Hongkong Chinese Limited
香 港 華 人 有 限 公 司

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

Annual Report 2010

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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Leon Chan Nim Leung

Independent non-executive Directors

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

Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Mr. Leon Chan Nim Leung *(Chairman)*
Mr. Stephen 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 Bank International Limited
Public Bank (Hong Kong) Limited
Wing Hang Bank, Ltd.
Standard Chartered Bank
Bank of Beijing Co., Ltd.
Raiffeisen Bank International AG,
Singapore Branch
Oversea-Chinese Banking Corporation Limited

Solicitors

Reed Smith Richards Butler

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, 2010.

Business Review

2010 was a year that saw massive fiscal and monetary stimulus programs being adopted widely around the world to avert a global economic and financial crisis. The general uplifting of the world economy belies the mix of economic performances for individual economies. US and Europe remained economically subdued. A number of smaller European economies came under financial stress and had to receive European and International financial assistance. However, Asian economies continued to surge forward, with China taking the lead and India and the South East Asian countries contributing to the economic momentum. By end 2010, China has overtaken Japan to become the second largest economy in the world.

Benefiting from the economic growth in the regions in which the Group has operations, the Group achieved stellar performance in 2010 recording an audited consolidated profit attributable to shareholders of approximately HK$2,207 million for the year ended 31st December, 2010, as compared to a loss of HK$326 million recorded in 2009. The profit was largely attributable to the fair value gains of investment properties and write back of the impairment loss on properties under development of the Group's associates.

In Singapore, the opening of the integrated resorts, the strong tourist arrivals, and its continuing role as one of the major financial centres in Asia have all contributed to its strong economic growth in 2010. The economic spillover, which pushed the property markets to new heights, has greatly benefited the Group's performance in Singapore.

The temporary occupation permit for the Marina Collection, in which the Group has a 50 per cent. interest, has been obtained in March 2011. Marina Collection, with a total site area of approximately 22,222 square metres, is located at Sentosa Cove, Sentosa Island, Singapore. It provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres, of which over 40 units have been pre-sold. With the opening of the casino and recreational and resort complex on the Sentosa Island, the Group is confident about the prospects for the Marina Collection project.

The Group has a 30 per cent. interest in a site located at 53 Holland Road, Singapore. The plan is to develop the site, which has an area of approximately 3,376 square metres, into a low-rise luxury residential development, now named as The Holland Collection, with a total saleable area of approximately 5,497 square metres. Completion is expected to be around the end of 2011. Pre-sale has been launched and all the 26 residential units in the project were pre-sold.

The Group also has a 50 per cent. interest in the Centennia Suites at 100 Kim Seng Road, Singapore. Centennia Suites, with a site area of approximately 5,611 square metres, will be re-developed into a residential development with a saleable area of approximately 16,182 square metres with completion expected to be in 2013. Pre-sale has been launched and all the 97 residential units were sold out.

Chairman's Statement *(continued)*

Business Review *(continued)*

Lippo ASM Asia Property LP ("LAAP", together with its subsidiaries, the "LAAP Group"), of which a wholly-owned subsidiary of the Company is the limited partner, is a property fund set up with the objective of investing in real estates in the Asia region. LAAP, previously 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 investment and development and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore like One Raffles Place, OUE Bayfront and DBS Towers One and Two ("DBS Towers") as well as hotels in the Asia region, including the famous Mandarin Orchard Singapore. The Mandarin Gallery at the Mandarin Orchard Singapore, a premier luxury retail mall with retail space of around 11,639 square metres, is enjoying full occupancy. With the acquisition of DBS Towers in September 2010 and the completion of the office development of OUE Bayfront in early 2011, such a portfolio of high quality properties will help to generate substantial, stable and recurrent income for OUE.

In March 2010, the LAAP Group acquired the direct and indirect interest in OUE held by the joint venture partner, thus increasing its controlling stake in OUE to approximately 88.52 per cent. Subsequently, the LAAP Group successfully completed two placements of OUE shares to third parties in June and October 2010, reducing its controlling stake in OUE to approximately 67.07 per cent.

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) (the "BDA Project"). With a total site area of approximately 51,209 square metres, the current plan is to develop the BDA Project into an integrated residential, commercial and retail complex with a total gross floor area of about 275,000 square metres, including basements. Foundation work was completed and construction works are in progress. The BDA Project, which is expected to be completed by end of 2012, has attracted strong interests from commercial entities operating in Mainland China. With the approval of the PRC government authority, the Group's interest in the BDA Project was slightly reduced to 80 per cent. from 85.7 per cent. in September 2010 with the outlay payable by the Group to the joint venture partner being reduced correspondingly.

The Macau Chinese Bank Limited ("MCB") is a wholly-owned subsidiary of the Company. Its performance in 2010 has benefited from the strong performance of the Macau economy. Recognising that MCB's future performance will be largely dependent on the growth of the Macau economy, the Group will continue to seek business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

Despite the strong rebound of the local economy, participation from retail investors remained watchful and cautious given the continuing volatile market in 2010. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on the market conditions in the markets in China and globally.

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

Chairman's Statement *(continued)*

Prospects

Prospects for Asia remain positive. For the US, Europe and Japan, the general expectation is for continuing slow economic recovery. Inflation has emerged as a subject of economic watch. For much of Asia, the low interest rate environment and markets flushed with liquidity have stoked inflationary pressures. Escalating food and commodity prices and rising property prices have fueled concerns about inflation. In response, countries like China have introduced a slew of credit tightening and austerity measures to tackle the problem early. The full ramifications on the world economy of the political turmoil in North Africa and the Middle East and the recent tsunami damages in Japan remain to be worked out. Overall, economic recovery will continue but with new uncertainties emerging.

Management is therefore moving forward in a positive but cautious manner and watchful of challenges ahead. The Group will continue to focus on property investment and property development businesses in Asia Pacific region for long term growth. Management will continue to take a cautious and prudent approach in managing the Group's property portfolio and businesses and in assessing new investment opportunities.

Acknowledgement

Dr. Mochtar Riady, who had acted as the Chairman of the Company since 1992, resigned as a non-executive Director and the Chairman of the Company on 25th March, 2011 due to the increase of his business commitment. On behalf of the Board of Directors, I would like to express our sincere appreciation and gratitude to Dr. Riady for his valuable contribution and services to the Company in the past.

On behalf of the Board of Directors, I would also 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.

Stephen Riady
Chairman

30th March, 2011

Discussion and Analysis of Annual Results

The global economy showed some signs of recovery in 2010, but the pace of recovery varied across industry sectors and regions. Singapore and Asian regions show a strong growth, while the recovery in US and Europe remain at a slower pace. Benefited from the positive growth of the property markets in the regions in which the Group has operations, the Group recorded a profit for the year.

Results for the year

Turnover for the year 2010 totalled HK$122 million, which was 11 per cent. higher than the HK$110 million recorded in 2009.

The Group reported a profit attributable to shareholders of HK$2,207 million for 2010, contrasted to the loss of HK$326 million in 2009. The profit was mainly attributed to the fair value gains on investment properties and write-back of impairment loss made for a property project under the Group's associates.

Property investment and property development

The revenue of the property investment business increased to HK$10 million (2009 — HK$6 million) in 2010, benefiting from the increasing occupancy rate for Lippo Tower in Chengdu, which was completed in late 2008. The segment registered a profit of HK$5 million, compared to the profit of HK$8 million in 2009, resulting from the reduction of fair value gains on investment properties during the year.

The Group has invested in a property fund, Lippo ASM Asia Property LP ("LAAP"), which has indirect interests in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investment and development and hotel operations. The hotels managed by OUE, including Mandarin Orchard Singapore, are strategically located in various well known tourist destinations of Singapore, Malaysia and mainland China. Mandarin Gallery, a premier luxury retail mall at Orchard Road, Singapore commenced operation in the fourth quarter of 2009. Together with the DBS Towers One and Two acquired in September 2010, the investment property portfolio provided a recurrent source of revenue to OUE during the year. OUE also holds interests in prime office buildings, such as One Raffles Place and OUE Bayfront near Marina Bay, in the central financial and business district of Singapore. OUE Bayfront obtained its temporary occupation permit ("TOP") in January 2011 and is expected to contribute income in 2011. OUE has participated in a residential property development project, named as Twin Peaks at 25 Leonie Hill Road in Singapore. In 2010, the Group registered a share of profit of HK$2,242 million from the investment as compared to a loss of HK$301 million in 2009. The profit was mainly attributable to the fair value gains on investment properties and write-back of impairment loss made for the property under development. The remarkable results were also contributed by the improved performance of the hospitality business which benefited from the substantial increase in tourist arrivals in Singapore and the new rental income from Mandarin Gallery and DBS Towers One and Two.

In March 2010, LAAP, through its subsidiary, 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. and resulted in a gain recorded in the reserves of HK$861 million. Subsequently, two placement of shares of OUE to third parties had been completed in June and October 2010, which decreased its controlling stake in OUE to approximately 67.07 per cent. and reduced the amount of the reserves by HK$167 million. There is no impact on the Group's profit for the year.

Additionally, the Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and Thailand. TOP of the Marina Collection, a joint venture development in Sentosa Cove, in which the Group has a 50 per cent. interest, was obtained in March 2011. Pre-sale has been launched and income thereon will be recognised accordingly. Other projects in Singapore include the development at Kim Seng Road ("Centennia Suites") and Holland Road ("The Holland Collection"). Pre-sale of both projects was launched and all units have been sold out. Centennia Suites and The Holland Collection are scheduled to be completed in 2013 and end of 2011 respectively. Revenue thereon will be recognised upon completion.

Discussion and Analysis of Annual Results *(continued)*

Results for the year *(continued)*

Property investment and property development *(continued)*

In mainland China, the construction works of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area, have commenced in 2010 and are expected to be completed by end of 2012.

Treasury and securities investments

Due to the uncertainty around the global economy, the financial market remains volatile. The Group cautiously looks for opportunities to realise its profit in the investment portfolio. In 2010, treasury and securities investments business recorded a revenue of HK$16 million (2009 — HK$19 million), with a profit of HK$22 million (2009 — HK$38 million). The Group will be watchful on market developments and continue to be prudent in managing its investment portfolio with a continuing focus on improving the overall asset quality.

Corporate finance and securities broking

Despite global economy gradually recovering, participation from retail investors remained cautious in this highly volatile market. The Group's corporate finance and securities broking business was affected. It registered a decrease in turnover in 2010 to HK$49 million (2009 — HK$54 million) and HK$2 million loss was derived from this segment (2009 — profit of HK$6 million).

Banking business

The Macau Chinese Bank Limited ("MCB") is a wholly-owned subsidiary of the Company. Although the Macau economy has rebounded during the year, the operating environment is still tough. MCB managed to maintain the quality of its client and loan portfolio. Management continued to lend conservatively and seek growth in areas where appropriate in a selective manner. The banking business recorded a turnover of HK$14 million for the year (2009 — HK$14 million), and delivered a profit to the Group.

Other businesses

With the well performance of Singapore property market, revenue generated from property project management in Singapore increased to HK$20 million in 2010 (2009 — HK$5 million), and profit contribution was HK$13 million (2009 — loss of HK$1.3 million).

Financial position

As at 31st December, 2010, the Group's total assets increased significantly to HK$9.7 billion (2009 — HK$6.0 billion). Property-related assets increased to HK$8.3 billion (2009 — HK$4.4 billion), representing 85 per cent. (2009 — 73 per cent.) of the total assets. Total liabilities slightly increased to HK$1.6 billion (2009 — HK$1.4 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) decreased to 1.1 to 1 (2009 — 1.7 to 1, restated).

As at 31st December, 2010, the bank and other borrowings of the Group (other than those attributable to banking business) increased to HK$533 million (2009 — HK$499 million). The bank loans amounted to HK$348 million (2009 — HK$215 million), comprising secured bank loans of HK$348 million (2009 — secured bank loans of HK$205 million and unsecured bank loan of HK$10 million), which were denominated in United States dollars and Renminbi (2009 — 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 84 per cent. (2009 — 14 per cent., restated) of the bank loans were repayable within one year. The Group's other borrowings as at 31st December, 2010 comprised of unsecured loans advanced from Lippo Limited of HK$185 million (2009 — HK$244 million). Such advance would be repayable on or before 31st December, 2012. The balance as at 31st December, 2009 also included an unsecured loan from a third party of HK$40 million which was fully repaid during the year. At the end of the year, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) decreased to 6 per cent. (2009 — 11 per cent.).

Discussion and Analysis of Annual Results *(continued)*

Financial position *(continued)*

The net asset value of the Group remained strong and increased to HK$8.0 billion (2009 — HK$4.5 billion). This was equivalent to HK$4.4 per share (2009 — HK$2.5 per share). The increase was mainly attributable to the improved performance during the year and the share of equity movement arising from the acquisition of direct and indirect interest in OUE under LAAP at a discount to net asset value.

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency 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 (2009 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2009 — Nil).

As at 31st December, 2010, the Group's total capital commitment increased to HK$556 million (2009 — HK$165 million), as a result of the commencement of the property development project in Beijing. The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Staff and remuneration

The Group had approximately 198 employees as at 31st December, 2010 (2009 — 207 employees). Total staff costs (including directors' emoluments) during the year amounted to HK$72 million (2009 — HK$63 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

The outlook for 2011 will continue to be a challenging year. Despite that the Asian regions showed strong growth in 2010, global business environment remains uncertain to companies around the world under the shadow of sovereign debt crisis in Europe, slow pace of economic recovery in US and the earthquake in Japan. However, the Group remains positive of the prospects of the Asia Pacific region over the medium term. At the same time, it will continue refining the values of its property and investment portfolios and cautiously seeking new investment opportunities with long-term growth potential.

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 2010, 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, 2010.

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 2010.

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

In 2010, the Board comprised 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, with Dr. Mochtar Riady being the Chairman and Mr. Stephen Riady being the Chief Executive Officer (brief biographical details of the Directors are set out on pages 17 to 19). Dr. Mochtar Riady is the father of Mr. Stephen Riady. Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

On 25th March, 2011, there were the following changes to the Board:

1. Dr. Mochtar Riady resigned as a non-executive Director and the Chairman of the Company;

2. Mr. Stephen Riady was appointed as the Chairman of the Company and as a result, resigned as the Chief Executive Officer of the Company; and

3. Mr. John Lee Luen Wai was appointed as the Chief Executive Officer of the Company.

Following the above changes to the Board, the Board currently comprises seven members, including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules, with Mr. Stephen Riady being the Chairman and Mr. John Lee Luen Wai being the Chief Executive Officer.

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.

Corporate Governance Report *(continued)*

Board of Directors *(continued)*

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

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

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

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Five Board meetings were held in 2010. 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 2010 are set out below.

	Attendance/Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Non-executive Directors				
Dr. Mochtar Riady *(Resigned as a non-executive Director and the Chairman on 25th March, 2011)*	1/5	N/A	N/A	N/A
Mr. Leon Chan Nim Leung *(Chairman of the Remuneration Committee and Nomination Committee)*	5/5	4/4	1/1	1/1
Executive Directors				
Mr. Stephen Riady	4/5	N/A	1/1	1/1
Mr. John Lee Luen Wai	5/5	N/A	N/A	N/A
Mr. Kor Kee Yee	3/5	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Tsui King Fai *(Chairman of the Audit Committee)*	4/5	4/4	1/1	1/1
Mr. Victor Yung Ha Kuk	5/5	4/4	1/1	1/1
Mr. Albert Saychuan Cheok	4/5	2/4	0/1	0/1

Corporate Governance Report *(continued)*

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Their respective roles and responsibilities are set out in writing which have been approved by the Board. Dr. Mochtar Riady was the Chairman of the Board until 25th March, 2011 when he resigned as a non-executive Director and the Chairman of the Company and Mr. Stephen Riady was appointed as the Chairman to take up the vacancy. 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 Riady was the Chief Executive Officer of the Company until 25th March, 2011. Following his appointment as the Chairman of the Company on 25th March, 2011, Mr. Stephen Riady resigned as the Chief Executive Officer of the Company and Mr. John Lee Luen Wai was appointed as the Chief Executive Officer of the Company to take up the vacancy on 25th March, 2011. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Non-executive Directors

In 2010, there were five non-executive Directors. Following the resignation of Dr. Mochtar Riady as a non-executive Director of the Company on 25th March, 2011, there are currently four 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 key executives; 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 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. One meeting was held in 2010 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 2010.

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 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. One meeting was held in 2010 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$2.2 million (2009 - HK$2.0 million) and approximately HK$0.1 million (2009 — HK$0.1 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 prior to 1st July, 2010), Tsui King Fai (appointed as the Chairman of the Audit Committee on 1st July, 2010) and Albert Saychuan Cheok. Four meetings were held in 2010 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.

Corporate Governance Report *(continued)*

Audit Committee *(continued)*
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.

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.

Corporate Governance Report *(continued)*

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 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, 2010, 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 32 and 33.

Corporate Social Responsibility

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community wellbeing from time to time. In 2010, the Group established a volunteer team for serving the socially disadvantaged and the community as a whole.

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31st December, 2010.

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, 2010 and the state of affairs of the Group and the Company as at 31st December, 2010 are set out in the financial statements on pages 34 to 123.

The Directors have resolved to recommend the payment of a final distribution of HK2 cents per share (2009 — Nil), amounting to approximately HK$36.8 million (based on 1,840,394,550 ordinary shares in issue as at 30th March, 2011), for the year ended 31st December, 2010. This represents total distribution for the year ended 31st December, 2010 (2009 — Nil).

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31st December, 2010 is set out on page 126.

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 39, 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$6,725,000 (2009 — HK$3,000).

Report of the Directors *(continued)*

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 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

There were the following changes with effect from 25th March, 2011:

1. Dr. Mochtar Riady resigned as a non-executive Director and the Chairman of the Company;

2. Mr. Stephen Riady was appointed as the Chairman of the Company and resigned as the Chief Executive Officer of the Company; and

3. Mr. John Lee Luen Wai was appointed as the Chief Executive Officer of the Company.

In accordance with Bye-law 87 of the Bye-laws of the Company (the "Bye-laws"), Messrs. Albert Saychuan Cheok, Leon Chan Nim Leung, Victor Yung Ha Kuk and Tsui King Fai will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Dr. Mochtar Riady, Messrs. Leon Chan Nim Leung and Albert Saychuan Cheok entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1st January, 2010. Dr. Mochtar Riady resigned as a Director of the Company on 25th March, 2011. Following the expiry of the term under their respective former letter agreement with the Company, each of Messrs. Victor Yung Ha Kuk and Tsui King Fai 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 30th September, 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 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.

Report of the Directors *(continued)*

Brief Biographical Details of Directors and Senior Management

Dr. Mochtar Riady (also known as Dr. Lee Man Tjin), aged 81, 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 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 and the Chairman in 1992 and he resigned as Director and the Chairman on 25th March, 2011. He was also the Honorary Chairman of Lippo China Resources Limited ("LCR"), a public listed company in Hong Kong until 25th March, 2011 when he relinquished such title. He is a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital"). Dr. Riady also held directorship in a subsidiary of the Company until 25th March, 2011 when he relinquished such directorship.

Mr. Stephen Riady, aged 50, was appointed a Director of the Company in 1992. On 25th March, 2011, Mr. Riady resigned as the Chief Executive Officer of the Company and was appointed as the Chairman of the board of directors of the Company. He is also an executive director and the Chairman of Lippo Limited ("Lippo"), a public listed company in Hong Kong. Being an executive director of LCR, Mr. Riady resigned as the Deputy Chairman, Managing Director and Chief Executive Officer and was appointed as the Chairman of the board of directors of LCR on 25th March, 2011. Mr. Riady is 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 an executive 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. Dr. Mochtar Riady and Madam Lidya Suryawaty are the parents of Mr. Riady.

Mr. John Lee Luen Wai, J.P., aged 62, was appointed a Director of the Company in 1992. Mr. Lee is currently the Chief Executive Officer of the Company appointed on 25th March, 2011. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo and a director of LCR. He was appointed as the Chief Executive Officer of LCR on 25th March, 2011. He is a director of 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. On 12th November, 2010, he was appointed a director of Asia Now Resources Corp., a company listed on TSX Venture Exchange of Canada. 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 of the Board of Trustees 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.

Mr. Leon Chan Nim Leung, aged 55, 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.

Report of the Directors *(continued)*

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

Mr. Albert Saychuan Cheok, aged 60, 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 the independent non-executive Chairman of Lippo-Mapletree Indonesia Retail Trust Management Limited, the Manager of Lippo-Mapletree Indonesia Retail Trust which is a listed Singapore based real estate investment trust. 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. Mr. Cheok was appointed as an independent non-executive director of MIDAN City Development Co., Ltd. on 30th March, 2011. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005.

Mr. Kor Kee Yee, aged 62, 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 57, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. He had been a member of the listings sub-committee of the Stock Exchange of Singapore. Mr. Yung holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and LCR. Mr. Yung was the Chairman of the Audit Committee of the Company until 1st July, 2010. He is currently a member of the Audit Commitee, the Remuneration Committee and the Nomination Committee of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR.

Mr. Tsui King Fai, aged 61, 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, the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He took up the role as the Chairman of the Audit Committee of the Company on 1st July, 2010.

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

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 are HK$160,000 per annum which have been covered by their respective letter agreement with the Company. A non-executive Director will also receive additional fees for duties assigned to and services provided by him, for example, serving as Chairmen and/or members of various Board committees of the Company. With effect from 1st January, 2010, the fees payable per annum to non-executive Directors for serving as the Chairmen and/or members of various Board committees of the Company are as follows:

	HK$
Audit Committee	
Chairman	40,000
Member	20,000
Other Committees	
Chairman	20,000
Member	15,000

Report of the Directors *(continued)*

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

The emoluments of the executive Directors (except for Mr. Stephen Riady who does not have any service contract with the Company and/or its subsidiaries) have been covered by their respective employment agreement with the Company and/or paid under the relevant statutory requirement save for the director's fees and fringe benefits of Mr. John Lee Luen Wai in the total amount of approximately HK$65,000 and the fringe benefits of Mr. Kor Kee Yee in the total amount of approximately HK$200,000 paid for the year.

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

As at 31st December, 2010, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

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

(a) The Company

	Number of ordinary shares of HK$1.00 each in the Company			Number of underlying ordinary shares of HK$1.00 each in the Company					
Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)		Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
				Options^	Warrants+	Warrants+	Warrants+		
Mochtar Riady	–	–	1,014,222,978 *Note (i)*	–	–	–	106,765,641 *Note (i)*	1,120,988,619	61.70
Stephen Riady	–	–	1,014,222,978 *Note (i)*	–	–	–	106,765,641 *Note (i)*	1,120,988,619	61.70
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).

Report of the Directors *(continued)*

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

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

(b) Lippo Limited ("Lippo")

	Number of ordinary shares of HK$0.10 each in Lippo		Number of underlying ordinary shares of HK$0.10 each in Lippo				
Name of Director	Personal interests (held as beneficial owner)	Other interests	Personal interests (held as beneficial owner)		Other interests	Total interests	Approximate percentage of total interests in the issued share capital
			Options*	Warrants@	Warrants@		
Mochtar Riady	–	319,322,219 *Notes (i) and (ii)*	–	–	35,312,240 *Notes (i) and (ii)*	354,634,459	70.87
Stephen 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 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).

Report of the Directors *(continued)*

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

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

(c) 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 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, 2010 and 31st December, 2010 were the same as set out above.

Note:

(i) As at 31st December, 2010, 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 61.70 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 holder of 10,000,000 ordinary shares of US$1.00 each in, representing the entire issued share capital of, Lippo Cayman. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family. Dr. Mochtar Riady and Mr. Stephen Riady were taken to be interested in Lippo Cayman under the provisions of the SFO.

(ii) As at 31st December, 2010, 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 then 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.

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)

(iii) As at 31st December, 2010, 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 then issued share capital of, LCR.

(iv) The percentages of the issued share capital stated in this section were arrived based on the issued share capital of each of the Company, Lippo and LCR (as the case may be) as at 31st December, 2010.

(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:

Name of Director	Exercise price per share	Number of underlying ordinary shares of HK$0.10 each in Lippo in respect of which options have been granted — Balance as at 1st January, 2010 and 31st December, 2010
	HK$	
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

(vi) Dr. Mochtar Riady resigned as a Director of the Company on 25th March, 2011.

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)*

For the reasons outlined above, through their deemed interests in Lippo Cayman as mentioned in Note (i) above, Dr. Mochtar Riady and Mr. Stephen Riady 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

Report of the Directors *(continued)*

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Holdings Inc.	Ordinary shares	1	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Lippo World Holdings Limited	Ordinary shares	1	100
Manneton Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
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, 2010, Mr. Stephen 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 holder of the entire issued share capital of Lippo Cayman. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and other members of the family.

As at 31st December, 2010, Mr. John Lee Luen Wai, as beneficial owner, was also interested in 230,000 ordinary shares of HK$0.01 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, 2010, 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, 2010, 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, 2010, 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, 2010, 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.

Report of the Directors *(continued)*

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

As at 31st December, 2010, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

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

Name	Number of ordinary shares of HK$1.00 each	Number of underlying ordinary shares of HK$1.00 each	Total interests	Approximate percentage of total interests in the issued share capital
		Warrants *(Note 8)*		
Substantial shareholders:				
Hennessy Holdings Limited ("Hennessy")	1,014,222,978	106,765,641	1,120,988,619	61.70
Prime Success Limited ("Prime Success")	1,014,222,978	106,765,641	1,120,988,619	61.70
Lippo Limited ("Lippo")	1,014,222,978	106,765,641	1,120,988,619	61.70
Lippo Cayman Limited ("Lippo Cayman")	1,014,222,978	106,765,641	1,120,988,619	61.70
Lanius Limited ("Lanius")	1,014,222,978	106,765,641	1,120,988,619	61.70
Madam Lidya Suryawaty	1,014,222,978	106,765,641	1,120,988,619	61.70
Other persons:				
Paul G. Desmarais	90,812,000	—	90,812,000	5.00
Nordex Inc. ("Nordex")	90,812,000	—	90,812,000	5.00
Gelco Enterprises Ltee ("Gelco")	90,812,000	—	90,812,000	5.00
Power Corporation of Canada ("PCC")	90,812,000	—	90,812,000	5.00
Power Financial Corporation ("PFC")	90,812,000	—	90,812,000	5.00
IGM Financial Inc. ("IGM")	90,812,000	—	90,812,000	5.00

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 61.70 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.

Report of the Directors *(continued)*

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

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

Note: (continued)

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

4. Lanius is the holder of the entire issued share capital of Lippo Cayman and is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. Dr. Mochtar Riady and his wife Madam Lidya Suryawaty were taken to be interested in Lippo Cayman under the provisions of the SFO.

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 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". Dr. Mochtar Riady, his wife Madam Lidya Suryawaty, and Mr. Stephen Riady, were taken to be interested in the securities of the Company under the provisions of the SFO.

6. Mackenzie Financial Corporation, through its wholly-owned subsidiary Mackenzie Financial Capital Corporation which is a mutual fund corporation for which it acts as portfolio manager and through certain Bermuda-based mutual funds for which another wholly-owned subsidiary Mackenzie Cundill Investment Management (Bermuda) Limited acts as manager and for which it acts as sub-adviser, was directly interested in an aggregate of 90,812,000 ordinary shares of HK$1.00 each in, representing approximately 5.00 per cent. of the then issued share capital of, the Company. Paul G. Desmarais as controlling shareholder and Nordex, Gelco, PCC, PFC and IGM as intermediate holding companies to Mackenzie Financial Corporation, each has an indirect interest in the above 90,812,000 ordinary shares of the Company.

7. The percentages of the issued share capital stated in this section were arrived based on 1,816,714,924 ordinary shares of HK$1.00 each in issue of the Company as at 31st December, 2010. The percentages of interests of "other persons" in the issued share capital stated in this section were based on the respective disclosure forms filed with the Company.

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

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

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2010, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

The Lippo Group (a general reference to the companies in which any of Dr. Mochtar Riady and Mr. Stephen 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, 2010, 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 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 was also a director of LCR until 25th March, 2011 when he resigned. 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 property development.

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

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

Continuing Connected Transactions

Continuing connected transactions disclosed in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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. This tenancy agreement expired on 15th September, 2010.

(B) On 14th September, 2010, a tenancy agreement was entered into between the Company and Porbandar, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,686 square feet for a term of two years from 16th September, 2010 to 15th September, 2012, both days inclusive, at a monthly rental of HK$230,000 (equivalent to HK$2,760,000 per annum), exclusive of rates, service charges and all other outgoings or HK$253,260 (equivalent to HK$3,039,120 per annum), inclusive of monthly service charge of HK$23,260, for office use. The service charge of HK$23,260 per calendar month (subject to adjustment) payable by the Company to Porbandar shall be applied by Porbandar in payment of applicable service charges of the manager of the building relating to the above property provided that such service charge may not exceed HK$30,000 per calendar month unless agreed by both parties in writing (the "Maximum Service Charge"). The maximum estimated annual rental, inclusive of the Maximum Service Charge, is HK$3,120,000. The rental was determined by reference to the then prevailing open market rentals.

Continuing Connected Transactions *(continued)*

The independent non-executive Directors have confirmed that the above tenancies have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Messrs. Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with rule 14A.38 of the Listing Rules, Messrs. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company and a copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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

The Company has complied with all the reporting, announcement and other requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions disclosed herein.

Directors' and Controlling Shareholders' Interests in Contracts

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

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

Management Contracts

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

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

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

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 income statement for the year are set out in Notes 2.4(t) and 6 to the financial statements, respectively.

Report of the Directors *(continued)*

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. Tsui King Fai (Chairman), Mr. Albert Saychuan Cheok and Mr. Victor Yung Ha Kuk 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, 2010.

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 9 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 Messrs. 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
Chief Executive Officer

Hong Kong, 30th March, 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 123, which comprise the consolidated and company statements of financial position as at 31st December, 2010, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditors' Report *(continued)*

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2010, and of the Group's profit 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, 30th March, 2011

Consolidated Income Statement

For the year ended 31st December, 2010

	Note	**2010 HK$'000**	2009 HK$'000
Revenue	5	**121,600**	109,727
Cost of sales		**(22,449)**	(25,906)
Gross profit		**99,151**	83,821
Administrative expenses		**(102,137)**	(93,772)
Other operating expenses		**(44,666)**	(42,296)
Fair value gains on investment properties		**2,146**	7,407
Net fair value gain on financial assets at fair value through profit or loss		**8,343**	27,948
Write-back of impairment losses on associates		**—**	5,000
Finance costs	9	**(9,825)**	(16,643)
Share of results of associates	10	**2,252,385**	(296,499)
Share of results of jointly controlled entities		**671**	(3,377)
Profit/(Loss) before tax	6	**2,206,068**	(328,411)
Income tax	11	**(1,118)**	315
Profit/(Loss) for the year		**2,204,950**	(328,096)
Attributable to:			
Equity holders of the Company	12	**2,207,172**	(325,978)
Non-controlling interests		**(2,222)**	(2,118)
		2,204,950	(328,096)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company	13		
Basic		**121.5**	(17.9)
Diluted		**N/A**	N/A

Details of the distribution 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, 2010

	2010 HK$'000	2009 HK$'000
Profit/(Loss) for the year	**2,204,950**	(328,096)
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	**(13,473)**	11,380
Reclassification adjustments for gain/(loss) included in the consolidated income statement		
Loss on disposal	**(771)**	–
Impairment losses	**–**	6,317
Income tax effect	**(1,800)**	632
	(16,044)	18,329
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:		
Share of changes in fair value of available-for-sale financial assets	**231,518**	–
Share of effective portion of changes in fair value of cash flow hedges of an associate	**(7,159)**	–
Share of exchange differences on translation of foreign operations	**413,254**	61,884
	637,613	61,884
Exchange differences on translation of foreign operations	**78,767**	12,475
Other comprehensive income for the year, net of tax	**700,336**	120,943
Total comprehensive income/(loss) for the year	**2,905,286**	(207,153)
Attributable to:		
Equity holders of the Company	**2,897,221**	(206,384)
Non-controlling interests	**8,065**	(769)
	2,905,286	(207,153)

Consolidated Statement of Financial Position

As at 31st December, 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Non-current assets			
Goodwill	15	**71,485**	71,485
Fixed assets	16	**139,397**	19,235
Investment properties	17	**162,055**	156,874
Properties under development	18	**906,477**	726,970
Interests in associates	19	**6,611,610**	3,016,950
Interests in jointly controlled entities	20	**303,600**	284,912
Available-for-sale financial assets	21	**90,513**	106,337
Held-to-maturity financial assets	22	**11,832**	9,431
Loans and advances	23	**34,197**	34,029
		8,331,166	4,426,223
Current assets			
Properties held for sale		**8,554**	8,531
Financial assets at fair value through profit or loss	24	**50,936**	61,708
Loans and advances	23	**183,528**	160,878
Debtors, prepayments and deposits	25	**102,287**	82,715
Client trust bank balances		**560,850**	630,560
Pledged time deposits	26	**308**	292
Treasury bills		**9,700**	19,400
Cash and bank balances		**493,134**	648,221
		1,409,297	1,612,305
Current liabilities			
Bank and other borrowings	26	**291,771**	68,858
Creditors, accruals and deposits received	27	**870,014**	687,496
Current, fixed, savings and other deposits of customers	28	**138,772**	165,131
Tax payable		**3,146**	3,272
		1,303,703	924,757
Net current assets		**105,594**	687,548
Total assets less current liabilities		**8,436,760**	5,113,771

Consolidated Statement of Financial Position *(continued)*

As at 31st December, 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Non-current liabilities			
Bank and other borrowings	26	**240,927**	430,500
Deferred tax liabilities	29	**34,292**	31,587
		275,219	462,087
Net assets		**8,161,541**	4,651,684
Equity			
Equity attributable to equity holders of the Company			
Issued capital	30	**1,816,715**	1,816,656
Reserves	32	**6,232,234**	2,645,512
		8,048,949	4,462,168
Non-controlling interests		**112,592**	189,516
		8,161,541	4,651,684

Stephen Riady
Director

John Lee Luen Wai
Director

Statement of Financial Position

As at 31st December, 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Fixed assets	16	**106**	694
Interests in subsidiaries	33	**3,181,818**	3,048,380
Available-for-sale financial assets	21	**3,165**	3,165
		3,185,089	3,052,239
Current assets			
Financial assets at fair value through profit or loss	24	**7,098**	13,601
Debtors, prepayments and deposits		**4,540**	4,076
Cash and bank balances		**30,574**	79,633
		42,212	97,310
Current liabilities			
Bank and other borrowings	26	**–**	39,550
Creditors, accruals and deposits received		**22,467**	7,680
		22,467	47,230
Net current assets		**19,745**	50,080
Total assets less current liabilities		**3,204,834**	3,102,319
Non-current liabilities			
Bank and other borrowings	26	**184,452**	244,380
Net assets		**3,020,382**	2,857,939
Equity			
Issued capital	30	**1,816,715**	1,816,656
Reserves	32	**1,203,667**	1,041,283
		3,020,382	2,857,939

Stephen Riady
Director

John Lee Luen Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

	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	Hedging reserve *(Note 32(g))*	Exchange equalisation reserve	Distributable reserves *(Note 32(b))*	Total	Non-controlling 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$'000	HK$'000
2010														
At 1st January, 2010	**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**
Profit/(Loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,207,172**	**2,207,172**	**(2,222)**	**2,204,950**
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	**–**	**–**	**–**	**–**	**–**	**–**	**(13,473)**	**–**	**–**	**–**	**–**	**(13,473)**	**–**	**(13,473)**
Reclassification adjustments for disposal	**–**	**–**	**–**	**–**	**–**	**–**	**(771)**	**–**	**–**	**–**	**–**	**(771)**	**–**	**(771)**
Income tax effect	**–**	**–**	**–**	**–**	**–**	**–**	**(1,800)**	**–**	**–**	**–**	**–**	**(1,800)**	**–**	**(1,800)**
Share of other comprehensive income/(loss) of associates	**–**	**–**	**–**	**–**	**–**	**–**	**231,518**	**–**	**(7,159)**	**413,254**	**–**	**637,613**	**–**	**637,613**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**68,480**	**–**	**68,480**	**10,287**	**78,767**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**215,474**	**–**	**(7,159)**	**481,734**	**2,207,172**	**2,897,221**	**8,065**	**2,905,286**
Issurance of shares upon exercise of warrants	**59**	**15**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**74**	**–**	**74**
Disposal of interests in a subsidiary without loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**815**	**815**	**(815)**	**–**
Share of equity movement arising on equity transactions of associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**688,671**	**688,671**	**–**	**688,671**
Advances from a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,308**	**3,308**
Repayment to a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(87,482)**	**(87,482)**
Transfer of reserve	**–**	**–**	**–**	**–**	**262**	**–**	**–**	**–**	**–**	**–**	**(262)**	**–**	**–**	**–**
At 31st December, 2010	**1,816,715**	**44,042**	**7,219**	**13,328**	**7,142**	**891**	**229,686**	**28,255**	**(7,159)**	**813,240**	**5,095,590**	**8,048,949**	**112,592**	**8,161,541**
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
Loss for the year	–	–	–	–	–	–	–	–	–	–	(325,978)	(325,978)	(2,118)	(328,096)
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	–	–	–	–	–	–	11,380	–	–	–	–	11,380	–	11,380
Reclassification adjustments for impairment losses	–	–	–	–	–	–	6,317	–	–	–	–	6,317	–	6,317
Income tax effect	–	–	–	–	–	–	632	–	–	–	–	632	–	632
Surplus on revaluation of leasehold land and building	–	–	–	–	–	–	–	32,108	–	–	–	32,108	–	32,108
Income tax effect on surplus on revaluation of leasehold land and building	–	–	–	–	–	–	–	(3,853)	–	–	–	(3,853)	–	(3,853)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	61,884	–	61,884	–	61,884
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	11,126	–	11,126	1,349	12,475
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 non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	10,315	10,315
Repayment to a non-controlling 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

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	Note	**2010 HK$'000**	2009 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	34(a)	**152,901**	(28,905)
Interest received		**17,055**	19,187
Dividend received from listed and unlisted investments		**1,349**	1,926
Taxes refunded/(paid):			
Hong Kong		**(398)**	538
Overseas		**(260)**	(5,364)
Net cash flows from/(used in) operating activities		**170,647**	(12,618)
Cash flows from investing activities			
Proceeds from disposal of:			
Fixed assets		**15**	94,929
Investment properties		**–**	19,355
Available-for-sale financial assets		**2,795**	–
Payments to acquire:			
Fixed assets		**(2,054)**	(10,354)
Available-for-sale financial assets		**(504)**	(4,139)
Held-to-maturity financial assets		**(2,404)**	–
Additions to properties under development		**(275,935)**	(48,860)
Additions to investment properties		**–**	(4,952)
Repayment from associates		**–**	10,146
Increase in interests in jointly controlled entities		**–**	(17,489)
Advances to jointly controlled entities		**(6,932)**	(10,325)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	34(b)	**4,000**	17,227
Increase in pledged time deposits		**(6)**	(292)
Decrease/(Increase) in time deposits with original maturity of more than three months		**129,255**	(176,815)
Net cash flows used in investing activities		**(151,770)**	(131,569)
Cash flows from financing activities			
Interest paid		**(11,256)**	(19,619)
Drawdown of bank and other borrowings *(Note)*		**141,629**	140,123
Repayment of bank and other borrowings *(Note)*		**(109,479)**	(230,043)
Issuance of shares upon exercise of warrants		**74**	5
Repurchase of shares		**–**	(1,043)
Advances from a non-controlling shareholder of a subsidiary		**3,308**	10,315
Repayment to a non-controlling shareholder of a subsidiary		**(87,482)**	(11,357)
Net cash flows used in financing activities		**(63,206)**	(111,619)

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31st December, 2010

	2010 HK$'000	2009 HK$'000
Net decrease in cash and cash equivalents	**(44,329)**	(255,806)
Cash and cash equivalents at beginning of year	**490,806**	743,112
Exchange realignments	**2,655**	3,500
Cash and cash equivalents at end of year	**449,132**	490,806
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**493,134**	648,221
Treasury bills	**9,700**	19,400
Time deposits with original maturity of more than three months	**(53,702)**	(176,815)
	449,132	490,806

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, 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.

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

Basis of consolidation from 1st January, 2010

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, 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or distributable reserves, as appropriate.

Notes to the Financial Statements *(continued)*

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation prior to 1st January, 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1st January, 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1st January, 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1st January, 2010 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

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

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements. The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1st January, 2010.

The application of HKAS 27 (Revised) has affected the accounting for the Group's disposal of part of its interests in a subsidiary and the changes in interests in subsidiaries under the associates. The change in policy has resulted in the decrease in the non-controlling interests of the subsidiary of HK$815,000 and the excess over the net consideration paid and the decrease in non-controlling interests arising on the changes in non-controlling interests without loss of control under the Group's associates attributable to the Group of HK$688,671,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year attributable to equity holders of the Company of HK$689,486,000.

Notes to the Financial Statements *(continued)*

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

(b) HK Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loan was classified in the consolidated statement of financial position in accordance with the maturity date of repayment. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated.

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

	2010 **HK$'000**	2009 HK$'000
Current liabilities		
Increase in bank and other borrowings	**17,158**	19,308
Non-current liabilities		
Decrease in bank and other borrowings	**17,158**	19,308

There was no impact on the net assets of the Group. The adoption of HK Interpretation 5 has had no impact on the consolidated statement of financial position as at 1st January, 2009. As a result, a consolidated statement of financial position as at 1st January, 2009 has not been presented in these financial statements. Further details of the bank and other borrowings are disclosed in Note 26 to the financial statements.

The interpretation does not have any impact to the Company.

Notes to the Financial Statements *(continued)*

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1st July, 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1st January, 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1st February, 2010
2 Effective for annual periods beginning on or after 1st July, 2010
3 Effective for annual periods beginning on or after 1st January, 2011
4 Effective for annual periods beginning on or after 1st July, 2011
5 Effective for annual periods beginning on or after 1st January, 2012
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 application of HKFRS 9 may affect the classification and measurement of the Group's financial instruments, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to the Financial Statements *(continued)*

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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(e) Business combinations and goodwill

Business combinations from 1st January, 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(e) Business combinations and goodwill *(continued)*

Business combinations from 1st January, 2010 (continued)

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

Business combinations prior to 1st January, 2010 but after 1st January, 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1st January, 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(f) Impairment of non-financial assets

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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(f) Impairment of non-financial assets *(continued)*

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.

(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 under finance lease 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.

2.4 Summary of Significant Accounting Policies *(continued)*

(h) Investment properties

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

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 or owner-occupied properties, the deemed cost of a 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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 by 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.

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 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

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

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

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 and funds 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. 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.

(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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

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

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 loss is the current effective interest rate.

The carrying amount of the asset is reduced 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.

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

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

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 loss 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 loss 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 loss 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.

Notes to the Financial Statements *(continued)*

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 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.

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(m) Financial liabilities *(continued)*

Subsequent measurement (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 a 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 option pricing 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 periods 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.

Notes to the Financial Statements *(continued)*

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 arises 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 interests in subsidiaries, associates and 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 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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

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 each 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 each reporting period.

Retirement benefits

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

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

Share-based payment transactions

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

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.

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

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

Notes to the Financial Statements *(continued)*

2.4 Summary of Significant Accounting Policies *(continued)*

(t) Employee benefits *(continued)*

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for 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 awards are treated equally.

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

(u) Borrowing costs

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

2.4 Summary of Significant Accounting Policies *(continued)*

(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, demand deposits and treasury bills which are not restricted as to use.

The carrying amounts of cash and bank balances, treasury bills and pledged time deposits approximate to their fair values.

(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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

Notes to the Financial Statements *(continued)*

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 independently of the other assets held by the Group.

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

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

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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, 2010 was HK$71,485,000 (2009 — HK$71,485,000). Further details are given in Note 15 to the financial statements.

Notes to the Financial Statements *(continued)*

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

(b) Estimation uncertainty *(continued)*

Estimation of 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. No impairment loss has been recognised for available-for-sale financial assets during the year (2009 — HK$6,317,000). The carrying amount of available-for-sale financial assets as at 31st December, 2010 was HK$90,513,000 (2009 — HK$106,337,000).

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;

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

(h) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of 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 other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

Notes to the Financial Statements *(continued)*

4. Segment Information *(continued)*

Year ended 31st December, 2010

	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	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue										
External	10,032	–	2,767	12,910	49,057	13,500	20,249	13,085	–	121,600
Inter-segment	–	–	–	–	–	–	16,261	7,345	(23,606)	–
Total	10,032	–	2,767	12,910	49,057	13,500	36,510	20,430	(23,606)	121,600
Segment results	4,893	(7,387)	2,446	19,093	(2,165)	707	13,261	(2,475)	(23,606)	4,767
Unallocated corporate expenses										(41,930)
Finance costs										(9,825)
Share of results of associates *(Note)*	2,241,768	5,043	–	–	–	–	–	5,574	–	2,252,385
Share of results of jointly controlled entities	–	671	–	–	–	–	–	–	–	671
Profit before tax										2,206,068
Segment assets	302,836	1,083,931	245,930	153,281	694,638	294,063	21,942	26,675	–	2,823,296
Interests in associates	6,324,604	285,864	–	–	778	–	–	364	–	6,611,610
Interests in jointly controlled entities	–	303,600	–	–	–	–	–	–	–	303,600
Unallocated assets										1,957
Total assets										9,740,463
Segment liabilities	12,360	205,950	–	–	628,303	136,281	314	2,939	–	986,147
Unallocated liabilities										592,775
Total liabilities										1,578,922
Other segment information:										
Capital expenditure	6	612	–	–	539	739	80	6	–	1,982
Depreciation	–	(551)	–	–	(435)	(1,660)	(171)	(1,163)	–	(3,980)
Write-back of allowance/(Allowance) for bad and doubtful debts relating to:										
Banking operation	–	–	–	–	–	300	–	–	–	300
Non-banking operations	–	–	–	–	(536)	–	–	(6,073)	–	(6,609)
Provisions for impairment loss on properties under development	–	(180)	–	–	–	–	–	–	–	(180)
Net fair value gain on financial assets at fair value through profit or loss	–	–	–	8,343	–	–	–	–	–	8,343
Fair value gains on investment properties	2,146	–	–	–	–	–	–	–	–	2,146
Unallocated:										
Capital expenditure										72
Depreciation										(623)

Note: The amount included the Group's share of profit of approximately HK$2,241,768,000 from Lippo ASM Asia Property LP, details of which are set out in Note 10 to the financial statements.

Notes to the Financial Statements *(continued)*

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	Project management 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	4,602	8,769	–	109,727
Inter-segment	–	–	–	–	–	–	2,335	3,784	(6,119)	–
Total	6,015	3,307	5,671	13,821	53,727	13,815	6,937	12,553	(6,119)	109,727
Segment results	8,462	(4,775)	5,654	32,577	5,597	1,218	(1,303)	(140)	(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	1,823	11,140	–	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	290	1,503	–	853,687
Unallocated liabilities										533,157
Total liabilities										1,386,844
Other segment information:										
Capital expenditure	9,936	13	–	–	111	53	9	196	–	10,318
Depreciation	(741)	(511)	–	–	(475)	(1,611)	(252)	(1,380)	–	(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 losses on:										
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)

Notes to the Financial Statements *(continued)*

4. Segment Information *(continued)*

Geographical information

(a) Revenue from external customers

	Group	
	2010 **HK$'000**	2009 HK$'000
Hong Kong	**64,708**	74,294
Macau	**16,234**	16,405
Republic of Singapore	**26,653**	11,004
Mainland China	**7,518**	1,119
Other	**6,487**	6,905
	121,600	109,727

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

(b) Non-current assets

	Group	
	2010 **HK$'000**	2009 HK$'000
Hong Kong	**1,283**	1,570
Macau	**594,658**	585,674
Republic of Singapore	**7,024,988**	3,347,174
Mainland China	**524,491**	295,890
Other	**83,401**	80,147
	8,228,821	4,310,455

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

Information about a major customer

No customer accounted for 10 per cent. or more of the total revenue for the years ended 31st December, 2010 and 2009.

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	
	2010	2009
	HK$'000	HK$'000
Property investment	**10,032**	6,015
Property development	**–**	3,307
Treasury investment	**2,767**	5,671
Securities investment	**12,910**	13,821
Corporate finance and securities broking	**49,057**	53,727
Banking business	**13,500**	13,815
Project management	**20,249**	4,602
Other	**13,085**	8,769
	121,600	109,727

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	
	2010	2009
	HK$'000	HK$'000
Interest income	**9,827**	9,914
Commission income	**3,149**	3,415
Other revenues	**524**	486
	13,500	13,815

Notes to the Financial Statements *(continued)*

6. Profit/(Loss) Before Tax

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

	Note	Group 2010 HK$'000	Group 2009 HK$'000
Gross rental income		**10,032**	6,015
Less: Outgoings		**(2,089)**	(2,573)
Net rental income		**7,943**	3,442
Employee benefits expense *(Note (a))*:			
Wages and salaries		**(69,386)**	(59,639)
Retirement benefits costs *(Note (b))*		**(2,814)**	(2,911)
Total staff costs		**(72,200)**	(62,550)
Interest income:			
Unlisted financial assets at fair value through profit or loss		**529**	779
Listed available-for-sale financial assets		**1,486**	1,487
Listed held-to-maturity financial assets		**891**	848
Loans and advances		**693**	642
Banking operation		**9,827**	9,914
Other		**2,767**	5,671
Dividend income:			
Listed investments		**728**	236
Unlisted investments		**621**	1,690
Gain/(Loss) on disposal of:			
Listed financial assets at fair value through profit or loss		**3,293**	6,734
Unlisted financial assets at fair value through profit or loss		**5,362**	2,047
Unlisted available-for-sale financial assets		**(244)**	–
Net fair value gain on financial assets at fair value through profit or loss:			
Listed		**2,934**	15,915
Unlisted		**5,409**	12,033
Provision for impairment losses on:			
Unlisted available-for-sale financial assets		**–**	(6,317)
A jointly controlled entity		**–**	(494)
Properties under development		**(180)**	(3,518)
Properties held for sale		**–**	(759)
Write-back of allowance/(Allowance) for bad and doubtful debts		**(6,309)**	7,062
Interest expense attributable to banking business		**(531)**	(579)
Gain on disposal of subsidiaries	34(b)	**790**	–
Depreciation		**(4,603)**	(5,810)
Gain/(Loss) on disposal of fixed assets:			
Leasehold land and buildings		**–**	252
Other items of fixed assets		**15**	(19)
Loss on disposal of investment properties		**–**	(145)
Foreign exchange gains – net		**2,434**	6,490
Cost of inventories sold		**–**	(2,938)
Auditors' remuneration		**(2,397)**	(2,208)
Minimum lease payments under operating lease rentals in respect of land and buildings		**(22,937)**	(23,204)

Notes to the Financial Statements *(continued)*

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

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	
	2010 HK$'000	2009 HK$'000
Directors' fees	**1,157**	747
Basic salaries, housing and other allowances and benefits in kind	**2,612**	2,630
Retirement benefits costs	**24**	24
	3,793	3,401

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

2010	**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:				
Stephen Riady	**—**	**—**	**—**	**—**
John Lee Luen Wai	**59**	**906**	**12**	**977**
Kor Kee Yee	**—**	**1,706**	**12**	**1,718**
	59	**2,612**	**24**	**2,695**
Non-executive directors:				
Mochtar Riady *(Note)*	**160**	**—**	**—**	**160**
Leon Chan Nim Leung	**269**	**—**	**—**	**269**
	429	**—**	**—**	**429**
Independent non-executive directors:				
Albert Saychuan Cheok	**229**	**—**	**—**	**229**
Victor Yung Ha Kuk	**220**	**—**	**—**	**220**
Tsui King Fai	**220**	**—**	**—**	**220**
	669	**—**	**—**	**669**
	1,157	**2,612**	**24**	**3,793**

Notes to the Financial Statements *(continued)*

7. Directors' Emoluments *(continued)*

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

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:				
Stephen Riady	—	—	—	—
John Lee Luen Wai	59	906	12	977
Kor Kee Yee	—	1,724	12	1,736
	59	2,630	24	2,713
Non-executive directors:				
Mochtar Riady *(Note)*	120	—	—	120
Leon Chan Nim Leung	179	—	—	179
	299	—	—	299
Independent non-executive directors:				
Albert Saychuan Cheok	139	—	—	139
Victor Yung Ha Kuk	130	—	—	130
Tsui King Fai	120	—	—	120
	389	—	—	389
	747	2,630	24	3,401

Note: Mochtar Riady resigned as a non-executive director of the Company on 25th March, 2011.

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.

Notes to the Financial Statements *(continued)*

8. Five Highest Paid Employees' Emoluments

The five highest paid employees during the year included one Director (2009 — one Director), details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the remaining four (2009 — four) non-director, highest paid employees for the year are as follows:

	Group	
	2010 **HK$'000**	2009 HK$'000
Basic salaries, housing and other allowances and benefits in kind	**7,148**	7,563
Discretionary bonuses paid and payable	**16,389**	1,598
Retirement benefits costs	**93**	128
	23,630	9,289

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

	Group	
Emoluments bands (HK$):	**2010** **Number of employees**	2009 Number of employees
1,500,001 – 2,000,000	**—**	2
2,500,001 – 3,000,000	**1**	1
3,000,001 – 3,500,000	**—**	1
3,500,001 – 4,000,000	**2**	—
13,500,001 – 14,000,000	**1**	—
	4	4

9. Finance Costs

	Group	
	2010 **HK$'000**	2009 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**15,165**	20,036
Less: Interest capitalised	**(5,340)**	(3,393)
	9,825	16,643

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

Notes to the Financial Statements *(continued)*

10. Share of Results of Associates

The amount included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP"), a property fund which carries the objective of investing in real estates in Asia, of approximately HK$2,241,768,000 (2009 — share of loss of HK$301,114,000). LAAP and its subsidiaries (collectively the "LAAP Group") 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 profit in 2010 was mainly derived from the fair value gains on investment properties and write-back of the impairment loss made for the property development project under OUE and its associates.

11. Income Tax

	Group	
	2010 HK$'000	2009 HK$'000
Hong Kong:		
Charge for the year	**488**	386
Overprovision in prior years	**(469)**	(2,139)
Deferred	**—**	(1,554)
	19	(3,307)
Overseas:		
Charge for the year	**757**	720
Overprovision in prior years	**(244)**	(26)
Deferred	**586**	2,298
	1,099	2,992
Total charge/(credit) for the year	**1,118**	(315)

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2009 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Notes to the Financial Statements *(continued)*

11. Income Tax *(continued)*

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

	Group	
	2010 HK$'000	2009 HK$'000
Profit/(Loss) before tax	**2,206,068**	(328,411)
Tax at the statutory tax rate of 16.5 per cent. (2009 — 16.5 per cent.)	**364,001**	(54,188)
Effect of different tax rates in other jurisdictions	**3,688**	2,189
Adjustments in respect of current tax of previous years	**(713)**	(2,165)
Profits and losses attributable to jointly controlled entities and associates	**(371,754)**	49,480
Income not subject to tax	**(3,651)**	(7,458)
Expenses not deductible for tax	**1,913**	5,081
Tax losses utilised from previous years	**(154)**	(449)
Tax losses not recognised	**7,788**	7,195
Tax charge/(credit) at the Group's effective rate	**1,118**	(315)

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. (2009 — 17 per cent. and 12 per cent.), respectively.

The share of tax charge attributable to associates amounting to HK$721,692,000 (2009 — credit of HK$50,520,000) and the share of tax charge attributable to a jointly controlled entity of HK$24,000 (2009 — Nil) are included in "Share of results of associates" and "Share of results of jointly controlled entities" on the face of the consolidated income statement, respectively.

12. Profit 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$162,369,000 (2009 — HK$3,047,000) which has been dealt with in the financial statements of the Company as set out in Note 32 to the financial statements.

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company of HK$2,207,172,000 (2009 — loss of HK$325,978,000); and (ii) the weighted average number of 1,816,660,000 ordinary shares (2009 — 1,816,764,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the years ended 31st December, 2010 and 2009 as the share options and warrants outstanding during these years had no dilutive effect on the basic earnings/(loss) per share for these years.

Notes to the Financial Statements *(continued)*

14. Distribution

	Group and Company	
	2010 **HK$'000**	2009 HK$'000
Final, proposed — HK2 cents per ordinary share (2009 — Nil)	**36,808**	—

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

15. Goodwill

	Group	
	2010 **HK$'000**	2009 HK$'000
Cost:		
Balance at beginning of year	**75,227**	75,227
Disposal of a subsidiary	**(412)**	—
Balance at end of year	**74,815**	75,227
Accumulated impairment:		
Balance at beginning of year	**3,742**	3,742
Disposal of a subsidiary	**(412)**	—
Balance at end of year	**3,330**	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. (2009 — 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.

Notes to the Financial Statements *(continued)*

16. Fixed Assets

Group

2010	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2010	10,734	78,278	89,012
Additions during the year	—	2,054	2,054
Reclassified from properties under development	98,698	24,042	122,740
Disposals during the year	—	(2,540)	(2,540)
Exchange adjustments	—	349	349
At 31st December, 2010	109,432	102,183	211,615
Accumulated depreciation:			
At 1st January, 2010	653	69,124	69,777
Depreciation provided for the year	107	4,496	4,603
Disposals during the year	—	(2,540)	(2,540)
Exchange adjustments	—	378	378
At 31st December, 2010	760	71,458	72,218
Net book value:			
At 31st December, 2010	108,672	30,725	139,397

Notes to the Financial Statements *(continued)*

16. Fixed Assets *(continued)*

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

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

	Group	
	2010 HK$'000	2009 HK$'000
Long term leasehold land and buildings situated outside Hong Kong	**98,698**	—
Medium term leasehold land and buildings situated outside Hong Kong	**9,974**	10,081
	108,672	10,081

Notes to the Financial Statements *(continued)*

16. Fixed Assets *(continued)*

Company

	Furniture, fixtures, equipment and motor vehicles	
	2010	2009
	HK$'000	HK$'000
Cost:		
Balance at beginning of year	**7,196**	7,159
Additions during the year	**26**	37
Disposal during the year	**(300)**	—
Balance at end of year	**6,922**	7,196
Accumulated depreciation:		
Balance at beginning of year	**6,502**	5,663
Depreciation provided for the year	**614**	839
Disposal during the year	**(300)**	—
Balance at end of year	**6,816**	6,502
Net book value	**106**	694

17. Investment Properties

	Group	
	2010	2009
	HK$'000	HK$'000
Balance at beginning of year	**156,874**	530,336
Additions during the year	**—**	4,952
Reclassified from fixed assets	**—**	54,133
Reclassified to properties under development	**—**	(421,000)
Disposal during the year	**—**	(19,500)
Fair value adjustments	**2,146**	7,407
Exchange adjustments	**3,035**	546
Balance at end of year	**162,055**	156,874
Investment properties situated outside Hong Kong held under the following lease terms:		
Leasehold	**131,174**	125,048
Freehold	**30,881**	31,826
	162,055	156,874

Notes to the Financial Statements *(continued)*

17. Investment Properties *(continued)*

Based on professional valuations as at 31st December, 2010 made by Asian Appraisal Company, Inc., CB Richard Ellis, RHL Appraisal Limited and ProCasa Real Estate GmbH, independent qualified valuers, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK$162,055,000 (2009 — HK$156,874,000).

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

18. Properties under Development

	Group	
	2010 **HK$'000**	2009 HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**756,380**	285,151
Additions during the year	**275,935**	48,860
Reclassified from investment properties	**—**	421,000
Reclassified to fixed assets	**(122,740)**	—
Written-off during the year	**(18,597)**	—
Exchange adjustments	**29,770**	1,369
Balance at end of year	**920,748**	756,380
Provisions for impairment losses:		
Balance at beginning of year	**(29,410)**	(25,669)
Impairment during the year	**(180)**	(3,518)
Written-off during the year	**18,597**	—
Exchange adjustments	**(3,278)**	(223)
Balance at end of year	**(14,271)**	(29,410)
	906,477	726,970
Land and buildings situated outside Hong Kong held under the following lease terms:		
Long term leases	**—**	57,430
Medium term leases	**867,373**	635,188
Freehold	**39,104**	34,352
	906,477	726,970

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	
	2010	2009
	HK$'000	HK$'000
Share of net assets in unlisted investments	**6,204,790**	2,635,257
Due from associates	**421,986**	398,056
	6,626,776	3,033,313
Provisions for impairment losses	**(15,166)**	(16,363)
	6,611,610	3,016,950

The balance as at 31st December, 2010 included the Group's interest in LAAP of approximately HK$6,318,378,000 (2009 — HK$2,750,345,000). Certain shares of OUE held by the LAAP Group had been pledged to secure banking facilities made available to the subsidiaries of LAAP. In March 2010, the 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. Subsequently, the LAAP Group completed two placements of shares of OUE to independent third parties, which resulted in decrease in its controlling stake in OUE to approximately 67.07 per cent. as at 31st December, 2010. In January 2011, approximately 5.4 per cent. of OUE shares held under the LAAP Group were transferred to a financial institution with a right of return in connection with a financing transaction.

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	
	2010	2009
	HK$'000	HK$'000
Assets	**33,249,684**	19,311,579
Liabilities	**(20,006,354)**	(10,372,315)
Revenue	**1,458,534**	842,112
Profit/(Loss)	**2,250,137**	(314,620)

Details of the principal associates are set out on page 122.

Notes to the Financial Statements *(continued)*

20. Interests in Jointly Controlled Entities

	Group	
	2010 **HK$'000**	2009 HK$'000
Share of net assets in unlisted investments	**92,941**	82,453
Due from jointly controlled entities	**211,687**	203,487
	304,628	285,940
Provisions for impairment losses	**(1,028)**	(1,028)
	303,600	284,912

The balances with the jointly controlled entities include a loan of HK$3,988,000 (2009 — HK$3,977,000), which is secured by certain shares of a jointly controlled entity, bears interest at United States dollar prime rate plus 2 per cent. per annum and has no fixed terms of repayment. The loan is neither overdue nor impaired and the carrying amount approximates to its fair value.

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

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

	Group	
	2010 **HK$'000**	2009 HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**762,168**	703,338
Non-current assets	**9,522**	305
Current liabilities	**(64,797)**	(38,828)
Non-current liabilities	**(387,801)**	(379,615)
Net assets	**319,092**	285,200
Share of the jointly controlled entities' results:		
Revenue	**20,001**	8,150
Total expenses	**(19,330)**	(11,527)
Profit/(Loss) after tax	**671**	(3,377)
Share of the jointly controlled entities' capital commitments	**242,741**	77,349

Details of the principal jointly controlled entities are set out on page 123.

Notes to the Financial Statements *(continued)*

21. Available-for-sale Financial Assets

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Financial assets stated at fair value:				
Debt securities listed overseas	**18,841**	17,509	**—**	—
Unlisted investment funds	**62,912**	82,441	**—**	—
	81,753	99,950	**—**	—
Financial assets stated at cost:				
Unlisted equity securities	**69,595**	88,777	**—**	—
Unlisted debt securities	**3,165**	3,165	**3,165**	3,165
Provision for impairment losses	**(64,000)**	(85,555)	**—**	—
	8,760	6,387	**3,165**	3,165
	90,513	106,337	**3,165**	3,165

The debt securities have effective interest rates ranging from nil to 10 per cent. (2009 — nil to 10 per cent.) per annum.

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

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Equity securities:				
Corporate entities	**69,595**	88,777	**—**	—
Debt securities:				
Club debenture	**3,165**	3,165	**3,165**	3,165
Corporate entities	**8,320**	7,320	**—**	—
Banks and other financial institutions	**10,521**	10,189	**—**	—
	22,006	20,674	**3,165**	3,165

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK$13,473,000 (2009 — gain of HK$11,380,000), of which HK$771,000 (2009 — Nil) 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.

Notes to the Financial Statements *(continued)*

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

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.

During the year, the Directors reviewed the carrying amount of available-for-sale financial assets. No impairment loss (2009 — impairment loss of HK$6,317,000, which included a reclassification from consolidated other comprehensive income of HK$6,317,000) 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, 2010, these debt instruments were stated at fair value of HK$8,320,000 (2009 — HK$7,320,000). Had the reclassification not taken place, the Group would have recognised a fair value gain of HK$1,000,000 (2009 — HK$3,830,000) in the consolidated income statement for the year.

22. Held-to-maturity Financial Assets

	Group	
	2010	2009
	HK$'000	HK$'000
Debt securities, at amortised cost:		
Listed in Hong Kong	**2,411**	—
Listed overseas	**9,421**	9,431
	11,832	9,431
Market value of listed debt securities	**12,334**	9,640

The debt securities have effective interest rates ranging from 6 per cent. to 9 per cent. (2009 — 9 per cent.) per annum.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Banks and other financial institutions	**11,832**	9,431

Notes to the Financial Statements *(continued)*

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. (2009 — 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 operations are secured by clients' properties, deposits and securities being held as collaterals with carrying amounts of HK$562,723,000 (2009 — HK$386,678,000).

As at the end of the reporting period, the overdue or impaired balances are related to securities broking, banking and money lending operations. Movements of the allowance for bad and doubtful debts during the year are as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Balance at beginning of year	**9,048**	8,597
Allowance for bad and doubtful debts	**6,759**	501
Impairment allowance released	**(97)**	(50)
Amount written-off as uncollectible	**(2,416)**	—
Balance at end of year	**13,294**	9,048

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	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Held for trading:				
Equity securities:				
Listed in Hong Kong	**13,523**	25,081	**3,678**	10,506
Listed overseas	**7,229**	8,807	**3,420**	3,095
	20,752	33,888	**7,098**	13,601
Investment funds:				
Unlisted	**30,184**	27,820	**—**	—
	50,936	61,708	**7,098**	13,601

Notes to the Financial Statements *(continued)*

24. Financial Assets at Fair Value through Profit or Loss *(continued)*

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Equity securities:				
Corporate entities	**13,654**	23,161	**7,098**	13,601
Banks and other financial institutions	**5,049**	6,528	**—**	—
Public sector entities	**2,049**	4,199	**—**	—
	20,752	33,888	**7,098**	13,601

25. Debtors, Prepayments and Deposits

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

	Group	
	2010 HK$'000	2009 HK$'000
Outstanding balances with ages:		
Repayable on demand	**42,224**	38,437
Within 30 days	**35,717**	10,414
Between 31 and 60 days	**—**	171
Between 61 and 90 days	**4**	3
	77,945	49,025

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, 2010, other receivables of HK$15,874,000 (2009 — HK$15,874,000) related to a property development project were impaired and provided for. Except for this, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

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

Notes to the Financial Statements *(continued)*

26. Bank and Other Borrowings

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Bank loans:				
Secured *(Note (a))*	**348,246**	205,428	**–**	–
Unsecured	**–**	10,000	**–**	–
	348,246	215,428	**–**	–
Other borrowings:				
Unsecured *(Note (b))*	**184,452**	283,930	**184,452**	283,930
	532,698	499,358	**184,452**	283,930
Less: Amount classified under current portion	**(291,771)**	(68,858)	**–**	(39,550)
Non-current portion	**240,927**	430,500	**184,452**	244,380
Bank and other borrowings by currency:				
Hong Kong dollar	**184,452**	254,380	**184,452**	244,380
United States dollar	**271,793**	225,670	**–**	39,550
Renminbi	**76,453**	19,308	**–**	–
	532,698	499,358	**184,452**	283,930
Bank loans repayable:				
Within one year or on demand	**291,771**	29,308	**–**	–
In the second year	**36,709**	186,120	**–**	–
In the third to fifth years, inclusive	**19,766**	–	**–**	–
	348,246	215,428	**–**	–
Other borrowings repayable:				
Within one year	**–**	39,550	**–**	39,550
In the second year	**184,452**	244,380	**184,452**	244,380
	184,452	283,930	**184,452**	283,930

Notes to the Financial Statements *(continued)*

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$84,614,000 (2009 — HK$80,331,000) and HK$867,373,000 (2009 — HK$421,000,000), respectively; and

(ii) certain fixed deposits of the Group with carrying amount of HK$308,000 (2009 — HK$292,000) respectively.

(b) The Group's other borrowings as at 31st December, 2010 comprised of unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, of HK$184,452,000 (2009 — HK$244,380,000). The Group's other borrowings as at 31st December, 2009 also included an unsecured loan from a third party of HK$39,550,000 which was fully repaid during the year.

The Group's and Company's bank and other borrowings bear interest at floating rates ranging from 1.3 per cent. to 6.3 per cent. (2009 — various rates ranging from 1.5 per cent. to 6.1 per cent.) per annum. The carrying amounts of the bank and other borrowings and pledged time deposits approximate to their fair values.

27. Creditors, Accruals and Deposits Received

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

	Group	
	2010 HK$'000	2009 HK$'000
Outstanding balances with ages:		
Repayable on demand	**585,921**	650,888
Within 30 days	**33,269**	14,604
	619,190	665,492

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, 2010, total client trust bank balances amounted to HK$560,850,000 (2009 — HK$630,560,000).

Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business which are interest-bearing, the balances of trade creditors are non-interest-bearing. The carrying amounts of creditors, accruals and deposits received and client trust bank balances approximate to their fair values.

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

The current, fixed, savings and other deposits of customers attributable to banking operation bear effective interest rates ranging from 0.01 per cent. to 2.9 per cent. (2009 — 0.01 per cent. to 2.9 per cent.) per annum. The carrying amounts approximate to their fair values.

29. Deferred Tax

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

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Fair value gains on available-for-sale financial assets HK$'000	Total HK$'000
2010				
At 1st January, 2010	**497**	**30,401**	**689**	**31,587**
Deferred tax charged to the income statement during the year	**—**	**586**	**—**	**586**
Deferred tax debited to equity during the year	**—**	**—**	**1,800**	**1,800**
Exchange adjustments	**—**	**319**	**—**	**319**
At 31st December, 2010	**497**	**31,306**	**2,489**	**34,292**
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

The Group has tax losses arising in Hong Kong of HK$220,301,000 (2009 — HK$207,999,000) 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.

At 31st December, 2010, there were no significant unrecognised deferred tax liabilities (2009 — Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly controlled entities as the Group had no liability to additional tax should such amounts be remitted.

Notes to the Financial Statements *(continued)*

30. Share Capital

Shares

	Group and Company	
	2010 **HK$'000**	2009 HK$'000
Authorised:		
4,000,000,000 (2009 — 4,000,000,000) ordinary shares of HK$1.00 each	**4,000,000**	4,000,000
Issued and fully paid:		
1,816,714,924 (2009 — 1,816,655,677) ordinary shares of HK$1.00 each	**1,816,715**	1,816,656

During the year, a total of 59,247 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 approximately HK$74,059 at the subscription price of HK$1.25 per share.

Warrants

As at 1st January, 2010, the Company had 202,019,956 units of warrants outstanding with an aggregate subscription value of approximately HK$252,525,000. 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, 59,247 units of warrants with an aggregate subscription value of approximately HK$74,059 were exercised for 59,247 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 201,960,709 units of warrants outstanding with an aggregate subscription value of approximately HK$252,451,000. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 201,960,709 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, 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 of Hong Kong Limited (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.

Notes to the Financial Statements *(continued)*

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 1st January, 2010, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 20,206,800 Shares (the "Option Shares"). An option to subscribe for 337,500 Option Shares lapsed on 15th August, 2010.

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

			Number of Option Shares		
Participants	**Date of grant**	**Exercise price per Share HK$**	**Balance as at 1st January, 2010**	**Lapsed during the year**	**Balance as at 31st December, 2010**
Directors:					
John Lee Luen Wai	17th December, 2007	1.24	4,590,000	–	**4,590,000**
Leon Chan Nim Leung	17th December, 2007	1.24	810,000	–	**810,000**
Kor Kee Yee	17th December, 2007	1.24	607,500	–	**607,500**
Albert Saychuan Cheok	17th December, 2007	1.24	607,500	–	**607,500**
Victor Yung Ha Kuk	17th December, 2007	1.24	607,500	–	**607,500**
Tsui King Fai	17th December, 2007	1.24	607,500	–	**607,500**
Employees *(Note 1)*	17th December, 2007	1.24	7,179,300	–	**7,179,300**
Others *(Note 2)*	17th December, 2007	1.24	3,172,500	337,500	**2,835,000**
	1st August, 2008	1.00	2,025,000	–	**2,025,000**
Total			20,206,800	337,500	**19,869,300**
Weighted average exercise price per Share (HK$)			1.22	1.24	**1.22**

31. Share Option Scheme *(continued)*

Note:

1. Employees refer to the employees of the Group as at 31st December, 2010 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

2. Others included a former Eligible Person who held an option to subscribe for 337,500 Option Shares which lapsed on 15th August, 2010.

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

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme, save for those subject to the options granted but not yet exercised, is 114,813,609 Shares, representing approximately 6.2 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, 2010 are as follows:

Number of Option Shares	Exercise price per Share *(Note)* HK$	Exercise period
17,844,300	**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.

At the end of the reporting period, the Company had options outstanding under the Share Option Scheme to subscribe for a total of 19,869,300 Shares, which represented approximately 1.1 per cent. of the then issued share capital of the Company. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 19,869,300 additional Shares and cash proceeds, before expenses, of approximately HK$24,152,000. In addition, the exercise in full of all these options would provide additional share capital of approximately HK$19,869,000 and share premium of approximately HK$4,283,000 (before issue expenses).

Notes to the Financial Statements *(continued)*

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 39 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
2010					
At 1st January, 2010	**43,527**	**7,219**	**13,328**	**977,209**	**1,041,283**
Total comprehensive income for the year *(Note 12)*	**—**	**—**	**—**	**162,369**	**162,369**
Issuance of shares upon exercise of warrants	**15**	**—**	**—**	**—**	**15**
At 31st December, 2010	**43,542**	**7,219**	**13,328**	**1,139,578**	**1,203,667**
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

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, 2010 comprise retained profits of HK$4,040,671,000 (2009 — HK$1,144,275,000) and the remaining balance arising from the Cancellation of HK$1,054,919,000 (2009 — HK$1,054,919,000). Included in the distributable reserves of the Group at 31st December, 2010 was an amount of a proposed final distribution for the year then ended of HK$36,808,000 (2009 — Nil) declared after the end of the reporting period.

(c) Distributable reserves of the Company at 31st December, 2010 comprise contributed surplus of HK$134,329,000 (2009 — HK$134,329,000), accumulated losses of HK$49,670,000 (2009 — HK$212,039,000) and the remaining balance arising from the Cancellation of HK$1,054,919,000 (2009 — HK$1,054,919,000). Included in the distributable reserves of the Company at 31st December, 2010 was an amount of a proposed final distribution for the year then ended of HK$36,808,000 (2009 — Nil) declared after the end of the reporting period.

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

32. Reserves *(continued)*

Note: (continued)

(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.

(g) This relates to the Group's share of the hedging reserve of an associate.

33. Interests in Subsidiaries

	Company	
	2010 **HK$'000**	2009 HK$'000
Unlisted shares, at cost	**1**	44,953
Due from subsidiaries	**3,604,081**	3,904,236
Due to subsidiaries	**(308,157)**	(784,395)
	3,295,925	3,164,794
Provisions for impairment losses	**(114,107)**	(116,414)
	3,181,818	3,048,380

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 118 to 121.

Notes to the Financial Statements *(continued)*

34. Notes to the Consolidated Statement of Cash Flows

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

		Group	
	Note	**2010 HK$'000**	2009 HK$'000
Profit/(Loss) before tax		**2,206,068**	(328,411)
Adjustments for:			
Share of results of associates		**(2,252,385)**	296,499
Share of results of jointly controlled entities		**(671)**	3,377
Loss/(Gain) on disposal of:			
Fixed assets	6	**(15)**	(233)
Investment properties	6	**—**	145
Available-for-sale financial assets	6	**244**	—
Subsidiaries	6	**(790)**	—
Allowance/(Write-back of allowance) for bad and doubtful debts	6	**6,309**	(7,062)
Provisions for/(Write-back of) impairment losses on:			
Associates		**—**	(5,000)
A jointly controlled entity	6	**—**	494
Available-for-sale financial assets	6	**—**	6,317
Properties held for sale	6	**—**	759
Properties under development	6	**180**	3,518
Net fair value gain on financial assets at fair value through profit or loss		**(8,343)**	(27,948)
Fair value gains on investment properties		**(2,146)**	(7,407)
Finance costs	9	**9,825**	16,643
Interest income		**(16,193)**	(19,341)
Dividend income		**(1,349)**	(1,926)
Depreciation	6	**4,603**	5,810
		(54,663)	(63,766)
Decrease in financial assets at fair value through profit or loss		**19,115**	1,745
Decrease in held-to-maturity financial assets		**3**	36
Decrease in properties held for sale		**—**	2,665
Decrease/(Increase) in loans and advances		**(29,127)**	14,604
Decrease/(Increase) in debtors, prepayments and deposits		**(4,058)**	24,457
Decrease/(Increase) in client trust bank balances		**71,466**	(120,883)
Increase in creditors, accruals and deposits received		**176,524**	80,326
Increase/(Decrease) in current, fixed, savings and other deposits of customers		**(26,359)**	31,911
Cash generated from/(used in) operations		**152,901**	(28,905)

Notes to the Financial Statements *(continued)*

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

(b) Disposal of subsidiaries

	Group	
	2010	2009
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	**–**	19
Interest in associates	**–**	388
Available-for-sale financial assets	**3,210**	–
Financial assets at fair value through profit or loss	**–**	12,000
Cash and bank balances	**–**	10,070
Debtors, prepayments and deposits	**–**	4,901
Creditors and accruals	**–**	(81)
	3,210	27,297
Gain on disposal of subsidiaries	**790**	–
	4,000	27,297
Satisfied by:		
Cash consideration received	**4,000**	27,297

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

	Group	
	2010	2009
	HK$'000	HK$'000
Cash consideration received	**4,000**	27,297
Cash and bank balances disposed of	**–**	(10,070)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**4,000**	17,227

Notes to the Financial Statements *(continued)*

35. Contingent Liabilities

Group

As at 31st December, 2010, the Group had contingent liabilities relating to its banking subsidiary of HK$18,420,000 (2009 — HK$23,759,000), comprising guarantees and other endorsements of HK$11,048,000 (2009 — HK$17,134,000) and liabilities under letters of credit on behalf of customers of HK$7,372,000 (2009 — HK$6,625,000).

Company

As at 31st December, 2010, guarantees provided by the Company in respect of banking facilities granted to its subsidiaries amounted to HK$599,270,000 (2009 — HK$579,408,000), which were utilised to an extent of HK$291,770,000 (2009 — HK$215,428,000).

36. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to four 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, 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Within one year	**10,318**	8,142
In the second to fifth years, inclusive	**7,301**	12,552
	17,619	20,694

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 30th June, 2013 and the leases for properties contain provision for rental adjustments. As at 31st December, 2010, 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	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**12,933**	17,448	**2,760**	2,405
In the second to fifth years, inclusive	**2,571**	6,494	**1,955**	—
	15,504	23,942	**4,715**	2,405

Notes to the Financial Statements *(continued)*

37. Capital Commitments

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

	Group	
	2010 **HK$'000**	2009 HK$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**483,103**	98,127
Other capital commitments:		
Contracted, but not provided for *(Note)*	**73,366**	67,065
	556,469	165,192

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$72 million (2009 — HK$66 million).

The Company did not have any material commitments at the end of the reporting period (2009 — 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 (including service charges where applicable) of HK$3,292,000 (2009 — HK$3,396,000) to Porbandar Limited, a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals.

(b) During the year, Beijing Lippo Century Realty Co., Ltd. ("BLCRL"), a subsidiary of the Company, paid rental expenses of HK$582,000 and HK$70,000 to Enterprise Day Limited and Enterprise Winner Limited, fellow subsidiaries of the Company since 1st January, 2010, respectively, in respect of the office premises occupied by BLCRL. The above rentals were determined by reference to the then prevailing open market rentals.

(c) During the year, ImPac Asset Management (HK) Limited, a wholly-owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, an associate of the Group, amounting to HK$11,328,000 (2009 — HK$11,349,000).

(d) During the year, the Company paid finance cost to Lippo of HK$5,197,000 (2009 — HK$5,542,000) 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, a wholly-owned subsidiary of the Company, received project management incomes of HK$5,007,000 (2009 — HK$3,193,000) and HK$27,515,000 (2009 — HK$1,477,000) from associates and jointly controlled entities of the Group, respectively.

Notes to the Financial Statements *(continued)*

38. Related Party Transactions *(continued)*

(f) As at 31st December, 2010, the Group had balances with its associates and jointly controlled entities, further details of which are set out in Notes 19 and 20 to the financial statements, respectively.

The transaction in respect of item (a) above is continuing connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Further details of the transaction is disclosed in the section headed "Continuing Connected Transactions" in the Report of the Directors. The transactions referred to in item (b) are continuing connected transactions which are exempted from reporting, annual review and independent shareholders' approval under Chapter 14A of the Listing Rules.

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, 2010

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	–	–	3,988	–	3,988
Held-to-maturity financial assets	–	11,832	–	–	11,832
Available-for-sale financial assets	–	–	–	90,513	90,513
Financial assets at fair value through profit or loss	50,936	–	–	–	50,936
Loans and advances	–	–	217,725	–	217,725
Debtors and deposits	–	–	97,231	–	97,231
Client trust bank balances	–	–	560,850	–	560,850
Pledged time deposits	–	–	308	–	308
Treasury bills	–	–	9,700	–	9,700
Cash and bank balances	–	–	493,134	–	493,134
	50,936	11,832	1,382,936	90,513	1,536,217

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	532,698
Creditors, accruals and deposits received	870,014
Current, fixed, savings and other deposits of customers	138,772
	1,541,484

Notes to the Financial Statements *(continued)*

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, 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

Notes to the Financial Statements *(continued)*

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, 2010

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	7,098	–	–	7,098
Debtors and deposits	–	1,000	–	1,000
Cash and bank balances	–	30,574	–	30,574
	7,098	31,574	3,165	41,837

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	184,452
Creditors, accruals and deposits received	22,467
	206,919

Notes to the Financial Statements *(continued)*

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

Notes to the Financial Statements *(continued)*

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 any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value

Group

As at 31st December, 2010

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Available-for-sale financial assets:				
Debt securities	**18,841**	**—**	**—**	**18,841**
Investment funds	**—**	**3,606**	**59,306**	**62,912**
Financial assets at fair value through profit or loss:				
Equity securities	**20,752**	**—**	**—**	**20,752**
Investment funds	**—**	**519**	**29,665**	**30,184**
	39,593	**4,125**	**88,971**	**132,689**

As at 31st December, 2009

	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

40. Fair Value Hierarchy *(continued)*

Group

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, 2010	**79,237**	**27,319**
Total gains recognised in the income statement	**—**	**5,312**
Total losses recognised in other comprehensive income	**(15,123)**	**—**
Purchases	**38**	**—**
Disposals	**(3,363)**	**(3,042)**
Exchange adjustments	**(1,483)**	**76**
At 31st December, 2010	**59,306**	**29,665**

	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, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009 — Nil).

Notes to the Financial Statements *(continued)*

40. Fair Value Hierarchy *(continued)*

Company

As at 31st December, 2010

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**7,098**	**—**	**—**	**7,098**

As at 31st December, 2009

	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, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009 — Nil).

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.

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

(a) Credit risk *(continued)*

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	
	2010	2009
	HK$'000	HK$'000
By geographical area:		
Hong Kong	**147,356**	87,123
Republic of Singapore	**—**	171
Macau	**137,766**	147,350
Others	**10,548**	9,288
	295,670	243,932

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

(b) Liquidity risk

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

Management comprising Executive Directors and senior managers monitors 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. 55 per cent. of the Group's debts would mature in less than one year as at 31st December, 2010 (2009 — 14 per cent., restated) based on the carrying values of bank and other borrowings.

Notes to the Financial Statements *(continued)*

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:

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, 2010							
Assets							
Amount due from a jointly controlled entity	–	–	–	–	–	3,988	3,988
Debt securities:							
Held-to-maturity financial assets	–	–	–	–	11,832	–	11,832
Available-for-sale financial assets	–	–	–	–	–	22,006	22,006
Loans and advances	152,446	22,187	8,895	17,128	17,069	–	217,725
Debtors and deposits	44,101	38,010	1,376	2,053	–	11,691	97,231
Client trust bank balances	185,089	375,761	–	–	–	–	560,850
Pledged time deposits	–	308	–	–	–	–	308
Treasury bills	–	9,700	–	–	–	–	9,700
Cash and bank balances	166,774	326,360	–	–	–	–	493,134
	548,410	772,326	10,271	19,181	28,901	37,685	1,416,774
Liabilities							
Bank and other borrowings	19,978	–	271,793	240,927	–	–	532,698
Creditors, accruals and deposits received	588,599	137,449	1,706	–	–	142,260	870,014
Current, fixed, savings and other deposits of customers	113,673	20,390	4,709	–	–	–	138,772
	722,250	157,839	278,208	240,927	–	142,260	1,541,484

Notes to the Financial Statements *(continued)*

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, 2009 (restated)							
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	19,308	10,000	39,550	430,500	–	–	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
	752,794	108,557	47,504	430,500	–	12,630	1,351,985

Notes to the Financial Statements *(continued)*

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, 2010						
Assets						
Debt securities:						
Available-for-sale financial assets	**–**	**–**	**–**	**–**	**3,165**	**3,165**
Debtors and deposits	**–**	**–**	**–**	**–**	**1,000**	**1,000**
Cash and bank balances	**6,664**	**23,910**	**–**	**–**	**–**	**30,574**
	6,664	**23,910**	**–**	**–**	**4,165**	**34,739**
Liabilities						
Bank and other borrowings	**–**	**–**	**–**	**184,452**	**–**	**184,452**
Creditors, accruals and deposits received	**–**	**25**	**–**	**–**	**22,442**	**22,467**
Guarantees given to banks in connection with facilities granted to subsidiaries	**291,770**	**–**	**–**	**–**	**–**	**291,770**
	291,770	**25**	**–**	**184,452**	**22,442**	**498,689**
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

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

(c) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions mainly arise 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).

	2010			2009		
	Increase/ Decrease in basis points	**Increase/ (Decrease) in profit before tax HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Increase/ Decrease in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
Group						
Hong Kong dollar	**+50**	**(391)**	**(391)**	+50	84	84
United states dollar	**+50**	**(86)**	**(1,186)**	+50	287	(666)
Singapore dollar	**+50**	**144**	**144**	+50	137	137
Renminbi	**+50**	**391**	**391**	+50	(33)	(33)
Hong Kong dollar	**–50**	**391**	**391**	–50	(84)	(84)
United states dollar	**–50**	**86**	**1,324**	–50	(287)	821
Singapore dollar	**–50**	**(144)**	**(144)**	–50	(137)	(137)
Renminbi	**–50**	**(391)**	**(391)**	–50	33	33
Company						
Hong Kong dollar	**+50**	**(1,167)**	**(1,167)**	+50	(690)	(690)
United states dollar	**+50**	**51**	**51**	+50	(361)	(361)
Singapore dollar	**+50**	**2**	**2**	+50	92	92
Hong Kong dollar	**–50**	**1,167**	**1,167**	–50	690	690
United states dollar	**–50**	**(51)**	**(51)**	–50	361	361
Singapore dollar	**–50**	**(2)**	**(2)**	–50	(92)	(92)

(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 is managed and monitored on an on-going basis by senior management of the Group.

Notes to the Financial Statements *(continued)*

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	
	2010 HK$'000	2009 HK$'000
Group		
United States dollar against Hong Kong dollar		
— Strengthened 3 per cent. (2009 — 3 per cent.)	**5,425**	10,999
— Weakened 3 per cent. (2009 — 3 per cent.)	**(5,425)**	(10,999)
Singapore dollar against Hong Kong dollar		
— Strengthened 3 per cent. (2009 — 3 per cent.)	**(18)**	744
— Weakened 3 per cent. (2009 — 3 per cent.)	**18**	(744)
Company		
United States dollar against Hong Kong dollar		
— Strengthened 3 per cent. (2009 — 3 per cent.)	**793**	(668)
— Weakened 3 per cent. (2009 — 3 per cent.)	**(793)**	668
Singapore dollar against Hong Kong dollar		
— Strengthened 3 per cent. (2009 — 3 per cent.)	**114**	644
— Weakened 3 per cent. (2009 — 3 per cent.)	**(114)**	(644)

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 consider 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, 2010. 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, 2010	**High/Low 2010**	31st December, 2009	High/Low 2009
Hong Kong — Hang Seng Index	**23,035**	**24,964/18,985**	21,872	22,943/11,344
Republic of Singapore				
— Straits Times Index	**3,190**	**3,314/2,651**	2,898	2,898/1,455

Notes to the Financial Statements *(continued)*

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 portfolios 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 portfolios of the Group stated at fair value are shown as follows:

	Carrying amount HK$'000	VaR HK$'000
2010		
Financial assets:		
Hong Kong	**13,523**	**1,375**
Republic of Singapore	**3,420**	**348**
Global and other	**96,905**	**9,855**
2009		
Financial assets:		
Hong Kong	25,081	2,549
Republic of Singapore	3,095	349
Global and other	115,973	9,810

(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 are required to comply with certain minimum capital requirements according to the rules of the SFC. Management monitors, on a daily basis, these subsidiaries' liquid capital to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rule.

Notes to the Financial Statements *(continued)*

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, 2010 and 31st December, 2009.

The Group monitors capital using a gearing ratio, which is calculated by dividing its total borrowings, net of non-controlling 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	
	2010 HK$'000	2009 HK$'000
Bank and other borrowings *(Note 26)*	**532,698**	499,358
Less: Non-controlling interests in bank and other borrowings	**(11,295)**	—
Bank and other borrowings, net of non-controlling interests	**521,403**	499,358
Equity attributable to the equity holders of the Company	**8,048,949**	4,462,168
Gearing ratio	**6 per cent.**	11 per cent.

42. Comparative Figures

As further explained in Note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and 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. Statements of financial position as at 1st January, 2009 have not been presented in these financial statements as the adoption of the new and revised HKFRSs has had no impact on the statements of financial position as at 1st January, 2009.

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30th March, 2011.

Particulars of Principal Subsidiaries

Particulars of principal subsidiaries as at 31st December, 2010 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
Cyberspot Limited	British Virgin Islands	US$1	—	100	Investment holding
Cyfield Limited	British Virgin Islands	US$1	—	100	Property investment
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
ImPac Asset Management (HK) Limited	Hong Kong	HK$8,500,000	—	100	Investment advisory and asset management

Particulars of Principal Subsidiaries *(continued)*

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 (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
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
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

Particulars of Principal Subsidiaries *(continued)*

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
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
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*	—	80	Property development

Particulars of Principal Subsidiaries *(continued)*

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
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 non-controlling 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, 2010 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 non-controlling 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, 2010 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$26,835,860	30	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S$37,914,247	30	Property development

represents the effective holding of the Group after non-controlling interests therein

Note:

S$ – Singapore dollars
US$ – United States dollars

Schedule of Properties

(1) Properties Held for Investment as at 31st December, 2010

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) Properties Held as Fixed Assets as at 31st December, 2010

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
OVERSEAS			
259 Ocean Drive (Lots 1342L & 1343C of MK34 (Plot B8B-5/6)) Sentosa Cove Singapore 098538	Residential	698	100

Schedule of Properties *(continued)*

(3) Properties Held for Development as at 31st December, 2010

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, 2010
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	80	2012	Under construction
83 Estrada de Cacilhas Macau	Residential	3,583	18,349	100	Mid 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	2012	Under construction

(4) Property Held for Sale as at 31st December, 2010

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 non-controlling interests of the Group for the five financial years ended 31st December, 2010, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	2010 **HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Profit/(Loss) attributable to equity holders of the Company	**2,207,172**	(325,978)	(227,070)	1,267,271	391,472
Total assets	**9,740,463**	6,038,528	6,224,911	6,593,582	5,985,984
Total liabilities	**(1,578,922)**	(1,386,844)	(1,363,994)	(1,896,179)	(2,694,295)
Net assets	**8,161,541**	4,651,684	4,860,917	4,697,403	3,291,689
Non-controlling interests	**(112,592)**	(189,516)	(191,327)	(12,078)	(99,285)
Equity attributable to equity holders of the Company	**8,048,949**	4,462,168	4,669,590	4,685,325	3,192,404