Hongkong Chinese Limited
香港華人有限公司

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





2009 ANNUAL REPORT

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Corporate Information

Board of Directors

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

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

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

Committees

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

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

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

Secretary
Mr. Andrew Hau Tat Kwong

Auditors
Ernst & Young

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

Solicitors
Richards Butler
(in association with Reed Smith LLP)

Principal Share Registrars and Transfer Office
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch Share Registrars, Warrant Registrars and Transfer Office
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

Registered Office
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business
24th Floor, Tower One, Lippo Centre
89 Queensway, Hong Kong

Stock Code
655

Warrant Code
561

Website
www.hkchinese.com.hk

Chairman's Statement

On behalf of the Board of Directors, 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.

Group Results

As a result of economic uncertainty and depressed markets, the performance of the Group was adversely affected in 2009. The Group recorded an audited 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 in the corresponding period of 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, 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 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.

Dr. Mochtar 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

The deep and widespread global recession of 2008 continued well into 2009. Markets around the world remained economically challenged during the first half of 2009. In response, governments around the world intervened on a massive 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. Property markets in mainland China, Singapore and other Asian countries where the Group has investments were similarly affected economically.

As a result of economic uncertainty and depressed markets, the performance of the Group was adversely affected in 2009. The Group recorded an audited 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 in the corresponding period of 2008. The loss was mainly attributable to net fair value loss of the property portfolio of the Group's associates.

Bearing the strain of the economic downturn, property markets in Singapore stayed largely stagnant in the first half of 2009. However, towards the second half of 2009, as economic momentum returned, the property markets gradually picked up. In the past few years, the Group has participated in the development of several property projects in Singapore. These are mainly medium term projects which will see completion over the coming few years.

The Group has a 50 per cent. interest in a joint venture established to acquire and develop the property located at Sentosa Cove, Sentosa Island, Singapore ("Marina Collection"). The development comprises a total of one hundred and twenty four high-end luxury residential units with a total saleable area of approximately 29,808 square metres. Construction works have commenced with completion expected around end of 2010. Pre-sale of Marina Collection has been launching. With the opening of the casino and recreational and resort complex in the vicinity, the Board is optimistic about the prospects for Marina Collection.

Centennia Suites, a property development project in Singapore

The Holland Collection, a property development project in Singapore

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

Business Review *(continued)*

The Group has a 30 per cent. interest in a joint venture established to acquire and develop the approximately 3,376 square metres site located at 53 Holland Road, Singapore. The plan is to develop the property, now named "The Holland Collection", into a luxury residential development with a total saleable area of approximately 5,497 square metres, with completion expected around end of 2011.

The Group also has a 50 per cent. interest in a joint venture which acquired the property located at No. 100, Kim Seng Road, Singapore. With a site area of approximately 5,611 square metres, the site will be re-developed into a residential development (now named as "Centennia Suites") with a saleable area of approximately 16,182 square metres, with completion expected to be in 2014. Pre-sale of the residential units has been launched recently and the response is encouraging.

Lippo ASM Asia Property LP ("LAAP") of which a wholly-owned subsidiary of the Company is the limited partner, is a property fund set up in 2005 with the investment objective of investing in real estate in the 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 the Mandarin Gallery at the Mandarin Orchard Hotel to turn it into a premier luxury retail mall with retail space of around 126,000 square feet has been completed. Mandarin Gallery has achieved a full occupancy rate. The 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 the joint venture partner, which increased its controlling stake in OUE to approximately 88.52 per cent.

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project (the "BDA Project") at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in which the Group has an 85.7 per cent. interest. With a total site area of approximately 51,209 square metres, the current plan was to develop the BDA Project into office buildings, residential apartments, retail portions and car parks, with a total construction floor area of about 270,000 square metres, including the basement. Site preparation work of the BDA Project is in progress and the project has attracted strong interests from commercial entities operating in mainland China. Subject to the approval of the PRC government authority, the 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.


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

Business Review *(continued)*

The Macau Chinese Bank Limited ("MCB") is a wholly-owned subsidiary of the Company. The Macau economy continued to be dampened by the global financial crisis in the first half of 2009. With the global economic recovery, the Macau economy bounced back in the second half of 2009. While recognising that MCB's future performance will be largely dependent on the growth of the Macau economy, the Group will nevertheless continue to seek business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

The stock market in Hong Kong was relatively dull and inactive in the first quarter of 2009. The result was reduced market turnover and public offering activities. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. As global and local stock markets began to pick up in the second quarter of 2009, the performance of the securities brokerage business of the Group also improved. The outlook for the local stock market will be dependent on continuing recovery in the markets in China and globally.

Lippo Tower in Chengdu, the PRC

The Group will continue to be watchful of market developments and will manage its portfolio with a view to further improve overall asset quality.

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 investment and consumers to pay down 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.

The Company, being the principal property arm of the Lippo Group, will continue to focus on property investment and development businesses. Management is confident about the prospects in the Asia Pacific region over the medium term but remain watchful about the near term. For that reason, Management will continue to take a cautious and prudent approach in managing the Group's property portfolio and other businesses and in assessing new investment opportunities.

Stephen Tjondro Riady
Chief Executive Officer

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. As a result, the overall performance of the Group for 2009 suffered.

Results for the year

Turnover for the year 2009 of HK$110 million was 47 per cent. lower than the HK$208 million recorded in 2008.

The Group reported a loss attributable to shareholders of HK$326 million for the year 2009 compared with HK$227 million in 2008. This was mainly attributable to the net fair value loss of the property portfolio of the Group's associates.

Property investment and development

Benefiting from the recovery in the property markets in the mainland China and Macau, the Group recorded a net revaluation gain on its investment properties of HK$7 million (2008 — HK$63 million) during the year. For the year 2009, the property investment business registered a turnover of HK$6 million (2008 — HK$6 million), with a profit of HK$8 million (2008 — HK$72 million).

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 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.

A residential development project in Singapore was completed with approximately 96 per cent. of units sold in 2008. The remaining unit of the residential development project was sold during 2009. As a result, the property development business recorded a revenue of HK$3 million in 2009 (2008 — HK$84 million).

The Group provided for impairment loss for some of its development projects. Overall, the property development segment recorded a loss of HK$5 million, as compared to a loss of HK$18 million in 2008.

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 the Group 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.

Results for the year *(continued)*

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$38 million (2008 — loss of HK$148 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 the Company. 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).

Financial position

As at 31st December, 2009, the Group's total assets slightly decreased to HK$6.0 billion (2008 — HK$6.2 billion). Property-related assets remained at HK$4.4 billion (2008 — HK$4.4 billion), representing 73 per cent. of the total assets (2008 — 71 per cent.). Total liabilities amounted to HK$1.4 billion (2008 — HK$1.4 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$499 million (2008 — HK$588 million). As at 31st December, 2009, total bank loans amounted to HK$215 million (2008 — HK$241 million), comprising secured bank loans of HK$205 million (2008 — HK$202 million) and unsecured bank loans of HK$10 million (2008 — HK$39 million), which were denominated in Hong Kong dollars, United States dollars and Renminbi. The bank loans were secured by first legal mortgages over certain properties and certain fixed deposits of the Group. The bank loans carried interest at floating rates and 5 per cent. of the bank loans (2008 — 16 per cent.) were repayable within one year. The Group's other borrowings as at 31st December, 2009 comprised of unsecured loans advanced from Lippo Limited ("Lippo") and a third party of HK$244 million (2008 — HK$192 million) and HK$40 million (2008 — HK$155 million) respectively. The advance from Lippo would be repayable on or before 30th June, 2011, while the third party's advance would be repayable on or before 26th June, 2010. At the end of the year, the gearing ratio (measured as total borrowings to shareholders' funds) decreased to 11 per cent. (2008 — 13 per cent.).

The net asset value of the Group remained strong and amounted to HK$4.5 billion (2008 — HK$4.7 billion). This was equivalent to HK$2.5 per share (2008 — HK$2.6 per share).

Financial position *(continued)*

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (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 increased to HK$165 million (2008 — HK$120 million). The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Staff and remuneration

The Group had approximately 207 employees as at 31st December, 2009 (2008 — 215 employees). Total staff costs (including directors' emoluments) during the year amounted to HK$63 million (2008 — HK$76 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option scheme of the Company.

Outlook

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

In 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 for securities transactions by employees of the Group on no less exacting terms than the Model Code.

Board of Directors

The Board currently comprises eight members (the composition of the Board is shown on page 16), including three executive Directors and five non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 17 to 19). Dr. Mochtar Riady (being the Chairman) is the father of Mr. Stephen Tjondro Riady (being the Chief Executive Officer). Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/ relevant relationships with each other.

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

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

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.

	Attendance/Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Non-executive Directors				
Dr. Mochtar Riady *(Chairman)*	4/5	N/A	N/A	N/A
Mr. Leon Chan Nim Leung *(Chairman of the Remuneration Committee and Nomination Committee)*	5/5	3/3	2/2	2/2
Executive Directors				
Mr. Stephen Tjondro Riady *(Chief Executive Officer)*	4/5	N/A	1/2	1/2
Mr. John Lee Luen Wai	5/5	N/A	N/A	N/A
Mr. Kor Kee Yee	1/5	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Victor Yung Ha Kuk *(Chairman of the Audit Committee)*	5/5	3/3	2/2	2/2
Mr. Albert Saychuan Cheok	5/5	1/3	2/2	2/2
Mr. Tsui King Fai	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. Dr. Mochtar Riady is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr. Stephen Tjondro Riady is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

Non-executive Directors

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

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

Remuneration of Directors

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website (www.hkchinese.com.hk). The principal role of the Committee is to exercise the powers of the Board to determine and review the remuneration package of individual Directors and key executives, including salaries, bonuses, share options and benefits in kind. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the year, the Remuneration Committee reviewed and approved, inter alia, (i) the remuneration package of the Directors and fees payable to the committee members of the Company's Board committees; 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 Chan Nim Leung (being the Chairman of the Remuneration Committee) and three independent non-executive Directors, namely, Messrs. Albert Saychuan Cheok, Victor Yung Ha Kuk and Tsui King Fai. Two meetings were held in 2009 and the individual attendance of each member is set out above.

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

Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Company's Bye-laws. No new Director was appointed during 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.hkchinese.com.hk). The principal role of the Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; assessment of the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. During the year, the Nomination Committee reviewed, inter alia, the eligibility of the Directors seeking for re-election at the last annual general meeting and assessed the independency of the independent non-executive Directors. The Nomination Committee also reviewed the existing size and efficiency of the Board.

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

Auditors' Remuneration

Messrs. Ernst & Young has been re-appointed by the shareholders in the last annual general meeting as the Company's auditors. During the year, the fees charged to the accounts of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst and Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK$2.0 million (2008 — HK$2.52 million) and approximately HK$0.1 million (2008 — HK$0.2 million), respectively.

Audit Committee

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website (www.hkchinese.com.hk). It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including one non-executive Director, namely Mr. Leon Chan Nim Leung, and three independent non-executive Directors, namely Messrs. Victor Yung Ha Kuk (being the Chairman of the Audit Committee), Albert Saychuan Cheok and Tsui King Fai. Three meetings were held in 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 attend the meetings as and when necessary.

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

In order to comply and be in line with certain 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 has been conducted. The review will be conducted annually in accordance with the requirements of the Code.

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

Internal Audit

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

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

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 are 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 vote procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkchinese.com.hk).

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

Fair Disclosure and Investor Relations

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

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

Financial Reporting

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 31st December, 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 endeavour to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the auditors with respect to financial reporting are set out in the Independent Auditors' Report on pages 34 and 35.

Report of the Directors

The Directors 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, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

Results and Distributions

The results of the Group for the year ended 31st December, 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 36 to 124.

The Directors have resolved not to recommend payment of any distribution for the year ended 31st December, 2009 (2008 — HK$31.8 million, being interim distribution equivalent to HK1.75 cents per share).

Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2009 is set out on page 127.

Share Capital

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

Share Option Scheme

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

Reserves and Distributable Reserves

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves are set out in Note 32 to the financial statements and in the consolidated statement of changes in equity on page 41, respectively.

Fixed Assets

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

Investment Properties

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

Donations

During the year, the Group made charitable and other donations of HK$3,000 (2008 — HK$706,000).

Directors

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

Non-executive Directors

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

Executive Directors

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

Independent Non-executive Directors

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

In accordance with Bye-law 87 of the Bye-laws of the Company (the "Bye-laws"), Mr. Stephen Tjondro Riady and Mr. John Lee Luen Wai will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Messrs. Victor Yung Ha Kuk and Tsui King Fai entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2008. Following the expiry of the term under their respective former letter agreement with the Company, each of Dr. Mochtar Riady, Messrs. Leon Chan Nim Leung and Albert Saychuan Cheok entered into a new letter agreement with the Company 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 Bye-laws. Each of Messrs. John Lee Luen Wai and Kor Kee Yee has an employment agreement with the Company, which will be terminable by either party by giving three months' prior written notice. Mr. Stephen Tjondro Riady does not have any service contract with the Company and/or its subsidiaries. In accordance with the Bye-laws, one-third of the Directors of the Company must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

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

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

Brief Biographical Details of Directors and Senior Management

Dr. Mochtar Riady (also known as Dr. Lee Man Tjin), aged 80, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the spouse of Madam Lidya Suryawaty and the father of Mr. Stephen Tjondro Riady. Dr. Riady has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and the United States of America. He was appointed a Director in 1992 and is the Chairman of the Company. He is also the Honorary Chairman of Lippo China Resources Limited ("LCR"), a public listed company in Hong Kong and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital"). Dr. Riady also holds directorship in a subsidiary of the Company.

Mr. Stephen Tjondro Riady, aged 49, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. He is also the Chairman of Lippo Limited ("Lippo"), a public listed company in Hong Kong, and the Deputy Chairman, Managing Director and Chief Executive Officer of LCR, and a director of Lanius Limited, Lippo Cayman and Lippo Capital. He is a member of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He also holds directorship in certain subsidiaries of the Company, Lippo and LCR. Mr. Riady is the Executive Chairman of Overseas Union Enterprise Limited and a director of Auric Pacific Group Limited ("Auric"), both are public listed companies in Singapore. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region. Dr. Mochtar Riady and Madam Lidya Suryawaty are the parents of Mr. Riady.

Mr. John Lee Luen Wai, J.P., aged 61, was appointed a Director of the Company in 1992. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo and a director of LCR, Prime Success Limited and Hennessy Holdings Limited. Mr. Lee is also an authorised representative of the Company, Lippo and LCR. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company, Lippo and LCR. Mr. Lee is a non-executive director of Export and Industry Bank, Inc. ("EIB"), 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.

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

Mr. Leon Chan Nim Leung, aged 54, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of Lippo and LCR. He is also a director of a subsidiary of the Company and the Chairman of the supervisory board of a subsidiary of the Company. Mr. Chan is the Chairman of the Remuneration Committee and the Nomination Committee as well as a member of the Audit Committee of each of the Company, Lippo and LCR.

Mr. Albert Saychuan Cheok, aged 59, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a Fellow of the Australian Society of Certified Public Accountants and is a banker with over 30 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Philippines and Malaysia. Mr. Cheok is the Chairman of Auric and the Vice Chairman of EIB. Mr. Cheok is the Chairman of AcrossAsia Limited, a public listed company in Hong Kong. He is also the Chairman of Bowsprit Capital Corporation Limited ("Bowsprit"), the Manager of First REIT, a listed healthcare REIT in Singapore and a director of Amplefield Limited ("Amplefield"). Both Bowsprit and Amplefield are public listed companies in Singapore. Mr. Cheok is a director of Metal Reclamation Berhad, a public listed company in Malaysia and a director of Oriental Capital Assurance Berhad, a general insurance company in Malaysia. Mr. Cheok is also an independent non-executive director of Eoncap Islamic Bank Berhad and MIMB Investment Bank Berhad in Malaysia. Mr. Cheok is currently a member of the Board of Governors of the Malaysian Institute of Corporate Governance in Malaysia. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005.

Mr. Kor Kee Yee, aged 61, was appointed a Director of the Company in 2002. He also holds directorship in certain subsidiaries of the Company. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

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

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

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

Details of the interests of the Directors in the Company are disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations" below. Madam Lidya Suryawaty's interest in the Company is disclosed in the section headed "Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance" below.

Save as disclosed herein and in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations" below, the Directors do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Brief Biographical Details of Other Officers

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

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

Directors' and Five Highest Paid Employees' Emoluments

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

The emoluments of the Directors are determined by reference to the market rates, commitment, contribution and their duties and responsibilities within the Group. 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. 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

The emoluments of the Directors (except for Mr. Stephen Tjondro Riady who does not have any service contract with the Company and/or its subsidiaries) have been covered by their respective employment agreement or letter agreement (as applicable) with the Company.

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

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

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

(a) The Company

Name of Director	Number of ordinary shares of HK$1.00 each in the Company: Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Number of underlying ordinary shares of HK$1.00 each in the Company: Personal interests (held as beneficial owner) Options^	Personal interests (held as beneficial owner) Warrants+	Family interests (interest of spouse) Warrants+	Other interests Warrants+	Total interests	Approximate percentage of total interests in the issued share capital
Mochtar Riady	–	–	1,014,222,978 *Note (i)*	–	–	–	106,765,641 *Note (i)*	1,120,988,619	61.71
Stephen Tjondro Riady	–	–	1,014,222,978 *Note (i)*	–	–	–	106,765,641 *Note (i)*	1,120,988,619	61.71
John Lee Luen Wai	270	270	–	4,590,000	30	30	–	4,590,600	0.25
Leon Chan Nim Leung	–	–	–	810,000	–	–	–	810,000	0.04
Tsui King Fai	–	67,500	–	607,500	–	7,500	–	682,500	0.04
Albert Saychuan Cheok	–	–	–	607,500	–	–	–	607,500	0.03
Kor Kee Yee	–	–	–	607,500	–	–	–	607,500	0.03
Victor Yung Ha Kuk	–	–	–	607,500	–	–	–	607,500	0.03

^ The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK$1.00 each in the Company at an initial exercise price of HK$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK$1.68 per share to HK$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 31 to the financial statements.

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

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

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

(b) Lippo Limited ("Lippo")

	Number of ordinary shares of HK$0.10 each in Lippo		Number of underlying ordinary shares of HK$0.10 each in Lippo				
Name of Director	Personal interests (held as beneficial owner)	Other interests	Personal interests (held as beneficial owner) Options*	Personal interests (held as beneficial owner) Warrants@	Other interests Warrants@	Total interests	Approximate percentage of total interests in the issued share capital
Mochtar Riady	–	319,322,219 *Notes (i) and (ii)*	–	–	35,312,240 *Notes (i) and (ii)*	354,634,459	70.87
Stephen Tjondro Riady	–	319,322,219 *Notes (i) and (ii)*	–	–	35,312,240 *Notes (i) and (ii)*	354,634,459	70.87
John Lee Luen Wai	1,031,250	–	1,125,000	103,125	–	2,259,375	0.45
Leon Chan Nim Leung	–	–	193,750	–	–	193,750	0.04
Victor Yung Ha Kuk	–	–	162,500	–	–	162,500	0.03
Tsui King Fai	–	–	162,500	–	–	162,500	0.03

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

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

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

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

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

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

\# The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK$0.10 each in LCR at an exercise price of HK$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year and the number of underlying ordinary shares of HK$0.10 each in LCR in respect of which options have been granted to them as at 1st January, 2009 and 31st December, 2009 were the same as set out above.

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, was indirectly interested in 1,014,222,978 ordinary shares and HK$133,457,051.25 warrants giving rise to an interest in 106,765,641 underlying ordinary shares of the Company, totalling 1,120,988,619 ordinary shares and underlying ordinary shares of HK$1.00 each in, representing approximately 61.71 per cent. of the then issued share capital of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the registered shareholder of 10,000,000 ordinary shares of US$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is accustomed to act. Dr. Mochtar Riady does not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. Stephen Tjondro Riady and their respective family members. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Tjondro Riady as beneficiary of the trust are taken to be interested in Lippo Cayman under the SFO.

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

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

Note: (continued)

(ii) As at 31st December, 2009, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of Lippo, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK$0.10 each in, representing approximately 70.87 per cent. of the issued share capital of, Lippo. Lippo Securities is a wholly-owned subsidiary of the Company which in turn is a 55.83 per cent. subsidiary of Lippo.

(iii) As at 31st December, 2009, Lippo 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.

(iv) The percentages of the issued share capital stated in this section were arrived based on the issued share capital of each of the Company, Lippo and LCR (as the case may be) as at 31st December, 2009.

(v) Details of the Directors' interests in underlying shares in respect of the options granted under the Lippo Share Option Scheme are summarised as follows:

		Number of underlying ordinary shares of HK$0.10 each in Lippo in respect of which options have been granted
Name of Director	**Exercise price per share**	**Balance as at 1st January, 2009 and 31st December, 2009**
	HK$	
John Lee Luen Wai	5.58	1,125,000
Leon Chan Nim Leung	5.58	193,750
Victor Yung Ha Kuk	5.58	162,500
Tsui King Fai	5.58	162,500

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

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

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

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788 *(Note a)*	72.45
Actfield Limited	Ordinary shares	1	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
CRC China Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 *(Note b)*	88.88
Fantax Limited	Ordinary shares	1	100
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandform Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1 *(Note c)*	100
HKCL Holdings Limited	Ordinary shares	50,000	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
Ivey International Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Holdings Inc.	Ordinary shares	1	100

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Lippo World Holdings Limited	Ordinary shares	1	100
Manneton Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Obermac Limited	Ordinary shares	1	100
Pointbest Limited	Ordinary shares	1	100
Prime Success Limited	Ordinary shares	1 *(Note d)*	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Thornton Pacific Limited	Ordinary shares	1	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100
Worldlink Resources Limited	Ordinary shares	1	100

Note:

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

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

c. The interest was held through Lippo, a 63.81 per cent. subsidiary of Lippo Cayman.

d. The interest was held by Lippo, a 63.81 per cent. subsidiary of Lippo Cayman.

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

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

As at 31st December, 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 is the founder and beneficiary. The beneficiaries of the trust also include, inter alia, Mr. Stephen Tjondro Riady. Dr. Mochtar Riady does not have any interests in the share capital of Lanius but the shareholders of Lanius are accustomed to act in accordance with his instructions.

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

As at 31st December, 2009, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st December, 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).

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

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

As at 31st December, 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$1.00 each	Number of underlying ordinary shares of HK$1.00 each	Total interests	Approximate percentage of total interests in the issued share capital
		Warrants *(Note 7)*		
Hennessy Holdings Limited ("Hennessy")	1,014,222,978	106,765,641	1,120,988,619	61.71
Prime Success Limited ("Prime Success")	1,014,222,978	106,765,641	1,120,988,619	61.71
Lippo Limited ("Lippo")	1,014,222,978	106,765,641	1,120,988,619	61.71
Lippo Cayman Limited ("Lippo Cayman")	1,014,222,978	106,765,641	1,120,988,619	61.71
Lanius Limited ("Lanius")	1,014,222,978	106,765,641	1,120,988,619	61.71
Madam Lidya Suryawaty	1,014,222,978	106,765,641	1,120,988,619	61.71

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,014,222,978 ordinary shares and HK$133,456,080 warrants giving rise to an interest in 106,764,864 underlying ordinary shares of the Company, and through Lippo Securities Limited, a wholly-owned subsidiary of the Company, was indirectly interested in HK$971.25 warrants giving rise to an interest in 777 underlying ordinary shares of the Company, totalling 1,120,988,619 ordinary shares and underlying ordinary shares of HK$1.00 each in, representing approximately 61.71 per cent. of the then issued share capital of, the Company.

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

3. Lippo Cayman is the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which is Lippo Capital Limited which directly holds ordinary shares representing approximately 54.68 per cent. of the issued share capital of Lippo.

4. Lanius is the registered shareholder of the entire issued share capital of Lippo Cayman and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in the issued share capital of Lanius.

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: (continued)

5. Hennessy's interests in the ordinary shares and underlying ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 1,120,988,619 ordinary shares and underlying ordinary shares in the Company related to the same block of shares and underlying shares that Dr. Mochtar Riady and Mr. Stephen Tjondro Riady were interested, details of which are disclosed in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations".

6. The percentages of the issued share capital stated in this section were arrived based on 1,816,655,677 ordinary shares of HK$1.00 each in issue of the Company as at 31st December, 2009.

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

8. 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.

Directors' Interests in Competing Business

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

Other than the independent non-executive Directors, Messrs. Stephen Tjondro Riady, John Lee Luen Wai and Leon Chan Nim Leung are also directors of Lippo Limited ("Lippo"), an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company. Dr. Mochtar Riady is also a director of LCR. Further details of the Directors' interests in Lippo and LCR are disclosed in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations". Subsidiaries of Lippo and LCR are also engaged in property investment and development.

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

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

Connected Transactions and Continuing Connected Transaction

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

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

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

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

(B) On 25th November, 2009, a conditional sale and purchase agreement was entered into between Lippo Asia Limited ("Lippo Asia") and Lippo Finance Holdings Limited ("Lippo Finance") pursuant to which Lippo Asia agreed to sell, and Lippo Finance agreed to acquire, 15,000,000 shares in, representing the entire issued share capital of, Lippo Investments Management Limited ("Lippo Investments") for a consideration of HK$14,982,068 (the "Disposal"). The Disposal was completed on 26th November, 2009.

Immediately before completion of the Disposal, Lippo Investments was a wholly-owned subsidiary of Lippo Asia. Lippo Asia is an indirect wholly-owned subsidiary of the Company which in turn is beneficially owned as to approximately 55.83 per cent. by Lippo Limited ("Lippo"). Lippo Finance is a wholly-owned subsidiary of Lippo.

Lippo Investments is a licensed corporation regulated by Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Disposal is in line with the Group's strategy of divesting its non-core assets as and when appropriate opportunity arises and will enhance the working capital of the Group.

Connected Transactions and Continuing Connected Transaction *(continued)*

(C) 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 the Company. Under the CJV Contract, the profit sharing ratios of BETIDC in relation to JV Co was 14.3 per cent., and thus BETIDC is 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 all the reporting, announcement and other requirements under Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transaction disclosed herein.

Directors' and Controlling Shareholders' Interests in Contracts

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

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

Management Contracts

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

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

During the year, the Company had repurchased a total of 1,534,000 shares of HK$1.00 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases are as follows:

2009	Number of shares of HK$1.00 each repurchased	Price per share or highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$
January	1,192,000	0.70	0.67	822,280
February	96,000	0.69	0.67	65,060
March	236,000	0.63	0.59	142,980
April	10,000	0.52	N/A	5,200
Total	1,534,000			1,035,520
			Expenses incurred for shares repurchased	7,504
			Aggregate consideration paid	1,043,024

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

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year. Further details of the repurchases are set out in Note 30 to the financial statements.

Major Suppliers and Customers

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

Retirement Benefits Scheme

Details of the retirement benefits scheme of the Group and the employer's retirement benefits costs charged to the consolidated profit and loss account for the year are set out in Notes 2.4(t) and 6 to the financial statements.

Audit Committee

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Yung Ha Kuk (Chairman), Mr. Albert Saychuan Cheok and Mr. Tsui King Fai and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31st December, 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 10 to 14.

Sufficiency of Public Float

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

Pre-emptive Rights

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

Auditors

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

On behalf of the Board
John Lee Luen Wai
Director

Hong Kong, 9th April, 2010

Independent Auditors' Report

安 永

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

We have audited the financial statements of Hongkong Chinese Limited set out on pages 36 to 124, 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 disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

Opinion

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

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

Hong Kong, 9th April, 2010

Consolidated Income Statement

For the year ended 31st December, 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	**109,727**	208,187
Cost of sales		**(25,906)**	(94,209)
Gross profit		**83,821**	113,978
Administrative expenses		**(93,772)**	(105,756)
Other operating expenses		**(45,840)**	(70,142)
Fair value gains on investment properties		**7,407**	62,899
Net fair value gain/(loss) on financial assets at fair value through profit or loss		**27,948**	(151,161)
Write-back of impairment losses on associates		**5,000**	18,000
Write-back of allowance/(Allowance) for bad and doubtful debts		**7,062**	(21,603)
Gain on disposal of subsidiaries	34(b)	**–**	7,417
Gain on disposal of available-for-sale financial assets		**–**	5,988
Provisions for impairment losses on properties under development		**(3,518)**	(9,089)
Finance costs	9	**(16,643)**	(26,038)
Share of results of associates	10	**(296,499)**	(36,191)
Share of results of jointly controlled entities		**(3,377)**	(774)
Loss before tax	6	**(328,411)**	(212,472)
Income tax credit/(expense)	11	**315**	(18,065)
Loss for the year		**(328,096)**	(230,537)
Attributable to:			
Equity holders of the Company	12	**(325,978)**	(227,070)
Minority interests		**(2,118)**	(3,467)
		(328,096)	(230,537)
		HK cents	HK cents
Loss per share attributable to equity holders of the Company	13		
Basic		**(17.9)**	(13.8)
Diluted		**N/A**	N/A

Details of the distributions payable and proposed for the year are disclosed in Note 14 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	**(328,096)**	(230,537)
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	**11,380**	(48,160)
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
	18,329	(43,259)
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	**61,884**	(105,120)
Exchange differences on translation of foreign operations	**12,475**	(5,144)
Release of reserve in respect of deconsolidation of subsidiaries	**—**	(1,252)
Other comprehensive income/(loss) for the year, net of tax	**120,943**	(154,775)
Total comprehensive loss for the year	**(207,153)**	(385,312)
Attributable to:		
Equity holders of the Company	**(206,384)**	(381,398)
Minority interests	**(769)**	(3,914)
	(207,153)	(385,312)

Consolidated Statement of Financial Position

As at 31st December, 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Goodwill	15	**71,485**	71,485
Fixed assets	16	**19,235**	132,625
Investment properties	17	**156,874**	530,336
Properties under development	18	**726,970**	259,482
Interests in associates	19	**3,016,950**	3,261,481
Interests in jointly controlled entities	20	**284,912**	254,931
Available-for-sale financial assets	21	**106,337**	90,905
Held-to-maturity financial assets	22	**9,431**	9,467
Loans and advances	23	**34,029**	41,059
Deferred tax assets	29	**—**	184
		4,426,223	4,651,955
Current assets			
Properties held for sale		**8,531**	11,975
Financial assets at fair value through profit or loss	24	**61,708**	47,505
Loans and advances	23	**160,878**	161,390
Debtors, prepayments and deposits	25	**82,715**	99,619
Client trust bank balances		**630,560**	509,355
Pledged time deposits	26	**292**	—
Treasury bills		**19,400**	—
Cash and bank balances		**648,221**	743,112
		1,612,305	1,572,956
Current liabilities			
Bank and other borrowings	26	**49,550**	386,182
Creditors, accruals and deposits received	27	**687,496**	606,140
Current, fixed, savings and other deposits of customers	28	**165,131**	133,220
Tax payable		**3,272**	9,157
		905,449	1,134,699
Net current assets		**706,856**	438,257
Total assets less current liabilities		**5,133,079**	5,090,212

As at 31st December, 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank and other borrowings	26	**449,808**	201,503
Deferred tax liabilities	29	**31,587**	27,792
		481,395	229,295
Net assets		**4,651,684**	4,860,917
Equity			
Equity attributable to equity holders of the Company			
Issued capital	30	**1,816,656**	1,818,186
Reserves	32	**2,645,512**	2,851,404
		4,462,168	4,669,590
Minority interests		**189,516**	191,327
		4,651,684	4,860,917

Stephen Tjondro Riady
Director

John Lee Luen Wai
Director

Statement of Financial Position

As at 31st December, 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets	16	**694**	1,496
Interests in subsidiaries	33	**3,048,380**	2,988,895
Available-for-sale financial assets	21	**3,165**	3,165
		3,052,239	2,993,556
Current assets			
Financial assets at fair value through profit or loss	24	**13,601**	5,207
Debtors, prepayments and deposits		**4,076**	4,069
Cash and bank balances		**79,633**	234,618
		97,310	243,894
Current liabilities			
Bank and other borrowings	26	**39,550**	346,905
Creditors, accruals and deposits received		**7,680**	34,615
		47,230	381,520
Net current assets/(liabilities)		**50,080**	(137,626)
Total assets less current liabilities		**3,102,319**	2,855,930
Non-current liability			
Bank and other borrowings	26	**244,380**	—
Net assets		**2,857,939**	2,855,930
Equity			
Issued capital	30	**1,816,656**	1,818,186
Reserves	32	**1,041,283**	1,037,744
		2,857,939	2,855,930

Stephen Tjondro Riady
Director

John Lee Luen Wai
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	Capital redemption reserve *(Note 32(d))*	Legal reserve *(Note 32(e))*	Regulatory reserve *(Note 32(f))*	Investment revaluation reserve	Other asset revaluation reserve	Exchange equalisation reserve	Distributable reserves *(Note 32(b))*	Total	Minority interests	Total equity
	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	**1,818,186**	**44,026**	**7,219**	**11,794**	**6,796**	**891**	**(4,117)**	**–**	**258,496**	**2,526,299**	**4,669,590**	**191,327**	**4,860,917**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**18,329**	**28,255**	**73,010**	**(325,978)**	**(206,384)**	**(769)**	**(207,153)**
Issurance of shares upon exercise of warrants	**4**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Repurchase of shares	**(1,534)**	**–**	**–**	**1,534**	**–**	**–**	**–**	**–**	**–**	**(1,043)**	**(1,043)**	**–**	**(1,043)**
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	**–**	**–**	**–**	**–**	**84**	**–**	**–**	**–**	**–**	**(84)**	**–**	**–**	**–**
At 31st December, 2009	**1,816,656**	**44,027**	**7,219**	**13,328**	**6,880**	**891**	**14,212**	**28,255**	**331,506**	**2,199,194**	**4,462,168**	**189,516**	**4,651,684**
2008													
At 1st January, 2008	1,346,829	50,988	6,800	11,760	5,370	891	133,747	–	274,960	2,853,980	4,685,325	12,078	4,697,403
Total comprehensive loss for the year	–	–	–	–	–	–	(137,864)	–	(16,464)	(227,070)	(381,398)	(3,914)	(385,312)
Rights issue	471,390	(6,962)	–	–	–	–	–	–	–	–	464,428	–	464,428
Issurance of shares upon exercise of warrants	1	–	–	–	–	–	–	–	–	–	1	–	1
Repurchase of shares	(34)	–	–	34	–	–	–	–	–	(25)	(25)	–	(25)
Equity-settled share option arrangements	–	–	419	–	–	–	–	–	–	–	419	–	419
Investment in a subsidiary by a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	165,551	165,551
Advances from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	17,884	17,884
Deconsolidation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(272)	(272)
Transfer of reserve	–	–	–	–	1,426	–	–	–	–	(1,426)	–	–	–
2007 final distribution, declared and paid	–	–	–	–	–	–	–	–	–	(67,341)	(67,341)	–	(67,341)
2008 interim distribution, declared and paid	–	–	–	–	–	–	–	–	–	(31,819)	(31,819)	–	(31,819)
At 31st December, 2008	1,818,186	44,026	7,219	11,794	6,796	891	(4,117)	–	258,496	2,526,299	4,669,590	191,327	4,860,917

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/(used in) operations	34(a)	**(28,905)**	196,420
Interest received		**19,187**	24,347
Dividend received from listed and unlisted investments		**1,926**	1,769
Taxes refunded/(paid):			
Hong Kong		**538**	(1,913)
Overseas		**(5,364)**	(6,862)
Net cash flows from/(used in) operating activities		**(12,618)**	213,761
Cash flows from investing activities			
Proceeds from disposal of:			
Fixed assets		**94,929**	20
Investment properties		**19,355**	—
Available-for-sale financial assets		**—**	7,821
Payments to acquire:			
Fixed assets		**(10,354)**	(16,166)
Available-for-sale financial assets		**(4,139)**	(14,330)
Additions to properties under development		**(48,860)**	(59,007)
Additions to investment properties		**(4,952)**	(16,188)
Repayment from associates		**10,146**	40,754
Increase in interests in jointly controlled entities		**(17,489)**	(47,638)
Advances to jointly controlled entities		**(10,325)**	(29,781)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	34(b)	**17,227**	104,980
Increase in pledge time deposits		**(292)**	—
Increase in time deposits with original maturity of more than three months		**(176,815)**	—
Net cash flows used in investing activities		**(131,569)**	(29,535)
Cash flows from financing activities			
Interest paid		**(19,619)**	(32,275)
Drawdown of bank and other borrowings *(Note)*		**140,123**	228,307
Repayment of bank and other borrowings *(Note)*		**(230,043)**	(452,971)
Issue of shares upon exercise of warrants		**5**	1
Repurchase of shares		**(1,043)**	(25)
Advances from minority shareholders of subsidiaries		**10,315**	17,884
Repayment to a minority shareholder of a subsidiary		**(11,357)**	—
Proceeds from rights issue		**—**	464,428
Distributions paid		**—**	(99,160)
Net cash flows from/(used in) financing activities		**(111,619)**	126,189

	2009 HK$'000	2008 HK$'000
Net increase/(decrease) in cash and cash equivalents	**(255,806)**	310,415
Cash and cash equivalents at beginning of year	**743,112**	434,583
Exchange realignments	**3,500**	(1,886)
Cash and cash equivalents at end of year	**490,806**	743,112
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**648,221**	743,112
Treasury bills	**19,400**	—
Time deposits with original maturity of more than three months	**(176,815)**	—
	490,806	743,112

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

Notes to the Financial Statements

1. Corporate Information

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

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

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 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.

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 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (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 40 to the financial statements while the revised liquidity risk disclosures are presented in Note 41 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.

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

The results of subsidiaries are included in the Company's 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 or 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 has unilateral control, directly or indirectly, over the joint venture;

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

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

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

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 distributable reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 *Business Combinations* in 2001, goodwill arising on acquisition was eliminated against consolidated distributable reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated distributable reserves and is not recognised in the consolidated 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 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	Over the unexpired terms of the leases
Furniture, fixtures and equipment	10 per cent. to $33^1/_3$ per cent.
Motor vehicles	20 per cent. to 25 per cent.

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each 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 distributable reserves 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) Revenue recognition

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

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

(ii) income from the sale of properties, on the exchange of legally binding unconditional sales contracts or when the relevant completion certificates are issued by the respective government authorities, whichever is later;

(iii) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets;

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

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

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

(r) Income tax

Income tax comprises current and deferred tax. Income tax 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(r) Income tax *(continued)*

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each 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 each 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.

(s) Provisions

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(t) Employee benefits

Paid leave entitlement

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

2.4 Summary of Significant Accounting Policies *(continued)*

(t) Employee benefits *(continued)*

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an adjusted Black-Scholes model, further details of which are given in Note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or services conditions are fulfilled. 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 service 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(u) Borrowing costs

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

(v) Operating leases

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

(w) 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(x) Foreign currencies

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

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(y) Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(z) Dividends and distributions

Final dividends and distributions proposed by the Directors are classified as a separate allocation of distributable reserves within the equity section of the 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 a subsidiary at 31st December, 2009 was HK$71,485,000 (2008 — HK$71,485,000). Further details are given in Note 15 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$6,317,000 have been recognised for available-for-sale financial assets for the year (2008 — HK$1,611,000). The carrying amount of available-for-sale financial assets as at 31st December, 2009 was HK$106,337,000 (2008 — HK$90,905,000).

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 investment segment includes letting and resale of properties;

(b) the property development segment includes development and sale of properties;

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

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

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

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

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

4. Segment Information *(continued)*

Year ended 31st December, 2009

	Property investment HK$'000	Property development HK$'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	6,015	3,307	5,671	13,821	53,727	13,815	13,371	–	109,727
Inter-segment	–	–	–	–	–	–	6,119	(6,119)	–
Total	6,015	3,307	5,671	13,821	53,727	13,815	19,490	(6,119)	109,727
Segment results	8,462	(4,775)	5,654	32,577	5,597	1,218	(1,443)	(6,119)	41,171
Unallocated corporate expenses									(53,063)
Finance costs									(16,643)
Share of results of associates	(301,114)	(320)	–	–	(78)	–	5,013	–	(296,499)
Share of results of jointly controlled entities	–	(3,377)	–	–	–	–	–	–	(3,377)
Loss before tax									(328,411)
Segment assets	166,636	949,989	309,065	177,476	709,506	402,309	12,963	–	2,727,944
Interests in associates	2,756,925	258,906	–	–	778	–	341	–	3,016,950
Interests in jointly controlled entities	–	284,912	–	–	–	–	–	–	284,912
Unallocated assets									8,722
Total assets									6,038,528
Segment liabilities	2,482	3,051	–	24	686,227	160,110	1,793	–	853,687
Unallocated liabilities									533,157
Total liabilities									1,386,844
Other segment information:									
Capital expenditure	9,936	13	–	–	111	53	205	–	10,318
Depreciation	(741)	(511)	–	–	(475)	(1,611)	(1,632)	–	(4,970)
Write-back of allowance for bad and doubtful debts relating to:									
Banking operation	–	–	–	–	–	2,114	–	–	2,114
Non-banking operations	–	–	–	–	4,948	–	–	–	4,948
Write-back of/(Provisions for) impairment loss:									
Associates	–	–	–	–	–	–	5,000	–	5,000
A jointly controlled entity	–	–	–	–	–	–	(494)	–	(494)
Properties held for sale	(759)	–	–	–	–	–	–	–	(759)
Properties under development	–	(3,518)	–	–	–	–	–	–	(3,518)
Available-for-sale financial assets	–	–	–	(6,317)	–	–	–	–	(6,317)
Net fair value gain on financial assets at fair value through profit or loss	–	–	–	27,948	–	–	–	–	27,948
Fair value gains on investment properties	7,407	–	–	–	–	–	–	–	7,407
Unallocated:									
Capital expenditure									36
Depreciation									(840)

4. Segment Information *(continued)*

Year ended 31st December, 2008

	Property investment HK$'000	Property development HK$'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	6,047	84,239	8,133	3,211	65,622	16,399	24,536	–	208,187
Inter-segment	–	–	–	–	519	–	10,309	(10,828)	–
Total	6,047	84,239	8,133	3,211	66,141	16,399	34,845	(10,828)	208,187
Segment results	72,033	(18,149)	7,575	(155,915)	12,770	299	9,766	(9,893)	(81,514)
Unallocated corporate expenses									(70,732)
Finance costs									(23,261)
Share of results of associates	(41,541)	(132)	–	–	12	–	5,470	–	(36,191)
Share of results of jointly controlled entities	–	(104)	–	–	–	–	(670)	–	(774)
Loss before tax									(212,472)
Segment assets	680,286	247,418	623,393	148,003	586,772	389,514	23,622	–	2,699,008
Interests in associates	2,996,073	254,396	–	–	856	–	10,156	–	3,261,481
Interests in jointly controlled entities	–	254,931	–	–	–	–	–	–	254,931
Unallocated assets									9,491
Total assets									6,224,911
Segment liabilities	5,914	4,986	–	–	575,635	135,856	540	–	722,931
Unallocated liabilities									641,063
Total liabilities									1,363,994
Other segment information:									
Capital expenditure	155	928	–	–	373	242	245	–	1,943
Depreciation	(700)	(370)	–	(61)	(366)	(1,916)	(1,730)	–	(5,143)
Allowance for bad and doubtful debts relating to:									
Banking operation	–	–	–	–	–	(729)	–	–	(729)
Non-banking operations	–	(14,246)	–	–	–	–	(6,628)	–	(20,874)
Write-back of/(Provisions for) impairment loss:									
Associates	–	–	–	–	–	–	18,000	–	18,000
A jointly controlled entity	–	–	–	–	–	–	(1,858)	–	(1,858)
Properties held for sale	(389)	–	–	–	–	–	–	–	(389)
Properties under development	–	(9,089)	–	–	–	–	–	–	(9,089)
Available-for-sale financial assets	–	–	–	(1,611)	–	–	–	–	(1,611)
Net fair value loss on financial assets at fair value through profit or loss	–	–	–	(151,161)	–	–	–	–	(151,161)
Fair value gains on investment properties	62,899	–	–	–	–	–	–	–	62,899
Unallocated:									
Capital expenditure									14,223
Depreciation									(1,220)

4. Segment Information *(continued)*

Geographical information

(a) Revenue from external customers

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**74,294**	81,842
Macau	**16,405**	16,399
Republic of Singapore	**11,004**	98,515
Other	**8,024**	11,431
	109,727	208,187

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

(b) Non-current assets

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**1,570**	22,136
Macau	**585,674**	552,130
Republic of Singapore	**3,347,174**	3,620,411
Other	**376,037**	356,722
	4,310,455	4,551,399

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.

5. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, gross proceeds from sales of properties, gross income on treasury investment which includes interest income on bank deposits and debt securities, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, gross income from underwriting and securities broking, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, gross income from 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 investment	**6,015**	6,047
Property development	**3,307**	84,239
Treasury investment	**5,671**	8,133
Securities investment	**13,821**	3,211
Corporate finance and securities broking	**53,727**	65,622
Banking business	**13,815**	16,399
Other	**13,371**	24,536
	109,727	208,187

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. Loss Before Tax

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

	Group 2009 HK$'000	2008 HK$'000
Gross rental income	**6,015**	6,047
Less: Outgoings	**(2,573)**	(1,754)
Net rental income	**3,442**	4,293
Employee benefits expense *(Note (a))*:		
Wages and salaries	**(59,639)**	(72,666)
Share options	**—**	(419)
Retirement benefits costs *(Note (b))*	**(2,911)**	(3,037)
Total staff costs	**(62,550)**	(76,122)
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	**642**	2,215
Banking operation	**9,914**	11,650
Other	**5,671**	8,133
Dividend income:		
Listed investments	**236**	433
Unlisted investments	**1,690**	1,336
Other unlisted investment income	**—**	1,124
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**6,734**	(4,999)
Unlisted financial assets at fair value through profit or loss	**2,047**	2,369
Unlisted available-for-sale financial assets	**—**	5,988
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	**15,915**	(27,564)
Unlisted	**12,033**	(123,597)
Provision for impairment losses on:		
Unlisted available-for-sale financial assets	**(6,317)**	(1,611)
A jointly controlled entity	**(494)**	(1,858)
Properties held for sale	**(759)**	(389)
Interest expense attributable to banking business	**(579)**	(1,666)
Depreciation	**(5,810)**	(6,363)
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	**252**	—
Other items of fixed assets	**(19)**	2
Loss on disposal of investment properties	**(145)**	—
Foreign exchange gains/(losses) — net	**6,490**	(4,252)
Cost of inventories sold	**(2,938)**	(67,722)
Auditors' remuneration	**(2,208)**	(2,626)
Minimum lease payments under operating lease rentals in respect of land and buildings	**(23,204)**	(20,647)

Note:

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

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

7. Directors' Emoluments

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

	Group	
	2009	2008
	HK$'000	HK$'000
Directors' fees	**747**	747
Basic salaries, housing and other allowances and benefits in kind	**2,630**	2,626
Retirement benefits costs	**24**	24
	3,401	3,397

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**	**Retirement benefits costs HK$'000**	**Total HK$'000**
Executive directors:				
Mr. Stephen Tjondro Riady	**–**	**–**	**–**	**–**
Mr. John Lee Luen Wai	**59**	**906**	**12**	**977**
Mr. Kor Kee Yee	**–**	**1,724**	**12**	**1,736**
	59	**2,630**	**24**	**2,713**
Non-executive directors:				
Dr. Mochtar Riady	**120**	**–**	**–**	**120**
Mr. Leon Chan Nim Leung	**179**	**–**	**–**	**179**
	299	**–**	**–**	**299**
Independent non-executive directors:				
Mr. Albert Saychuan Cheok	**139**	**–**	**–**	**139**
Mr. Victor Yung Ha Kuk	**130**	**–**	**–**	**130**
Mr. Tsui King Fai	**120**	**–**	**–**	**120**
	389	**–**	**–**	**389**
	747	**2,630**	**24**	**3,401**

7. 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	Retirement benefits costs HK$'000	Total HK$'000
Executive directors:				
Mr. Stephen Tjondro Riady	—	—	—	—
Mr. John Lee Luen Wai	59	906	12	977
Mr. Kor Kee Yee	—	1,720	12	1,732
	59	2,626	24	2,709
Non-executive directors:				
Dr. Mochtar Riady	120	—	—	120
Mr. Leon Chan Nim Leung	179	—	—	179
	299	—	—	299
Independent non-executive directors:				
Mr. Albert Saychuan Cheok	139	—	—	139
Mr. Victor Yung Ha Kuk	130	—	—	130
Mr. Tsui King Fai	120	—	—	120
	389	—	—	389
	747	2,626	24	3,397

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

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

8. Five Highest Paid Employees' Emoluments

The five highest paid employees during the year included one Director (2008 — one Director), details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the remaining four (2008 — four) non-director, highest paid employees for the year are as follows:

	Group 2009 HK$'000	2008 HK$'000
Basic salaries, housing and other allowances and benefits in kind	**7,563**	5,786
Discretionary bonuses paid and payable	**1,598**	7,154
Retirement benefits costs	**128**	116
	9,289	13,056

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

Emoluments bands (HK$):	Group 2009 Number of employees	2008 Number of employees
1,500,001–2,000,000	**2**	2
2,500,001–3,000,000	**1**	1
3,000,001–3,500,000	**1**	—
6,500,001–7,000,000	**—**	1
	4	4

9. Finance Costs

	Group 2009 HK$'000	2008 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**20,036**	32,221
Less: Interest capitalised	**(3,393)**	(6,183)
	16,643	26,038

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

10. Share of Results of Associates

The amount included the Group's share of loss in Lippo ASM Asia Property LP ("LAAP"), a property fund which 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.

11. Income Tax

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong:		
Charge for the year	**386**	—
Overprovision in prior years	**(2,139)**	—
Deferred	**(1,554)**	(98)
	(3,307)	(98)
Overseas:		
Charge for the year	**720**	6,956
Overprovision in prior years	**(26)**	(60)
Deferred	**2,298**	11,267
	2,992	18,163
Total charge/(credit) for the year	**(315)**	18,065

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.

11. Income Tax *(continued)*

A reconciliation of the tax charge/(credit) applicable to 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	2008
	HK$'000	HK$'000
Loss before tax	**(328,411)**	(212,472)
Tax at the statutory tax rate of 16.5 per cent. (2008 — 16.5 per cent.)	**(54,188)**	(35,058)
Effect of different tax rates in other jurisdictions	**2,189**	6,488
Effect of change in tax rate	**—**	(94)
Adjustments in respect of current tax of previous years	**(2,165)**	(60)
Profits and losses attributable to jointly controlled entities and associates	**49,480**	6,099
Income not subject to tax	**(7,458)**	(8,619)
Expenses not deductible for tax	**5,081**	32,830
Tax losses utilised from previous years	**(449)**	(777)
Tax losses not recognised	**7,195**	17,256
Tax charge/(credit) at the Group's effective rate	**(315)**	18,065

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

The share of tax credit attributable to associates amounting to HK$50,520,000 (2008 — charge of HK$20,986,000) is included in "Share of results of associates" on the face of the consolidated income statement.

12. 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$3,047,000 (2008 — HK$5,218,000) which has been dealt with in the financial statements of the Company as set out in Note 32 to the financial statements.

13. Loss Per Share Attributable to Equity Holders of the Company

(a) Basic loss per share

Basic loss per share is calculated based on (i) the consolidated loss for the year attributable to equity holders of the Company of HK$325,978,000 (2008 — HK$227,070,000); and (ii) the weighted average number of 1,816,764,000 ordinary shares (2008 — 1,650,016,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

No diluted 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 loss per share for these years.

14. Distributions

	Group and Company 2009 HK$'000	2008 HK$'000
Interim, declared and paid — Nil (2008 — HK1.75 cents per ordinary share)	**—**	31,819
Final, proposed — Nil (2008 — Nil)	**—**	—
	—	31,819

15. Goodwill

	Group 2009 HK$'000	2008 HK$'000
At 1st January, 2008, 31st December, 2008 and 31st December, 2009:		
Cost	**75,227**	75,227
Accumulated impairment	**(3,742)**	(3,742)
Net carrying amount	**71,485**	71,485

Impairment testing of goodwill

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

The recoverable amount of the banking business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projection is 5 per cent. (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.

16. Fixed Assets

Group

2009	Leasehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:				
At 1st January, 2009	36,507	84,590	77,672	198,769
Additions during the year	—	9,226	1,128	10,354
Surplus on revaluation	—	32,108	—	32,108
Reclassified to investment properties	—	(54,902)	—	(54,902)
Disposal of a subsidiary	—	—	(220)	(220)
Disposals during the year	(36,135)	(59,446)	(396)	(95,977)
Exchange adjustments	(372)	(842)	94	(1,120)
At 31st December, 2009	—	10,734	78,278	89,012
Accumulated depreciation:				
At 1st January, 2009	97	1,443	64,604	66,144
Depreciation provided for the year	281	508	5,021	5,810
Reclassified to investment properties	—	(769)	—	(769)
Disposal of a subsidiary	—	—	(201)	(201)
Disposals during the year	(377)	(527)	(377)	(1,281)
Exchange adjustments	(1)	(2)	77	74
At 31st December, 2009	—	653	69,124	69,777
Net book value:				
At 31st December, 2009	—	10,081	9,154	19,235

16. Fixed Assets *(continued)*

Group

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

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 outside Hong Kong	**—**	95,783
Medium term leasehold land and buildings situated outside Hong Kong	**10,081**	23,774
Total	**10,081**	119,557

16. Fixed Assets *(continued)*

Company

	Furniture, fixtures, equipment and motor vehicles	
	2009	2008
	HK$'000	HK$'000
Cost:		
Balance at beginning of year	**7,159**	7,153
Additions during the year	**37**	6
Balance at end of year	**7,196**	7,159
Accumulated depreciation:		
Balance at beginning of year	**5,663**	4,444
Depreciation provided for the year	**839**	1,219
Balance at end of year	**6,502**	5,663
Net book value	**694**	1,496

17. Investment Properties

	Group	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of year	**530,336**	524,709
Additions during the year	**4,952**	49,672
Reclassified from fixed assets	**54,133**	—
Reclassified to properties under development	**(421,000)**	—
Disposal of a subsidiary	**—**	(105,500)
Disposal during the year	**(19,500)**	—
Fair value adjustments	**7,407**	62,899
Exchange adjustments	**546**	(1,444)
Balance at end of year	**156,874**	530,336
Investment properties held under the following lease terms:		
Leasehold *(Note)*	**125,048**	502,877
Freehold situated outside Hong Kong	**31,826**	27,459
	156,874	530,336

Note: The leasehold investment properties consisted of medium term leasehold land and buildings situated in Hong Kong and medium term leasehold land and buildings situated outside Hong Kong of nil (2008 — HK$19,500,000) and HK$125,048,000 (2008 — HK$483,377,000), respectively.

17. Investment Properties *(continued)*

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$156,874,000 (2008 — HK$510,836,000).

The investment property in Hong Kong as at 31st December, 2008 was re-valued at HK$19,500,000 by reference to the actual disposal value of an investment property which was disposed to an independent third party during 2009.

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

18. Properties under Development

	Group	
	2009	2008
	HK$'000	HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**285,151**	212,271
Additions during the year	**48,860**	224,558
Reclassified from investment properties	**421,000**	—
Reclassified to fixed assets	**—**	(87,267)
Reclassified to properties held for sale	**—**	(80,479)
Exchange adjustments	**1,369**	16,068
Balance at end of year	**756,380**	285,151
Provisions for impairment losses:		
Balance at beginning of year	**(25,669)**	(26,780)
Reclassified to properties held for sale	**—**	10,083
Impairment during the year	**(3,518)**	(9,089)
Exchange adjustments	**(223)**	117
Balance at end of year	**(29,410)**	(25,669)
	726,970	259,482
Land and buildings situated outside Hong Kong held under the following lease terms:		
Long term land and buildings	**57,430**	40,443
Medium term land and buildings	**635,188**	180,555
Freehold	**34,352**	38,484
	726,970	259,482

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

19. Interests in Associates

	Group 2009 HK$'000	2008 HK$'000
Share of net assets in unlisted investments	**2,635,257**	2,874,743
Due from associates	**398,056**	408,147
	3,033,313	3,282,890
Provisions for impairment losses	**(16,363)**	(21,409)
	3,016,950	3,261,481

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 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 HK$'000	2008 HK$'000
Assets	**19,311,579**	19,368,376
Liabilities	**(10,372,315)**	(9,997,818)
Revenue	**842,112**	895,596
Loss	**(314,620)**	(51,281)

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

20. Interests in Jointly Controlled Entities

	Group 2009 HK$'000	2008 HK$'000
Share of net assets in unlisted investments	**82,453**	66,897
Due from jointly controlled entities	**203,487**	188,568
	285,940	255,465
Provision for impairment losses	**(1,028)**	(534)
	284,912	254,931

The balances with the jointly controlled entities includes a loan of HK$3,977,000 (2008 — HK$3,974,000), which was 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 have 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.

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

	Group 2009 HK$'000	2008 HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**703,338**	659,970
Non-current assets	**305**	351
Current liabilities	**(38,828)**	(27,469)
Non-current liabilities	**(379,615)**	(378,232)
Net assets	**285,200**	254,620
Share of the jointly controlled entities' results:		
Revenue	**8,150**	14,418
Total expenses	**(11,527)**	(15,192)
Loss after tax	**(3,377)**	(774)
Share of the jointly controlled entities' capital commitments	**77,349**	20,399

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

21. Available-for-sale Financial Assets

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets stated at fair value:				
Debt securities listed overseas	**17,509**	12,559	**—**	—
Unlisted investment funds	**82,441**	71,814	**—**	—
	99,950	84,373	**—**	—
Financial assets stated at cost:				
Unlisted equity securities	**88,777**	88,386	**—**	—
Unlisted debt securities	**3,165**	3,165	**3,165**	3,165
Provision for impairment losses	**(85,555)**	(85,019)	**—**	—
	6,387	6,532	**3,165**	3,165
	106,337	90,905	**3,165**	3,165

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	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities:				
Corporate entities	**88,777**	88,386	**—**	—
Debt securities:				
Club debenture	**3,165**	3,165	**3,165**	3,165
Corporate entities	**7,320**	3,490	**—**	—
Banks and other financial institutions	**10,189**	9,069	**—**	—
	20,674	15,724	**3,165**	3,165

During the year, the gross gain in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK$11,380,000 (2008 — loss of HK$48,160,000), of which nil (2008 — 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.

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

The fair values of listed debt securities are based on quoted market prices. The fair values of certain unlisted available-for-sale financial assets have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated 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. No impairment loss (2008 — HK$1,611,000) has been charged to the consolidated income statement for the year.

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.

22. 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

23. Loans and Advances

The loans and advances to customers of the Group have effective interest rates ranging from 3 per cent. to 9 per cent. (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.

24. Financial Assets at Fair Value through Profit or Loss

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Equity securities:				
Listed in Hong Kong	**25,081**	7,611	**10,506**	3,750
Listed overseas	**8,807**	2,141	**3,095**	1,457
	33,888	9,752	**13,601**	5,207
Investment funds:				
Unlisted	**27,820**	29,953	**—**	—
Other:				
Unlisted	**—**	7,800	**—**	—
	61,708	47,505	**13,601**	5,207

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities:				
Corporate entities	**23,161**	9,752	**13,601**	5,207
Banks and other financial institutions	**6,528**	—	**—**	—
Public sector entities	**4,199**	—	**—**	—
	33,888	9,752	**13,601**	5,207

25. Debtors, Prepayments and Deposits

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	**10,414**	19,162
Between 31 and 60 days	**171**	—
Between 61 and 90 days	**3**	—
	49,025	63,172

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.

26. Bank and Other Borrowings

	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Bank loans:				
Secured *(Note (a))*	**205,428**	201,503	**—**	—
Unsecured	**10,000**	39,277	**—**	—
	215,428	240,780	**—**	—
Other borrowings:				
Unsecured *(Note (b))*	**283,930**	346,905	**283,930**	346,905
	499,358	587,685	**283,930**	346,905
Less: Amount classified under current portion	**(49,550)**	(386,182)	**(39,550)**	(346,905)
Non-current portion	**449,808**	201,503	**244,380**	—
Bank and other borrowings by currency:				
Hong Kong dollar	**254,380**	211,903	**244,380**	191,903
United States dollar	**225,670**	356,505	**39,550**	155,002
Renminbi	**19,308**	19,277	**—**	—
	499,358	587,685	**283,930**	346,905
Bank loans repayable:				
Within one year	**10,000**	39,277	**—**	—
In the second year	**186,120**	—	**—**	—
In the third to fifth years, inclusive	**19,308**	201,503	**—**	—
	215,428	240,780	**—**	—
Other borrowings repayable:				
Within one year	**39,550**	346,905	**39,550**	346,905
In the second year	**244,380**	—	**244,380**	—
	283,930	346,905	**283,930**	346,905

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 — 1.6 per cent. to 6.0 per cent.) per annum.

26. Bank and Other Borrowings *(continued)*

Note:

(a) At the end of the reporting period, the bank loans were secured by:

(i) first legal mortgages over certain investment properties and properties under development of the Group with carrying amounts of HK$80,331,000 (2008 — HK$410,000,000) and HK$421,000,000 (2008 — Nil), respectively; and

(ii) certain fixed deposits of the Group with carrying amount of HK$292,000 (2008 — Nil), respectively.

(b) The Group's other borrowings at the end of the reporting period comprised of unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, and a third party, of HK$244,380,000 (2008 — HK$191,903,000) and HK$39,550,000 (2008 — HK$155,002,000), respectively. The loan advanced from Lippo is repayable on or before 30th June, 2011. The loan advanced from the third party was renewed for one additional year on terms mutually agreed with the lender and is repayable on or before 26th June, 2010.

27. 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	**14,604**	19,319
	665,492	553,567

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.

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

The current, fixed, savings and other deposits of customers attributable to banking operation have effective interest rates ranging from 0.01 per cent. to 2.9 per cent. (2008 — 0.3 per cent. to 4.5 per cent.) per annum.

29. Deferred Tax

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

Group

	Depreciation allowance in excess of related depreciation HK$000	Revaluation of properties HK$000	Fair value gains on available-for-sale financial assets HK$000	Total HK$000
2009				
At 1st January, 2009	**495**	**25,793**	**1,320**	**27,608**
Deferred tax charged to the income statement during the year	**2**	**742**	**—**	**744**
Deferred tax debited/(credited) to equity during the year	**—**	**3,853**	**(632)**	**3,221**
Exchange adjustments	**—**	**13**	**1**	**14**
At 31st December, 2009	**497**	**30,401**	**689**	**31,587**
2008				
At 1st January, 2008	554	20,400	7,957	28,911
Deferred tax charged/(credited) to the income statement during the year	(59)	11,322	—	11,263
Effect of change of tax rate	—	(94)	—	(94)
Deferred tax credited to equity during the year	—	—	(6,620)	(6,620)
Disposal of subsidiaries	—	(5,917)	—	(5,917)
Exchange adjustments	—	82	(17)	65
At 31st December, 2008	495	25,793	1,320	27,608

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

	Group **2009** **HK$'000**	2008 HK$'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	**(31,587)**	(27,792)
	(31,587)	(27,608)

29. Deferred Tax *(continued)*

The Group has tax losses arising in Hong Kong of HK$207,999,000 (2008 — HK$142,836,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses at the end of 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.

30. Share Capital

Shares

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2008 — 4,000,000,000) ordinary shares of HK$1.00 each	**4,000,000**	4,000,000
Issued and fully paid:		
1,816,655,677 (2008 — 1,818,185,927*) ordinary shares of HK$1.00 each	**1,816,656**	1,818,186

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

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

(a) A total of 3,750 ordinary shares of HK$1.00 each in the Company were issued upon exercise in cash of the subscription rights attaching to the warrants of the Company in an aggregate amount of HK$4,688 at the subscription price of HK$1.25 per share.

30. Share Capital *(continued)*

Shares *(continued)*

(b) The Company had repurchased a total of 1,534,000 ordinary shares of HK$1.00 each in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which were subsequently cancelled. The discount of HK$491,000 arising from such repurchases has been credited to the distributable reserves of the Company and an amount of HK$1,534,000 was transferred from distributable reserves to the capital redemption reserve as set out in the consolidated statement of changes in equity to the financial statements on page 41.

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 202,023,707 units of warrants outstanding with an aggregate subscription value of approximately HK$252,530,000. Each warrant entitles the holder thereof to subscribe in cash for one ordinary share of HK$1.00 in the Company at the subscription price of HK$1.25 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive). During the year, 3,750 units of warrants with an aggregate subscription value of HK$4,688 were exercised for 3,750 ordinary shares of HK$1.00 each at a subscription price of HK$1.25 per share. At the end of the reporting period, the Company had 202,019,956 units of warrants outstanding with an aggregate subscription value of approximately HK$252,525,000. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 202,019,956 additional ordinary shares of HK$1.00 each of the Company.

31. Share Option Scheme

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

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date, that is, 134,682,909 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed one per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company on the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; (ii) the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; and (iii) the nominal value of the shares of the Company on the date of grant of the option.

31. Share Option Scheme *(continued)*

On 17th December, 2007, options were granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors and employees of the Company to subscribe for a total of 13,468,000 ordinary shares of HK$1.00 each in the Company (the "Shares") at an initial exercise price of HK$1.68 per Share (subject to adjustment). Due to the rights issue of new shares of the Company in June 2008 in the proportion of seven rights shares for every twenty shares held, adjustments were made to the number of Shares subject to the options of the Company and the exercise price, resulting in options to subscribe for a total of 18,181,800 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 Share Option Scheme without consideration to an Eligible Person to subscribe for 2,025,000 Shares at an exercise price of HK$1.00 per Share (subject to adjustment). Such option 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 31st December, 2009, there were outstanding options granted under the Share Option Scheme to subscribe for 20,206,800 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 Lee Luen Wai	17th December, 2007	1.24	**4,590,000**
Leon Chan Nim Leung	17th December, 2007	1.24	**810,000**
Kor Kee Yee	17th December, 2007	1.24	**607,500**
Albert Saychuan Cheok	17th December, 2007	1.24	**607,500**
Victor Yung Ha Kuk	17th December, 2007	1.24	**607,500**
Tsui King Fai	17th December, 2007	1.24	**607,500**
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 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.

31. Share Option Scheme *(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 the options granted but not yet exercised, is 114,476,109 Shares, representing approximately 6.3 per cent. of the existing issued share capital of the Company.

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

Number of Option Shares	Exercise price per Share *(Note)* HK$	Exercise period
18,181,800	**1.24**	**17th June, 2008 to 16th December, 2012**
2,025,000	**1.00**	**1st August, 2009 to 16th December, 2012**

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

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

31. Share Option Scheme *(continued)*

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

32. Reserves

Group

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 41 of the financial statements.

Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve *(Note (d))* HK$'000	Distributable reserves *(Note (c))* HK$'000	Total HK$'000
2009					
At 1st January, 2009	**43,526**	**7,219**	**11,794**	**975,205**	**1,037,744**
Total comprehensive income for the year *(Note 12)*	**—**	**—**	**—**	**3,047**	**3,047**
Issuance of shares upon exercise of warrants	**1**	**—**	**—**	**—**	**1**
Repurchase of shares	**—**	**—**	**1,534**	**(1,043)**	**491**
At 31st December, 2009	**43,527**	**7,219**	**13,328**	**977,209**	**1,041,283**
2008					
At 1st January, 2008	50,988	6,800	11,760	1,069,172	1,138,720
Total comprehensive income for the year *(Note 12)*	—	—	—	5,218	5,218
Rights issue	(7,462)	—	—	—	(7,462)
Repurchase of shares	—	—	34	(25)	9
Equity-settled share option arrangements	—	419	—	—	419
2007 final distribution, declared and paid	—	—	—	(67,341)	(67,341)
2008 interim distribution, declared and paid	—	—	—	(31,819)	(31,819)
At 31st December, 2008	43,526	7,219	11,794	975,205	1,037,744

32. Reserves *(continued)*

Note:

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

(b) Distributable reserves of the Group at 31st December, 2009 comprise retained profits of HK$1,144,275,000 (2008 — HK$1,470,337,000) and the remaining balance arising from the Cancellation of HK$1,054,919,000 (2008 — HK$1,055,962,000).

(c) Distributable reserves of the Company at 31st December, 2009 comprise contributed surplus of HK$134,329,000 (2008 — HK$134,329,000), accumulated losses of HK$212,039,000 (2008 — HK$215,086,000) and the remaining balance arising from the Cancellation of HK$1,054,919,000 (2008 — HK$1,055,962,000).

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

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

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

33. Interests in Subsidiaries

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**44,953**	44,953
Due from subsidiaries	**3,904,236**	3,818,682
Due to subsidiaries	**(784,395)**	(764,637)
	3,164,794	3,098,998
Provisions for impairment losses	**(116,414)**	(110,103)
	3,048,380	2,988,895

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

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

34. Notes to the Consolidated Statement of Cash Flows

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

	Note	Group 2009 HK$'000	Group 2008 HK$'000
Loss before tax		**(328,411)**	(212,472)
Adjustments for:			
Share of results of associates		**296,499**	36,191
Share of results of jointly controlled entities		**3,377**	774
Loss/(Gain) on disposal of:			
Fixed assets		**(233)**	(2)
Investment properties	6	**145**	—
Available-for-sale financial assets		**—**	(5,988)
Subsidiaries	34(b)	**—**	(7,417)
Allowance/(Write-back of allowance) for bad and doubtful debts		**(7,062)**	21,603
Provisions for/(Write-back of) impairment losses:			
Associates		**(5,000)**	(18,000)
A jointly controlled entity	6	**494**	1,858
Available-for-sale financial assets	6	**6,317**	1,611
Properties held for sale	6	**759**	389
Properties under development		**3,518**	9,089
Net fair value loss/(gain) on financial assets at fair value through profit or loss		**(27,948)**	151,161
Fair value gains on investment properties		**(7,407)**	(62,899)
Finance costs	9	**16,643**	26,038
Interest income		**(19,341)**	(24,946)
Dividend income		**(1,926)**	(1,769)
Depreciation	6	**5,810**	6,363
Share options	6	**—**	419
		(63,766)	(77,997)
Decrease in financial assets at fair value through profit or loss		**1,745**	191,852
Decrease in held-to-maturity financial assets		**36**	105
Decrease in properties held for sale		**2,665**	67,721
Decrease in loans and advances		**14,604**	56,304
Decrease in debtors, prepayments and deposits		**24,457**	34,342
Decrease/(Increase) in client trust bank balances		**(120,883)**	216,917
Increase/(Decrease) in creditors, accruals and deposit received		**80,326**	(260,821)
Increase/(Decrease) in current, fixed, savings and other deposits of customers		**31,911**	(32,003)
Cash generated from/(used in) operations		**(28,905)**	196,420

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

(b) Disposal of subsidiaries

	Group 2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Fixed assets	**19**	4,131
Investment properties	**—**	105,500
Interest in associates	**388**	—
Financial assets at fair value through profit or loss	**12,000**	—
Cash and bank balances	**10,070**	1,152
Debtors, prepayments and deposits	**4,901**	9,651
Creditors and accruals	**(81)**	(7,621)
Deferred tax liabilities	**—**	(5,917)
Release of exchange equalisation reserve	**—**	(1,252)
Minority interests	**—**	(272)
	27,297	105,372
Gain on disposal of subsidiaries	**—**	7,417
	27,297	112,789
Satisfied by:		
Cash	**27,297**	106,132
Increase in interests in associates	**—**	6,657
	27,297	112,789

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

	Group 2009 HK$'000	2008 HK$'000
Cash consideration	**27,297**	106,132
Cash and bank balances disposed of	**(10,070)**	(1,152)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**17,227**	104,980

35. Contingent Liabilities

Group

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).

Company

As at 31st December, 2009, guarantees provided by the Company in respect of banking facilities granted to its subsidiaries amounted to HK$579,408,000 (2008 — HK$576,179,000), which were utilised to an extent of HK$215,428,000 (2008 — HK$240,780,000).

36. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms of one to five 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	2008
	HK$'000	HK$'000
Within one year	**8,142**	1,374
In the second to fifth years, inclusive	**12,552**	153
	20,694	1,527

(b) As lessee

The Group leases certain properties under lease agreements which are non-cancellable. The leases expire on various dates until 31st January, 2012 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	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**17,448**	19,606	**2,405**	3,396
In the second to fifth years, inclusive	**6,494**	21,328	**—**	2,405
	23,942	40,934	**2,405**	5,801

37. 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	**98,127**	51,558
Other capital commitments:		
Contracted, but not provided for *(Note)*	**67,065**	68,390
	165,192	119,948

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).

38. Related Party Transactions

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

(a) During the year, the Company paid rental expenses of HK$3,396,000 (2008 — HK$2,379,000) to Porbandar Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by the Company. In 2008, Lippo Securities Holdings Limited ("LSHL"), being a wholly-owned subsidiary of the Company, paid rental expenses of HK$2,709,000 to Prime Power Investment Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by LSHL. The above rentals were determined by reference to open market rentals.

(b) On 25th November, 2009, a conditional sale and purchase agreement was entered into between Lippo Asia Limited ("Lippo Asia"), being a wholly-owned subsidiary of the Company, and Lippo Finance Holdings Limited ("Lippo Finance"), being a fellow subsidiary of the Company, pursuant to which Lippo Asia agreed to sell, and Lippo Finance agreed to acquire, 15,000,000 shares in, representing the entire issued share capital of, Lippo Investments Management Limited, formerly being a wholly-owned subsidiary of Lippo Asia, for a consideration of approximately HK$14,982,000 (the "Disposal"). The Disposal was completed on 26th November, 2009.

(c) During the year, ImPac Asset Management (HK) Limited, being a wholly-owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounting to HK$11,349,000 (2008 — HK$11,349,000).

(d) During the year, the Company paid finance cost to Lippo of HK$5,542,000 (2008 — HK$10,107,000) in respect of the loan advanced to the Company. The balance of which is set out in Note 26 to the financial statements.

(e) During the year, Lippo Realty (Singapore) Pte. Limited, being a 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.

38. Related Party Transactions *(continued)*

(f) As at 31st December, 2009, the Group had balances with its associates and jointly controlled entities as set out in Notes 19 and 20, respectively, to the financial statements.

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

39. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the 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 a jointly controlled entity	–	–	3,977	–	3,977
Held-to-maturity financial assets	–	9,431	–	–	9,431
Available-for-sale financial assets	–	–	–	106,337	106,337
Financial assets at fair value through profit or loss	61,708	–	–	–	61,708
Loans and advances	–	–	194,907	–	194,907
Debtors and deposits	–	–	78,029	–	78,029
Client trust bank balances	–	–	630,560	–	630,560
Pledged time deposits	–	–	292	–	292
Treasury bills	–	–	19,400	–	19,400
Cash and bank balances	–	–	648,221	–	648,221
	61,708	9,431	1,575,386	106,337	1,752,862

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	499,358
Creditors, accruals and deposits received	687,496
Current, fixed, savings and other deposits of customers	165,131
	1,351,985

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

Financial liabilities

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

39. Financial Instruments by Category *(continued)*

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

Company
At 31st December, 2009

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	3,165	3,165
Financial assets at fair value through profit or loss	13,601	—	—	13,601
Debtors and deposits	—	997	—	997
Cash and bank balances	—	79,633	—	79,633
	13,601	80,630	3,165	97,396

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	283,930
Creditors, accruals and deposits received	7,680
	291,610

39. 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

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	3,165	3,165
Financial assets at fair value through profit or loss	5,207	—	—	5,207
Debtors and deposits	—	1,436	—	1,436
Cash and bank balances	—	234,618	—	234,618
	5,207	236,054	3,165	244,426

Financial liabilities

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

40. 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)

40. Fair Value Hierarchy *(continued)*

Group

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:				
Debt securities	17,509	—	—	17,509
Investment funds	—	3,204	79,237	82,441
Financial assets at fair value through profit or loss:				
Equity securities	33,888	—	—	33,888
Investment funds	—	501	27,319	27,820
	51,397	3,705	106,556	161,658

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

	Available-for-sale investment funds HK$'000	Investment funds at fair value through profit or loss HK$'000
At 1st January, 2009	69,175	27,934
Total gains recognised in the income statement	—	458
Total gains recognised in other comprehensive income	5,879	—
Purchases	4,139	—
Disposals	—	(1,091)
Exchange adjustments	44	18
At 31st December, 2009	79,237	27,319

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

Company

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	13,601	—	—	13,601

During the year ended 31st December, 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

41. 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	**87,123**	85,791
Republic of Singapore	**171**	18,522
Macau	**147,350**	154,142
Others	**9,288**	7,166
	243,932	265,621

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

41. 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 — 66 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 a jointly controlled entity	–	–	–	–	–	3,977	3,977
Debt securities:							
Held-to-maturity financial assets	–	–	–	–	9,431	–	9,431
Available-for-sale financial assets	–	–	–	–	–	20,674	20,674
Loans and advances	111,980	33,117	15,781	16,299	17,730	–	194,907
Debtors and deposits	40,284	13,754	140	10,110	–	13,741	78,029
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	112,300	411,840	124,081	–	–	–	648,221
	535,068	838,459	140,002	26,409	27,161	38,392	1,605,491
Liabilities							
Bank and other borrowings	–	10,000	39,550	449,808	–	–	499,358
Creditors, accruals and deposits received	652,031	20,891	1,944	–	–	12,630	687,496
Current, fixed, savings and other deposits of customers	81,455	77,666	6,010	–	–	–	165,131
	733,486	108,557	47,504	449,808	–	12,630	1,351,985

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

(b) Liquidity risk *(continued)*

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the 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 a jointly controlled entity	–	–	–	–	–	3,974	3,974
Debt securities:							
Held-to-maturity financial assets	–	–	–	–	9,467	–	9,467
Available-for-sale financial assets	–	–	–	–	–	15,724	15,724
Loans and advances	114,477	30,514	16,399	17,364	23,695	–	202,449
Debtors and deposits	45,253	23,001	273	–	–	26,540	95,067
Client trust bank balances	157,023	352,332	–	–	–	–	509,355
Cash and bank balances	240,840	502,272	–	–	–	–	743,112
	557,593	908,119	16,672	17,364	33,162	46,238	1,579,148
Liabilities							
Bank and other borrowings	–	20,000	366,182	201,503	–	–	587,685
Creditors, accruals and deposits received	534,969	50,221	5,325	420	–	15,205	606,140
Current, fixed, savings and other deposits of customers	101,153	27,120	4,947	–	–	–	133,220
	636,122	97,341	376,454	201,923	–	15,205	1,327,045

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

(b) Liquidity risk *(continued)*

An analysis of the maturity profile of assets and liabilities of the Company analysed by the remaining period at the 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	–	–	–	–	3,165	3,165
Debtors and deposits	–	–	–	–	997	997
Cash and bank balances	3,108	76,525	–	–	–	79,633
	3,108	76,525	–	–	4,162	83,795
Liabilities						
Bank and other borrowings	–	–	39,550	244,380	–	283,930
Creditors, accruals and deposits received	–	28	1,238	–	6,414	7,680
Guarantees given to banks in connection with facilities granted to subsidiaries	215,428	–	–	–	–	215,428
	215,428	28	40,788	244,380	6,414	507,038
At 31st December, 2008						
Assets						
Debt securities:						
Available-for-sale financial assets	–	–	–	–	3,165	3,165
Debtors and deposits	–	40	–	–	1,396	1,436
Cash and bank balances	4,249	230,369	–	–	–	234,618
	4,249	230,409	–	–	4,561	239,219
Liabilities						
Bank and other borrowings	–	–	346,905	–	–	346,905
Creditors, accruals and deposits received	–	23,430	4,841	–	6,344	34,615
Guarantees given to banks in connection with facilities granted to subsidiaries	240,780	–	–	–	–	240,780
	240,780	23,430	351,746	–	6,344	622,300

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

(c) Interest rate risk

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

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

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

	2009 Increase/ Decrease in basis points	2009 Increase/ (Decrease) in profit before tax HK$'000	2009 Increase/ (Decrease) in equity HK$'000	2008 Increase/ Decrease in basis points	2008 Increase/ (Decrease) in profit before tax HK$'000	2008 Increase/ (Decrease) in equity HK$'000
Group						
Hong Kong dollar	+50	84	84	+50	(2,775)	(2,775)
United States dollar	+50	287	(666)	+50	(13)	(459)
Singapore dollar	+50	137	137	+50	383	383
Hong Kong dollar	–50	(84)	(84)	–50	2,775	2,775
United States dollar	–50	(287)	821	–50	13	811
Singapore dollar	–50	(137)	(137)	–50	(383)	(383)
Company						
Hong Kong dollar	+50	(690)	(690)	+50	(565)	(565)
United States dollar	+50	(361)	(361)	+50	(529)	(529)
Singapore dollar	+50	92	92	+50	2	2
Hong Kong dollar	–50	690	690	–50	565	565
United States dollar	–50	361	361	–50	529	529
Singapore dollar	–50	(92)	(92)	–50	(2)	(2)

(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.

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

(d) Foreign currency risk *(continued)*

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 and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(Decrease) in profit before tax 2009 HK$'000	2008 HK$'000
Group		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2008 — 3 per cent.)	**10,999**	5,037
— weakened 3 per cent. (2008 — 3 per cent.)	**(10,999)**	(5,037)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2008 — 3 per cent.)	**744**	(514)
— weakened 3 per cent. (2008 — 3 per cent.)	**(744)**	514
Company		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2008 — 3 per cent.)	**(668)**	(905)
— weakened 3 per cent. (2008 — 3 per cent.)	**668**	905
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2008 — 3 per cent.)	**644**	(618)
— weakened 3 per cent. (2008 — 3 per cent.)	**(644)**	618

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.

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 21) and financial assets at fair value through profit or loss (Note 24) as at 31st December, 2009. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the 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
Singapore — Straits Times Index	**2,898**	**2,898/1,455**	1,762	3,475/1,474

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

(e) Equity price risk *(continued)*

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**
Singapore	**3,095**	**349**
Global and other	**115,973**	**9,810**
2008		
Financial assets:		
Hong Kong	7,611	1,024
Singapore	1,457	219
Global and other	110,251	5,034

(f) Capital management

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

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

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

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

(f) Capital management *(continued)*

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 26)*	**499,358**	587,685
Equity attributable to the equity holders of the Company	**4,462,168**	4,669,590
Gearing ratio	**11 per cent.**	13 per cent.

42. 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.

43. 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	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield Limited	British Virgin Islands	US$1	—	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US$1	—	100	Property investment
Centech Limited	British Virgin Islands	US$1	—	100	Investments and business consultancy
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US$3,000,000*	—	100	Property investment and management
Choregeo Pte. Ltd.**	Republic of Singapore	S$1,000,000	—	100	Property investment
Conrich Inc.	British Virgin Islands	US$1	—	100	Investment holding
Cony Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Investments
Cyberspot Limited	British Virgin Islands	US$1	—	100	Investment holding
Cyfield Limited	British Virgin Islands	US$1	—	100	Property investment
Everbest Pacific Ltd.	British Virgin Islands	US$1	—	100	Investments
Everwin Pacific Ltd.	British Virgin Islands	US$1	—	100	Property investment
Fiatsco Limited	British Virgin Islands	US$1	—	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	—	100	Property investment
Gemark Limited	Hong Kong	HK$1	—	100	Investment holding
Goldlux Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Goldsney Investment Limited	Hong Kong	HK$2	—	100	Securities investment
HKC Property Investment Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
HKC Realty LLC**	United States of America	US$2,250,000*	—	100	Property investment
HKCL Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Hong Kong Housing Loan Limited	Hong Kong	HK$40,000,000	—	100	Money lending

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
ImPac Asset Management (HK) Limited	Hong Kong	HK$8,500,000	—	100	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US$2,000,100	—	100	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US$13,000	—	100	Fund management
Kenda Limited *(carry on business in Hong Kong as Kenda Property Holding Limited)*	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Lifepower Limited	British Virgin Islands	US$1	—	100	Investment holding
Lippo Asia Limited	Hong Kong	HK$120,000,000	—	100	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK$400,000	—	100	Fund management
Lippo Futures Limited	Hong Kong	US$2,000,000	—	100	Commodities brokerage
Lippo Hospital Management Inc.	British Virgin Islands	US$1	—	100	Investment holding
Lippo Medical Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S$2	—	100	Project management
Lippo Securities Holdings Limited	Hong Kong	US$23,000,000	—	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	—	100	Investment holding
Lippo Securities Limited	Hong Kong	HK$220,000,000	—	100	Securities brokerage
Lippo (S) Pte. Ltd.**	Republic of Singapore	S$2,000,000	—	100	Property investment
L.S. Finance Limited	Hong Kong	HK$5,000,000	—	100	Money lending
Masta Limited	British Virgin Islands	US$1	—	100	Investment holding
Masuda Limited	British Virgin Islands	US$10,000	—	100	Investment holding

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

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Winrider Limited	British Virgin Islands	US$1	—	100	Investment holding
Winsite Limited	British Virgin Islands	US$1	—	100	Investments
Winus Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Yield Point Limited	British Virgin Islands	US$1	—	100	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)**	People's Republic of China	US$36,000,000*	—	85.70	Property development
TechnoSolve Limited	Hong Kong	HK$26,296,000	—	68.65	Development of computer hardware and software
科慧（珠海）軟件有限公司**	People's Republic of China	RMB800,000*	—	68.65	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US$100	—	60	Investment holding

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

Note:

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

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

Particulars of Principal Associates

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

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

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

Note:

S$ – Singapore dollars
US$ – United States dollars

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

Particulars of Principal Jointly Controlled Entities

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	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Sunning Asia Limited	Corporate	British Virgin Islands	US$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	50	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US$22,859,908	30	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S$32,347,914	30	Property development

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

Note:

S$ – Singapore dollars
US$ – United States dollars

Schedule of Properties

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

Description	Use	Approximate gross floor area *(square metres)*	Status	Percentage of the Group's interest
PEOPLE'S REPUBLIC OF CHINA				
5 floors of Unit 1 Building 1, Lippo Tower No. 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	100
3rd to 6th Floors, The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,072	Rental	100
OVERSEAS				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	100
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	100
Apartment No. 2 Blumenthalstrasse 22 69120 Heidelberg, Germany	Residential	153 (net floor area)	Rental	100

(2) Property Held as Fixed Assets as at 31st December, 2009

Description	Use	Approximate gross floor area *(square metres)*	Percentage of the Group's interest
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	100

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

Description	Use	Approximate site area *(square metres)*	Approximate gross floor area *(square metres)*	Percentage of the Group's interest	Estimated completion date	Stage of development at 31st December, 2009
PEOPLE'S REPUBLIC OF CHINA						
Land Lot No. 4C1, Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Multi-use	51,209	270,000	85.7	2012	Under planning stage
83 Estrada de Cacilhas Macau	Residential	3,583	18,364	100	Early 2014	Under planning stage
OVERSEAS						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land
Moo 4, Yamu Village Ror Por Chor 4003 Road Pa Klog Subdistrict Thalang District Phuket Province Thailand	Residential	27,292	6,344	50	Mid 2010	Under construction
Lots 1342L & 1343C (Plot B8B-5/6) Ocean Drive Sentosa Cove Singapore	Residential	1,400	698	100	First half of 2010	Under construction

(4) Property Held for Sale as at 31st December, 2009

Description	Use	Approximate gross floor area *(square metres)*	Percentage of the Group's interest
OVERSEAS			
854 West Adams Boulevard Los Angeles, CA 90007 United States of America	Residential	723	100

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	**(325,978)**	(227,070)	1,267,271	391,472	111,761
Total assets	**6,038,528**	6,224,911	6,593,582	5,985,984	3,652,523
Total liabilities	**(1,386,844)**	(1,363,994)	(1,896,179)	(2,694,295)	(791,428)
Net assets	**4,651,684**	4,860,917	4,697,403	3,291,689	2,861,095
Minority interests	**(189,516)**	(191,327)	(12,078)	(99,285)	(32,079)
Equity attributable to equity holders of the Company	**4,462,168**	4,669,590	4,685,325	3,192,404	2,829,016

Supplementary Financial Information

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

Set out below is a pro forma combined statement of financial position of the Group's affiliates as at 31st December, 2009 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	Pro forma combined statement of financial position as at 31st December, 2009 HK$'000	Group's attributable interest as at 31st December, 2009 HK$'000
Intangible assets	1,004,736	1,004,736
Fixed assets	2,765,700	2,757,432
Investment properties	5,805,162	5,805,162
Properties under development	6,012,608	4,581,519
Interests in associates	3,387,692	3,387,692
Available-for-sale financial assets	345,454	345,454
Debtors, prepayments and deposits	97,715	72,386
Cash and bank balances	1,238,731	1,186,800
Creditors, accruals and deposits received	(644,377)	(531,341)
Bank and other borrowings	(9,046,715)	(8,209,071)
Tax payable	(132,071)	(132,071)
Shareholders' advance	(1,088,541)	(601,418)
Deferred tax liabilities	(701,354)	(701,354)
Other net assets	61,069	59,866
	9,105,809	9,025,792

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