



Lippo Limited

力寶有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 226)



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Corporate Information

Honorary Chairman*

Dr. Mochtar Riady

Board of Directors

Executive Directors

Mr. Stephen Tjondro Riady (*Chairman*)

Mr. John Luen Wai Lee, J.P.

(*Managing Director and
Chief Executive Officer*)

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

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

Committees

Audit Committee

Mr. Victor Ha Kuk Yung (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

Mr. King Fai Tsui

Remuneration Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Tjondro Riady

Nomination Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Tjondro Riady

Secretary

Mr. Davy Kwok Fai Lee

Auditors

Ernst & Young

Principal Bankers

CITIC Ka Wah Bank Limited

Fubon Bank (Hong Kong) Limited

Chong Hing Bank Limited

The Bank of East Asia, Limited

Raiffeisen Zentralbank Österreich AG,

Singapore Branch

Agricultural Bank of China, Shanghai Branch

Solicitors

Richards Butler

(in association with Reed Smith LLP)

Registrars

Tricor Progressive Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Registered Office

24th Floor, Tower One

Lippo Centre

89 Queensway

Hong Kong

Stock Code

226

Warrant Code

744

Website

www.lippold.com.hk

* non-officer position

Chairman's Statement

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

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

Results

During the year, the Company profited from the completion of two residential development projects in Singapore. However, this was offset by the net fair value loss of the property portfolio of the Group's associates. As a result, the Company recorded a consolidated profit attributable to shareholders of approximately HK\$1.3 million for the year ended 31st December, 2009, as compared with a loss of HK\$337 million for the year ended 31st December, 2008.

Prospects

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

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

Acknowledgement

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

Stephen Tjondro Riady

Chairman

9th April, 2010

Chief Executive Officer's Report

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

Business Review

Overview

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

Results

During the year, the performance of the Group was also affected by the economic conditions of the countries and locations where the Group had operations. The Company recorded a consolidated profit attributable to shareholders of approximately HK\$1.3 million for the year ended 31st December, 2009, as compared with a loss of HK\$337 million for the year ended 31st December, 2008. The performance of Lippo China Resources Limited (“LCR”, together with its subsidiaries, the “LCR Group”), a 71.21 per cent. listed subsidiary of the Company, was satisfactory during the year. It achieved a consolidated profit attributable to shareholders of approximately HK\$324 million for the year ended 31st December, 2009, as compared with a loss of HK\$397 million for the year ended 31st December, 2008. As a result of economic uncertainty and depressed markets, the performance of Hongkong Chinese Limited (“HKC”, together with its subsidiaries, the “HKC Group”), a 55.83 per cent. listed subsidiary of the Company, was affected and recorded a consolidated loss attributable to shareholders of approximately HK\$326 million for the year ended 31st December, 2009, as compared to a loss of HK\$227 million for the year ended 31st December, 2008. The loss was mainly attributable to net fair value loss of the property portfolio of the HKC Group's associates.

Property investment and development

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



Lippo Plaza at Huaihai Zhong Road, Shanghai, the PRC

Chief Executive Officer's Report (continued)



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



Infrastructural construction works at Woonbook Project in Incheon Free Economic Zone, Korea are in progress

Infrastructural construction works for the development at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the "Woonbook Project"), in which the Group is interested in approximately 47.9 per cent., are in progress and are scheduled to be completed in 2010. Marketing of the Woonbook Project has commenced. The Woonbook Project, located in the Incheon Free Economic Zone of Korea, involves the development, construction and management of a residential, leisure and business complex with an approved total gross floor area of approximately three million square metres. It will be completed in phases, and is intended to be a self-contained community with residential properties, shopping malls, hospital, schools, hotels and a business town.

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

Construction works for Marina Collection, in which the HKC Group has a 50 per cent. interest, are underway and it is scheduled to be completed around end of 2010. Marina Collection is located at Sentosa Cove, Sentosa Island, Singapore with a site area of approximately 22,221 square metres. It will provide one hundred and twenty four high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres. Pre-sale of the residential units has been launching. With the opening of the casino and recreational and resort complex in the vicinity, the HKC Group is optimistic about the prospects of this project.



Newton One, a property development project in Singapore



The Metropolitan Condominium, a property development project in Singapore

Chief Executive Officer's Report (continued)



Centennia Suites, a property development project in Singapore



Lippo Tower in Chengdu, the PRC

The HKC Group also has a 50 per cent. interest in a site located at 100 Kim Seng Road, Singapore. The site, with an area of approximately 5,611 square metres, will be re-developed into a residential development (now named as Centennia Suites) with a total saleable area of approximately 16,182 square metres. Pre-sale of the residential units has been launched recently and the response is encouraging. This project is scheduled to be completed in 2014.

The HKC Group has a 30 per cent. interest in a site located at 53 Holland Road, Singapore. It is planned to develop the site, with an area of approximately 3,376 square metres, into a luxury residential development (now named as The Holland Collection) with a total saleable area of approximately 5,497 square metres. It is expected that this project will be completed around end of 2011.



The Holland Collection, a property development project in Singapore

Lippo ASM Asia Property LP ("LAAP") of which a wholly-owned subsidiary of HKC is the limited partner, is a property fund set up in 2005 with the investment objective of investing in real estate in the Asia region. As at the end of 2009, LAAP, through its ownership interest in a joint venture, held a majority stake in 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 like One Raffles Place as well as hotels in the Asia region, including the Mandarin Orchard Hotel in Singapore. Renovation of Mandarin Gallery at the Mandarin Orchard Hotel had been completed. Mandarin Gallery, which was upgraded to a premier luxury retail mall, has achieved full occupancy. These high quality properties are able to generate substantial, stable and recurring income for OUE. In March 2010, LAAP acquired the direct and indirect interest in OUE held by a joint venture partner, which increased its controlling stake in OUE to approximately 88.52 per cent.

Chief Executive Officer's Report (continued)



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

The HKC Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) (the “BDA Project”), in which the HKC Group has an 85.7 per cent. interest. With a total site area of approximately 51,209 square metres, the current development plan for BDA Project comprises office buildings, residential apartments, retail portions and car parks with a total construction floor area of about 270,000 square metres, including basements. Site preparation work of the BDA Project is in progress. The BDA Project has attracted strong interests from commercial entities operating in mainland China. Subject to the approval of the PRC government authority, the HKC Group’s interest in the BDA Project will be slightly reduced to 80 per cent. when the outlay payable to the PRC joint venture partner is reduced correspondingly.

The Group will continue to be watchful of market developments and will manage its portfolio with a continuing focus on improving overall asset quality.

Retail business

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



Second anniversary ceremony of Robbinz Department Store



Robbinz Department Store in Tianjin, the PRC



Robbinz Department Store in Chengdu, the PRC



Robbinz Department Store in Yangzhou, the PRC

Chief Executive Officer's Report *(continued)*

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



A food court at Great World City, Singapore



Délifrance, Singapore



Malone's American Café in Shanghai, the PRC



TETSU, a Japanese restaurant in Singapore

Chief Executive Officer's Report *(continued)*

Prospects

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

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

John Luen Wai Lee

Chief Executive Officer

Hong Kong, 9th April, 2010

Discussion and Analysis of Annual Results

The impact of the global financial crisis continued to persist in 2009. The global investment environment remained challenging despite there being some signs of recovery. The pace of economic recovery varied across industry sectors and regions. The property markets in Singapore, where the Group has substantial investments, and in other Asian countries remained sluggish and uncertain. However, due to the stabilisation and rebound of local property market since the second quarter of 2009 and the completion of the two development projects in Singapore, the Group reported a profit attributable to shareholders of HK\$1.3 million (2008 – loss of HK\$337 million).

Results for the year

Turnover for the year 2009 totalled HK\$1,455 million (2008 – HK\$579 million). Property investment and development as well as retail business were the principal sources of revenue of the Group.

Property development

Temporary occupation permit of Newton One, in which Lippo China Resources Limited (“LCR”, a listed subsidiary of the Company) was interested in 100 per cent., had been obtained in June 2009. All the units had been handed over to the purchasers and the property development business recorded a revenue of HK\$978 million in 2009 (2008 – HK\$84 million), with a profit of HK\$235 million (2008 – loss of HK\$107 million). Another property development project in Singapore, The Metropolitan Condominium which is a 50:50 joint venture development between LCR and CapitaLand Limited, was also completed during 2009 with all the units handed over to the purchasers. As a result, the Group registered a share of profit of HK\$208 million.

The Group is interested in approximately 47.9 per cent. of a development project at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the “Woonbook Project”). This is a comprehensive property project to be developed into a self-contained community with an approved total gross floor area of approximately three million square metres. Infrastructural construction works are in progress.

Additionally, the Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore, Thailand and Japan. In Singapore, the Marina Collection, a joint venture development in Sentosa Cove in which Hongkong Chinese Limited (“HKC”, a listed subsidiary of the Company) has 50 per cent. interest, is scheduled for completion around end of 2010. Pre-sale has been launched and revenue is expected to be recognised upon completion. Other projects include the development at Holland Road and Kim Seng Road in Singapore and the Beijing Economic-Technological Development Area in mainland China.

Property investment

Property investment business continued to provide stable and recurrent revenue to the Group. The rental income of Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, being the landmarks of the Group in Hong Kong and in mainland China respectively registered a decrease of 5 per cent. and 13 per cent., which were resulting from downward adjustments on local office leasing market and renovation of the shopping mall in Lippo Plaza in Shanghai, respectively. The shopping mall in Lippo Plaza is now being upgraded to provide a high-end shopping environment, and the renovation is expected to be completed by mid 2010. Given the recovery in the property markets in the region, the Group recorded a total revaluation gain on investment properties of HK\$223 million (2008 – loss of HK\$242 million) during the year.

Discussion and Analysis of Annual Results *(continued)*

Results for the year *(continued)*

Property investment *(continued)*

The Group has invested in a property fund, Lippo ASM Asia Property LP, 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 Mandarin Orchard 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 One Raffles Place in the central financial and business district of Singapore. Over the last two to three years, OUE has also participated in property development and investment projects, which include the redevelopment projects at the 21 Angullia Park and 25 Leonie Hill Road in Singapore. All the interests in 21 Angullia Park were sold in December 2009 to consolidate the resources for the development of 25 Leonie Hill Road. To enhance its recurrent rental income, OUE has renovated the Mandarin Gallery of the Mandarin Orchard Hotel to a premier luxury retail mall. The Mandarin Gallery has commenced its operation in the fourth quarter of 2009. The retail space is fully let. For 2009, the Group registered a share of loss of HK\$301 million from the investment as compared to HK\$41 million in 2008. The loss was mainly attributable to the net fair value loss on investment properties and impairment of development properties.

Retail business

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

Treasury and securities investments

The stimulus programmes implemented by various national governments have helped to bring stability to the global stock markets. Benefiting from the liquidity flow into the market, the Group recorded fair value gain for its investment portfolio during the year. For the year 2009, treasury and securities investments business registered a profit of HK\$52 million (2008 – loss of HK\$164 million).

However, the broad outlook for the financial markets is still unclear. 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

Despite Hong Kong capital markets gradually recovering in 2009, participation from retail investors remained slow and hesitant in a highly volatile market. This clearly affected the Group’s corporate finance and securities broking business. In 2009, it registered a decrease in turnover of HK\$54 million (2008 – HK\$66 million) and profit derived from this segment fell to HK\$6 million (2008 – HK\$13 million).

Banking business

The Macau Chinese Bank Limited (“MCB”) is a wholly-owned subsidiary of HKC. Despite the slower and uncertain operating environment, MCB managed to maintain the quality of its client and loan portfolio. Management continued to lend conservatively and seek growth selectively. With a lower interest rate environment, the banking business delivered a turnover of HK\$14 million (2008 – HK\$16 million) in 2009, with a profit of HK\$1.2 million (2008 – HK\$0.3 million).

Other businesses

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

Discussion and Analysis of Annual Results *(continued)*

Financial position

As at 31st December, 2009, the Group's total assets amounted to HK\$12.0 billion (2008 – HK\$12.5 billion). Property-related assets decreased to HK\$8.3 billion (2008 – HK\$8.5 billion), representing 69 per cent. of the total assets (2008 – 68 per cent.). Total liabilities amounted to HK\$4.0 billion (2008 – HK\$4.5 billion). The Group's financial position remained healthy and the current ratio (measured as current assets to current liabilities) increased to 1.8 to 1 (2008 – 1.4 to 1).

As at 31st December, 2009, bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK\$2,016 million (2008 – HK\$2,254 million). As at 31st December, 2009, total bank loans amounted to HK\$1,976 million (2008 – HK\$2,099 million), comprising secured bank loans of HK\$1,966 million (2008 – HK\$2,060 million) and unsecured bank loans of HK\$10 million (2008 – HK\$39 million), which were denominated in Hong Kong dollars, United States dollars, or Renminbi (2008 – denominated in Hong Kong dollars, United States dollars, Singapore dollars or Renminbi). The bank loans were secured by certain properties, shares in certain subsidiaries and certain fixed deposits of the Group. The bank loans carried interest at floating rates and 8 per cent. of the bank loans (2008 – 26 per cent.) were repayable within one year. As at 31st December, 2009, a loan of HK\$40 million (2008 – HK\$155 million) was advanced by a third party. Such advance was unsecured and would be repayable on or before 26th June, 2010. At the end of the year, the gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) dropped to 31.9 per cent. (2008 – 35.3 per cent.).

As at 31st December, 2009, the net asset value of the Group remained strong and stood at HK\$4.7 billion (2008 – HK\$4.7 billion). This was equivalent to HK\$9.4 per share (2008 – HK\$8.8 per share).

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (2008 – Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2008 – Nil).

As at 31st December, 2009, the Group's total capital commitment decreased to HK\$225 million (2008 – HK\$323 million), mainly resulted from the completion of Newton One. The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Staff and Remuneration

The Group had approximately 970 employees as at 31st December, 2009, (2008 – 1,075 employees). The decrease in the number of employees was due to the operation optimisation of the Group's retail business in mainland China. Total staff costs (including directors' emoluments) during the year amounted to HK\$195 million (2008 – HK\$184 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under share option scheme of the Company.

Outlook

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

Corporate Governance Report

Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance practices. The Board of Directors of the Company (the “Board”) believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure they meet public and shareholders’ expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance.

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

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

Directors’ Securities Transactions

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

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

Board of Directors

The Board currently comprises seven members (the composition of the Board is shown on page 19), including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 20 to 22). Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

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

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

Corporate Governance Report (continued)

Board of Directors (continued)

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

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

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

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

Chairman and Chief Executive Officer

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

Non-executive Directors

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

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

Remuneration of Directors

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

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

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

Nomination of Directors

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

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

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

Auditors' Remuneration

Messrs. Ernst & Young has been appointed by the shareholders annually as the Company's auditors. During the year, the fees charged to the accounts of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK\$4.5 million (2008 – HK\$5.0 million) and approximately HK\$0.2 million (2008 – HK\$0.3 million), respectively. The non-statutory audit services provided in 2009 mainly consisted of tax review of the Group and review of continuing connected transactions of the Group.

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.lippo.com.hk). It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including one non-executive Director, namely Mr. Leon Nim Leung Chan, and three independent non-executive Directors, namely Messrs. Victor Ha Kuk Yung (being the Chairman of the Audit Committee), Edwin Neo and King Fai Tsui. Three meetings were held in 2009 and the individual attendance of each member is set out above.

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

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

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

Internal Controls

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

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

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

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

Corporate Governance Report (continued)

Internal Audit

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

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

Communication with Shareholders

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

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

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

Fair Disclosure and Investor Relations

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

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

Financial Reporting

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

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

Report of the Directors

The Directors hereby present their report together with the audited financial statements for the year ended 31st December, 2009.

Principal Activities

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

The activities and other particulars of the principal subsidiaries, principal associates and principal jointly controlled entities are set out in the financial statements on pages 131 to 141, pages 142 and 143 and page 144, respectively.

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

Results and Dividends

The results and details of cash flows of the Group for the year ended 31st December, 2009 and the state of affairs of the Group and the Company as at 31st December, 2009 are set out in the financial statements on pages 38 to 144.

An interim dividend of HK2 cents per share (2008 – HK2 cents per share) for the six months ended 30th June, 2009 was paid on 20th October, 2009. The Directors have resolved to recommend the payment of a final dividend of HK2 cents per share (2008 – HK2 cents per share) amounting to approximately HK\$10 million for the year ended 31st December, 2009 (2008 – approximately HK\$10 million). Total dividends for the year ended 31st December, 2009 will be HK4 cents per share (2008 – HK4 cents per share) amounting to approximately HK\$20 million (2008 – approximately HK\$20.8 million).

Summary of Group Financial Information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2009 is set out on page 152.

Goodwill

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

Fixed Assets

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

Investment Properties

Details of movements in the investment properties during the year are set out in Note 19 to the financial statements.

Bank Loans

Details of bank loans are summarised in Note 28 to the financial statements.

Report of the Directors *(continued)*

Share Capital and Warrants

Details of movements in the share capital and warrants of the Company are set out in Note 32 to the financial statements.

Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are set out in Note 33 to the financial statements.

Reserves and Distributable Reserves

Details of movements in the reserves during the year and details of the distributable reserves are set out in Note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 131 to 141.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$30,238,000 (2008 – HK\$6,127,000).

Honorary Chairman

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

Directors

The Directors of the Company during the year were:

Executive Directors

Mr. Stephen Tjondro Riady (*Chairman*)

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

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

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

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

Report of the Directors (continued)

Directors (continued)

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

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

Brief Biographical Details of Directors and Senior Management

Mr. Stephen Tjondro Riady, aged 49, has been the Chairman of the Company since 1991. He is also the Deputy Chairman, Managing Director and Chief Executive Officer of Lippo China Resources Limited ("LCR"), and a director and Chief Executive Officer of Hongkong Chinese Limited ("HKC"), both are public listed companies in Hong Kong. Mr. Riady is a director of Lanius Limited, Lippo Cayman Limited and Lippo Capital Limited. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. He also holds directorship in certain subsidiaries of the Company. Mr. Riady is the Executive Chairman of Overseas Union Enterprise Limited and a director of Auric Pacific Group Limited, both are public listed companies in Singapore. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region. Dr. Mochtar Riady and Madam Lidya Suryawaty are the parents of Mr. Riady.

Mr. John Luen Wai Lee, J.P., aged 61, has been the Managing Director of the Company since 1991. Mr. Lee is also the Chief Executive Officer of the Company and a director of LCR and HKC. Mr. Lee is also an authorised representative of the Company, LCR and HKC. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company. Mr. Lee is a non-executive director of Export and Industry Bank, Inc., a public listed company in the Philippines. He was a non-executive director of Medco Holdings, Inc., a public listed company in the Philippines, up to his resignation on 23rd July, 2009. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited, both are public listed companies in Hong Kong. Mr. Lee is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an Associate Member of The Institute of Chartered Accountants in England and Wales. He was a partner of Pricewaterhouse in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong. He serves as a member on a number of Hong Kong Government Boards and Committees including a member of the Hospital Authority and the Chairman of its Finance Committee. He is also the Chairman and the Trustee of the Hospital Authority Provident Fund Scheme as well as the Chairman of the Queen Elizabeth Hospital Governing Committee. In addition, Mr. Lee serves as a member of Non-local Higher and Professional Education Appeal Board.

Report of the Directors *(continued)*

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

Mr. Jark Pui Lee, S.B.S., O.B.E., J.P., aged 70, was appointed a Director of the Company in 1992. Mr. Lee holds a Bachelor of Arts degree (Hons) from The University of Hong Kong. He worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years, and was Chairman of International Chamber of Commerce – Hong Kong, China, the Government's Social Welfare Advisory Committee, Hong Kong Council of Social Service, the Legal Aid Services Council and Po Leung Kuk. Mr. Lee is currently the Chairman of The Agency for Volunteer Service, the Hong Kong Council of Volunteering and the General Support Programme Vetting Committee, Innovation and Technology Commission of the Government.

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

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

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

Report of the Directors *(continued)*

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

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

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

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

Brief Biographical Details of Other Officers

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

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

Report of the Directors (continued)

Directors' and Five Highest Paid Employees' Emoluments

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

The emoluments of the Directors are determined by reference to the market rates, commitment, contribution and their duties and responsibilities within the Group. During the year, Mr. John Luen Wai Lee had received discretionary bonus that was not covered by his employment agreements, details of which are set out in Note 8 to the financial statements. With effect from 1st January, 2010, the fees payable to the non-executive Directors have been adjusted from HK\$120,000 per annum to HK\$160,000 per annum. A Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and members of various committees of the Company and its subsidiaries. With effect from 1st January, 2010, the fees payable to the Chairmen and members of various committees of the Company have been adjusted as follows:

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

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

Report of the Directors (continued)

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

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

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

(a) The Company

Name of Director	Number of ordinary shares of HK\$0.10 each in the Company			Number of underlying ordinary shares of HK\$0.10 each in the Company				Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests		
				Options*	Warrants@	Warrants@	Warrants@		
Stephen Tjondro Riady	-	-	319,322,219 Note (i)	-	-	-	35,312,240 Note (i)	354,634,459	70.87
Jark Pui Lee	-	60	-	162,500	-	6	-	162,566	0.03
John Luen Wai Lee	1,031,250	-	-	1,125,000	103,125	-	-	2,259,375	0.45
Leon Nim Leung Chan	-	-	-	193,750	-	-	-	193,750	0.04
Edwin Neo	-	-	-	162,500	-	-	-	162,500	0.03
King Fai Tsui	-	-	-	162,500	-	-	-	162,500	0.03
Victor Ha Kuk Yung	-	-	-	162,500	-	-	-	162,500	0.03

* The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an initial exercise price of HK\$6.98 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of one rights share for every four shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 33 to the financial statements.

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

Report of the Directors (continued)

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

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

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

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

[#] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 33 to the financial statements.

Report of the Directors (continued)

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

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

(c) Hongkong Chinese Limited ("HKC")

Name of Director	Number of ordinary shares of HK\$1.00 each in HKC			Number of underlying ordinary shares of HK\$1.00 each in HKC				Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests		
				Options [^]	Warrants ⁺	Warrants ⁺	Warrants ⁺		
Stephen Tjondro Riady	-	-	1,014,222,978 <i>Notes (i) and (iii)</i>	-	-	-	106,765,641 <i>Notes (i) and (iii)</i>	1,120,988,619	61.71
Jark Pui Lee	469	469	-	-	51	51	-	1,040	0.00
John Luen Wai Lee	270	270	-	4,590,000	30	30	-	4,590,600	0.25
King Fai Tsui	-	67,500	-	607,500	-	7,500	-	682,500	0.04
Leon Nim Leung Chan	-	-	-	810,000	-	-	-	810,000	0.04
Victor Ha Kuk Yung	-	-	-	607,500	-	-	-	607,500	0.03

[^] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by HKC (the "HKC Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the HKC Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in HKC at an initial exercise price of HK\$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of HKC in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 33 to the financial statements.

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

Report of the Directors (continued)

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

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

Note:

- (i) As at 31st December, 2009, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest of 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 70.87 per cent. of the issued share capital of, the Company. Lippo Securities is a wholly-owned subsidiary of HKC which in turn is a 55.83 per cent. subsidiary of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of the issued share capital of, Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust include, inter alia, Mr. Stephen Tjondro Riady and his family members. Mr. Stephen Tjondro Riady, as beneficiary of the trust, is taken to be interested in Lippo Cayman under the SFO.
- (ii) As at 31st December, 2009, the Company was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.21 per cent. of the issued share capital of, LCR.
- (iii) As at 31st December, 2009, the Company, through its wholly-owned subsidiary and Lippo Securities, was indirectly interested in an aggregate of 1,014,222,978 ordinary shares and HK\$133,457,051.25 warrants giving rise to an interest in 106,765,641 underlying ordinary shares of HKC, totalling 1,120,988,619 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 61.71 per cent. of the issued share capital of, HKC.
- (iv) The percentages of the issued share capital stated in this section were arrived based on the issued share capital of each of the Company, LCR and HKC (as the case may be) as at 31st December, 2009.

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 corporation in respect of warrants were held pursuant to listed physically settled equity derivatives.

Report of the Directors (continued)

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

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

As at 31st December, 2009, Mr. Stephen Tjondro Riady, as beneficiary of the aforesaid discretionary trust, through his interests in Lippo Cayman as mentioned in Note (i) above, was also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788	72.45
Actfield Limited	Ordinary shares	1	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	1,000	100
CRC China Limited	Ordinary shares	1	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000	88.88
Fantax Limited	Ordinary shares	1	100
First Bond Holdings Limited	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandform Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Great Honor Investments Limited	Ordinary shares	1	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
Ivey International Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Holdings Inc.	Ordinary shares	1	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Lippo World Holdings Limited	Ordinary shares	1	100
Manneton Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51

Report of the Directors (continued)

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Nelton Limited	Ordinary shares	10,000	100
Obermac Limited	Ordinary shares	1	100
Pointbest Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	70,000	70
Thornton Pacific Limited	Ordinary shares	1	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100
Worldlink Resources Limited	Ordinary shares	1	100

As at 31st December, 2009, Mr. Stephen Tjondro Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of the issued share capital of, Lanius which is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of the issued share capital of, Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady, father of Mr. Stephen Tjondro Riady, is the founder and the beneficiaries of the trust include, inter alia, Mr. Stephen Tjondro Riady.

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

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

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

Report of the Directors (continued)

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

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

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

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

Arrangements to Acquire Shares or Debentures

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

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

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

Interests of substantial shareholders in shares and underlying shares of the Company

Name	Number of ordinary shares of HK\$0.10 each	Number of underlying ordinary shares of HK\$0.10 each	Total interests	Approximate percentage of total interests in the issued share capital
		Warrants (Note 5)		
Lippo Capital Limited ("Lippo Capital")	273,625,000	27,362,519	300,987,519	60.15
Lippo Cayman Limited ("Lippo Cayman")	319,322,219	35,312,240	354,634,459	70.87
Lanius Limited ("Lanius")	319,322,219	35,312,240	354,634,459	70.87
Dr. Mochtar Riady	319,322,219	35,312,240	354,634,459	70.87
Madam Lidya Suryawaty	319,322,219	35,312,240	354,634,459	70.87

Report of the Directors (continued)

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

Interests of substantial shareholders in shares and underlying shares of the Company (continued)

Note:

1. 273,625,000 ordinary shares and HK\$128,603,750 warrants giving rise to an interest of 27,362,500 underlying ordinary shares of the Company were owned by Lippo Capital directly as beneficial owner. Lippo Cayman, through its wholly-owned subsidiaries, Lippo Capital, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was indirectly interested in 305,118,929 ordinary shares and HK\$159,291,981.70 warrants giving rise to an interest in 33,891,911 underlying ordinary shares of the Company. Lippo Securities is a wholly-owned subsidiary of Hongkong Chinese Limited which in turn is a 55.83 per cent. subsidiary of the Company. Together with 14,203,290 ordinary shares and HK\$6,675,546.30 warrants giving rise to an interest of 1,420,329 underlying ordinary shares of the Company owned by Lippo Cayman directly as beneficial owner, Lippo Cayman was interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest of 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 70.87 per cent. of the issued share capital of, the Company.
2. Lanius is the registered shareholder of the entire issued share capital of Lippo Cayman and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in the issued share capital of Lanius.
3. Lippo Cayman's interests in the ordinary shares and underlying ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 354,634,459 ordinary shares and underlying ordinary shares of the Company related to the same block of shares and underlying shares that Mr. Stephen Tjondro Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".
4. The percentages of interests in the issued share capital stated in this section were arrived based on 500,433,372 ordinary shares of HK\$0.10 each in issue of the Company as at 31st December, 2009.
5. The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).
6. The above interests in the underlying shares of the Company in respect of warrants were held pursuant to listed physically settled equity derivatives.

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

Report of the Directors (continued)

Directors' Interests in Competing Business

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

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

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

Connected Transaction

Connected transaction disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

On 23rd December, 2009, Uchida Limited ("Uchida"), Wealtop Limited ("Wealtop") and 北京經濟技術投資開發總公司 (Beijing Economic & Technological Investment Development Corp.) ("BETIDC") entered into a supplemental contract no.3 (the "Supplemental Contract No.3") to amend the cooperative joint venture contract (as amended) (the "CJV Contract") in respect of 北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.) (the "JV Co") and the supplemental articles no.3 (the "Supplemental Articles No.3") to amend the articles of association of JV Co, such that (i) the amount payable by JV Co to BETIDC under the CJV Contract will be reduced by the Renminbi equivalent of US\$3 million, (ii) the aggregate of the profit sharing ratios of Uchida and Wealtop in relation to JV Co will decrease from 85.7 per cent. to 80 per cent. and (iii) the total number of directors nominated by Uchida and Wealtop to JV Co will be reduced from 5 to 4. The Supplemental Contract No.3 and the Supplemental Articles No.3 will only become effective after receiving the approvals of the original approving authorities in the People's Republic of China (the "PRC").

Both Uchida and Wealtop are indirect wholly-owned subsidiaries of Hongkong Chinese Limited ("HKC") which in turn is a non-wholly owned subsidiary of the Company. Under the CJV Contract, the profit sharing ratio of BETIDC in relation to JV Co was 14.3 per cent., and thus BETIDC was regarded as a connected person of the Company. The profit sharing ratio of BETIDC will be increased to 20 per cent. upon completion of the said amendments.

JV Co was established for the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area), the PRC (the "Project"). As a result of the said amendments, JV Co will have an additional US\$3 million in hand for the purposes of the Project.

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

Report of the Directors (continued)

Directors' and Controlling Shareholders' Interest in Contracts

There were no contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

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

Directors' Service Contracts

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

Management Contracts

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

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

During the year, the Company had repurchased a total of 32,535,000 shares of HK\$0.10 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases are as follows:

Month	Number of shares of HK\$0.10 each repurchased	Highest price paid per share	Lowest price paid per share	Total price paid
2009		HK\$	HK\$	HK\$
January	2,438,000	1.59	1.58	3,852,080
February	<u>30,097,000</u>	1.10	1.05	<u>33,101,690</u>
Total	<u>32,535,000</u>			36,953,770
		Expenses incurred for shares repurchased		<u>258,564</u>
				<u>37,212,334</u>

Report of the Directors *(continued)*

Purchase, Sale or Redemption of the Company's Listed Securities *(continued)*

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 32 to the financial statements.

Major Suppliers and Customers

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

Retirement Benefits Schemes

Details of the retirement benefits schemes of the Group and the employer's retirement benefits costs charged to the consolidated income statement for the year are set out in Notes 2.4(u) and 7 to the financial statements, respectively.

Audit Committee

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31st December, 2009.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 13 to 17.

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.

Report of the Directors *(continued)*

Auditors

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

On behalf of the Board

John Luen Wai Lee

Managing Director and Chief Executive Officer

Hong Kong, 9th April, 2010

Independent Auditors' Report



To the shareholders of Lippo Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Lippo Limited set out on pages 38 to 144, which comprise the consolidated and company statements of financial position as at 31st December, 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independent Auditors' Report *(continued)*

Opinion

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

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

Hong Kong, 9th April, 2010

Consolidated Income Statement

For the year ended 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
Revenue	5	1,454,969	579,322
Cost of sales		(943,129)	(281,227)
Gross profit		511,840	298,095
Administrative expenses		(272,087)	(251,530)
Other operating expenses		(206,691)	(231,873)
Fair value gains/(losses) on investment properties		222,637	(242,221)
Net fair value gain/(loss) on financial assets at fair value through profit or loss		32,013	(150,504)
Write-back of allowance/(Allowance) for bad and doubtful debts		7,062	(21,603)
Excess over the cost of business combination	6	1,870	155,635
Gain on disposal of subsidiaries	36(b)	–	28,838
Gain on disposal of available-for-sale financial assets		–	20,298
Gain/(Loss) on disposal of fixed assets		(90)	199,483
Provisions for impairment losses:			
Associates		(79,723)	(145,478)
Available-for-sale financial assets		(6,832)	(52,266)
Properties under development		(3,518)	(9,089)
Finance costs	10	(62,123)	(84,158)
Share of results of associates	11	(316,798)	(128,636)
Share of results of jointly controlled entities	12	204,404	(774)
Profit/(Loss) before tax	7	31,964	(615,783)
Income tax credit/(expense)	13	(87,059)	33,194
Loss for the year		(55,095)	(582,589)
Attributable to:			
Equity holders of the Company	14	1,254	(336,744)
Minority interests		(56,349)	(245,845)
		(55,095)	(582,589)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company	15		
Basic		0.3	(67.8)
Diluted		N/A	N/A

Details of the dividends payable and proposed for the year are disclosed in Note 16 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	2009 HK\$'000	2008 HK\$'000
Loss for the year	(55,095)	(582,589)
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	(53,214)	(58,859)
Reclassification adjustments for gain/(loss) included in the consolidated income statement		
Impairment losses	6,317	–
Gain on disposal	–	(1,719)
Income tax effect	632	6,620
	(46,265)	(53,958)
Surplus on revaluation of leasehold land and buildings	32,108	–
Income tax effect	(3,853)	–
	28,255	–
Share of other comprehensive income/(loss) of associates	78,131	(113,986)
Exchange differences on translation of foreign operations	61,177	(4,265)
Release of reserve in respect of deconsolidation of subsidiaries	–	(1,252)
Release of reserve in respect of disposal of a subsidiary	–	(2,217)
Other comprehensive income/(loss) for the year, net of tax	121,298	(175,678)
Total comprehensive income/(loss) for the year	66,203	(758,267)
Attributable to:		
Equity holders of the Company	68,046	(459,344)
Minority interests	(1,843)	(298,923)
	66,203	(758,267)

Consolidated Statement of Financial Position

As at 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Goodwill	17	71,485	94,856
Fixed assets	18	369,073	479,357
Investment properties	19	3,458,973	3,613,887
Properties under development	20	801,038	329,867
Interests in associates	21	3,769,899	4,080,457
Interests in jointly controlled entities	22	344,042	257,625
Available-for-sale financial assets	23	451,074	498,278
Held-to-maturity financial assets	24	9,431	9,467
Loans and advances	25	34,029	56,989
Deferred tax assets	31	–	184
		9,309,044	9,420,967
Current assets			
Properties held for sale		33,872	23,547
Properties under development	20	–	573,713
Inventories		3,061	2,080
Financial assets at fair value through profit or loss	26	130,427	112,159
Loans and advances	25	181,065	161,390
Debtors, prepayments and deposits	27	416,750	275,405
Client trust bank balances		630,560	509,355
Pledged time deposits	28	292	26,400
Treasury bills		19,400	–
Cash and bank balances		1,313,115	1,441,456
		2,728,542	3,125,505
Current liabilities			
Bank and other borrowings	28	191,980	699,232
Amount due to a jointly controlled entity	22	–	46,638
Creditors, accruals and deposits received	29	1,036,192	1,357,803
Current, fixed, savings and other deposits of customers	30	165,131	133,220
Tax payable		92,014	63,195
		1,485,317	2,300,088
Net current assets		1,243,225	825,417
Total assets less current liabilities		10,552,269	10,246,384

Consolidated Statement of Financial Position (continued)

As at 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
Non-current liabilities			
Bank and other borrowings	28	1,824,391	1,554,550
Deferred rental		170,230	131,617
Deferred tax liabilities	31	513,628	468,140
		2,508,249	2,154,307
Net assets		8,044,020	8,092,077
Equity			
Equity attributable to equity holders of the Company			
Issued capital	32	50,043	53,297
Reserves	34	4,651,009	4,636,939
		4,701,052	4,690,236
Minority interests		3,342,968	3,401,841
		8,044,020	8,092,077

John Luen Wai Lee
Director

Stephen Tjondro Riady
Director

Statement of Financial Position

As at 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Fixed assets	18	42	42
Interests in subsidiaries	35	3,215,324	3,232,796
Available-for-sale financial assets	23	1,200	1,200
		3,216,566	3,234,038
Current assets			
Debtors, prepayments and deposits		2,078	1,315
Pledged time deposits	28	–	26,400
Cash and bank balances		21,104	78,293
		23,182	106,008
Current liabilities			
Bank loans	28	55,000	258,000
Creditors, accruals and deposits received		4,209	11,638
		59,209	269,638
Net current liabilities		(36,027)	(163,630)
Total assets less current liabilities		3,180,539	3,070,408
Non-current liability			
Bank loans	28	348,000	190,000
Net assets		2,832,539	2,880,408
Equity			
Issued capital	32	50,043	53,297
Reserves	34	2,782,496	2,827,111
		2,832,539	2,880,408

John Luen Wai Lee
Director

Stephen Tjondro Riady
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Attributable to equity holders of the Company													
	Issued capital	Share premium account	Share option reserve	Special capital reserve	Capital redemption reserve	Legal reserve	Regulatory reserve	Investment revaluation reserve	Other asset revaluation reserve	Exchange equalisation reserve	Retained profits	Minority interests	Total equity	
				(Note 34(a))		(Note 34(b))	(Note 34(c))							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
2009														
At 1st January, 2009	53,297	914,507	23,920	1,709,202	18,761	3,465	458	134,854	9,859	189,643	1,632,250	4,690,236	3,401,841	8,092,077
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	(24,171)	15,775	75,188	1,254	68,046	(1,843)	66,203
Repurchase of shares	(3,254)	-	-	-	3,254	-	-	-	-	-	(37,212)	(37,212)	-	(37,212)
Repurchase of shares from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,193)	(1,193)
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,870)	(1,870)
Issuance of shares upon exercise of warrants by minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	5	5
Advances from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	10,315	10,315
Repayment to a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(11,357)	(11,357)
Transfer of reserve	-	-	-	-	-	47	-	-	-	-	(47)	-	-	-
2008 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	(10,009)	(10,009)	-	(10,009)
2008 final dividend, declared and paid to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(26,465)	(26,465)
2009 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	(10,009)	(10,009)	-	(10,009)
2009 interim dividend and special interim dividend, declared and paid to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(26,465)	(26,465)
At 31st December, 2009	50,043	914,507	23,920	1,709,202	22,035	3,512	458	110,683	25,634	264,831	1,576,227	4,701,052	3,342,968	8,044,020
2008														
At 1st January, 2008	43,373	517,794	22,308	1,709,202	17,861	2,732	458	222,643	9,859	224,454	2,019,373	4,790,057	3,588,709	8,378,766
Total comprehensive loss for the year	-	-	-	-	-	-	-	(87,789)	-	(34,811)	(336,744)	(459,344)	(298,923)	(758,267)
Rights issues	10,844	396,701	-	-	-	-	-	-	-	-	-	407,545	209,097	616,642
Issuance of shares upon exercise of warrants	-	12	-	-	-	-	-	-	-	-	-	12	-	12
Repurchase of shares	(920)	-	-	-	920	-	-	-	-	-	(21,454)	(21,454)	-	(21,454)
Repurchase of shares from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(749)	(749)
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(197,901)	(197,901)
Equity-settled share option arrangements	-	-	1,612	-	-	-	-	-	-	-	-	1,612	335	1,947
Investment in a subsidiary by a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-	165,551	165,551
Advance from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	17,884	17,884
Deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(272)	(272)
Transfer of reserve	-	-	-	-	-	733	-	-	-	-	(733)	-	-	-
2007 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	(17,349)	(17,349)	-	(17,349)
2007 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(61,232)	(61,232)
2008 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	(10,843)	(10,843)	-	(10,843)
2008 interim dividend and distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(20,658)	(20,658)
At 31st December, 2008	53,297	914,507	23,920	1,709,202	18,761	3,465	458	134,854	9,859	189,643	1,632,250	4,690,236	3,401,841	8,092,077

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
Cash flows from operating activities			
Cash generated from operations	36(a)	278,192	318,484
Interest received		29,836	32,729
Dividends received from:			
Associates		–	24,156
A jointly controlled entity		162,910	–
Listed investments		236	476
Unlisted investments		3,214	2,152
Taxes paid:			
Hong Kong		(2,763)	(4,262)
Overseas		(13,743)	(35,978)
Net cash flows from operating activities		457,882	337,757
Cash flows from investing activities			
Proceeds from disposals of:			
Fixed assets		95,158	248,331
Investment properties		19,355	68,690
Available-for-sale financial assets		–	22,131
Associates		4,737	–
Payments to acquire:			
Fixed assets		(54,974)	(60,894)
Available-for-sale financial assets		(6,464)	(69,965)
Additions to properties under development		(183,438)	(180,493)
Additions to investment properties		(4,952)	(158,368)
Repayment from associates		12,746	46,070
Increase in interests in jointly controlled entities		(21,489)	(47,638)
Advances to jointly controlled entities		(57,847)	(29,781)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	36(b)	12,330	168,244
Decrease/(Increase) in pledged time deposits		26,108	(26,400)
Increase in time deposits with original maturity of more than three months		(176,815)	–
Acquisition of shares in subsidiaries from minority shareholders		–	(55,441)
Net cash flows used in investing activities		(335,545)	(75,514)

Consolidated Statement of Cash Flows (continued)

For the year ended 31st December, 2009

	2009 HK\$'000	2008 HK\$'000
Cash flows from financing activities		
Interest paid	(66,265)	(91,761)
Drawdown of bank and other borrowings (Note)	962,646	934,470
Repayment of bank and other borrowings (Note)	(1,200,502)	(962,878)
Proceeds from rights issues	–	629,817
Advances from minority shareholders of subsidiaries	10,315	17,884
Repayment to a minority shareholder of a subsidiary	(11,357)	–
Issuance of shares upon exercise of warrants	–	12
Issuance of shares upon exercise of warrants by minority shareholders of a subsidiary	5	–
Repurchase of shares	(37,212)	(21,454)
Repurchase of shares by subsidiaries from minority shareholders	(1,193)	(749)
Dividends paid to shareholders of the Company	(20,018)	(28,192)
Dividends and distributions paid to minority shareholders of subsidiaries	(52,930)	(81,890)
Net cash flows from/(used in) financing activities	(416,511)	395,259
Net increase/(decrease) in cash and cash equivalents	(294,174)	657,502
Cash and cash equivalents at beginning of year	1,441,456	783,403
Exchange realignments	8,418	551
Cash and cash equivalents at end of year	1,155,700	1,441,456
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	1,313,115	1,441,456
Treasury bills	19,400	–
Time deposits with original maturity of more than three months	(176,815)	–
	1,155,700	1,441,456

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

Notes to the Financial Statements

1. Corporate Information

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

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

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

2.1 Basis of Preparation

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

Basis of consolidation

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

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

Notes to the Financial Statements (continued)

2.2 Changes in Accounting Policy and Disclosures

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

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

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

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

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

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

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

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 42 to the financial statements while the revised liquidity risk disclosures are presented in Note 43 to the financial statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. These revised disclosures, including the related revised comparative information, are shown in Note 4 to the financial statements.

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

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

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

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

Notes to the Financial Statements (continued)

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

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

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

¹ Effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2010

³ Effective for annual periods beginning on or after 1st February, 2010

⁴ Effective for annual periods beginning on or after 1st July, 2010

⁵ Effective for annual periods beginning on or after 1st January, 2011

⁶ Effective for annual periods beginning on or after 1st January, 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies and the application of HKFRS 9 may affect the classification and measurement of the Group's financial assets, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries

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

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

(b) Joint ventures

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

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

A joint venture is treated as:

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

2.4 Summary of Significant Accounting Policies *(continued)*

(c) Jointly controlled entities

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

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

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

(d) Associates

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(e) Goodwill

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

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

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

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

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

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

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

Goodwill previously eliminated against consolidated reserves

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

2.4 Summary of Significant Accounting Policies (continued)

(e) Goodwill (continued)

Excess over the cost of business combinations

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(g) Fixed assets and depreciation

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

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

Leasehold land	Over the remaining lease terms
Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	10 per cent. to 20 per cent.
Furniture, fixtures, plant and equipment	10 per cent. to 33 $\frac{1}{3}$ per cent.
Motor vehicles	12 per cent. to 25 per cent.

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

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

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

(h) Investment properties

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

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

2.4 Summary of Significant Accounting Policies (continued)

(h) Investment properties (continued)

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

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

(i) Properties under development

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

(j) Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity financial assets

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

Loans and receivables

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

2.4 Summary of Significant Accounting Policies *(continued)*

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

Available-for-sale financial assets

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(k) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

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

Assets carried at cost

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

Available-for-sale financial assets

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(l) Derecognition of financial assets

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

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

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

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

(m) Financial liabilities

Initial recognition and measurement

The Group’s financial liabilities include bank and other borrowings, creditors and deposits received and current, fixed, savings and other deposits of customers. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

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

Loans and borrowings

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

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

2.4 Summary of Significant Accounting Policies (continued)

(m) Financial liabilities (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

(n) Offsetting of financial instruments

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

(o) Fair value of financial instruments

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

(p) Properties held for sale

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

2.4 Summary of Significant Accounting Policies *(continued)*

(q) Inventories

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

(r) Revenue recognition

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(s) Income tax

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(t) Provisions

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

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

(u) Employee benefits

Paid leave entitlement

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

Retirement benefits

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

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

Share-based payment transactions

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

2.4 Summary of Significant Accounting Policies *(continued)*

(u) Employee benefits *(continued)*

Share-based payment transactions (continued)

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 33 to the financial statements.

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

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

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

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

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

(v) Borrowing costs

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

2.4 Summary of Significant Accounting Policies *(continued)*

(w) Operating leases

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

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

(x) Cash and cash equivalents

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

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

(y) Foreign currencies

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(y) Foreign currencies *(continued)*

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

(z) Related parties

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

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

(aa) Dividends and distributions

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

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

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 end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

(b) Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill arising from acquisition of subsidiaries at 31st December, 2009 was HK\$71,485,000 (2008 – HK\$94,856,000). Further details are given in Note 17 to the financial statements.

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 contracts, and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and 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 income statement. Impairment losses of HK\$6,832,000 (2008 – HK\$52,266,000) have been recognised for available-for-sale financial assets for the year. The carrying amount of available-for-sale financial assets at 31st December, 2009 was HK\$451,074,000 (2008 – HK\$498,278,000).

Impairment of non-financial assets

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

4. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment transactions are on arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements (continued)

4. Segment Information (continued)

Year ended 31st December, 2009

	Property development HK\$'000	Property investment HK\$'000	Retail business HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue										
External	977,684	173,915	131,585	15,382	15,345	53,727	13,815	73,516	-	1,454,969
Inter-segment	-	11,917	-	-	-	-	-	6,119	(18,036)	-
Total	977,684	185,832	131,585	15,382	15,345	53,727	13,815	79,635	(18,036)	1,454,969
Segment results	234,778	333,754	(164,257)	14,162	37,651	5,597	1,218	(40,170)	(9,788)	412,945
Unallocated corporate expenses (Note)										(206,464)
Finance costs										(62,123)
Share of results of associates	(11,741)	(300,315)	-	-	-	(78)	-	(4,664)	-	(316,798)
Share of results of jointly controlled entities	204,404	-	-	-	-	-	-	-	-	204,404
Profit before tax										31,964

Note: The amount included excess over the cost of business combination recognised as income of HK\$1,870,000 (Note 6).

Notes to the Financial Statements (continued)

4. Segment Information (continued)

Year ended 31st December, 2009

	Property development	Property investment	Retail business	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Other	Inter- segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,199,747	3,643,070	310,685	973,959	590,932	709,506	402,309	37,696	-	7,867,904
Interests in associates	372,106	2,756,972	-	-	-	778	-	640,043	-	3,769,899
Interests in jointly controlled entities	340,042	-	-	-	-	-	-	4,000	-	344,042
Unallocated assets										55,741
Total assets										12,037,586
Segment liabilities	75,491	1,819,560	610,680	-	265,057	686,227	160,110	382,240	(2,887,151)	1,112,214
Unallocated liabilities										2,881,352
Total liabilities										3,993,566
Other segment information:										
Capital expenditure	13	9,985	17,204	-	-	111	53	466	-	27,832
Depreciation	(511)	(3,221)	(29,858)	-	-	(475)	(1,611)	(2,733)	-	(38,409)
Write-back of allowance for bad and doubtful debts relating to:										
Banking operation	-	-	-	-	-	-	2,114	-	-	2,114
Non-banking operations	-	-	-	-	-	4,948	-	-	-	4,948
Provisions for impairment losses:										
Associates	-	-	-	-	-	-	-	(79,723)	-	(79,723)
A jointly controlled entity	-	-	-	-	-	-	-	(494)	-	(494)
Available-for-sale financial assets	-	-	-	-	(6,832)	-	-	-	-	(6,832)
Properties held for sale	-	(759)	-	-	-	-	-	-	-	(759)
Properties under development	(3,518)	-	-	-	-	-	-	-	-	(3,518)
Impairment of goodwill	-	(23,371)	-	-	-	-	-	-	-	(23,371)
Net fair value gain on financial assets at fair value through profit or loss	-	-	-	-	32,013	-	-	-	-	32,013
Fair value gains on investment properties	-	222,637	-	-	-	-	-	-	-	222,637
Unallocated:										
Capital expenditure										27,142
Depreciation										(2,791)

Notes to the Financial Statements (continued)

4. Segment Information (continued)

Year ended 31st December, 2008

	Property development HK\$'000	Property investment HK\$'000	Retail business HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue										
External	84,239	186,483	120,070	16,961	5,888	65,622	16,399	83,660	-	579,322
Inter-segment	-	13,258	-	10,107	-	519	-	10,309	(34,193)	-
Total	84,239	199,741	120,070	27,068	5,888	66,141	16,399	93,969	(34,193)	579,322
Segment results	(107,149)	113,882	(174,255)	25,412	(188,925)	12,770	299	(21,268)	(23,669)	(362,903)
Unallocated corporate expenses (Note)										(42,089)
Finance costs										(81,381)
Share of results of associates	(2,828)	(40,210)	-	-	-	12	-	(85,610)	-	(128,636)
Share of results of jointly controlled entities	(104)	-	-	-	-	-	-	(670)	-	(774)
Loss before tax										(615,783)

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

Notes to the Financial Statements (continued)

4. Segment Information (continued)

Year ended 31st December, 2008

	Property development HK\$'000	Property investment HK\$'000	Retail business HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Segment assets	891,601	3,923,121	342,476	1,348,137	620,030	586,772	389,514	50,569	-	8,152,220
Interests in associates	364,133	3,002,374	-	-	-	856	85,025	628,069	-	4,080,457
Interests in jointly controlled entities	257,625	-	-	-	-	-	-	-	-	257,625
Unallocated assets										56,170
Total assets										12,546,472
Segment liabilities	541,293	1,893,868	662,870	-	263,888	575,635	135,856	385,612	(2,874,418)	1,584,604
Unallocated liabilities										2,869,791
Total liabilities										4,454,395
Other segment information:										
Capital expenditure	928	354	44,138	-	-	373	242	341	-	46,376
Depreciation	(370)	(3,848)	(29,589)	-	(61)	(366)	(1,916)	(2,784)	-	(38,934)
Allowance for bad and doubtful debts relating to:										
Banking operation	-	-	-	-	-	-	(729)	-	-	(729)
Non-banking operations	(14,246)	-	-	-	-	-	-	(6,628)	-	(20,874)
Provisions for impairment losses:										
Associates	(89,000)	(69)	-	-	-	-	-	(56,409)	-	(145,478)
A jointly controlled entity	-	-	-	-	-	-	-	(1,858)	-	(1,858)
Available-for-sale financial assets	-	-	-	-	(52,266)	-	-	-	-	(52,266)
Properties held for sale	-	(474)	-	-	-	-	-	-	-	(474)
Properties under development	(9,089)	-	-	-	-	-	-	-	-	(9,089)
Net fair value loss on financial assets at fair value through profit or loss	-	-	-	-	(150,504)	-	-	-	-	(150,504)
Fair value losses on investment properties	-	(242,221)	-	-	-	-	-	-	-	(242,221)
Unallocated:										
Capital expenditure										14,518
Depreciation										(3,088)

4. Segment Information (continued)

Geographical information

(a) Revenue from external customers

	Group	
	2009 HK\$'000	2008 HK\$'000
Hong Kong	168,254	176,248
Macau	16,405	16,399
Republic of Singapore	986,843	99,426
Mainland China	276,064	275,733
Other	7,403	11,516
	1,454,969	579,322

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

(b) Non-current assets

	Group	
	2009 HK\$'000	2008 HK\$'000
Hong Kong	1,347,282	1,137,495
Macau	585,674	552,130
Republic of Singapore	4,024,360	4,252,883
Mainland China	2,667,808	2,658,191
Other	223,415	312,339
	8,848,539	8,913,038

The non-current asset information is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No customer accounted for 10 per cent. or more of the total revenue for the years ended 31st December, 2009 and 2008.

Notes to the Financial Statements (continued)

5. Revenue

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

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Property development	977,684	84,239
Property investment	173,915	186,483
Retail business	131,585	120,070
Treasury investment	15,382	16,961
Securities investment	15,345	5,888
Corporate finance and securities broking	53,727	65,622
Banking business	13,815	16,399
Other	73,516	83,660
	1,454,969	579,322

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	
	2009	2008
	HK\$'000	HK\$'000
Interest income	9,914	11,650
Commission income	3,415	4,395
Other revenues	486	354
	13,815	16,399

6. Excess over the Cost of Business Combination

The amount represented the excess of the Group's additional share of net fair value of identifiable assets, liabilities and contingent liabilities of Hongkong Chinese Limited ("HKC") and Lippo China Resources Limited ("LCR"), both being listed subsidiaries of the Company, and its subsidiaries over the costs incurred thereon, resulted from the repurchase of its own shares by each of HKC and LCR from the market.

Notes to the Financial Statements (continued)

7. Profit/(Loss) Before Tax

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Gross rental income	173,915	186,483
Less: Outgoings	(19,851)	(19,251)
Net rental income	154,064	167,232
Employee benefits expense (Note (a)):		
Wages and salaries	(185,922)	(172,085)
Share options	–	(1,947)
Retirement benefits costs (Note (b))	(9,393)	(9,669)
Total staff costs	(195,315)	(183,701)
Interest income:		
Listed financial assets at fair value through profit or loss	–	57
Unlisted financial assets at fair value through profit or loss	779	825
Listed available-for-sale financial assets	1,487	1,189
Listed held-to-maturity financial assets	848	877
Loans and advances	1,072	2,546
Banking operation	9,914	11,650
Other	15,382	16,961
Dividend income:		
Listed investments	236	476
Unlisted investments	3,214	2,152
Other unlisted investment income	–	1,124
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	6,734	(3,181)
Unlisted financial assets at fair value through profit or loss	2,047	2,369
Unlisted available-for-sale financial assets	–	20,298
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	15,953	(28,010)
Unlisted	16,060	(122,494)
Provision for impairment losses on available-for-sale financial assets:		
Listed	–	(39,015)
Unlisted	(6,832)	(13,251)
Provision for impairment losses on:		
A jointly controlled entity	(494)	(1,858)
Properties held for sale	(759)	(474)
Impairment of goodwill (Note (c))	(23,371)	–
Receivables written off	(4,599)	(23,487)
Interest expense attributable to banking business	(579)	(1,666)
Depreciation	(41,200)	(42,022)
Impairment of fixed assets	(5,928)	–
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	252	199,520
Other items of fixed assets	(342)	(37)
Loss on disposal of investment properties	(145)	(510)
Foreign exchange gains – net	6,697	2,086
Cost of inventories sold	(743,040)	(78,382)
Auditors' remuneration	(4,807)	(5,114)
Minimum lease payments under operating lease rentals in respect of land and buildings	(185,422)	(179,239)

Notes to the Financial Statements (continued)

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

Note:

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

8. Directors' Emoluments

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Directors' fees	1,488	1,488
Basic salaries, housing and other allowances and benefits in kind	9,947	11,315
Discretionary bonuses paid and payable	7,000	–
Retirement benefits costs	102	102
	18,537	12,905

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

2009	Directors' fees HK\$'000	Basic salaries, housing and other allowances and benefits in kind HK\$'000	Discretionary bonuses paid and payable HK\$'000	Retirement benefits costs HK\$'000	Total HK\$'000
Executive directors:					
Mr. Stephen Tjondro Riady	–	6,940	4,000	–	10,940
Mr. John Luen Wai Lee	59	1,984	3,000	24	5,067
Mr. Jark Pui Lee	–	1,023	–	78	1,101
	59	9,947	7,000	102	17,108
Non-executive director:					
Mr. Leon Nim Leung Chan	439	–	–	–	439
Independent non-executive directors:					
Mr. Edwin Neo	240	–	–	–	240
Mr. King Fai Tsui	360	–	–	–	360
Mr. Victor Ha Kuk Yung	390	–	–	–	390
	990	–	–	–	990
	1,488	9,947	7,000	102	18,537

Notes to the Financial Statements (continued)

8. Directors' Emoluments (continued)

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

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

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 33 to the financial statements.

Notes to the Financial Statements (continued)

9. Five Highest Paid Employees' Emoluments

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Basic salaries, housing and other allowances and benefits in kind	2,099	6,006
Discretionary bonuses paid and payable	24,000	18,355
Retirement benefits costs	74	197
	26,173	24,558

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

Emoluments bands (HK\$):	Group	
	2009	2008
	Number of employees	Number of employees
4,000,001 – 4,500,000	–	2
6,500,001 – 7,000,000	–	1
7,000,001 – 7,500,000	1	–
8,000,001 – 8,500,000	1	–
9,500,001 – 10,000,000	–	1
10,500,001 – 11,000,000	1	–
	3	4

10. Finance Costs

	Group	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank and other borrowings wholly repayable within five years	36,418	52,181
Interest on other loans	31,400	43,391
Total interest	67,818	95,572
Less: Interest capitalised	(5,695)	(11,414)
	62,123	84,158

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

11. Share of Results of Associates

The amount included the Group's share of loss in Lippo ASM Asia Property LP ("LAAP"), a property fund which carries the objective of investing in real estates in Asia, of approximately HK\$301,114,000 (2008 – HK\$40,739,000). LAAP and its subsidiaries (collectively "LAAP Group") had 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. The loss in 2009 was mainly derived from the net fair value loss on investment properties and the impairment losses made for the property development projects held under OUE and its associates.

12. Share of Results of Jointly Controlled Entities

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

13. Income Tax

	Group	
	2009 HK\$'000	2008 HK\$'000
Hong Kong:		
Charge for the year	3,644	2,559
Overprovision in prior years	(2,170)	(508)
Deferred	28,642	(52,369)
	30,116	(50,318)
Overseas:		
Charge for the year	43,889	17,689
Underprovision/(Overprovision) in prior years	(17)	506
Deferred	13,071	(1,071)
	56,943	17,124
Total charge/(credit) for the year	87,059	(33,194)

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

Notes to the Financial Statements (continued)

13. Income Tax (continued)

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Profit/(Loss) before tax	31,964	(615,783)
Tax at the statutory tax rate of 16.5 per cent. (2008 – 16.5 per cent.)	5,274	(101,604)
Effect of different tax rates in other jurisdictions	6,960	(29,897)
Effect of change in tax rate	–	(11,792)
Adjustments in respect of current tax of previous years	(2,187)	(2)
Profits and losses attributable to jointly controlled entities and associates	18,545	21,353
Income not subject to tax	(20,595)	(62,398)
Expenses not deductible for tax	19,798	81,756
Effect of withholding tax of 10 per cent. on the distributable profits of the Group's subsidiary in mainland China	2,066	2,409
Tax losses utilised from previous years	(8,516)	(8,226)
Tax losses not recognised	65,714	75,207
Tax charge/(credit) at the Group's effective rate	87,059	(33,194)

For the companies operated in the Republic of Singapore, Macau and mainland China, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 17 per cent., 12 per cent. and 25 per cent. (2008 – 18 per cent., 12 per cent. and 25 per cent.), respectively.

The share of tax credit attributable to associates amounting to HK\$49,998,000 (2008 – charge of HK\$32,269,000) and the share of tax charge attributable to jointly controlled entity amounting to HK\$43,246,000 (2008 – Nil) are included in “Share of results of associates” and “Share of results of jointly controlled entities” on the face of the consolidated income statement, respectively.

14. Results Attributable to Equity Holders of the Company

The consolidated results attributable to equity holders of the Company for the year includes a profit of HK\$9,361,000 (2008 – HK\$6,447,000) which has been dealt with in the financial statements of the Company as set out in Note 34 to the financial statements.

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company of HK\$1,254,000 (2008 – loss of HK\$336,744,000); and (ii) the weighted average number of 501,753,000 ordinary shares (2008 – 496,970,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the years ended 31st December, 2009 and 2008 as the share options and warrants outstanding during these years had no dilutive effect on the basic earnings/(loss) per share for these years.

16. Dividends

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend, declared and paid, of HK2 cents (2008 – HK2 cents) per ordinary share	10,009	10,843
Final dividend, proposed, of HK2 cents (2008 – HK2 cents) per ordinary share	10,009	10,009
	20,018	20,852

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

17. Goodwill

	Group HK\$'000
At 1st January, 2008 and 31st December, 2008:	
Cost	178,462
Accumulated impairment	(83,606)
Net carrying amount	94,856
Cost at 1st January, 2009, net of accumulated impairment	94,856
Impairment during the year	(23,371)
Carrying amount at 31st December, 2009	71,485
At 31st December, 2009:	
Cost	178,462
Accumulated impairment	(106,977)
Net carrying amount	71,485

Impairment testing of goodwill

Goodwill is allocated to the Group's cash-generating units identified according to the reportable operating segment as follows:

	Banking business HK\$'000	Property investment HK\$'000	Total HK\$'000
2009			
Carrying amount of goodwill	71,485	–	71,485
2008			
Carrying amount of goodwill	71,485	23,371	94,856

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. (2008 – 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.

Impairment loss recognised during the year solely related to the property investment cash-generating unit as the recoverable amount of the cash-generating unit was less than the carrying amount.

18. Fixed Assets**Group**

2009	Leasehold land HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:				
At 1st January, 2009	36,507	290,999	414,390	741,896
Additions during the year	–	32,597	22,377	54,974
Surplus on revaluation	–	32,108	–	32,108
Reclassified to investment properties	–	(54,902)	–	(54,902)
Disposals during the year	(36,135)	(59,446)	(2,144)	(97,725)
Exchange adjustments	(372)	(835)	620	(587)
At 31st December, 2009	–	240,521	435,243	675,764
Accumulated depreciation and impairment losses:				
At 1st January, 2009	97	86,750	175,692	262,539
Depreciation provided for the year	281	3,848	37,071	41,200
Impairment during the year	–	–	5,928	5,928
Reclassified to investment properties	–	(769)	–	(769)
Disposals during the year	(377)	(527)	(1,573)	(2,477)
Exchange adjustments	(1)	–	271	270
At 31st December, 2009	–	89,302	217,389	306,691
Net book value:				
At 31st December, 2009	–	151,219	217,854	369,073

Notes to the Financial Statements (continued)

18. Fixed Assets (continued)

Group

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

Certain leasehold land and buildings have been mortgaged to secure banking facilities made available to the Group as set out in Note 28 to the financial statements.

Notes to the Financial Statements (continued)

18. Fixed Assets (continued)

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Long term leasehold land and buildings situated in Hong Kong	139,266	119,075
Leasehold land and buildings situated outside Hong Kong under:		
Long term leases	–	95,783
Medium term leases	11,953	25,801
	11,953	121,584
Total	151,219	240,659

Company

	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles	
	2009 HK\$'000	2008 HK\$'000
Cost:		
Balance at beginning of year	1,688	1,651
Additions during the year	26	37
Balance at end of year	1,714	1,688
Accumulated depreciation:		
Balance at beginning of year	1,646	1,626
Depreciation provided for the year	26	20
Balance at end of year	1,672	1,646
Net book value	42	42

19. Investment Properties

	Group	
	2009 HK\$'000	2008 HK\$'000
Medium term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	19,500	19,500
Disposal during the year	(19,500)	–
Balance at end of year	–	19,500
Long term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	985,100	1,337,500
Disposals during the year	–	(69,200)
Disposal of a subsidiary	–	(105,500)
Fair value adjustments	203,500	(177,700)
Balance at end of year	1,188,600	985,100
Medium term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	2,581,828	2,333,010
Additions during the year	4,952	191,852
Reclassified from fixed assets	45,687	–
Reclassified to properties under development	(421,000)	–
Fair value adjustments	23,559	(64,045)
Exchange adjustments	3,521	121,011
Balance at end of year	2,238,547	2,581,828
Long term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	–	44,106
Disposal of a subsidiary	–	(47,062)
Exchange adjustments	–	2,956
Balance at end of year	–	–
Freehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	27,459	29,709
Reclassified from fixed assets	8,446	–
Fair value adjustments	(4,422)	(476)
Exchange adjustments	343	(1,774)
Balance at end of year	31,826	27,459
Total	3,458,973	3,613,887

Notes to the Financial Statements (continued)

19. Investment Properties (continued)

Based on professional valuations as at 31st December, 2009 made by Vigers Appraisal and Consulting Limited, an independent qualified valuer, the investment properties in Hong Kong were revalued on an open market, existing use basis at HK\$1,188,600,000 (2008 – HK\$1,004,600,000).

Based on professional valuations as at 31st December, 2009 made by Professional Asset Valuers, Incorporated, CB Richard Ellis, RHL Appraisal Limited, Procasa Real Estate GmbH and Sichuan Dayou Real Estate Appraisal & Consultant Company Limited, independent qualified valuers, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK\$2,270,373,000 (2008 – HK\$2,609,287,000).

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 28 to the financial statements.

20. Properties under Development

	Group	
	2009 HK\$'000	2008 HK\$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	1,052,367	853,111
Additions during the year	183,438	346,044
Disposal during the year	(698,542)	–
Reclassified from investment properties	421,000	–
Reclassified to fixed assets	–	(87,267)
Reclassified to properties held for sale	–	(80,479)
Exchange adjustments	(3,858)	20,958
Balance at end of year	954,405	1,052,367
Provisions for impairment losses:		
Balance at beginning of year	(148,787)	(140,834)
Reclassified to properties held for sale	–	10,083
Impairment during the year	(3,518)	(9,089)
Exchange adjustments	(1,062)	(8,947)
Balance at end of year	(153,367)	(148,787)
	801,038	903,580
Less: Amount classified under current portion	–	(573,713)
Non-current portion	801,038	329,867
Land and buildings situated outside Hong Kong held under the following lease terms:		
Long term land and buildings	86,186	64,540
Medium term land and buildings	680,500	226,843
Freehold	34,352	612,197
	801,038	903,580

Certain properties under development have been mortgaged to secure banking facilities made available to the Group as set out in Note 28 to the financial statements.

21. Interests in Associates

	Group	
	2009	2008
	HK\$'000	HK\$'000
Share of net assets in listed investments	613,538	598,141
Share of net assets in unlisted investments	2,849,416	3,084,413
Goodwill arising from acquisition less impairment	–	85,025
Due from associates	447,808	462,136
Due to associates	(3,654)	(1,975)
	3,907,108	4,227,740
Provisions for impairment losses	(137,209)	(147,283)
	3,769,899	4,080,457
Market value of listed investments at 31st December	451,340	317,613

The balance as at 31st December, 2009 included the Group's interest in LAAP of approximately HK\$2,750,345,000 (2008 – HK\$2,989,503,000). LAAP had participated in a joint venture to invest in OUE. All the shares of OUE held by LAAP Group had been pledged to secure banking facilities made available to the subsidiaries of LAAP. In March 2010, LAAP Group acquired the direct and indirect interest in OUE held by a joint venture partner, which increased its controlling stake in OUE to approximately 88.52 per cent.

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

The remaining balances with 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	
	2009	2008
	HK\$'000	HK\$'000
Assets	31,203,090	30,493,592
Liabilities	(20,006,633)	(18,708,445)
Revenue	3,272,221	3,480,255
Loss	(476,005)	(377,116)

Details of the principal associates are set out on pages 142 and 143.

22. Interests in Jointly Controlled Entities

	Group	
	2009	2008
	HK\$'000	HK\$'000
Share of net assets in unlisted investments	141,583	69,591
Due from jointly controlled entities	203,487	188,568
	345,070	258,159
Provision for impairment losses	(1,028)	(534)
	344,042	257,625
Due to a jointly controlled entity	–	(46,638)
	344,042	210,987

The balances with the jointly controlled entities include a loan of HK\$3,977,000 (2008 – HK\$3,974,000), which is secured by certain shares of a jointly controlled entity, bears interest at United States dollar prime rate plus 2 per cent. (2008 – 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.

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

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	824,018	1,352,897
Non-current assets	325	2,057
Current liabilities	(88,312)	(729,590)
Non-current liabilities	(391,954)	(378,232)
Net assets	344,077	247,132
Share of the jointly controlled entities' results:		
Revenue	1,117,097	14,502
Total expenses	(912,946)	(15,402)
Profit/(Loss) after tax	204,151	(900)
Share of the jointly controlled entities' capital commitments	77,349	83,836

Details of the principal jointly controlled entities are set out on page 144.

23. Available-for-sale Financial Assets

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Financial assets stated at fair value:				
Equity securities listed overseas	306,136	376,616	-	-
Debt securities listed overseas	17,509	12,559	-	-
Unlisted debt securities	12,654	6,621	-	-
Unlisted investment funds	82,441	71,814	-	-
	418,740	467,610	-	-
Financial assets stated at cost:				
Unlisted equity securities	143,658	140,941	8,920	8,920
Unlisted debt securities	12,175	12,175	1,200	1,200
Unlisted investment funds	15,461	15,461	-	-
	171,294	168,577	10,120	10,120
Provisions for impairment losses	(138,960)	(137,909)	(8,920)	(8,920)
	32,334	30,668	1,200	1,200
	451,074	498,278	1,200	1,200

The debt securities have effective interest rates ranging from nil to 10 per cent. (2008 – nil to 10 per cent.) per annum.

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

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Equity securities:				
Corporate entities	449,794	517,557	8,920	8,920
Debt securities:				
Club debentures	12,175	12,175	1,200	1,200
Corporate entities	19,974	10,111	-	-
Banks and other financial institutions	10,189	9,069	-	-
	42,338	31,355	1,200	1,200

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

During the year, the gross loss of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK\$53,214,000 (2008 – HK\$58,859,000), of which nil (2008 – gain of HK\$1,719,000) was reclassified from consolidated other comprehensive income to the consolidated income statement for the year.

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

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

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

There has been a significant decline in the market value of an unlisted investment fund during the year. The Directors consider that such a decline indicates that the aforesaid available-for-sale financial asset has been impaired and an impairment loss of HK\$6,317,000 (2008 – Nil), which included a reclassification from consolidated other comprehensive income of HK\$6,317,000 (2008 – Nil), has been recognised in the consolidated income statement for the year.

During the year, the Directors reviewed the carrying amount of certain unlisted available-for-sale financial assets with reference to their business performances prepared by the investees' management. An impairment loss of HK\$515,000 (2008 – HK\$13,251,000) has been charged to the consolidated income statement for the year. For the year ended 31st December, 2008, an impairment loss on a listed available-for-sale financial asset of HK\$39,015,000 had been recognised in the consolidated income statement.

In 2008, the Group had reclassified certain of its debt instruments from the fair value through profit or loss category into the available-for-sale category due to the change of its intention from holding these debt instruments for the purpose of trading in the near term to holding them for the foreseeable future. As at 31st December, 2009, these debt instruments were stated at fair value of HK\$7,320,000 (2008 – HK\$3,490,000). Had the reclassification not taken place, the Group would have recognised a fair value gain of HK\$3,830,000 (2008 – loss of HK\$5,243,000) in the consolidated income statement for the year.

24. Held-to-maturity Financial Assets

	Group	
	2009 HK\$'000	2008 HK\$'000
Debt securities, at amortised cost:		
Listed overseas	9,431	9,467
Market value of listed debt securities	9,640	9,760

The debt securities have an effective interest rate of 9 per cent. (2008 – 9 per cent.) per annum.

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Banks and other financial institutions	9,431	9,467

25. Loans and Advances

The loans and advances to customers of the Group have effective interest rates ranging from 2 per cent. to 9 per cent. (2008 – 3 per cent. to 9 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\$386,678,000 (2008 – HK\$419,914,000).

As at the end of the reporting period, 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	
	2009 HK\$'000	2008 HK\$'000
Balance at beginning of year	8,597	2,868
Allowance for bad and doubtful debts	501	5,729
Impairment allowance released	(50)	–
Balance at end of year	9,048	8,597

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.

26. Financial Assets at Fair Value through Profit or Loss

	Group	
	2009 HK\$'000	2008 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	25,081	7,611
Listed overseas	9,168	2,464
	34,249	10,075
Investment funds:		
Unlisted	96,178	94,284
Others:		
Unlisted	–	7,800
	130,427	112,159

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Equity securities:		
Corporate entities	23,522	10,075
Banks and other financial institutions	6,528	–
Public sector entities	4,199	–
	34,249	10,075

27. Debtors, Prepayments and Deposits

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

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Outstanding balances with ages:		
Repayable on demand	38,437	44,010
Within 30 days	14,731	24,174
Between 31 and 60 days	885	2,643
Between 61 and 90 days	374	1,123
Between 91 and 180 days	775	2,722
Over 180 days	2,489	1,076
	57,691	75,748

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

As at 31st December, 2009, receivables of HK\$15,874,000 (2008 – HK\$15,874,000) related to a property development project were impaired and provided for. Except for this, the remaining balances were neither overdue nor impaired and were 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.

28. Bank and Other Borrowings

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Bank loans:				
Secured (Note (a))	1,966,821	2,059,503	403,000	448,000
Unsecured	10,000	39,277	-	-
	1,976,821	2,098,780	403,000	448,000
Other borrowings:				
Unsecured (Note (b))	39,550	155,002	-	-
	2,016,371	2,253,782	403,000	448,000
Less: Amount classified under current portion	(191,980)	(699,232)	(55,000)	(258,000)
Non-current portion	1,824,391	1,554,550	348,000	190,000
Bank and other borrowings by currency:				
Hong Kong dollar	1,358,000	1,288,000	403,000	448,000
United States dollar	225,670	356,505	-	-
Renminbi	432,701	432,012	-	-
Singapore dollar	-	177,265	-	-
	2,016,371	2,253,782	403,000	448,000
Bank loans repayable:				
Within one year	152,430	544,230	55,000	258,000
In the second year	481,550	405,357	188,000	190,000
In the third to fifth years, inclusive	836,597	337,575	160,000	-
After five years	506,244	811,618	-	-
	1,976,821	2,098,780	403,000	448,000
Other borrowings repayable:				
Within one year	39,550	155,002	-	-

The carrying amounts of the Group's and Company's bank and other borrowings approximate to their fair values and bear interest at rates ranging from 1.5 per cent. to 6.1 per cent. (2008 – 1.3 per cent. to 6.0 per cent.) per annum.

Notes to the Financial Statements (continued)

28. Bank and Other Borrowings (continued)

Note:

- (a) At the end of the reporting period, the bank loans were secured by:
- (i) shares in certain listed subsidiaries of the Group with market value of HK\$2,299,969,000 (2008 – HK\$1,227,473,000);
 - (ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development with carrying amounts of HK\$2,932,790,000 (2008 – HK\$3,073,317,000), HK\$116,031,000 (2008 – HK\$119,075,000) and HK\$421,000,000 (2008 – HK\$573,713,000); and
 - (iii) certain fixed deposits of the Group with carrying amount of HK\$292,000 (2008 – HK\$26,400,000), respectively.
- (b) The Group's other borrowings at the end of the reporting period comprised of an unsecured loan advanced from a third party of HK\$39,550,000 (2008 – HK\$155,002,000), which was renewed for one additional year on terms mutually agreed with the lender and is repayable on or before 26th June, 2010.

29. Creditors, Accruals and Deposits Received

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Repayable on demand	650,888	534,248
Within 30 days	72,644	52,604
Between 31 and 60 days	9,576	10,107
Between 61 and 90 days	2,634	2,854
Between 91 and 180 days	4,418	1,405
Over 180 days	1,402	660
	741,562	601,878

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, 2009, total client trust bank balances amounted to HK\$630,560,000 (2008 – HK\$509,355,000).

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.

30. 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 0.01 per cent. to 2.9 per cent. (2008 – 0.3 per cent. to 4.5 per cent.) per annum.

Notes to the Financial Statements (continued)

31. 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	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
2009						
At 1st January, 2009	5,447	466,346	1,320	(7,566)	2,409	467,956
Deferred tax charged/(credited) to the income statement during the year	494	43,776	-	(2,174)	(383)	41,713
Deferred tax debited/(credited) to equity during the year	-	3,853	(632)	-	-	3,221
Exchange adjustments	-	737	1	-	-	738
At 31st December, 2009	5,941	514,712	689	(9,740)	2,026	513,628
2008						
At 1st January, 2008	5,930	501,833	7,957	(7,807)	-	507,913
Deferred tax charged/(credited) to the income statement during the year	(178)	(43,674)	-	(205)	2,409	(41,648)
Effect of change in tax rate	(305)	(11,933)	-	446	-	(11,792)
Deferred tax credited to equity during the year	-	-	(6,620)	-	-	(6,620)
Disposal of subsidiaries	-	(8,655)	-	-	-	(8,655)
Exchange adjustments	-	28,775	(17)	-	-	28,758
At 31st December, 2008	5,447	466,346	1,320	(7,566)	2,409	467,956

31. Deferred Tax (continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	(184)
Net deferred tax liabilities recognised in the consolidated statement of financial position	513,628	468,140
	513,628	467,956

The Group has deductible temporary differences and tax losses of HK\$170,512,000 (2008 – HK\$5,617,000) and HK\$780,091,000 (2008 – HK\$765,256,000), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except tax losses of HK\$156,025,000 (2008 – HK\$17,231,000) that will expire on or before 2014. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses at the end of the reporting period due to the unpredictability of future profit streams.

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

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

32. Share Capital Shares

	Group and Company	
	2009 HK\$'000	2008 HK\$'000
Authorised:		
30,000,000,000 (2008 – 30,000,000,000) ordinary shares of HK\$0.10 each	3,000,000	3,000,000
Issued and fully paid:		
500,433,372 (2008 – 532,968,372) ordinary shares of HK\$0.10 each	50,043	53,297

During the year, a total of 32,535,000 ordinary shares (2008 – 9,203,000 ordinary shares) of HK\$0.10 each were repurchased on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and were subsequently cancelled by the Company. The premium of HK\$33,958,000 (2008 – HK\$20,534,000) arising from such repurchases has been charged to the retained profits of the Company and an amount of HK\$3,254,000 (2008 – HK\$920,000) was transferred from retained profits to the capital redemption reserve as set out in the consolidated statement of changes in equity on page 43.

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

Warrants

As at 1st January, 2009, the Company had 54,214,266 units of warrants outstanding with an aggregate subscription value of approximately HK\$254,807,000. Each warrant entitles the holder thereof to subscribe in cash for one ordinary share of HK\$0.10 in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both days inclusive). During the year, no warrants were cancelled or exercised. The exercise in full of the outstanding warrants would, under the present capital structure of the Company, result in the issue of 54,214,266 additional ordinary shares of HK\$0.10 each in the Company.

33. Share Option Schemes

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

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

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

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date, that is 43,373,501 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed 1 per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (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.

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

On 17th December, 2007, options were granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors of the Company and employees of the Group to subscribe for a total of 4,337,000 ordinary shares of HK\$0.10 each in the Company (the "Shares") at an initial exercise price of HK\$6.98 per share (subject to adjustment). Due to the rights issue of new shares of the Company in June 2008 in the proportion of one rights share for every four shares held, adjustments were made to the number of shares subject to the options and the exercise price, resulting in options to subscribe for a total of 5,421,250 Shares at an exercise price of HK\$5.58 per share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

On 1st August, 2008, an option was granted under the Share Option Scheme without consideration to an Eligible Person to subscribe for 625,000 Shares at an exercise price of HK\$3.95 per share (subject to adjustment). Such option could not be exercised from the date of grant to 31st July, 2009. Such option is exercisable from 1st August, 2009 to 16th December, 2012.

As at 1st January, 2009, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 6,046,250 Shares (the "Option Shares").

Details of the Option Shares granted under the Share Option Scheme are summarised as follows:

Participants	Date of grant	Exercise price per share HK\$	Number of Option Shares
			Balance as at 1st January, 2009 and 31st December, 2009
Directors:			
John Luen Wai Lee	17th December, 2007	5.58	1,125,000
Leon Nim Leung Chan	17th December, 2007	5.58	193,750
Jark Pui Lee	17th December, 2007	5.58	162,500
Edwin Neo	17th December, 2007	5.58	162,500
King Fai Tsui	17th December, 2007	5.58	162,500
Victor Ha Kuk Yung	17th December, 2007	5.58	162,500
Employees (Note)	17th December, 2007	5.58	3,352,500
	1st August, 2008	3.95	625,000
Others	17th December, 2007	5.58	100,000
Total			6,046,250
Weighted average exercise price per share (HK\$)			5.41

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

33. Share Option Schemes (continued)

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

No option of the Company was granted, exercised, cancelled or lapsed during the year.

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

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

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

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

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

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

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

33. Share Option Schemes (continued)

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

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

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

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

At the end of the reporting period, the Company had options outstanding under the Share Option Scheme to subscribe for 6,046,250 Shares, which represented approximately 1.2 per cent. of the then issued share capital of the Company. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 6,046,250 additional Shares and cash proceeds, before expenses, of HK\$32,719,000. In addition, the exercise in full of all these options would provide additional share capital of HK\$605,000 and share premium of HK\$32,114,000 (before issue expenses).

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

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

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

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

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

33. Share Option Schemes (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33. Share Option Schemes *(continued)*

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

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

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

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

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

On 17th December, 2007, options were granted under the HKC Share Option Scheme without consideration to eligible persons of HKC Share Option Scheme including, inter alia, certain directors and employees of HKC to subscribe for a total of 13,468,000 ordinary shares of HK\$1.00 each in HKC (the "HKC Shares") at an initial exercise price of HK\$1.68 per share (subject to adjustment). Due to the rights issue of new shares of HKC in June 2008 in the proportion of seven rights shares for every twenty shares held, adjustments were made to the number of HKC Shares subject to the options of HKC and the exercise price, resulting in options to subscribe for a total of 18,181,800 HKC Shares at an exercise price of HK\$1.24 per share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

On 1st August, 2008, an option was granted under the HKC Share Option Scheme without consideration to an Eligible Person to subscribe for 2,025,000 HKC Shares at an exercise price of HK\$1.00 per share (subject to adjustment). Such option could not be exercised from the date of grant to 31st July, 2009. Such option is exercisable from 1st August, 2009 to 16th December, 2012.

As at 1st January, 2009, there were outstanding options granted under the HKC Share Option Scheme to subscribe for a total of 20,206,800 HKC Shares (the "HKC Option Shares").

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

Details of the HKC Option Shares granted under the HKC Share Option Scheme are summarised as follows:

Participants	Date of grant	Exercise price per share HK\$	Number of HKC Option Shares
			Balance as at 1st January, 2009 and 31st December, 2009
Directors:			
John Luen Wai Lee	17th December, 2007	1.24	4,590,000
Leon Nim Leung Chan	17th December, 2007	1.24	810,000
King Fai Tsui	17th December, 2007	1.24	607,500
Victor Ha Kuk Yung	17th December, 2007	1.24	607,500
Other directors of HKC	17th December, 2007	1.24	1,215,000
Employees (Note)	17th December, 2007	1.24	7,516,800
Others	17th December, 2007	1.24	2,835,000
	1st August, 2008	1.00	2,025,000
Total			20,206,800
Weighted average exercise price per share (HK\$)			1.22

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

No option of HKC was granted, exercised, cancelled or lapsed during the year.

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

33. Share Option Schemes (continued)

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

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

Number of HKC 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 HKC Option Shares are subject to adjustment in case of rights or bonus issues, or other similar changes in HKC's share capital.

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

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

	2008
Dividend yield (per cent.)	7.258
Historical and expected volatility (per cent.)	47.78
Risk-free interest rate (per cent.)	3
Expected life of options (year)	4.5
Weighted average share price (HK\$)	0.93

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

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

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

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

Notes to the Financial Statements (continued)

34. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of the financial statements.

Company

	Share premium account	Share option reserve	Special capital reserve (Note (a))	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2009						
At 1st January, 2009	912,350	12,766	1,709,202	18,780	174,013	2,827,111
Total comprehensive income for the year (Note 14)	-	-	-	-	9,361	9,361
Repurchase of shares	-	-	-	3,254	(37,212)	(33,958)
2008 final dividend, declared and paid to shareholders of the Company	-	-	-	-	(10,009)	(10,009)
2009 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	(10,009)	(10,009)
At 31st December, 2009	912,350	12,766	1,709,202	22,034	126,144	2,782,496
2008						
At 1st January, 2008	515,637	11,700	1,709,202	17,860	217,212	2,471,611
Total comprehensive income for the year (Note 14)	-	-	-	-	6,447	6,447
Rights issue	396,701	-	-	-	-	396,701
Issuance of shares upon exercise of warrants	12	-	-	-	-	12
Repurchase of shares	-	-	-	920	(21,454)	(20,534)
Equity-settled share option arrangements	-	1,066	-	-	-	1,066
2007 final dividend, declared and paid to shareholders of the Company	-	-	-	-	(17,349)	(17,349)
2008 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	(10,843)	(10,843)
At 31st December, 2008	912,350	12,766	1,709,202	18,780	174,013	2,827,111

34. Reserves (continued)

At 31st December, 2009, the Company's reserves available for distribution, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$126,144,000 (2008 – HK\$174,013,000). As at 31st December, 2009, other distributable reserve amounted to HK\$1,709,202,000 (2008 – HK\$1,709,202,000).

Included in the retained profits of the Group and the Company at 31st December, 2009 was an amount of a proposed final dividend for the year then ended of HK\$10,009,000 (2008 – HK\$10,009,000) declared after the end of the reporting period.

Note:

(a) Special capital reserve

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

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

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

As at 31st December, 2009, no special capital reserve remained subject to the Undertaking (2008 – Nil).

(b) Legal reserve

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

(c) Regulatory reserve

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

35. Interests in Subsidiaries

	Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	1	1
Due from subsidiaries	4,003,704	3,890,755
Due to subsidiaries	(583,307)	(452,886)
	3,420,398	3,437,870
Provisions for impairment losses	(205,074)	(205,074)
	3,215,324	3,232,796

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 131 to 141.

Notes to the Financial Statements (continued)

36. Notes to the Consolidated Statement of Cash Flows

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

	Note	Group	
		2009 HK\$'000	2008 HK\$'000
Profit/(Loss) before tax		31,964	(615,783)
Adjustments for:			
Share of results of associates		316,798	128,636
Share of results of jointly controlled entities		(204,404)	774
Loss/(Gain) on disposal of:			
Fixed assets		90	(199,483)
Investment properties	7	145	510
Subsidiaries	36(b)	-	(28,838)
Available-for-sale financial assets		-	(20,298)
Associates		(284)	-
Provisions for impairment losses:			
Associates		79,723	145,478
A jointly controlled entity	7	494	1,858
Available-for-sale financial assets		6,832	52,266
Properties held for sale	7	759	474
Properties under development		3,518	9,089
Impairment of goodwill	7	23,371	-
Impairment of fixed assets	7	5,928	-
Fair value losses/(gains) on investment properties		(222,637)	242,221
Net fair value loss/(gain) on financial assets at fair value through profit or loss		(32,013)	150,504
Allowance/(Write-back of allowance) for bad and doubtful debts		(7,062)	21,603
Receivables written off	7	4,599	23,487
Finance costs		62,123	84,158
Interest income		(29,482)	(34,105)
Dividend income		(3,450)	(2,628)
Depreciation	7	41,200	42,022
Share options	7	-	1,947
Excess over the cost of business combination		(1,870)	(155,635)
		76,342	(151,743)
Decrease/(Increase) in properties held for sale		(9,825)	60,956
Decrease in properties under development		730,634	-
Increase in inventories		(981)	(988)
Decrease in held-to-maturity financial assets		36	105
Decrease in financial assets at fair value through profit or loss		1,745	191,852
Decrease in loans and advances		10,104	46,504
Decrease/(Increase) in debtors, prepayments and deposits		(145,287)	44,491
Decrease/(Increase) in client trust bank balances		(120,883)	221,640
Decrease in creditors, accruals and deposits received		(333,979)	(109,796)
Increase/(Decrease) in current, fixed, savings and other deposits of customers		31,911	(32,003)
Increase in deferred rental		38,375	47,466
Cash generated from operations		278,192	318,484

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

(b) Disposal of subsidiaries

	Group	
	2009	2008
	HK\$'000	HK\$'000
Net assets disposed of:		
Fixed assets	-	4,131
Investment properties	-	152,562
Interests in associates	388	-
Financial assets at fair value through profit or loss	12,000	-
Cash and bank balances	-	1,152
Debtors, prepayments and deposits	-	9,651
Creditors, accruals and deposits received	(58)	(7,885)
Deferred tax liabilities	-	(8,655)
Release of exchange equalisation reserve	-	(2,221)
Minority interests	-	(1,520)
	12,330	147,215
Gain on disposal of subsidiaries	-	28,838
	12,330	176,053
Satisfied by:		
Cash consideration	12,330	169,396
Increase in interests in associates	-	6,657
	12,330	176,053

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Cash consideration	12,330	169,396
Cash and bank balances disposed of	-	(1,152)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	12,330	168,244

37. Contingent Liabilities

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

(a) Guarantees provided in respect of banking facilities

	Group	
	2009	2008
	HK\$'000	HK\$'000
Granted to an associate	-	258

Notes to the Financial Statements (continued)

37. Contingent Liabilities (continued)

At 31st December, 2009, the Group had the following contingent liabilities: (continued)

(b) Details of contingent liabilities relating to banking operation

As at 31st December, 2009, the Group had contingent liabilities relating to its banking subsidiary of HK\$23,759,000 (2008 – HK\$25,020,000), comprising guarantees and other endorsements of HK\$17,134,000 (2008 – HK\$17,753,000) and liabilities under letters of credit on behalf of customers of HK\$6,625,000 (2008 – HK\$7,267,000).

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

38. Operating Lease Arrangements

(a) As lessor

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Within one year	90,337	109,666
In the second to fifth years, inclusive	100,397	54,816
	190,734	164,482

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 31st December, 2027 and the leases for properties contain provision for rental adjustments. As at 31st December, 2009, the Group 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Within one year	183,669	178,178	4,764	–
In the second to fifth years, inclusive	679,663	661,506	–	–
After five years	1,875,831	1,897,849	–	–
	2,739,163	2,737,533	4,764	–

39. Capital Commitments

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Capital commitments in respect of property, plant and equipment: Contracted, but not provided for	149,845	243,871
Other capital commitments: Contracted, but not provided for (Note)	75,596	79,240
	225,441	323,111

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, of approximately HK\$66 million (2008 – HK\$64 million).

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

40. Related Party Transactions

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

- (a) As at 31st December, 2009, the Group had balances with its associates and jointly controlled entities, further details of which are set out in Notes 21 and 22 to the financial statements, respectively.
- (b) During the year, ImPac Asset Management (HK) Limited, being a wholly-owned subsidiary of HKC which in turn is a non-wholly owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounting to HK\$11,349,000 (2008 – HK\$11,349,000).
- (c) During the year, Lippo Realty (Singapore) Pte. Limited, being a wholly-owned subsidiary of HKC which in turn is a non-wholly owned subsidiary of the Company, received project management incomes of HK\$3,193,000 (2008 – HK\$15,456,000) and HK\$1,477,000 (2008 – HK\$1,795,000) from associates and jointly controlled entities of the Group, respectively.

Notes to the Financial Statements (continued)

41. Financial Instruments by Category

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

Group

At 31st December, 2009

Financial assets

	Financial assets at fair value through profit or loss held for trading HK\$'000	Held-to-maturity financial assets HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Total HK\$'000
Amount due from an associate	-	-	4,500	-	4,500
Amount due from a jointly controlled entity	-	-	3,977	-	3,977
Held-to-maturity financial assets	-	9,431	-	-	9,431
Available-for-sale financial assets	-	-	-	451,074	451,074
Financial assets at fair value through profit or loss	130,427	-	-	-	130,427
Loans and advances	-	-	215,094	-	215,094
Debtors and deposits	-	-	354,480	-	354,480
Client trust bank balances	-	-	630,560	-	630,560
Pledged time deposits	-	-	292	-	292
Treasury bills	-	-	19,400	-	19,400
Cash and bank balances	-	-	1,313,115	-	1,313,115
	130,427	9,431	2,541,418	451,074	3,132,350

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Bank and other borrowings	2,016,371
Creditors, accruals and deposits received	1,036,192
Current, fixed, savings and other deposits of customers	165,131
	3,217,694

Notes to the Financial Statements (continued)

41. Financial Instruments by Category (continued)

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

Group

At 31st December, 2008

Financial assets

	Financial assets at fair value through profit or loss held for trading HK\$'000	Held-to-maturity financial assets HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Total HK\$'000
Amount due from an associate	-	-	4,500	-	4,500
Amount due from a jointly controlled entity	-	-	3,974	-	3,974
Held-to-maturity financial assets	-	9,467	-	-	9,467
Available-for-sale financial assets	-	-	-	498,278	498,278
Financial assets at fair value through profit or loss	112,159	-	-	-	112,159
Loans and advances	-	-	218,379	-	218,379
Debtors and deposits	-	-	219,890	-	219,890
Client trust bank balances	-	-	509,355	-	509,355
Pledged time deposits	-	-	26,400	-	26,400
Cash and bank balances	-	-	1,441,456	-	1,441,456
	112,159	9,467	2,423,954	498,278	3,043,858

Financial liabilities

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

Notes to the Financial Statements (continued)

41. Financial Instruments by Category (continued)

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

Company

At 31st December, 2009

Financial assets

	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	1,200	1,200
Debtors and deposits	397	–	397
Cash and bank balances	21,104	–	21,104
	21,501	1,200	22,701

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Bank loans	403,000
Creditors, accruals and deposits received	4,209
	407,209

Notes to the Financial Statements (continued)

41. Financial Instruments by Category (continued)

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

Company

At 31st December, 2008

Financial assets

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

Financial liabilities

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

42. Fair Value Hierarchy

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

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

Notes to the Financial Statements (continued)

42. Fair Value Hierarchy (continued)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets:				
Equity securities	306,136	–	–	306,136
Debt securities	17,509	–	12,654	30,163
Investment funds	–	3,204	79,237	82,441
Financial assets at fair value through profit or loss:				
Equity securities	34,249	–	–	34,249
Investment funds	–	501	95,677	96,178
	357,894	3,705	187,568	549,167

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

	Available- for-sale debt securities HK\$'000	Available- for-sale investment funds HK\$'000	Investment funds at fair value through profit or loss HK\$'000
At 1st January, 2009	6,621	69,175	92,265
Total gains recognised in the income statement	–	–	4,485
Total gains recognised in other comprehensive income	6,033	5,879	–
Purchases	–	4,139	–
Disposals	–	–	(1,091)
Exchange adjustments	–	44	18
At 31st December, 2009	12,654	79,237	95,677

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

The Company did not hold any financial instruments measured at fair value as at the end of the reporting period (2008 – Nil).

43. 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 end of the reporting period based on the information provided to key management is as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
By geographical area:		
Hong Kong	92,421	86,720
Mainland China	7,695	11,376
Republic of Singapore	15,858	34,452
Macau	147,350	154,142
Others	9,461	7,437
	272,785	294,127

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

43. 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. 10 per cent. of the Group's debts would mature in less than one year as at 31st December, 2009 (2008 – 31 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 end of the reporting period to the contractual maturity date is as follows:

Group

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st December, 2009							
Assets							
Amount due from an associate	-	-	-	-	-	4,500	4,500
Amount due from a jointly controlled entity	-	-	-	-	-	3,977	3,977
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,431	-	9,431
Available-for-sale financial assets	-	-	-	-	12,654	29,684	42,338
Loans and advances	116,480	33,117	31,468	16,299	17,730	-	215,094
Debtors and deposits	47,383	21,280	3,944	12,995	-	268,878	354,480
Client trust bank balances	270,504	360,056	-	-	-	-	630,560
Pledged time deposits	-	292	-	-	-	-	292
Treasury bills	-	19,400	-	-	-	-	19,400
Cash and bank balances	314,641	874,393	124,081	-	-	-	1,313,115
	749,008	1,308,538	159,493	29,294	39,815	307,039	2,593,187
Liabilities							
Bank and other borrowings	-	30,000	161,980	1,318,147	506,244	-	2,016,371
Creditors, accruals and deposits received	652,031	116,841	19,500	55,412	-	192,408	1,036,192
Current, fixed, savings and other deposits of customers	81,455	77,666	6,010	-	-	-	165,131
	733,486	224,507	187,490	1,373,559	506,244	192,408	3,217,694

Notes to the Financial Statements (continued)

43. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity risk (continued)

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the end of the reporting period to the contractual maturity date is as follows: (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, 2008							
Assets							
Amount due from an associate	-	-	-	-	-	4,500	4,500
Amount due from a jointly controlled entity	-	-	-	-	-	3,974	3,974
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,467	-	9,467
Available-for-sale financial assets	-	-	-	-	6,621	24,734	31,355
Loans and advances	114,477	30,514	16,399	33,294	23,695	-	218,379
Debtors and deposits	45,367	33,436	9,084	37,450	-	94,553	219,890
Client trust bank balances	157,023	352,332	-	-	-	-	509,355
Pledged time deposits	-	26,400	-	-	-	-	26,400
Cash and bank balances	444,352	997,104	-	-	-	-	1,441,456
	761,219	1,439,786	25,483	70,744	39,783	127,761	2,464,776
Liabilities							
Bank and other borrowings	-	50,000	649,232	742,932	811,618	-	2,253,782
Amount due to a jointly controlled entity	-	-	-	-	-	46,638	46,638
Creditors, accruals and deposit received	535,373	117,630	34,855	588,713	-	81,232	1,357,803
Current, fixed, savings and other deposits of customers	101,153	27,120	4,947	-	-	-	133,220
Guarantees given to a bank in connection with facilities granted to an associate	258	-	-	-	-	-	258
	636,784	194,750	689,034	1,331,645	811,618	127,870	3,791,701

Notes to the Financial Statements (continued)

43. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity risk (continued)

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

Company

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st December, 2009						
Assets						
Debt securities:						
Available-for-sale financial assets	-	-	-	-	1,200	1,200
Debtors and deposits	-	-	-	-	397	397
Cash and bank balances	1,339	19,765	-	-	-	21,104
	1,339	19,765	-	-	1,597	22,701
Liabilities						
Bank loans	-	-	55,000	348,000	-	403,000
Creditors, accruals and deposits received	-	179	-	-	4,030	4,209
	-	179	55,000	348,000	4,030	407,209
At 31st December, 2008						
Assets						
Debt securities:						
Available-for-sale financial assets	-	-	-	-	1,200	1,200
Debtors and deposits	-	-	-	-	255	255
Pledged time deposits	-	26,400	-	-	-	26,400
Cash and bank balances	729	77,564	-	-	-	78,293
	729	103,964	-	-	1,455	106,148
Liabilities						
Bank loans	-	15,000	243,000	190,000	-	448,000
Creditors, accruals and deposits received	-	10,784	-	-	854	11,638
	-	25,784	243,000	190,000	854	459,638

43. Financial Risk Management Objectives and Policies (continued)**(c) Interest rate risk**

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

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

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

	2009			2008		
	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	(6,036)	(6,036)	+50	(8,061)	(8,061)
United States dollar	+50	(709)	(1,662)	+50	445	(1)
Singapore dollar	+50	267	267	+50	(303)	(303)
Renminbi	+50	(831)	(831)	+50	242	242
Hong Kong dollar	-50	6,036	6,036	-50	8,061	8,061
United States dollar	-50	709	1,817	-50	(445)	353
Singapore dollar	-50	(267)	(267)	-50	303	303
Renminbi	-50	831	831	-50	(242)	(242)
Company						
Hong Kong dollar	+50	(1,836)	(1,836)	+50	(1,837)	(1,837)
United States dollar	+50	41	41	+50	-	-
Hong Kong dollar	-50	1,836	1,836	-50	1,837	1,837
United States dollar	-50	(41)	(41)	-50	-	-

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

	Increase/(Decrease) in profit before tax	
	2009 HK\$'000	2008 HK\$'000
Group		
United States dollar against Hong Kong dollar		
– strengthened 3 per cent. (2008 – 3 per cent.)	11,650	7,271
– weakened 3 per cent. (2008 – 3 per cent.)	(11,650)	(7,271)
Singapore dollar against Hong Kong dollar		
– strengthened 3 per cent. (2008 – 3 per cent.)	7,586	1,382
– weakened 3 per cent. (2008 – 3 per cent.)	(7,586)	(1,382)

The Company has no material foreign currency risk as at the end of the reporting period (2008 – Nil).

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

43. 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 23) and financial assets at fair value through profit or loss (Note 26) as at 31st December, 2009. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore and Indonesia stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31st December, 2009	High/Low 2009	31st December, 2008	High/Low 2008
Hong Kong – Hang Seng Index	21,872	22,943/11,344	14,387	27,854/10,676
Republic of Singapore – Straits Times Index	2,898	2,898/1,455	1,762	3,475/1,474
Indonesia – Jakarta Composite Index	2,534	2,560/1,245	1,355	2,838/1,089

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

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

	Carrying amount HK\$'000	VaR HK\$'000
2009		
Financial assets:		
Hong Kong	25,081	2,549
Republic of Singapore	3,456	353
Indonesia	276,348	20,391
Global and other	214,119	21,194
2008		
Financial assets:		
Hong Kong	7,611	1,024
Republic of Singapore	1,780	231
Indonesia	370,814	37,577
Global and other	180,384	7,025

43. Financial Risk Management Objectives and Policies (continued)

(f) Capital management

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

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

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

Under the terms of Macau banking legislation, MCB, is required to transfer to a legal reserve an amount equal to a minimum of 20 per cent. of its annual profit after tax until the amount of the reserve is equal to 50 per cent. of its respective issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10 per cent. of its annual profit after tax until the reserve is equal to MCB's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. MCB monitors solvency ratio under the requirement of Autoridade 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, 2009 and 31st December, 2008.

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Bank and other borrowings (Note 28)	2,016,371	2,253,782
Less: Minority interests in bank and other borrowings	(518,424)	(595,927)
Bank and other borrowings, net of minority interests	1,497,947	1,657,855
Equity attributable to the equity holders of the Company	4,701,052	4,690,236
Gearing ratio	31.9 per cent.	35.3 per cent.

44. Comparative Figures

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

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 9th April, 2010.

Particulars of Principal Subsidiaries

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

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) [#]		Principal activities
Acematic Limited	British Virgin Islands	US\$1	100	100	Investment holding
Lippo Commercial Paper Limited	British Virgin Islands	US\$1	100	100	Financing
Lippo Finance Holdings Limited	British Virgin Islands	US\$50,000	100	100	Investment holding
Lippo Treasury Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Financing
Creaworld (Holdings) Company Limited	Hong Kong	HK\$2	–	100	Investment holding
福建華陽湄洲開發有限公司 (Fujian Creaworld Meizhou Development Co., Ltd.)** – wholly foreign-owned enterprise##	People's Republic of China	HK\$78,065,037*	–	100	Property investment and development
Hennessy Holdings Limited	British Virgin Islands	US\$1	–	100	Investment holding
Lippo Korea Holdings Pte. Limited**	Republic of Singapore	S\$2	–	100	Investment holding
Lippo Investments Management Limited	Hong Kong	HK\$15,000,000	–	100	Fund Management
Skyscraper Realty Limited	British Virgin Islands	US\$10	–	100	Investment holding
Lippo China Resources Limited (listed on The Stock Exchange of Hong Kong Limited)	Hong Kong	HK\$919,125,271.60	–	71.2	Investment holding
Admiralty Development Limited	Hong Kong	HK\$446,767,129	–	71.2	Property investment
Alsurgence Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
Apexwin Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
Blueway Limited	Hong Kong	HK\$1	–	71.2	Investment holding

Particulars of Principal Subsidiaries (continued)

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

Particulars of Principal Subsidiaries (continued)

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

Particulars of Principal Subsidiaries (continued)

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

Particulars of Principal Subsidiaries (continued)

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

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) [#]		Principal activities
Superform Investment Limited	Hong Kong	HK\$100 and HK\$2 non-voting deferred shares	–	71.2	Property investment
Super Assets Company Limited	Samoa	US\$1	–	71.2	Investment holding
Tamsett Holdings Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
Tecwell Limited	British Virgin Islands	US\$100	–	71.2	Investment holding
Trefar Enterprises Limited	British Virgin Islands	US\$1	–	71.2	Property investment
Valiant Star Limited	British Virgin Islands	US\$1	–	71.2	Investment
Vitaland Limited	Hong Kong	HK\$1	–	71.2	Investment holding
West Tower Holding Limited	British Virgin Islands/ Hong Kong	US\$1	–	71.2	Property investment
Win Joyce Limited	Hong Kong	HK\$2	–	71.2	Money lending
Winfire Limited	British Virgin Islands	US\$1	–	71.2	Financing
Winery Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
Winsoar Limited	Hong Kong	HK\$1	–	71.2	Investment holding
Wollora Assets Limited	British Virgin Islands	US\$1	–	71.2	Property investment
Writring Investments Limited	Hong Kong	HK\$2	–	71.2	Property investment
揚州樂賓百貨有限公司 (Yangzhou Robbinz Department Stores Limited)** – wholly foreign-owned enterprise##	People's Republic of China	US\$3,035,000*	–	71.2	Department store
珠海中寶房產開發有限公司 (Zhuhai Chung Po House Property Development Company Limited)** – wholly foreign-owned enterprise##	People's Republic of China	RMB165,120,621*	–	71.2	Property investment and development

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) #		Principal activities
上海力寶復興房地產有限公司 (Shanghai Lippo Fuxing Real Estate Limited)** – equity joint venture enterprise##	People's Republic of China	US\$25,000,000*	–	67.6	Property investment
LCR Catering Services Limited**	Hong Kong	HK\$9,000,000	–	64.1	Catering services
Jeremiah Holdings Limited	British Virgin Islands	S\$1,298,645	–	42.7	Investment holding
Pantogon Holdings Pte Ltd**	Republic of Singapore	S\$1,000,000	–	42.7	Investment holding
Aussie Land Pty Ltd**	Australia	A\$100,000	–	39.2	Property development
Nine Heritage Pte Ltd**	Republic of Singapore	S\$1,000,000	–	34.2	Investment holding
Hongkong Chinese Limited (listed on The Stock Exchange of Hong Kong Limited)	Bermuda/Hong Kong	HK\$1,816,655,677	–	55.8	Investment holding
Allyield Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US\$1	–	55.8	Property investment
Centech Limited	British Virgin Islands	US\$1	–	55.8	Investment and business consultancy
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)** – wholly foreign-owned enterprise##	People's Republic of China	US\$3,000,000*	–	55.8	Property investment and management
Choregoe Pte. Ltd.**	Republic of Singapore	S\$1,000,000	–	55.8	Property investment
Conrich Inc.	British Virgin Islands	US\$1	–	55.8	Investment holding
Cony Ltd.	British Virgin Islands/ Hong Kong	US\$1	–	55.8	Investments
Cyberspot Limited	British Virgin Islands	US\$1	–	55.8	Investment holding

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) [#]	Principal activities	
Cyfield Limited	British Virgin Islands	US\$1	–	55.8	Property investment
Everbest Pacific Ltd.	British Virgin Islands	US\$1	–	55.8	Investments
Everwin Pacific Ltd.	British Virgin Islands	US\$1	–	55.8	Property investment
Fiatsco Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	–	55.8	Property investment
Gemark Limited	Hong Kong	HK\$1	–	55.8	Investment holding
Goldlux Holdings Limited	British Virgin Islands	US\$1	–	55.8	Investments
Goldsney Investment Limited	Hong Kong	HK\$2	–	55.8	Securities investment
HKC Property Investment Holdings Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
HKC Realty LLC**	United States of America	US\$2,250,000*	–	55.8	Property investment
HKCL Investments Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Hong Kong Housing Loan Limited	Hong Kong	HK\$40,000,000	–	55.8	Money lending
ImPac Asset Management (HK) Limited	Hong Kong	HK\$8,500,000	–	55.8	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US\$2,000,100	–	55.8	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US\$13,000	–	55.8	Fund management
Kenda Limited (carry on business in Hong Kong as Kenda Property Holding Limited)	British Virgin Islands/ Hong Kong	US\$1	–	55.8	Property investment
Lifepower Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Lippo Asia Limited	Hong Kong	HK\$120,000,000	–	55.8	Investment holding

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) #	Principal activities
Lippo Asset Management (HK) Limited	Hong Kong	HK\$400,000	– 55.8	Fund management
Lippo Futures Limited	Hong Kong	US\$2,000,000	– 55.8	Commodities brokerage
Lippo Hospital Management Inc.	British Virgin Islands	US\$1	– 55.8	Investment holding
Lippo Medical Holdings Limited	British Virgin Islands	US\$1	– 55.8	Investment holding
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S\$2	– 55.8	Project management
Lippo (S) Pte. Ltd.**	Republic of Singapore	S\$2,000,000	– 55.8	Property investment
Lippo Securities Holdings Limited	Hong Kong	US\$23,000,000	– 55.8	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	– 55.8	Investment holding
Lippo Securities Limited	Hong Kong	HK\$220,000,000	– 55.8	Securities brokerage
L.S. Finance Limited	Hong Kong	HK\$5,000,000	– 55.8	Money lending
Masta Limited	British Virgin Islands	US\$1	– 55.8	Investment holding
Masuda Limited	British Virgin Islands	US\$10,000	– 55.8	Investment holding
MGS Ltd.	British Virgin Islands	US\$1	– 55.8	Investment holding
Norfyork International Limited	Hong Kong	HK\$25,000,000	– 55.8	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US\$1	– 55.8	Investment holding
Pacific Bond Limited	British Virgin Islands	US\$1	– 55.8	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US\$1	– 55.8	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US\$1	– 55.8	Investments

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) [#]	Principal activities	
Redsun Ltd.	British Virgin Islands/ Hong Kong	US\$1	–	55.8	Property investment
Rosery Inc.	British Virgin Islands	US\$1	–	55.8	Investment holding
Sinogain Asia Limited	British Virgin Islands	US\$1	–	55.8	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US\$1	–	55.8	Investments
Skyblue International Limited	British Virgin Islands	US\$1	–	55.8	Investments
Stargala Limited	British Virgin Islands	US\$1	–	55.8	Property investment
The Macau Chinese Bank Limited**	Macau	MOP180,000,000	–	55.8	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US\$1	–	55.8	Investments
Uchida Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Wealtop Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Winluck Asia Limited	British Virgin Islands	US\$1	–	55.8	Property investment
Winluck Pacific Limited	British Virgin Islands	US\$1	–	55.8	Property investment
Winrider Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Winsite Limited	British Virgin Islands	US\$1	–	55.8	Investments
Winus Holdings Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US\$1	–	55.8	Investments
Yield Point Limited	British Virgin Islands	US\$1	–	55.8	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)** – cooperative joint venture enterprise##	People's Republic of China	US\$36,000,000*	–	47.8	Property development

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) #		Principal activities
TechnoSolve Limited	Hong Kong	HK\$26,296,000	-	38.3	Development of computer hardware and software
科慧(珠海)軟件有限公司**	People's Republic of China	RMB800,000*	-	38.3	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US\$100	-	33.5	Investment holding

represents the effective holding of the Group after minority interests therein

type of legal entity

* paid up registered capital

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

Note:

A\$ - Australian dollars

MOP - Macau patacas

Pesos - Philippines pesos

RMB - People's Republic of China renminbi

S\$ - Singapore dollars

US\$ - United States dollars

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

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

Particulars of Principal Associates

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

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Group [#]	Principal activities
Standard Pacific Limited	Corporate	Hong Kong	HK\$4,290,000	50	Investment holding
Lippo Incheon Development Co., Ltd.	Corporate	Korea	KRW71,817,000,000	47.9	Property development
King Success Limited	Corporate	Hong Kong	HK\$10,000	35.6	Property investment
Lippo-Savills Property Management Limited	Corporate	Hong Kong	HK\$2	35.6	Property management services
Maxipo International Limited	Corporate	Hong Kong	HK\$51,874,833	34.7	Trading and investment holding
Medco Holdings, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i>	Corporate	Republic of the Philippines	Pesos 700,000,000	32.8	Investment holding
莆田華正自來水有限公司 (Putian Hua Zheng Water Co., Ltd.)	Equity joint venture enterprise	People's Republic of China	RMB9,241,470*	28.5	Water supply
CTC Entrepreneurs Corporation	Corporate	Republic of the Philippines	Pesos 250,000	28.5	Investment holding
Greenix Limited	Corporate	British Virgin Islands	US\$100,000	27.9	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S\$1,000,000	27.9	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US\$100	27.3	Investment management
Catalyst Enterprises Limited	Corporate	British Virgin Islands	US\$50,000	24.9	Investment holding
Grosswin Limited	Corporate	British Virgin Islands	US\$10,000	25.1	Investment holding
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US\$15,036.58	22.3	Investment holding

Particulars of Principal Associates (continued)

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Group [#]	Principal activities
Auric Pacific Group Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i>	Corporate	Republic of Singapore	S\$64,460,182	19.9	Investment holding
Export and Industry Bank, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i>	Corporate	Republic of the Philippines	Pesos 4,734,452,540	19.5	Commercial banking
Food Junction Holdings Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i>	Corporate	Republic of Singapore	S\$14,296,000	11.5	Investment holding
Lippo ASM Asia Property LP**	Limited partnership	Cayman Islands	N/A	N/A	Property-related investment

[#] represents the effective holding of the Group after minority interests therein

^{*} paid up registered capital

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

Note:

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

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

Particulars of Principal Jointly Controlled Entities

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

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group [#]	Principal activities
Tanglin Residential Pte. Ltd.	Corporate	Republic of Singapore	S\$2	35.6	Property investment and development
Yunnan Tin-Lippo (Hong Kong) Resources Company Limited	Corporate	Hong Kong	HK\$10,000,000	28.5	Investments and metal trading
Sunning Asia Limited	Corporate	British Virgin Islands	US\$50,000	27.9	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S\$1,000,000	27.9	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US\$2	27.9	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US\$22,859,908	16.7	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S\$32,347,914	16.7	Property development

[#] represents the effective holding of the Group after minority interests therein

Note:

S\$ – Singapore dollars
 US\$ – United States dollars

Schedule of Major Properties

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

Description	Use	Approximate gross floor area	Status	Approximate percentage of Group's interest
<i>(square metres)</i>				
Hong Kong				
Lippo Centre 89 Queensway Central Inland Lot No. 8615*	Commercial	Office: 3,458 Retail: 1,935 (net floor area)	Rental	71.2
* The above property comprises various shop units on the podium floors and certain office floors.				
12 units and 17 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	2,640	Rental	71.2
<i>All the above properties are held under long term leases.</i>				

Schedule of Major Properties (continued)

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

Description	Use	Approximate gross floor area (square metres)	Status	Approximate percentage of Group's interest
People's Republic of China				
19th Floor to 29th Floor and 13 car parking spaces of Lippo Tianma Plaza 1 Wuyibei Road Fuzhou, Fujian	Commercial	11,955	Rental	71.2
Lippo CTS Plaza 4 Shuiwan Road Gongbei, Zhuhai Guangdong	Commercial Multi-use/ Hotel	28,698 58,044	Rental To be developed	71.2
Lippo Plaza (excluding Unit 2 on Basement 1, 12th, 13th, 15th and 16th Floors and 4 car parking spaces) 222 Huaihai Zhong Road Shanghai Lot No. 141	Commercial	Office: 38,666 Retail: 9,217	Rental	67.6
5 floors of Unit 1 Building 1 Lippo Tower 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	55.8
<i>The above properties are held under medium term leases.</i>				
3rd to 6th Floors The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,072	Rental	55.8
<i>The above property is held as propriedade privada.</i>				

Schedule of Major Properties *(continued)*

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

Description	Use	Approximate gross floor area <i>(square metres)</i>	Status	Approximate percentage of Group's interest
Overseas				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	55.8
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	55.8
<i>The above properties are freehold.</i>				
Apartment No.2 Blumenthalstrasse 22 69120 Heidelberg Germany	Residential	153 <i>(net floor area)</i>	Rental	55.8
<i>The above property is held under long term leases.</i>				

Schedule of Major Properties *(continued)*

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

Description	Use	Approximate site area	Approximate gross floor area	Approximate percentage of Group's interest
		<i>(square metres)</i>	<i>(square metres)</i>	
Overseas				
8 Alexandra View #44-10 The Metropolitan Condominium Singapore 158747	Residential	N/A	300	71.2
Unit #03-03 The Residences Katana 20 Jalan Madge 55000 Kuala Lumpur Malaysia	Residential	N/A	360	71.2
2 units at Rosehill 8-16 Virginia Street New South Wales Australia	Residential	N/A	346	71.2
854 West Adams Boulevard Los Angeles CA 90007 United States of America	Residential	1,142	723	55.8

Schedule of Major Properties (continued)

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

Description	Use	Approximate site area <i>(square metres)</i>	Approximate gross floor area <i>(square metres)</i>	Approximate percentage of Group's interest	Estimated completion date	Stage of development as at 31st December, 2009
People's Republic of China						
Meizhou Island Putian, Fujian	Tourism/ Commercial	1,207,700	26,848	100	N/A	Phase I substantially completed
Tati City Shanting Township Putian, Fujian	Multi-use	1,292,467	150,963	71.2	N/A	Phase I completed
83 Estrada de Cacilhas Macau	Residential	3,583	18,364	55.8	Early 2014	Under planning stage
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	47.8	2012	Under planning stage

Schedule of Major Properties (continued)

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

Description	Use	Approximate site area <i>(square metres)</i>	Approximate gross floor area <i>(square metres)</i>	Approximate percentage of Group's interest	Estimated completion date	Stage of development as at 31st December, 2009
Overseas						
Lot 1344M (Plot B8C-1) MK 34 Ocean Drive Sentosa Cove Singapore	Residential	708	530	71.2	First half of 2010	Under construction
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	55.8	N/A	Vacant land
Lots 1342L and 1343C (Plot B8B – 5/6) Ocean Drive Sentosa Cove Singapore	Residential	1,400	698	55.8	First half of 2010	Under construction
Moo 4 Yamu Village Ror Por Chor 4003 Road Pa Klog Subdistrict Thalang District Phuket Province Thailand	Residential	27,292	6,344	27.9	Mid 2010	Under construction

Schedule of Major Properties (continued)

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

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
<i>(square metres)</i>			
Hong Kong			
Certain office floors of Tower One Lippo Centre 89 Queensway Central Inland Lot No. 8615	Commercial	1,760	71.2
2nd Floor of Sun Court 3 Belcher's Street Kennedy Town Subsection 1 of Section C of Marine Lot No. 262, the remaining portion of Section C of Marine Lot No. 262 and the remaining portion of Marine Lot No. 262	Commercial	743	71.2
3 units and 3 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	660	71.2
1 unit of AXA Centre 151 Gloucester Road Wanchai Sec. A R.P. and Inland Lot No. 2755 R.P.*	Commercial	544	71.2
* The above property was subsequently sold in January 2010.			
<i>The above properties are held under long term leases.</i>			
People's Republic of China			
Basement, Ground Floor, 1st Floor and 2nd Floor The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,075.5	55.8
<i>The above property is held as propriedade privada.</i>			

Summary of Financial Information

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

	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Profit/(Loss) attributable to equity holders of the Company	1,254	(336,744)	698,927	261,414	121,403
Total assets	12,037,586	12,546,472	13,003,482	11,242,200	9,449,698
Total liabilities	(3,993,566)	(4,454,395)	(4,624,716)	(4,376,793)	(2,693,386)
Net assets	8,044,020	8,092,077	8,378,766	6,865,407	6,756,312
Minority interests	(3,342,968)	(3,401,841)	(3,588,709)	(3,124,976)	(3,386,770)
Equity attributable to equity holders of the Company	4,701,052	4,690,236	4,790,057	3,740,431	3,369,542

