433,958	**191,903**	273,958
United States dollar	**356,505**	367,934	**155,002**	312,020
Renminbi	**19,277**	11,747	**—**	—
	587,685	813,639	**346,905**	585,978
Bank loans repayable:				
Within one year	**39,277**	275,914	**—**	60,000
In the second year	**—**	11,747	**—**	—
In the third to fifth years, inclusive	**201,503**	—	**—**	—
	240,780	287,661	**—**	60,000
Other borrowings repayable:				
Within one year	**346,905**	312,020	**346,905**	312,020
In the second year	**—**	213,958	**—**	213,958
	346,905	525,978	**346,905**	525,978

The carrying amounts of the Group and Company's bank and other borrowings approximate to their fair values and bear interest at rates ranging from 1.6 per cent. to 6.0 per cent. (2007 — 4.2 per cent. to 7.5 per cent.) per annum.

26. Bank and Other Borrowings (continued)

Note:

(a) The bank loans as at 31st December, 2008 were secured by first legal mortgages over certain investment properties of the Group with carrying amounts of HK$410,000,000.

The bank loans at at 31st December, 2007 were secured by first legal mortgages over certain investment properties and certain securities of the Group with carrying amounts of HK$475,500,000 and HK$55,914,000, respectively.

(b) The Group's other borrowings as at 31st December, 2008 comprised of unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, and a third party, of HK$191,903,000 (2007 — HK$213,958,000) and HK$155,002,000 (2007 — HK$312,020,000), respectively. The loan advanced from Lippo is repayable on or before 30th June, 2009. The loan advanced from the third party was renewed for one additional year on terms mutually agreed with the lender and is repayable on or before 26th June, 2009.

27. Creditors, Accruals and Deposits Received

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

	Group	
	2008 **HK$'000**	2007 HK$'000
Outstanding balances with ages:		
Repayable on demand	**534,248**	767,208
Within 30 days	**19,319**	45,641
	553,567	812,849

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 31st December, 2008, total client trust bank balances amounted to HK$509,355,000 (2007 — HK$730,995,000).

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

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

The current, fixed, savings and other deposits of customers attributable to banking operation have effective interest rates ranging from 0.3 per cent. to 4.5 per cent. (2007 — 1.2 per cent. to 5.3 per cent.) per annum.

29. Deferred Tax

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

Group

	Depreciation allowance in excess of related depreciation HK$000	Revaluation of properties HK$000	Fair value gains on available-for-sale financial assets HK$000	Total HK$000
2008				
At 1st January, 2008	**554**	**20,400**	**7,957**	**28,911**
Deferred tax charged to the profit and loss account during the year	**(59)**	**11,322**	**—**	**11,263**
Effect of change of tax rate	**—**	**(94)**	**—**	**(94)**
Deferred tax credited to equity during the year *(Note 32)*	**—**	**—**	**(6,620)**	**(6,620)**
Disposal of subsidiaries	**—**	**(5,917)**	**—**	**(5,917)**
Exchange adjustments	**—**	**82**	**(17)**	**65**
At 31st December, 2008	**495**	**25,793**	**1,320**	**27,608**
2007				
At 1st January, 2007	188	50,062	7,957	58,207
Deferred tax charged to the profit and loss account during the year	363	552	—	915
Deferred tax credited to equity during the year *(Note 32)*	—	—	(26)	(26)
Disposal of subsidiaries	—	(30,416)	—	(30,416)
Exchange adjustments	3	202	26	231
At 31st December, 2007	554	20,400	7,957	28,911

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

	Group	
	2008 HK$'000	2007 HK$'000
Net deferred tax assets recognised in the consolidated balance sheet	**184**	—
Net deferred tax liabilities recognised in the consolidated balance sheet	**(27,792)**	(28,911)
	(27,608)	(28,911)

29. Deferred Tax (continued)

The Group has tax losses arising in Hong Kong of HK$142,836,000 (2007 — HK$131,708,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses at the balance sheet date due to the unpredictability of future profit streams.

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, jointly controlled entities or associates as the Group had no liability to additional tax should such amounts be remitted.

30. Share Capital

Shares

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2007 — 2,000,000,000) ordinary shares of HK$1.00 each	**4,000,000**	2,000,000
Issued and fully paid:		
1,818,185,927* (2007 — 1,346,829,094) ordinary shares of HK$1.00 each	**1,818,186**	1,346,829

* After taking into account 34,000 ordinary shares of HK$1.00 each repurchased prior to 31st December, 2008 and cancelled subsequent to the year end.

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

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company on 5th June, 2008, the authorised share capital of the Company was increased from HK$2,000,000,000 to HK$4,000,000,000 by the addition of 2,000,000,000 shares of HK$1.00 each, ranking pari passu in all respects with the existing share capital of the Company.

30. Share Capital (continued)

Shares (continued)

(b) A rights issue of new shares of the Company in the proportion of seven rights shares for every twenty shares held on 5th June, 2008 (the "Rights Issue") was made at an issue price of HK$1.00 per rights share, resulting in the issue of 471,390,178 shares of HK$1.00 each on 27th June, 2008 for a total cash consideration, before expenses, of approximately HK$471,390,000.

(c) A total of 655 ordinary shares of HK$1.00 each in the Company were issued during the year upon exercise in cash of the subscription rights attaching to the warrants of the Company in an aggregate amount of approximately HK$819 at the subscription price of HK$1.25 per share.

(d) The Company had repurchased a total of 34,000 ordinary shares of HK$1.00 each in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2008, all of which were subsequently cancelled in January 2009. The discount of HK$9,000 arising from such repurchase has been credited to the distributable reserves of the Company and an amount of HK$34,000 was transferred from distributable reserves to the capital redemption reserve as set out in Note 32 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.

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

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1st January, 2008	**1,346,829,094**	**1,346,829**	**50,988**	**1,397,817**
Rights Issue (b)	**471,390,178**	**471,390**	**—**	**471,390**
Share issue expenses (b) *(Note)*	**—**	**—**	**(7,462)**	**(7,462)**
Issue of shares upon exercise of warrants (c)	**655**	**1**	**—**	**1**
Repurchase of shares (d)	**(34,000)**	**(34)**	**—**	**(34)**
At 31st December, 2008	**1,818,185,927**	**1,818,186**	**43,526**	**1,861,712**

Note: The share issue expenses included an underwriting fee of HK$500,000 paid to Lippo Securities Limited, a wholly-owned subsidiary of the Company.

30. Share Capital (continued)

Warrants

During the year, a bonus issue of warrants (the "Warrants") of the Company was made on the basis of three Warrants for every seven rights shares pursuant to the Rights Issue, resulting in the issue of 202,024,362 units of Warrants with an aggregate subscription value of approximately HK$252,530,000 on 27th June, 2008. Each Warrant entitles the holder thereof to subscribe in cash for one ordinary share of HK$1.00 in the Company at the 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). During the year, 655 units of Warrants with an aggregate subscription value of approximately HK$819 were exercised for 655 ordinary shares of HK$1.00 each at a subscription price of HK$1.25 per share. At the balance sheet date, the Company had 202,023,707 units of Warrants outstanding with an aggregate subscription value of approximately HK$252,530,000. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 202,023,707 additional ordinary shares of HK$1.00 each of the Company.

31. 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, Lippo Limited, an intermediate holding company of the Company, and Lippo China Resources Limited, a former 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 directors, officers and/or employees of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Person") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which 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.

31. Share Option Scheme (continued)

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, 134,682,909 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 one per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company on the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; (ii) the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; and (iii) the nominal value of the shares of the Company on the date of grant of the option.

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 13,468,000 ordinary shares of HK$1.00 each in the Company (the "Shares") at an initial exercise price of HK$1.68 per Share (subject to adjustment). Due to the Rights Issue, adjustments were made to the number of Shares subject to the options of the Company and the exercise price, which was adjusted from HK$1.68 per Share to HK$1.24 per Share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

On 1st August, 2008, an option was granted under the Share Option Scheme without consideration to an Eligible Person to subscribe for 2,025,000 Shares at an exercise price of HK$1.00 per Share (subject to adjustment). Such option cannot be exercised from the date of grant to 31st July, 2009. Such option are 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$0.93 per Share.

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

31. Share Option Scheme (continued)

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

			Number of Option Shares			
Participants	Date of grant	Exercise price per Share HK$	Balance as at 1st January, 2008	Adjustment during the year#	Granted during the year	Balance as at 31st December, 2008
Directors:						
John Lee Luen Wai	17th December, 2007	1.24*	3,400,000	1,190,000	–	**4,590,000**
Leon Chan Nim Leung	17th December, 2007	1.24*	600,000	210,000	–	**810,000**
Kor Kee Yee	17th December, 2007	1.24*	450,000	157,500	–	**607,500**
Albert Saychuan Cheok	17th December, 2007	1.24*	450,000	157,500	–	**607,500**
Victor Yung Ha Kuk	17th December, 2007	1.24*	450,000	157,500	–	**607,500**
Tsui King Fai	17th December, 2007	1.24*	450,000	157,500	–	**607,500**
Employees *(Note)*	17th December, 2007	1.24*	5,568,000	1,948,800	–	**7,516,800**
Others	17th December, 2007	1.24*	2,100,000	735,000	–	**2,835,000**
	1st August, 2008	1.00	–	–	2,025,000	**2,025,000**
Total			13,468,000	4,713,800	2,025,000	**20,206,800**
Weighted average exercise price per Share (HK$)			1.68	1.24	1.00	**1.22**

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

\# adjustment due to the Rights Issue

Note: Employees refer to the employees of the Group as at 31st December, 2008 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

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

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme, save for those subject to the options granted but not yet exercised, is 114,476,109 Shares, representing approximately 6.3 per cent. of the existing issued share capital of the Company.

31. Share Option Scheme (continued)

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
18,181,800	**1.24***	**17th June, 2008 to 16th December, 2012**
2,025,000	**1.00**	**1st August, 2009 to 16th December, 2012**

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

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

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

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

	2008	2007
Dividend yield (per cent.)	**7.258**	4.037
Historical volatility (per cent.)	**47.78**	46.53
Risk-free interest rate (per cent.)	**3**	4
Expected life of options (year)	**4.5**	5
Weighted average share price (HK$)	**0.93**	1.61

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

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

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

At the balance sheet date, the Company had options outstanding under the Share Option Scheme to subscribe for a total of 20,206,800 Shares, representing approximately 1.1 per cent. of the then issued share capital of the Company. The exercise in full of the outstanding options would, under the capital structure of the Company as at the date of this report, result in the issue of 20,206,800 additional Shares and cash proceeds, before expenses, of approximately HK$24,570,000. In addition, the exercise in full of all these options would provide additional share capital of approximately HK$20,207,000 and share premium of approximately HK$4,363,000 (before issue expenses).

32. Reserves

Group

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve *(Note (d))* HK$'000	Legal reserve *(Note (e))* HK$'000	Regulatory reserve *(Note (f))* HK$'000	Investment revaluation reserve HK$'000	Distributable reserves *(Note (b))* HK$'000	Exchange equalisation reserves HK$'000	Total HK$'000	Minority interests HK$'000
2008										
At 1st January, 2008	**50,988**	**6,800**	**11,760**	**5,370**	**891**	**133,747**	**2,853,980**	**274,960**	**3,338,496**	**12,078**
Rights issue	**(6,962)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,962)**	**–**
Repurchase of shares	**–**	**–**	**34**	**–**	**–**	**–**	**(25)**	**–**	**9**	**–**
Net fair value loss on available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(48,160)**	**–**	**–**	**(48,160)**	**–**
Deferred tax arising from fair value loss on available-for-sale financial assets *(Note 29)*	**–**	**–**	**–**	**–**	**–**	**6,620**	**–**	**–**	**6,620**	**–**
Derecognition of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(1,719)**	**–**	**–**	**(1,719)**	**–**
Share of reserves of associates and jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**(94,605)**	**–**	**(10,515)**	**(105,120)**	**–**
Transfer of reserves	**–**	**–**	**–**	**1,426**	**–**	**–**	**(1,426)**	**–**	**–**	**–**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,697)**	**(4,697)**	**(447)**
Advance from a minority shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,884**
Investment in a subsidiary by a minority shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**165,551**
Deconsolidation of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,252)**	**(1,252)**	**(272)**
Equity-settled share option arrangements	**–**	**419**	**–**	**–**	**–**	**–**	**–**	**–**	**419**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(227,070)**	**–**	**(227,070)**	**(3,467)**
2007 final distribution, declared and paid	**–**	**–**	**–**	**–**	**–**	**–**	**(67,341)**	**–**	**(67,341)**	**–**
2008 interim distribution, declared and paid	**–**	**–**	**–**	**–**	**–**	**–**	**(31,819)**	**–**	**(31,819)**	**–**
At 31st December, 2008	**44,026**	**7,219**	**11,794**	**6,796**	**891**	**(4,117)**	**2,526,299**	**258,496**	**2,851,404**	**191,327**
2007										
At 1st January, 2007	50,988	–	11,760	3,960	1,264	36,960	1,678,657	61,986	1,845,575	99,285
Net fair value gain on available-for-sale financial assets	–	–	–	–	–	22,085	–	–	22,085	44
Deferred tax arising from fair value gain on available-for-sale financial assets *(Note 29)*	–	–	–	–	–	26	–	–	26	–
Derecognition of available-for-sale financial assets	–	–	–	–	–	(1,306)	–	–	(1,306)	–
Share of reserves of associates and jointly controlled entities	–	–	–	–	–	75,982	–	174,900	250,882	–
Transfer of reserves	–	–	–	1,410	(373)	–	(1,037)	–	–	–
Exchange realignment	–	–	–	–	–	–	–	49,637	49,637	(342)
Advances from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	74,554
Acquisition of shares in a subsidiary from a minority shareholder	–	–	–	–	–	–	–	–	–	(31,925)
Changes in interests in subsidiaries	–	–	–	–	–	–	–	–	–	392
Disposal of subsidiaries	–	–	–	–	–	–	–	(11,563)	(11,563)	(130,786)
Equity-settled share option arrangements	–	6,800	–	–	–	–	–	–	6,800	–
Profit for the year	–	–	–	–	–	–	1,267,271	–	1,267,271	856
2006 final distribution, declared and paid	–	–	–	–	–	–	(67,341)	–	(67,341)	–
2007 interim distribution, declared and paid	–	–	–	–	–	–	(23,570)	–	(23,570)	–
At 31st December, 2007	50,988	6,800	11,760	5,370	891	133,747	2,853,980	274,960	3,338,496	12,078

32. Reserves (continued)

Company

	Share premium account	Share option reserve	Capital redemption reserve *(Note (d))*	Distributable reserves *(Note (c))*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008					
At 1st January, 2008	**50,988**	**6,800**	**11,760**	**1,069,172**	**1,138,720**
Rights issue	**(7,462)**	**—**	**—**	**—**	**(7,462)**
Repurchase of shares	**—**	**—**	**34**	**(25)**	**9**
Equity-settled share option arrangements	**—**	**419**	**—**	**—**	**419**
Profit for the year *(Note 12)*	**—**	**—**	**—**	**5,218**	**5,218**
2007 final distribution, declared and paid	**—**	**—**	**—**	**(67,341)**	**(67,341)**
2008 interim distribution, declared and paid	**—**	**—**	**—**	**(31,819)**	**(31,819)**
At 31st December, 2008	**43,526**	**7,219**	**11,794**	**975,205**	**1,037,744**
2007					
At 1st January 2007	50,988	—	11,760	1,110,809	1,173,557
Equity-settled share option arrangements	—	6,800	—	—	6,800
Profit for the year *(Note 12)*	—	—	—	49,274	49,274
2006 final distribution, declared and paid	—	—	—	(67,341)	(67,341)
2007 interim distribution, declared and paid	—	—	—	(23,570)	(23,570)
At 31st December, 2007	50,988	6,800	11,760	1,069,172	1,138,720

Note:

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

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

(b) Distributable reserves of the Group at 31st December, 2008 comprise retained profits of HK$1,470,337,000 (2007 — HK$1,698,833,000) and the remaining balance arising from the Cancellation of HK$1,055,962,000 (2007 — HK$1,155,147,000). Included in the distributable reserves of the Group at 31st December, 2007 was an amount of proposed final distribution for the year then ended of HK$67,341,000 declared after the balance sheet date. No final distribution for 2008 was declared after the balance sheet date.

32. Reserves (continued)

Note: (continued)

(c) Distributable reserves of the Company at 31st December, 2008 comprise contributed surplus of HK$134,329,000 (2007 — HK$134,329,000), accumulated losses of HK$215,086,000 (2007 — HK$220,304,000) and the remaining balance arising from the Cancellation of HK$1,055,962,000 (2007 — HK$1,155,147,000). Included in the distributable reserves of the Company at 31st December, 2007 was an amount of proposed final distribution for the year then ended of HK$67,341,000 declared after the balance sheet date. No final distribution for 2008 was declared after the balance sheet date.

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

(e) 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.

(f) 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.

33. Interests in Subsidiaries

	Company	
	2008 **HK$'000**	2007 HK$'000
Unlisted shares, at cost	**44,953**	44,953
Due from subsidiaries	**3,818,682**	3,768,679
Due to subsidiaries	**(764,637)**	(661,541)
	3,098,998	3,152,091
Provisions for impairment losses	**(110,103)**	(103,569)
	2,988,895	3,048,522

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

Details of the principal subsidiaries are set out on pages 119 to 122.

34. Notes to the Consolidated Cash Flow Statement

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

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Profit/(Loss) before tax		**(212,472)**	1,274,742
Adjustments for:			
Share of results of associates		**36,191**	(1,110,830)
Share of results of jointly controlled entities		**774**	1,974
Loss/(Gain) on disposal of:			
Fixed assets	6	**(2)**	445
Available-for-sale financial assets		**(5,988)**	(724)
Subsidiaries	34(b)	**(7,417)**	(101,956)
Associates		**—**	(57,620)
Loss on changes in interests in subsidiaries		**—**	1,053
Allowance/(Write-back of allowance) for bad and doubtful debts		**21,603**	(128)
Provisions for/(Write-back of) impairment losses:			
Associates		**(18,000)**	23,008
Available-for-sale financial assets	6	**1,611**	—
Properties held for sale		**389**	10,090
Properties under development		**9,089**	26,780
A jointly controlled entity	6	**1,858**	—
Net fair value loss/(gain) on financial assets at fair value through profit or loss		**151,161**	(52,276)
Fair value gains on investment properties		**(62,899)**	(25,106)
Share options	6	**419**	6,800
Finance costs	9	**26,038**	70,674
Interest income		**(24,946)**	(35,192)
Dividend income		**(1,769)**	(6,521)
Depreciation	6	**6,363**	7,509
		(77,997)	32,722
Decrease in financial assets at fair value through profit or loss		**191,852**	474,493
Decrease in held-to-maturity financial assets		**105**	10
Decrease/(Increase) in properties held for sale		**67,721**	(577)
Decrease in loans and advances		**56,304**	35,642
Decrease in debtors, prepayments and deposits		**34,342**	11,472
Decrease/(Increase) in client trust bank balances		**216,917**	(148,090)
Increase/(Decrease) in creditors, accruals and deposit received		**(260,821)**	62,381
Decrease in current, fixed, savings and other deposits of customers		**(32,003)**	(140,298)
Cash generated from operations		**196,420**	327,755

34. Notes to the Consolidated Cash Flow Statement (continued)

(b) Disposal of subsidiaries

	Group	
	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Fixed assets	**4,131**	—
Investment properties	**105,500**	668,585
Cash and bank balances	**1,152**	25,813
Debtors, prepayments and deposits	**9,651**	124
Creditors and accruals	**(7,621)**	(9,545)
Deferred tax liabilities	**(5,917)**	(30,416)
Release of exchange equalisation reserve	**(1,252)**	(11,563)
Minority interests	**(272)**	(130,786)
	105,372	512,212
Gain on disposal of subsidiaries	**7,417**	101,956
	112,789	614,168
Satisfied by:		
Cash	**106,132**	614,168
Increase in interests in associates	**6,657**	—
	112,789	614,168

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

	Group	
	2008 HK$'000	2007 HK$'000
Cash consideration	**106,132**	614,168
Cash and bank balances disposed of	**(1,152)**	(25,813)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**104,980**	588,355

35. Contingent Liabilities

Group

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

Company

As at 31st December, 2008, guarantees provided by the Company in respect of banking facilities granted to its subsidiaries amounted to HK$576,179,000 (2007 — HK$478,859,000), which were utilised to an extent of HK$240,780,000 (2007 — HK$171,747,000).

36. Operating Lease Arrangements

(a) As lessor

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

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	**1,374**	5,959
In the second to fifth years, inclusive	**153**	1,073
	1,527	7,032

(b) As lessee

The Group leases certain properties under lease agreements which are non-cancellable. The leases expire on various dates until 31st July, 2011 and the leases for properties contain provision for rental adjustments. As at 31st December, 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Within one year	**19,606**	12,479	**3,396**	1,389
In the second to fifth years, inclusive	**21,328**	6,062	**2,405**	—
	40,934	18,541	**5,801**	1,389

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	**51,558**	41,358
Other capital commitments:		
Contracted, but not provided for *(Note)*	**68,390**	382,888
	119,948	424,246

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

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

38. Related Party Transactions

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

(a) During the year, Lippo Securities Holdings Limited ("LSHL"), being a wholly-owned subsidiary of the Company, paid rental expenses of HK$2,709,000 (2007 — HK$4,556,000) to Prime Power Investment Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by LSHL, and the Company paid rental expenses of HK$2,379,000 (2007 — HK$1,961,000) to Porbandar Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The above rentals were determined by reference to open market rentals.

(b) During the year, Impac Asset Management (HK) Limited, being a wholly-owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounting to HK$11,349,000 (2007 — HK$11,349,000).

(c) During the year, the Company paid finance cost to Lippo of HK$10,107,000 (2007 — HK$8,152,000) in respect of the loan advanced to the Company. The balance of which is set out in Note 26 to the financial statements.

(d) During the year, Lippo Realty (Singapore) Pte. Limited, being a wholly-owned subsidiary of the Company, received project management incomes of HK$15,456,000 (2007 — HK$5,767,000) and HK$1,795,000 (2007 — HK$600,000) from associates and jointly controlled entities of the Group, respectively.

(e) As at 31st December, 2008, the Group had balances with its associates and jointly controlled entities as set out in Notes 19 and 20, respectively, to the financial statements.

The transactions in respect of item (a) above are continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the transactions are disclosed in the section headed "Continuing Connected Transactions" in the Report of the Directors.

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
At 31st December, 2008

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Held-to-maturity financial assets HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amount due from a jointly controlled entity	–	–	3,974	–	3,974
Held-to-maturity financial assets	–	9,467	–	–	9,467
Available-for-sale financial assets	–	–	–	90,905	90,905
Financial assets at fair value through profit or loss	47,505	–	–	–	47,505
Loans and advances	–	–	202,449	–	202,449
Debtors and deposits	–	–	95,067	–	95,067
Client trust bank balances	–	–	509,355	–	509,355
Cash and bank balances	–	–	743,112	–	743,112
	47,505	9,467	1,553,957	90,905	1,701,834

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	587,685
Creditors, accruals and deposits received	606,140
Current, fixed, savings and other deposits of customers	133,220
	1,327,045

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

At 31st December, 2007

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Held-to-maturity financial assets HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amount due from a jointly controlled entity	—	—	4,000	—	4,000
Held-to-maturity financial assets	–	9,572	–	–	9,572
Available-for-sale financial assets	–	–	–	129,412	129,412
Financial assets at fair value through profit or loss	398,808	–	–	–	398,808
Loans and advances	–	–	265,216	–	265,216
Debtors and deposits	–	–	168,524	–	168,524
Client trust bank balances	–	–	730,995	–	730,995
Treasury bills	–	–	34,920	–	34,920
Cash and bank balances	–	–	399,663	–	399,663
	398,808	9,572	1,603,318	129,412	2,141,110

Financial liabilities

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

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
At 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
Available-for-sale financial assets	–	–	3,165	3,165
Financial assets at fair value through profit or loss	5,207	–	–	5,207
Debtors and deposits	–	1,436	–	1,436
Cash and bank balances	–	234,618	–	234,618
	5,207	236,054	3,165	244,426

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	346,905
Creditors, accruals and deposits received	34,615
	381,520

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

At 31st December, 2007

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	3,165	3,165
Financial assets at fair value through profit or loss	33,814	—	—	33,814
Debtors and deposits	—	980	—	980
Cash and bank balances	—	13,559	—	13,559
	33,814	14,539	3,165	51,518

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	585,978
Creditors, accruals and deposits received	31,706
	617,684

40. Financial Risk Management Objectives and Policies

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

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

(a) Credit risk

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

The credit policies for banking and margin lending businesses set out in details the credit approval and monitoring mechanism, the loan classification criteria and provision policy. Credit approval is conducted in accordance with the credit policies, taking into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Day-to-day credit management is performed by management of individual business units.

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

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

	Group	
	2008 **HK$'000**	2007 HK$'000
By geographical area:		
Hong Kong	**85,791**	197,713
Republic of Singapore	**18,522**	176
Macau	**154,142**	132,357
Europe	**—**	1,338
Others	**7,166**	15,033
	265,621	346,617

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

40. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity risk

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

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources. 66 per cent. of the Group's debts would mature in less than one year as at 31st December, 2008 (2007 — 72 per cent.) based on the carrying values of bank and other borrowings.

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

Group

	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Undated HK$'000	Total HK$'000
At 31st December, 2008							
Assets							
Amount due from a jointly controlled entity	–	–	–	–	–	3,974	3,974
Debt securities:							
Held-to-maturity financial assets	–	–	–	–	9,467	–	9,467
Available-for-sale financial assets	–	–	–	–	–	15,724	15,724
Loans and advances	114,477	30,514	16,399	17,364	23,695	–	202,449
Debtors and deposits	45,253	23,001	273	–	–	26,540	95,067
Client trust bank balances	157,023	352,332	–	–	–	–	509,355
Cash and bank balances	240,840	502,272	–	–	–	–	743,112
	557,593	908,119	16,672	17,364	33,162	46,238	1,579,148
Liabilities							
Bank and other borrowings	–	20,000	366,182	201,503	–	–	587,685
Creditors, accruals and deposits received	534,969	50,221	5,325	420	–	15,205	606,140
Current, fixed, savings and other deposits of customers	101,153	27,120	4,947	–	–	–	133,220
	636,122	97,341	376,454	201,923	–	15,205	1,327,045

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: (continued)

Group

	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Undated HK$'000	Total HK$'000
At 31st December, 2007							
Assets							
Amount due from a jointly controlled entity	–	–	–	–	–	4,000	4,000
Debt securities:							
Held-to-maturity financial assets	–	–	–	–	9,572	–	9,572
Available-for-sale financial assets	–	–	8,953	–	–	3,165	12,118
Financial assets at fair value through profit or loss	–	–	–	–	880	7,853	8,733
Loans and advances	176,821	43,540	16,971	13,134	14,750	–	265,216
Debtors and deposits	46,864	38,743	1,637	–	–	81,280	168,524
Client trust bank balances	92,151	638,844	–	–	–	–	730,995
Treasury bills	–	34,920	–	–	–	–	34,920
Cash and bank balances	174,248	225,415	–	–	–	–	399,663
	490,084	981,462	27,561	13,134	25,202	96,298	1,633,741
Liabilities							
Bank and other borrowings	–	275,914	312,020	225,705	–	–	813,639
Creditors, accruals and deposits received	767,560	63,059	10,568	1,311	–	34,872	877,370
Current, fixed, savings and other deposits of customers	142,299	18,121	4,803	–	–	–	165,223
	909,859	357,094	327,391	227,016	–	34,872	1,856,232

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	Undated HK$'000	Total HK$'000
At 31st December, 2008						
Assets						
Debt securities:						
Available-for-sale financial assets	–	–	–	–	3,165	3,165
Debtors and deposits	–	40	–	–	1,396	1,436
Cash and bank balances	4,249	230,369	–	–	–	234,618
	4,249	230,409	–	–	4,561	239,219
Liabilities						
Bank and other borrowings	–	–	346,905	–	–	346,905
Creditors, accruals and deposits received	–	23,430	4,841	–	6,344	34,615
	–	23,430	351,746	–	6,344	381,520
At 31st December, 2007						
Assets						
Debt securities:						
Available-for-sale financial assets	–	–	–	–	3,165	3,165
Debtors and deposits	–	–	–	–	980	980
Cash and bank balances	2,835	10,724	–	–	–	13,559
	2,835	10,724	–	–	4,145	17,704
Liabilities						
Bank and other borrowings	–	60,000	312,020	213,958	–	585,978
Creditors, accruals and deposits received	–	37	10,084	–	21,585	31,706
	–	60,037	322,104	213,958	21,585	617,684

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 and equity (through the impact on interest-bearing monetary assets and liabilities).

	2008			2007		
	Increase/ Decrease in basis points	**Increase/ (Decrease) in profit before tax HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Increase/ Decrease in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
Group						
Hong Kong dollar	**+50**	**(2,775)**	**(2,775)**	+50	(7,597)	(7,597)
United States dollar	**+50**	**(13)**	**(459)**	+50	(336)	(336)
Singapore dollar	**+50**	**383**	**383**	+50	223	223
Hong Kong dollar	**–50**	**2,775**	**2,775**	–50	7,597	7,597
United States dollar	**–50**	**13**	**811**	–50	336	336
Singapore dollar	**–50**	**(383)**	**(383)**	–50	(223)	(223)
Company						
Hong Kong dollar	**+50**	**(565)**	**(565)**	+50	(2,228)	(2,228)
United States dollar	**+50**	**(529)**	**(529)**	+50	(798)	(798)
Singapore dollar	**+50**	**2**	**2**	+50	38	38
Hong Kong dollar	**–50**	**565**	**565**	–50	2,228	2,228
United States dollar	**–50**	**529**	**529**	–50	798	798
Singapore dollar	**–50**	**(2)**	**(2)**	–50	(38)	(38)

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 Stated 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.)	**5,037**	2,970
— weakened 3 per cent. (2007 — 3 per cent.)	**(5,037)**	(2,970)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2007 — 3 per cent.)	**(514)**	584
— weakened 3 per cent. (2007 — 3 per cent.)	**514**	(584)
Company		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2007 — 3 per cent.)	**(905)**	(9,325)
— weakened 3 per cent. (2007 — 3 per cent.)	**905**	9,325
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2007 — 3 per cent.)	**(618)**	351
— weakened 3 per cent. (2007 — 3 per cent.)	**618**	(351)

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

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 21) 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 Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the balance sheet date.

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

	31st December, 2008	**High/Low 2008**	31st December, 2007	High/Low 2007
Hong Kong — Hang Seng Index	**14,387**	**27,854/10,676**	27,812	31,638/18,664
Singapore — Straits Times Index	**1,762**	**3,475/1,474**	3,482	3,865/2,961

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 values of the investment portfolios is capped within an acceptable range.

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

	Carrying amount HK$'000	**VaR HK$'000**
2008		
Financial assets:		
Hong Kong	**7,611**	**1,024**
Republic of Singapore	**1,457**	**219**
Global and other	**110,251**	**5,034**
2007		
Financial assets:		
Hong Kong	66,080	7,973
Republic of Singapore	4,151	490
Global and other	448,544	9,018

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.

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

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

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

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

	Group	
	2008 **HK$'000**	2007 HK$'000
Bank and other borrowings *(Note 26)*	**587,685**	813,639
Equity attributable to the equity holders of the Company	**4,669,590**	4,685,325
Gearing ratio	**13 per cent.**	17 per cent.

41. Post Balance Sheet Event

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

42. 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.

43. Approval of the Financial Statements

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

Particulars of principal subsidiaries as at 31st December, 2008 are as set out below.

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield Limited	British Virgin Islands	US$1	—	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US$1	—	100	Property investment
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US$3,000,000*	—	100	Property investment and management
Choregeo Pte. Ltd.**	Republic of Singapore	S$1,000,000	—	100	Property investment
Conrich Inc.	British Virgin Islands	US$1	—	100	Investment holding
Cony Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Investments
Cyberspot Limited	British Virgin Islands	US$1	—	100	Investment holding
Cyfield Limited	British Virgin Islands	US$1	—	100	Property investment
Everbest Pacific Ltd.	British Virgin Islands	US$1	—	100	Investments
Everwin Pacific Ltd.	British Virgin Islands	US$1	—	100	Property investment
Fiatsco Limited	British Virgin Islands	US$1	—	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	—	100	Property investment
Goldlux Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Goldsney Investment Limited	Hong Kong	HK$2	—	100	Securities investment
Grand Fusion Limited	British Virgin Islands	US$1	—	100	Investments
Green Lane Limited	British Virgin Islands	US$1	—	100	Investment holding
HKC Property Investment Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
HKC Realty LLC**	United States of America	US$2,250,000*	—	100	Property investment
HKCL Investments Limited	British Virgin Islands	US$1	100	100	Investment holding

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Hong Kong Housing Loan Limited	Hong Kong	HK$40,000,000	—	100	Money lending
ImPac Asset Management (HK) Limited	Hong Kong	HK$8,500,000	—	100	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US$2,000,100	—	100	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US$13,000	—	100	Fund management
Kenda Limited *(carry on business in Hong Kong as Kenda Property Holding Limited)*	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Lifepower Limited	British Virgin Islands	US$1	—	100	Investment holding
Lippo Asia Limited	Hong Kong	HK$120,000,000	—	100	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK$400,000	—	100	Fund management
Lippo Futures Limited	Hong Kong	US$2,000,000	—	100	Commodities brokerage
Lippo Hospital Management Inc.	British Virgin Islands	US$1	—	100	Investment holding
Lippo Investments Management Limited	Hong Kong	HK$15,000,000	—	100	Fund management
Lippo Medical Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S$2	—	100	Project management
Lippo Securities Holdings Limited	Hong Kong	US$23,000,000	—	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	—	100	Investment holding

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Lippo Securities Limited	Hong Kong	HK$220,000,000	—	100	Securities brokerage
Lippo (S) Pte. Ltd.**	Republic of Singapore	S$2,000,000	—	100	Property investment
L.S. Finance Limited	Hong Kong	HK$5,000,000	—	100	Money lending
Masta Limited	British Virgin Islands	US$1	—	100	Investment holding
Masuda Limited	British Virgin Islands	US$10,000	—	100	Investment holding
MGS Ltd.	British Virgin Islands	US$1	—	100	Investment holding
Norfyork International Limited	Hong Kong	HK$25,000,000	—	100	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Pacific Bond Limited	British Virgin Islands	US$1	—	100	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US$1	—	100	Investments
Redsun Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Rosery Inc.	British Virgin Islands	US$1	—	100	Investment holding
Sinogain Asia Limited	British Virgin Islands	US$1	—	100	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investments
Skyblue International Limited	British Virgin Islands	US$1	—	100	Investments
Stargala Limited	British Virgin Islands	US$1	—	100	Property investment
The Macau Chinese Bank Limited**	Macau	MOP180,000,000	—	100	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US$1	—	100	Investments
Uchida Limited	British Virgin Islands	US$1	—	100	Investment holding

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital		Percentage of equity attributable to the Company/Group (unless otherwise stated)#	Principal activities
Wealtop Limited	British Virgin Islands	US$1	—	100	Investment holding
Winluck Asia Limited	British Virgin Islands	US$1	—	100	Property investment
Winluck Pacific Limited	British Virgin Islands	US$1	—	100	Property investment
Winrider Limited	British Virgin Islands	US$1	—	100	Investment holding
Winsite Limited	British Virgin Islands	US$1	—	100	Investments
Winus Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Yield Point Limited	British Virgin Islands	US$1	—	100	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)**	People's Republic of China	US$5,400,000*	—	85.70	Property investment
TechnoSolve Limited	Hong Kong	HK$26,296,000	—	68.65	Development of computer hardware and software
科慧（珠海）軟件有限公司**	People's Republic of China	RMB80,000*	—	68.65	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US$100	—	60	Investment holding
Four Prosperity Holdings Limited	British Virgin Islands	US$40,816	—	51	Investment holding

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

Note:

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

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

Particulars of principal associates as at 31st December, 2008 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Greenix Limited	Corporate	British Virgin Islands	US$100,000	50	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US$100	49	Investment management
Grosswin Limited	Corporate	British Virgin Islands	US$10,000	45	Investment holding
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US$15,036.58	39.90	Investment holding
Lippo ASM Asia Property LP**	Limited partnership	Cayman Islands	N/A	N/A	Property-related investment

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

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

Note:

S$ – Singapore dollars
US$ – United States dollars

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

Particulars of principal jointly controlled entities as at 31st December, 2008 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Sunning Asia Limited	Corporate	British Virgin Islands	US$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	50	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US$18,323,814	30	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S$25,225,736	30	Property development

represents the effective holding of the Group after minority interests therein

Note:

S$ – Singapore dollars
US$ – United States dollars

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

Description	Use	Approximate gross floor area *(square metres)*	Status	Percentage of the Group's interest
HONG KONG				
House 17 Siena Two B Discovery Bay Lantau Island *(Note)*	Residential	202.5	Rental	100
Note: The property was subsequently sold in February 2009.				
PEOPLE'S REPUBLIC OF CHINA				
5 floors of Unit 1, Building 1 No. 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	100
OVERSEAS				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	100
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	100
83 Estrada de Cacilhas Macau	Non-industrial	3,623	Vacant site for development	100

(2) Property Held as Fixed Assets as at 31st December, 2008

Description	Use	Approximate gross floor area *(square metres)*	Percentage of the Group's interest
OVERSEAS			
The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	4,146.9	100
Lots 1362W & 1363V (Plot B9A-4/5) Ocean Drive, Sentosa Cove, Singapore	Residential	797	100
Apartment No. 2 Blumenthalstrasse 22 69120 Heidelberg, Germany	Residential	153 (net floor area)	100

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

Description	Use	Approximate site area *(square metres)*	Approximate gross floor area *(square metres)*	Percentage of the Group's interest	Estimated completion date	Stage of development at 31st December, 2008
PEOPLE'S REPUBLIC OF CHINA						
Land Lot No. 4C1, Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Multi-use	51,209	270,000	85.7	2012	Under planning stage
OVERSEAS						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land
Moo 4, Yamu Village Ror Por Chor 4003 Road Pa Klog Subdistrict Thalang District Phuket Province Thailand	Residential	27,292	6,344	50	Late 2009/ Early 2010	Under construction
Lots 1342L & 1343C (Plot B8B-5/6) Ocean Drive Sentosa Cove Singapore	Residential	1,400	698	100	2009	Under construction

(4) Property Held for Sale as at 31st December, 2008

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

Summary of Financial Information

A summary of the results and of the assets and liabilities and minority interest 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	**(227,070)**	1,267,271	391,472	111,761	(64,957)
Total assets	**6,224,911**	6,593,582	5,985,984	3,652,523	3,608,806
Total liabilities	**(1,363,994)**	(1,896,179)	(2,694,295)	(791,428)	(873,502)
Net assets	**4,860,917**	4,697,403	3,291,689	2,861,095	2,735,304
Minority interests	**(191,327)**	(12,078)	(99,285)	(32,079)	(30,204)
	4,669,590	4,685,325	3,192,404	2,829,016	2,705,100

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

Set out below is a pro forma combined balance sheet of the Group's affiliates as at 31st December, 2008 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	Pro forma combined balance sheet as at 31st December, 2008 HK$'000	Group's attributable interest as at 31st December, 2008 HK$'000
Intangible assets	**987,907**	987,907
Fixed assets	**2,774,659**	2,762,210
Investment properties	**4,448,058**	4,448,058
Properties under development	**7,005,022**	5,739,431
Interests in associates	**3,735,433**	3,735,433
Available-for-sale financial assets	**336,858**	336,858
Debtors, prepayments and deposits	**91,271**	73,203
Cash and bank balances	**1,274,687**	1,157,230
Creditors, accruals and deposits received	**(499,420)**	(441,535)
Bank and other borrowings	**(8,675,225)**	(7,851,746)
Tax payable	**(159,507)**	(159,507)
Shareholders' advance	**(1,081,548)**	(597,127)
Deferred tax liabilities	**(768,514)**	(768,514)
Other net assets	**35,124**	33,222
	9,504,805	9,455,123

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