



**Lippo Limited**  
**力寶有限公司**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 226)

**ANNUAL 2010**  
**REPORT**

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## Corporate Information

**Honorary Chairman\***

Dr. Mochtar Riady

**Board of Directors****Executive Directors**

Mr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee, J.P.

(*Managing Director and Chief Executive Officer*)

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

**Non-executive Director**

Mr. Leon Nim Leung Chan

**Independent non-executive Directors**

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

**Committees****Audit Committee**

Mr. Victor Ha Kuk Yung (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

Mr. King Fai Tsui

**Remuneration Committee**

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Riady

**Nomination Committee**

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Riady

**Secretary**

Mr. Davy Kwok Fai Lee

**Auditors**

Ernst & Young

**Principal Bankers**

CITIC Bank International Limited

Fubon Bank (Hong Kong) Limited

Chong Hing Bank Limited

Raiffeisen Bank International AG, Singapore Branch

Agricultural Bank of China, Shanghai Branch

Bank of Beijing Co., Ltd.

**Solicitors**

Reed Smith Richards Butler

**Registrars**

Tricor Progressive Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

**Registered Office**

24th Floor, Tower One

Lippo Centre

89 Queensway

Hong Kong

**Stock Code**

226

**Warrant Code**

744

**Website**

[www.lippold.com.hk](http://www.lippold.com.hk)

\* *non-officer position*

## Chairman's Statement

I am pleased to present the annual report of the Company for the year ended 31st December, 2010.

### Business Review

2010 was a year when a global economic and financial crisis was averted with the massive fiscal and monetary stimulus programs adopted around the world. 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 leading the change 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 operation and from the disposal of its retail business in 2010, the Group achieved remarkable results in 2010. It recorded a consolidated profit attributable to shareholders of approximately HK\$1,684.5 million for the year ended 31st December, 2010, as compared with a profit of HK\$1.3 million for the year ended 31st December, 2009. Such substantial increase in profit was mainly attributable to the fair value gains of investment properties of the Group's subsidiaries and associates, write back of the impairment loss on properties under development of the Group's associates, and the gain on disposal of its retail business. The performance of Hongkong Chinese Limited ("HKC", together with its subsidiaries, the "HKC Group"), a 55.11 per cent. listed subsidiary of the Company, and Lippo China Resources Limited ("LCR", together with its subsidiaries, the "LCR Group"), a 71.21 per cent. listed subsidiary of the Company, improved substantially in 2010. HKC achieved a 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 for the year ended 31st December, 2009. For the year ended 31st December, 2010, LCR recorded a consolidated profit attributable to shareholders of approximately HK\$727 million, when compared with a profit of HK\$324 million for the year ended 31st December, 2009.

The Group's investment properties enjoyed satisfactory occupancy during the year under review. Rental provided the Group with stable recurrent income. The renovation work of the retail portion of Lippo Plaza in Shanghai was completed in 2010 providing a high-end shopping environment, and it is now nearly fully let. Louis Vuitton, the global leader in luxury goods, and Ermenegildo Zegna, another renowned international luxury brand, became the anchor tenants of the retail portion of Lippo Plaza. Following the revamp of the retail portion of Lippo Plaza, both the rental income and occupancy rate of Lippo Plaza improved.

In August 2010, the LCR Group successfully won the bid for the land use rights of a piece of land in Huai An City (the "Land") in the People's Republic of China (the "PRC") for a consideration of RMB192 million. The Land, with a total site area of approximately 41,000 square metres and a total permissible gross floor area (above ground) of approximately 185,000 square metres, will be developed into an integrated residential, commercial and retail complex. Huai An City is a primary traffic hub of the northern region of Jiangsu Province and is a fast growing city in the PRC. The Land is well-located in the central business district of Qing He District which itself is the political, commercial, business, financial and cultural centre of Huai An City. The above acquisition is a strategic move for the LCR Group to enhance its land bank in the PRC with high development potential.

In Singapore, the opening of the integrated resorts, the strong tourist arrivals, and its continued role as one of the major financial centres in Asia have all contributed to its strong economic growth in 2010. This in turn has allowed its property market to rebound very favourably, thus benefiting the Group's performance in Singapore.

## Chairman's Statement *(continued)*

The temporary occupation permit for the Marina Collection, in which the HKC Group has a 50 per cent. interest, was 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 had been pre-sold. With the opening of the casino and recreational and resort complex on Sentosa Island, the HKC Group is confident about the prospects of the project.

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

Pre-sale of Centennia Suites at 100 Kim Seng Road, Singapore, a residential development with a total saleable area of approximately 16,182 square metres, was launched in 2010 and all the 97 residential units were sold out. Centennia Suites, in which the HKC Group has a 50 per cent. interest, is expected to be completed in 2013.

Lippo ASM Asia Property LP ("LAAP", together with its subsidiaries, the "LAAP Group"), of which a wholly-owned subsidiary of HKC 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 operation. 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, which resulted in 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 HKC Group also participates in property projects in the PRC, 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, it is planned 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, expected to be completed by end of 2012, has attracted strong interests from commercial entities operating in the PRC. Following the approval of the PRC government authority, the HKC 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 HKC Group to the joint venture partner being reduced correspondingly.

## Chairman's Statement *(continued)*

Infrastructural construction works for the development at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the "Midan City Project", formerly known as the "Woonbook Project"), in which the Group is interested in approximately 47.9 per cent. are expected to be completed in 2011. Marketing of this project is in progress. The Midan City Project, located in the Incheon Free Economic Zone of Korea, involves the development, construction and management of a residential, leisure and business complex with an approved total gross floor area of approximately three million square metres. It will be completed in phases, and is intended to be a self-contained community with residential properties, shopping malls, hospital, schools, hotels and a business town.

In anticipation of the increasing competitive business environment of the retail business in the PRC and the increasing demand for further capital injection, the LCR Group entered into a conditional sale and purchase agreement in August 2010 with PT Multipolar Tbk ("Multipolar", together with its subsidiaries, the "Multipolar Group") and its wholly-owned subsidiary for the disposal of its interest in Robbinz (the LCR Group's department store chain in the PRC operating three department stores in Tianjin, Chengdu and Yangzhou) for an aggregate cash consideration of HK\$345 million (the "Disposal"). Given that the Multipolar Group has significant interests and expertise in the retail sector, it is anticipated that the Multipolar Group can facilitate Robbinz to achieve necessary economies of scale and improve its performance. Therefore, as part of the transaction, the LCR Group entered into a call option deed with Multipolar and its wholly-owned subsidiary pursuant to which the LCR Group would have a time frame of three years after completion of the Disposal in October 2010 to observe the performance of Robbinz, and would have the right to buy back 20 per cent. of the enlarged interest of Robbinz if it proves to be successful.

The performance of Auric Pacific Group Limited ("APG", a listed company in Singapore in which the LCR Group is interested in approximately 49.3 per cent. of its issued share capital, together with its subsidiaries, the "APG Group") substantially improved in 2010. APG recorded a consolidated profit attributable to shareholders of approximately S\$6.3 million for the year ended 31st December, 2010, as compared to a loss of S\$3.4 million for the year ended 31st December, 2009. The substantial improvement in profitability was mainly attributable to, inter alia, improved performance from wholesale and distribution, manufacturing and food retail businesses as a result of higher profit contribution and better cost management, and closure of non-performed food retail outlets and non-core business. Food prices are expected to face upward pressures due to recent spate of weather-related supply disruptions in various parts of the world. With its core businesses in food distribution, manufacturing and retailing, such inflationary pressures will affect the costs of the APG Group. Facing these cost pressures and stiff competition in the food industry, the APG Group will continue to strive to sustain and improve its profitability through more active marketing efforts and promotions, expanding sales channels, improving menu and product offerings as well as controlling operating costs. Food Junction Holdings Limited ("Food Junction"), a listed company in Singapore, in which the APG Group is interested in approximately 58.8 per cent. of its issued share capital (excluding treasury shares), recorded a consolidated profit attributable to shareholders of approximately S\$2.6 million for the year ended 31st December, 2010, as compared to a profit of S\$3.2 million for the corresponding 12-month period ended 31st December, 2009. Food Junction is a regional foodservice company which operates and manages food courts and restaurants in Singapore, Malaysia, Indonesia, Hong Kong and the PRC. It is anticipated that the F&B industry will continue to be very competitive. Food Junction will make efforts to improve revenue and control cost, and remains committed to grow its food court and F&B business.

In September 2010, the LCR Group entered into a conditional agreement with a wholly-owned subsidiary of Food Junction for the disposal of its entire interest in All Around Limited for a cash consideration of HK\$31 million. The material assets of All Around Limited were 90 per cent. interest in the share capital of LCR Catering Services Limited which was engaged in the operation of a Chinese restaurant in Hong Kong. The above disposal was completed in November 2010.

## Chairman's Statement *(continued)*

The LCR Group entered into a conditional subscription agreement in September 2010 with Asia Now Resources Corp. ("Asia Now", a company listed on the TSX Venture Exchange of Canada) for the subscription by the LCR Group of 42,400,000 new common shares in Asia Now (the "Asia Now Shares") for an aggregate consideration of C\$12,720,000 (the "Subscription"). The Subscription was completed in November 2010, after which the LCR Group was interested in an aggregate of 55,429,908 Asia Now Shares, representing approximately 49.9 per cent., on a non-diluted basis (and approximately 47.5 per cent., on a fully diluted basis) of the issued and outstanding Asia Now Shares. Asia Now is a company primarily engaged in the business of exploration of mineral deposits in the PRC. The Subscription represents a strategic investment of the LCR Group in the promising mineral resource industry.

### Prospects

While prospects for Asia remain positive and seem encouraging, there are uncertainties that will linger around the global economy over the near term. For Asia and other emerging markets, the low interest environment and excess market liquidity have fuelled inflationary pressures and concerns on asset bubble. As a result, a host of credit tightening and control measures have been introduced in the PRC and other markets towards the end of 2010 and the beginning of this year. In the Middle East and Africa, the political turmoils have yet to unfold and its ramifications to the world economy remain to be seen. In the developed markets, economic recovery continues to remain uncertain. In particular, the triple-whammy of mega earthquake, tsunami and nuclear leaks in Japan, the world third largest economy, may bring new uncertainties to the global economy.

Management is therefore moving forward in a positive but cautious manner, and is watchful of challenges ahead. The Group will keep on refining its existing businesses and take a cautious and prudent approach in managing the Group's investments and businesses and in assessing new investment opportunities.

### Acknowledgement

On behalf of the Board of Directors of the Company (the "Board"), I would like to take this opportunity to thank our shareholders and all other stakeholders for their continued support and confidence in us. I would also like to thank my fellow Directors for their dedication and contribution. Last but not least, I would like to offer the Board's gratitude to the management and the staff for their hard work, contribution 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 impressive results for the year.

The Group recorded a profit attributable to shareholders of HK\$1,684.5 million for the year ended 31st December, 2010 (2009 — HK\$1.3 million) which was mainly contributed by the property valuation gain and the disposal of the retail business (presented as discontinued operation), as well as the fair value gains on investment properties and write-back of impairment loss made for a property project under the Group's associates.

### Results for the year

Turnover for the year 2010 totalled HK\$398 million (2009 — HK\$1,323 million, restated to exclude the retail business). Turnover in 2009 included revenue recognised for the Newton One project of HK\$974 million while no revenue of any development projects was recognised in 2010. Property investment was the principal source of revenue of the Group, representing 51 per cent. (2009 — 50 per cent., which excluded the turnover of property development business of HK\$978 million) of the turnover from continuing operations.

### Property investment

Property investment business continued to provide stable and recurrent revenue to the Group. Property markets in the regions which the Group conducts its business are on an upward trend since the rebound in 2009.

Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, being the landmarks of the Group in Hong Kong and in mainland China, continued to achieve satisfactory occupancy rates and registered an increase of rental income in 2010. The shopping mall of Lippo Plaza in Shanghai was refurbished and upgraded to provide a high-end shopping environment and the renovation was completed in 2010. With the two renowned international luxury brands, Louis Vuitton and Ermenegildo Zegna, established their stores in Lippo Plaza since the second quarter of 2010, the Group is optimistic on the rental income to be generated. Given the quality and strategic location of the investment properties and the upgrade of the shopping mall in Lippo Plaza, the Group recorded a total revaluation gain on investment properties of HK\$661 million (2009 — HK\$223 million). As a result, the profit generated from the property investment sector soared by 149 per cent. to HK\$830 million in 2010 (2009 — HK\$334 million).

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.



## Discussion and Analysis of Annual Results *(continued)*

### Results for the year *(continued)*

#### Property investment *(continued)*

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. 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. There is no impact on the Group's profit for the year.

#### Property development

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 Hongkong Chinese Limited ("HKC", a listed subsidiary of the Company) 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.

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. In August 2010, the Group had successfully won the bid for a piece of land in Huai An City in mainland China for the development of an integrated residential, commercial and retail complex.

The Group is interested in approximately 47.9 per cent. of a development project at 326 Woonbook-dong, Jung-gu, Incheon Korea (the "Midan City Project", formerly known as "Woonbook Project"). This is a comprehensive property project to be developed into a self-contained community with an approved total gross floor area of approximately three million square metres. The marketing of the project is in progress.

#### 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\$34 million (2009 — HK\$31 million), with a profit of HK\$26 million (2009 — HK\$52 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 HKC. 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.

## Discussion and Analysis of Annual Results *(continued)*

### Results for the year *(continued)*

#### Retail business

In August 2010, the Group entered into an agreement to sell the retail business in mainland China under the trade name of “Robbinz”, comprising the existing two stores in Tianjin and Chengdu as well as a new store in Yangzhou, to a subsidiary of PT Multipolar Tbk (“Multipolar”) for an aggregate cash consideration of HK\$345 million and an option for three years to buy back 20 per cent. interest therein (the “Disposal”), resulting in a gain on disposal of HK\$341 million. The retail business had been loss making, contributing turnover of HK\$126 million (2009 — HK\$132 million) to the Group with net operating loss of HK\$92 million (2009 — HK\$164 million) for 2010. The Disposal can facilitate Robbinz to leverage on Multipolar’s significant interests and expertise in the retail sector to achieve necessary economies of scale and improve its performance where the Group holds an option to buy back 20 per cent. interest therein. The Disposal was completed on 15th October, 2010. Following the Disposal, the Group ceased to engage in the retail business. The turnover and the results of the retail business up to the date of completion are presented separately as discontinued operation in the financial statements.

#### 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).

In November 2010, the Group disposed of its interest in a Chinese restaurant in Hong Kong, at a total consideration of HK\$31 million and contributed a profit of HK\$21 million to the Group in 2010. The disposal is in line with the Group’s policy of focusing on core businesses of the Group.

In November 2010, the Group completed the subscription of 42,400,000 new shares in Asia Now Resources Corp., a company whose shares are listed on the TSX Venture Exchange of Canada and primarily engaged in the business of exploration of mineral deposits in mainland China. Such subscription represents a strategic investment of the Group in the promising mineral resources industry.

### Financial Position

As at 31st December, 2010, the Group’s total assets increased significantly to HK\$16.4 billion (2009 — HK\$12.0 billion). Property-related assets increased to HK\$13.0 billion (2009 — HK\$8.3 billion), representing 79 per cent. (2009 — 69 per cent.) of the total assets. Total liabilities stayed at HK\$4.0 billion (2009 — HK\$4.0 billion). The Group’s financial position remained healthy and current ratio (measured as current assets to current liabilities) was 1.2 to 1 (2009 — 1.8 to 1).

As at 31st December, 2010, the bank and other borrowings of the Group (other than those attributable to banking business) increased to HK\$2,060 million (2009 — HK\$2,016 million). All the bank and other borrowings are secured bank loans (2009 — secured bank loans of HK\$1,966 million, unsecured bank loans of HK\$10 million and other loan of HK\$40 million), which were denominated in Hong Kong dollars, United States dollars and Renminbi. The bank loans were secured by certain properties, shares in certain subsidiaries and certain fixed deposits of the Group. The bank loans carried interest at floating rates and 29 per cent. (2009 — 9 per cent., restated) of the bank loans were repayable within one year. As at 31st December, 2009, an unsecured loan of HK\$40 million was advanced by a third party and such advance 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) dropped to 20.6 per cent. (2009 — 31.9 per cent.).

As at 31st December, 2010, the net asset value of the Group remained strong and increased to HK\$7.3 billion (2009 — HK\$4.7 billion). This was equivalent to HK\$14.5 per share (2009 — HK\$9.4 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.

## Discussion and Analysis of Annual Results *(continued)*

### Financial Position *(continued)*

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\$683 million (2009 – HK\$225 million), as a result of the property development projects held by the Group. 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 359 employees as at 31st December, 2010, (2009 – 970 employees). The significant decrease in the number of employees was due to the disposal of the retail business in mainland China. Total staff costs (including directors' emoluments) during the year amounted to HK\$220 million (2009 – HK\$195 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under share option scheme of the Company.

### Outlook

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

In 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 except for the deviation from code provision E.1.2 which stipulates that the chairman of the board of a listed issuer should attend the annual general meeting of that issuer. As Mr. Stephen Riady, the Chairman of the Board, was in overseas for another important business commitment, he was unable to attend the annual general meeting of the Company held on 8th June, 2010. To comply with the Code, the Chairman will use his best endeavours to attend future annual general meetings of the Company.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have fully complied with the required standard set out in the Model Code throughout the year of 2010.

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

## Board of Directors

The Board currently comprises seven members (the composition of the Board is shown on page 18), including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 19 to 21). To the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

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

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

**Corporate Governance Report** *(continued)***Board of Directors** *(continued)*

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

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

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

Directors	Attendance/Number of Meetings			
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
<b>Executive Directors</b>				
Mr. Stephen Riady <i>(Chairman)</i>	4/6	N/A	1/1	1/1
Mr. John Luen Wai Lee <i>(Managing Director and Chief Executive Officer)</i>	6/6	N/A	N/A	N/A
Mr. Jark Pui Lee	6/6	N/A	N/A	N/A
<b>Non-executive Director</b>				
Mr. Leon Nim Leung Chan <i>(Chairman of the Remuneration Committee and Nomination Committee)</i>	6/6	4/4	1/1	1/1
<b>Independent Non-executive Directors</b>				
Mr. Victor Ha Kuk Yung <i>(Chairman of the Audit Committee)</i>	6/6	4/4	1/1	1/1
Mr. Edwin Neo	5/6	3/4	1/1	1/1
Mr. King Fai Tsui	4/6	4/4	1/1	1/1

**Chairman and Chief Executive Officer**

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

## Corporate Governance Report (continued)

### Non-executive Directors

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

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

### Remuneration of Directors

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website ([www.lippoltd.com.hk](http://www.lippoltd.com.hk)). The principal role of the Committee is to exercise the powers of the Board to determine and review the remuneration packages of individual Directors and key executives, including salaries, bonuses, share options and benefits in kind. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the year, the Remuneration Committee reviewed and approved, inter alia, (i) the remuneration packages of the Directors and 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 an executive Director, namely, Mr. Stephen Riady, a non-executive Director, namely, Mr. Leon Nim Leung Chan (being the Chairman of the Remuneration Committee) and three independent non-executive Directors, namely, Messrs. Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui. A 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 8 and 2.4(u) to the financial statements, respectively.

### Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Company's Articles of Association. No new Director was appointed during 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.lippoltd.com.hk](http://www.lippoltd.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 of the Board 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 an executive Director, namely, Mr. Stephen Riady, a non-executive Director, namely, Mr. Leon Nim Leung Chan (being the Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Messrs. Edwin Neo, Victor Ha Kuk Yung and King Fai Tsui. A meeting was held in 2010 and the individual attendance of each member is set out above.

## Corporate Governance Report (continued)

### Auditors' Remuneration

Messrs. Ernst & Young has been appointed by the shareholders annually as the Company's auditors. During the year, the fees charged to the accounts of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK\$5.1 million (2009—HK\$4.5 million) and approximately HK\$0.3 million (2009—HK\$0.2 million), respectively. The non-statutory audit services provided in 2010 were to review the continuing connected transactions and tax related matters of the Group.

### Audit Committee

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the Company's website ([www.lippold.com.hk](http://www.lippold.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 a non-executive Director, namely Mr. Leon Nim Leung Chan, and three independent non-executive Directors, namely Messrs. Victor Ha Kuk Yung (being the Chairman of the Audit Committee), Edwin Neo and King Fai Tsui. Four meetings were held in 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 normally attend the meetings.

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

### Internal Controls

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

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

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

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

## Corporate Governance Report *(continued)*

### Internal Audit

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

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

### Communication with Shareholders

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

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

To provide effective communication, the Company maintains a website at [www.lippoltd.com.hk](http://www.lippoltd.com.hk). All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars and notices are available on the Company's website.

### Fair Disclosure and Investor Relations

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

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



## Corporate Governance Report *(continued)*

### 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 uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

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

### 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 have pleasure in presenting 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, food business, property management, project management, mineral exploration, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

In October 2010, the Group completed the disposal of its retail business in the People's Republic of China and thereafter, ceased to carry out retail business.

The activities and other particulars of the principal subsidiaries, principal associates and principal jointly controlled entities are set out in the financial statements on pages 132 to 141, pages 142 and 143 and page 144, respectively.

Apart from the above, there were no significant changes in the nature of these activities during the year.

## Segment Information

An analysis of the Group's revenue and results by principal activity and geographical area for the year ended 31st December, 2010 is set out in Note 4 to the financial statements.

## Results and Dividends

The results and details of cash flows 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 36 to 144.

No interim dividend was declared for the year (2009 — HK2 cents per share) and the Directors have resolved to recommend the payment of a final dividend of HK2 cents per share (2009 — HK2 cents per share) amounting to approximately HK\$10 million for the year ended 31st December, 2010 (2009 — approximately HK\$10 million). Total dividends for the year ended 31st December, 2010 will be HK2 cents per share (2009 — HK4 cents per share) amounting to approximately HK\$10 million (2009 — approximately HK\$20 million).

## Summary of Group Financial Information

A summary of the published 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 152.

## Goodwill

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

## Fixed Assets

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

## Investment Properties

Details of movements in the investment properties during the year are set out in Note 20 to the financial statements.

## Bank Loans

Details of bank loans are summarised in Note 29 to the financial statements.

## Report of the Directors *(continued)*

### Share Capital and Warrants

Details of the share capital and warrants of the Company are set out in Note 33 to the financial statements.

### Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are set out in Note 34 to the financial statements.

### Reserves and Distributable Reserves

Details of movements in the reserves during the year and details of the distributable reserves are set out in Note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

### Event after the Reporting Period

Details of the significant event after the reporting period of the Group are set out in Note 45 to the financial statements.

### Subsidiaries

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 132 to 141.

### Donations

Charitable and other donations made by the Group during the year amounted to HK\$29,328,000 (2009 – HK\$30,238,000).

### Honorary Chairman

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

### Directors

The Directors of the Company during the year were:

#### Executive Directors

Mr. Stephen Riady\* (*Chairman*)

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

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

#### Non-executive Director

Mr. Leon Nim Leung Chan

#### Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

In accordance with Article 120 of the Company's Articles of Association (the "Articles"), Messrs. Jark Pui Lee and Victor Ha Kuk Yung will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

\* *The English name of Mr. Stephen Riady has been changed from "Stephen Tjondro Riady" to "Stephen Riady" with effect from 20th September, 2010.*

## Report of the Directors *(continued)*

### **Directors** *(continued)*

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

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

### **Brief Biographical Details of Directors and Senior Management**

**Mr. Stephen Riady** (formerly known as Stephen Tjondro Riady), aged 50, has been the Chairman of the Company since 1991. He is also an executive director of each of Lippo China Resources Limited ("LCR") and Hongkong Chinese Limited ("HKC"), both are public listed companies in Hong Kong. On 25th March, 2011, Mr. Riady was appointed the Chairman of the board of directors of LCR and resigned as the Deputy Chairman, Managing Director and Chief Executive Director of LCR. Also on 25th March, 2011, Mr. Riady resigned as the Chief Executive Officer of HKC and was appointed the Chairman of the board of directors of HKC. Mr. Riady is a director of Lanius Limited, Lippo Cayman Limited and Lippo Capital Limited. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. He also holds directorship in certain subsidiaries of the Company. Mr. Riady is the Executive Chairman of Overseas Union Enterprise Limited and an executive director of Auric Pacific Group Limited ("APG"), 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 Luen Wai Lee**, J.P., aged 62, has been the Managing Director of the Company since 1991. Mr. Lee is also the Chief Executive Officer of the Company, and an executive director of each of LCR and HKC. He was appointed the Chief Executive Officer of each of LCR and HKC on 25th March, 2011. Mr. Lee is also an authorised representative of the Company, LCR and HKC. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company. Mr. Lee is a non-executive director of Export and Industry Bank, Inc., a public listed company in the Philippines. He was also a non-executive director of Medco Holdings, Inc., 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.

## Report of the Directors *(continued)*

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

**Mr. Jark Pui Lee**, S.B.S., O.B.E., J.P., aged 71, was appointed a Director of the Company in 1992. Mr. Lee holds a Bachelor of Arts degree (Hons) from The University of Hong Kong. He worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years, and was Chairman of International Chamber of Commerce — Hong Kong, China, the Government's Social Welfare Advisory Committee, Hong Kong Council of Social Service, the Legal Aid Services Council and Po Leung Kuk. Mr. Lee is currently the Chairman of The Agency for Volunteer Service, the Hong Kong Council of Volunteering and the General Support Programme Vetting Committee, Innovation and Technology Commission of the Government.

**Mr. Leon Nim Leung Chan**, aged 55, was appointed an independent non-executive Director of the Company in 1997 and was re-designated as a non-executive director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of LCR and HKC. Mr. Chan is the Chairman of the Remuneration Committee and Nomination Committee as well as a member of the Audit Committee of each of the Company, LCR and HKC. He is also a director of a subsidiary of the Company and the chairman of the supervisory board member of a subsidiary of the Company.

**Mr. Edwin Neo**, aged 61, was appointed an independent non-executive Director of the Company in March 2002. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. Mr. Neo is a practising lawyer and a notary public and is presently the senior partner of Hoosenally & Neo, Solicitors & Notaries. Mr. Neo holds a Bachelor of Laws degree with honours and Post-graduate Certificate in Laws from The University of Hong Kong. He is also an independent non-executive director of LCR. Mr. Neo was appointed an independent non-executive director of APG on 15th March, 2011. Mr. Neo is a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company and LCR.

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

## Report of the Directors *(continued)*

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

**Mr. Victor Ha Kuk Yung**, 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 LCR and HKC. Mr. Yung is the Chairman of the Audit Committee of each of the Company and LCR and a member of the Audit Committee of HKC. He was the Chairman of the Audit Committee of HKC until 1st July, 2010. Mr. Yung is also a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC.

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

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

### **Brief Biographical Details of Other Officers**

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

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

## Report of the Directors *(continued)*

### Directors' and Five Highest Paid Employees' Emoluments

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

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

With effect from 1st January, 2010, the fees payable to the non-executive Directors have been adjusted to HK\$160,000 per annum. A non-executive Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and/or members of various board committees of the Company and its subsidiaries. With effect from 1st January, 2010, the fees payable to the non-executive Directors for serving as the Chairmen and/or members of various board committees of the Company per annum are as follows:

	HK\$
<b>Audit Committee</b>	
Chairman	40,000
Member	20,000
<b>Other Committees</b>	
Chairman	20,000
Member	15,000

The emoluments of the Directors (except for Mr. Stephen Riady who does not have any service contract) for the year have been covered by their respective employment agreement or letter agreement (as applicable) with the Company and/or its subsidiaries and/or paid under the relevant statutory requirement save for those as disclosed hereinbelow:

- (a) the director's fees, discretionary bonus and fringe benefits of Mr. John Luen Wai Lee in the total amount of approximately HK\$3,250,000;
- (b) the fringe benefits of Mr. Jark Pui Lee in the total amount of approximately HK\$142,000; and
- (c) the director's fees of Mr. Leon Nim Leung Chan in the total amount of approximately HK\$50,000.

## Report of the Directors (continued)

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

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

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

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

\* The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an initial exercise price of HK\$6.98 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of one rights share for every four shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 34 to the financial statements.

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



## Report of the Directors (continued)

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

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

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

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

# The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 34 to the financial statements.

## Report of the Directors (continued)

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

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

## (c) Hongkong Chinese Limited ("HKC")

Name of Director	Number of ordinary shares of HK\$1.00 each in HKC			Number of underlying ordinary shares of HK\$1.00 each in HKC				Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests		
				Options <sup>^</sup>	Warrants <sup>+</sup>	Warrants <sup>+</sup>	Warrants <sup>+</sup>		
Stephen Riady	-	-	1,014,222,978	-	-	-	106,765,641	1,120,988,619	61.70
			Notes (i) and (iii)				Notes (i) and (iii)		
Jark Pui Lee	469	469	-	-	51	51	-	1,040	0.00
John Luen Wai Lee	270	270	-	4,590,000	30	30	-	4,590,600	0.25
King Fai Tsui	-	67,500	-	607,500	-	7,500	-	682,500	0.04
Leon Nim Leung Chan	-	-	-	810,000	-	-	-	810,000	0.04
Victor Ha Kuk Yung	-	-	-	607,500	-	-	-	607,500	0.03

<sup>^</sup> The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by HKC (the "HKC Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the HKC Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in HKC at an initial exercise price of HK\$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of HKC in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 34 to the financial statements.

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

## 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, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest of 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 70.87 per cent. of the then issued share capital of, the Company. Lippo Securities is a wholly-owned subsidiary of HKC which in turn was held as to 55.83 per cent. by the Company as at 31st December, 2010. Lanis Limited ("Lanis"), 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. Lanis 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 Lanis. The beneficiaries of the trust included, inter alia, Mr. Stephen Riady and other members of the family. Mr. Stephen Riady was taken to be interested in Lippo Cayman under the provisions of the SFO.

(ii) As at 31st December, 2010, the Company was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.21 per cent. of the then issued share capital of, LCR.

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

- (iii) As at 31st December, 2010, the Company, through its wholly-owned subsidiary and Lippo Securities, was indirectly interested in an aggregate of 1,014,222,978 ordinary shares and HK\$133,457,051.25 warrants giving rise to an interest of 106,765,641 underlying ordinary shares of HKC, totalling 1,120,988,619 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 61.70 per cent. of the then issued share capital of, HKC.
- (iv) The percentages of the issued share capital stated in this section were arrived based on the issued share capital of each of the Company, LCR and HKC (as the case may be) as at 31st December, 2010.

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

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

For the reasons outlined above, through his deemed interests in Lippo Cayman as mentioned in Note (i) above, Mr. Stephen Riady was also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

<b>Name of associated corporation</b>	<b>Class of shares</b>	<b>Number of shares interested</b>	<b>Approximate percentage of interest in the issued share capital</b>
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788	72.45
Actfield Limited	Ordinary shares	1	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	1,000	100
CRC China Limited	Ordinary shares	1	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000	88.88
Fantax Limited	Ordinary shares	1	100
First Bond Holdings Limited	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandform Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Great Honor Investments Limited	Ordinary shares	1	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
Ivey International Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100

## 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>Name of associated corporation</b>	<b>Class of shares</b>	<b>Number of shares interested</b>	<b>Approximate percentage of interest in the issued share capital</b>
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Holdings Inc.	Ordinary shares	1	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Lippo World Holdings Limited	Ordinary shares	1	100
Manneton Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Obermac Limited	Ordinary shares	1	100
Pointbest Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	70,000	70
Thornton Pacific Limited	Ordinary shares	1	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100
Worldlink Resources Limited	Ordinary shares	1	100

As at 31st December, 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 (father of Mr. Stephen Riady), who does not have any interest in the share capital of Lanius. The beneficiaries of the trust included, inter alia, Mr. Stephen Riady and other members of the family.

## Report of the Directors *(continued)*

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

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

As at 31st December, 2010, Mr. Stephen Riady was interested in 27,493,311 ordinary shares in Auric Pacific Group Limited ("APG"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, held by Goldstream Capital Limited, which in turn is a 70 per cent. owned subsidiary of Bravado International Ltd. ("Bravado"). Mr. Stephen Riady is the beneficial owner of the entire issued capital of Bravado. For the reasons mentioned above, through his deemed interest in Lippo Cayman, Mr. Stephen Riady was also taken to be interested in 61,927,335 ordinary shares in APG. Accordingly, Mr. Stephen Riady was interested and taken to be interested in an aggregate of 89,420,646 ordinary shares in, representing approximately 71.16 per cent. of the issued share capital of, APG.

As at 31st December, 2010, Mr. John Luen Wai Lee, as a 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, 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 arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

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

*Note:*

- 273,625,000 ordinary shares and HK\$128,603,750 warrants giving rise to an interest of 27,362,500 underlying ordinary shares of the Company were owned by Lippo Capital directly as beneficial owner. Lippo Cayman, through its wholly-owned subsidiaries, Lippo Capital, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was indirectly interested in 305,118,929 ordinary shares and HK\$159,291,981.70 warrants giving rise to an interest of 33,891,911 underlying ordinary shares of the Company. Lippo Securities is a wholly-owned subsidiary of Hongkong Chinese Limited which in turn was held as to 55.83 per cent. by the Company as at 31st December, 2010. Together with 14,203,290 ordinary shares and HK\$6,675,546.30 warrants giving rise to an interest of 1,420,329 underlying ordinary shares of the Company owned by Lippo Cayman directly as beneficial owner, Lippo Cayman was interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest of 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 70.87 per cent. of the issued share capital of, the Company.
- 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 the securities of the Company under the provisions of the SFO.
- Lippo Cayman's interests in the ordinary shares and underlying ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 354,634,459 ordinary shares and underlying ordinary shares of the Company related to the same block of shares and underlying shares that Mr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

## Report of the Directors *(continued)*

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

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

Note: *(continued)*

4. The percentages of interests in the issued share capital stated in this section were arrived based on 500,433,372 ordinary shares of HK\$0.10 each in issue of the Company as at 31st December, 2010.
5. The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).
6. The above interests in the underlying shares of the Company in respect of warrants were held pursuant to listed physically settled equity derivatives.

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

#### **Directors' Interests in Competing Business**

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

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

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

## Report of the Directors *(continued)*

### Connected Transaction

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

On 7th August, 2010, a conditional sale and purchase agreement (the "Agreement") was entered into between Queenz Limited ("Queenz"), a wholly-owned subsidiary of Lippo China Resources Limited ("LCR") which in turn is a subsidiary of the Company, LCR, PT Multipolar Tbk ("Multipolar") and Mainvest Limited ("Mainvest"), a wholly-owned subsidiary of Multipolar, for the disposal of the business of carrying on retail and department store business in the People's Republic of China which was carried on by Congrex Limited ("Congrex") and its subsidiaries (the "Target Group") under the trade name "Robbinz" (specifically being the operations of three department stores in Tianjin, Chengdu and Yangzhou) (the "Retail Business") by Queenz to Mainvest. LCR and Multipolar act as guarantors for guaranteeing the performance and observance of the respective obligations of Queenz and Mainvest under the Agreement. Pursuant to the Agreement, Mainvest agreed to acquire and Queenz agreed to sell the entire enlarged issued and paid up share capital of Congrex (the "Sale Shares") and Queenz also agreed to procure LCR Ltd., a wholly-owned subsidiary of Queenz, to enter into a deed of transfer with Mainvest in respect of the assignment and transfer of all the rights, benefits and interests in the brand names of "ROBBINZ", "Lobing", "乐宾", "樂賓", "樂賓百貨" and the related trademarks and domain name (the "Brand Rights") to Mainvest (or its nominee) on completion of the Agreement (the "Completion"). The consideration payable for the sale and purchase of the Sale Shares together with the assignment and the transfer of the Brand Rights amounted to HK\$345,000,000 and shall be payable by Mainvest to Queenz in cash by instalments, in the following manner:

- (i) HK\$136,000,000 was paid in cash at Completion;
- (ii) HK\$103,666,660 shall be payable by Mainvest in cash on the date falling six months from the date of Completion; and
- (iii) the balance, being HK\$105,333,340, shall be payable by Mainvest in cash on the first anniversary of the date of Completion.

Since certain amounts of the consideration would be paid by Mainvest to Queenz by instalments after Completion, an escrow agreement was entered into among Queenz, LCR, Mainvest, Multipolar and RB Secretariat Limited (as escrow agent) on Completion for holding of the relevant share certificates representing the Sale Shares so as to safeguard the interests of Queenz.

In consideration for Queenz and LCR executing the Agreement, Mainvest granted Queenz an option to acquire such number of shares of Congrex representing 20 per cent. of the enlarged issued share capital of Congrex on a fully diluted basis within three years from the Completion subject to and in accordance with the terms of a call option deed executed by Queenz, LCR, Mainvest, Multipolar and Congrex at Completion. It is anticipated that this arrangement would allow LCR to observe the business development and financial position of the Retail Business of the Target Group after Completion.

The Agreement was subsequently completed on 15th October, 2010.

Lippo Cayman Limited ("Lippo Cayman"), the ultimate holding company of the Company, was interested in approximately 35 per cent. of the issued share capital of Multipolar which was therefore regarded as an associate of Lippo Cayman under the Listing Rules. Accordingly, Multipolar and Mainvest were regarded as connected persons of the Company for the purposes of the Listing Rules.

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



## Report of the Directors *(continued)*

### **Directors' and Controlling Shareholders' Interest in Contracts**

Save as disclosed above and in Note 41 to the financial statements, there were no contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

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

### **Directors' Service Contracts**

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

### **Management Contracts**

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

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

During the year, 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 Schemes**

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

### **Audit Committee**

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

## Report of the Directors *(continued)*

### **Sufficiency of Public Float**

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

### **Auditors**

The financial statements for the year were audited by 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 Luen Wai Lee**

*Managing Director and Chief Executive Officer*

Hong Kong, 30th March, 2011

# Independent Auditors' Report



## To the shareholders of Lippo Limited

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Lippo Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 144, 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 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 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 (restated)
<b>Continuing Operations</b>			
<b>Revenue</b>	5	<b>397,530</b>	1,323,384
Cost of sales		<b>(60,073)</b>	(783,286)
<b>Gross profit</b>		<b>337,457</b>	540,098
Administrative expenses		<b>(247,632)</b>	(210,720)
Other operating expenses		<b>(146,924)</b>	(128,515)
Fair value gains on investment properties		<b>661,467</b>	222,637
Net fair value gain on financial assets			
at fair value through profit or loss		<b>9,020</b>	32,013
Gain on disposal of subsidiaries		<b>22,084</b>	—
Gain/(Loss) on disposal of fixed assets		<b>35,856</b>	(90)
Excess over the cost of business combination	6	<b>—</b>	1,870
Provisions for impairment losses:			
Associates		<b>(21,065)</b>	(79,723)
Available-for-sale financial assets		<b>(13,417)</b>	(6,832)
Finance costs	10	<b>(56,580)</b>	(62,123)
Share of results of associates	11	<b>2,241,053</b>	(316,798)
Share of results of jointly controlled entities	12	<b>157</b>	204,404
<b>Profit before tax from continuing operations</b>	7	<b>2,821,476</b>	196,221
Income tax	13	<b>(172,852)</b>	(87,059)
<b>Profit for the year from continuing operations</b>		<b>2,648,624</b>	109,162
<b>Discontinued Operation</b>			
Profit/(Loss) for the year from discontinued operation	14	<b>248,811</b>	(164,257)
<b>Profit/(Loss) for the year</b>		<b>2,897,435</b>	(55,095)
<b>Attributable to:</b>			
Equity holders of the Company	15	<b>1,684,537</b>	1,254
Non-controlling interests		<b>1,212,898</b>	(56,349)
		<b>2,897,435</b>	(55,095)
<b>Earnings per share attributable to equity holders of the Company</b>	16	<b>HK cents</b>	HK cents
Basic			
— For profit for the year		<b>336.6</b>	0.3
— For profit from continuing operations		<b>301.2</b>	23.6
Diluted			
— For profit for the year		<b>N/A</b>	N/A
— For profit from continuing operations		<b>N/A</b>	N/A

Details of the dividends payable and proposed for the year are disclosed in Note 17 to the financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	2010 HK\$'000	2009 HK\$'000
<b>Profit/(Loss) for the year</b>	<b>2,897,435</b>	(55,095)
<b>Other comprehensive income/(loss)</b>		
Available-for-sale financial assets:		
Changes in fair value	<b>85,505</b>	(53,214)
Reclassification adjustments for gain/(loss) included in the consolidated income statement		
Loss on disposal	<b>(771)</b>	—
Impairment losses	—	6,317
Derecognition of available-for-sale financial assets	<b>(23,636)</b>	—
Income tax effect	<b>(1,800)</b>	632
	<b>59,298</b>	(46,265)
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	<b>216,706</b>	16,278
Share of effective portion of changes in fair value of cash flow hedges of an associate	<b>(7,159)</b>	—
Share of exchange differences on translation of foreign operations	<b>407,823</b>	61,853
	<b>617,370</b>	78,131
Exchange differences on translation of foreign operations	<b>210,803</b>	61,177
Reclassification adjustments relating to disposal of foreign operations	<b>(4,826)</b>	—
Other comprehensive income for the year, net of tax	<b>882,645</b>	121,298
<b>Total comprehensive income for the year</b>	<b>3,780,080</b>	66,203
<b>Attributable to:</b>		
Equity holders of the Company	<b>2,185,646</b>	68,046
Non-controlling interests	<b>1,594,434</b>	(1,843)
	<b>3,780,080</b>	66,203

## Consolidated Statement of Financial Position

As at 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000 (restated)
<b>Non-current assets</b>			
Goodwill	18	71,485	71,485
Fixed assets	19	285,307	369,073
Investment properties	20	4,295,946	3,458,973
Properties under development	21	1,003,573	801,038
Interests in associates	22	7,507,750	3,769,899
Interests in jointly controlled entities	23	310,876	344,042
Available-for-sale financial assets	24	492,639	451,074
Held-to-maturity financial assets	25	11,832	9,431
Loans and advances	26	39,297	34,029
Deposit paid for long term investment		119,720	—
		<b>14,138,425</b>	9,309,044
<b>Current assets</b>			
Properties held for sale		22,455	33,872
Inventories		—	3,061
Financial assets at fair value through profit or loss	27	152,125	130,427
Loans and advances	26	199,226	181,065
Debtors, prepayments and deposits	28	367,827	416,750
Client trust bank balances		560,850	630,560
Pledged time deposits	29	308	292
Treasury bills		9,700	19,400
Cash and bank balances		969,164	1,313,115
		<b>2,281,655</b>	2,728,542
<b>Current liabilities</b>			
Bank and other borrowings	29	588,779	211,288
Creditors, accruals and deposits received	30	1,068,566	1,036,192
Current, fixed, savings and other deposits of customers	31	138,772	165,131
Tax payable		56,760	92,014
		<b>1,852,877</b>	1,504,625
<b>Net current assets</b>		<b>428,778</b>	1,223,917
<b>Total assets less current liabilities</b>		<b>14,567,203</b>	10,532,961

**Consolidated Statement of Financial Position** *(continued)*

As at 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000 (restated)
<b>Non-current liabilities</b>			
Bank and other borrowings	29	1,471,212	1,805,083
Deferred rental		—	170,230
Deferred tax liabilities	32	694,500	513,628
		<b>2,165,712</b>	2,488,941
<b>Net assets</b>			
		<b>12,401,491</b>	8,044,020
<b>Equity</b>			
Equity attributable to equity holders of the Company			
Issued capital	33	50,043	50,043
Reserves	35	7,214,035	4,651,009
		<b>7,264,078</b>	4,701,052
Non-controlling interests		<b>5,137,413</b>	3,342,968
		<b>12,401,491</b>	8,044,020

**John Luen Wai Lee**  
Director

**Stephen Riady**  
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	Special capital reserve	Capital redemption reserve	Legal reserve	Regulatory reserve	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	Total equity
				(Note 35 (a))		(Note 35 (b))	(Note 35 (c))			(Note 35 (d))					
	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	HK\$'000
<b>2010</b>															
At 1st January, 2010	50,043	914,507	23,920	1,709,202	22,035	3,512	458	110,683	25,634	–	264,831	1,576,227	4,701,052	3,342,968	8,044,020
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	1,684,537	1,684,537	1,212,898	2,897,435
Other comprehensive income/(loss) for the year:															
Available-for-sale financial assets:															
Changes in fair value	–	–	–	–	–	–	–	62,959	–	–	–	–	62,959	22,546	85,505
Reclassification adjustments for disposal	–	–	–	–	–	–	–	(430)	–	–	–	–	(430)	(341)	(771)
Derecognition of available-for-sale financial assets	–	–	–	–	–	–	–	(15,020)	–	–	–	(1,812)	(16,832)	(6,804)	(23,636)
Income tax effect	–	–	–	–	–	–	–	(1,005)	–	–	–	–	(1,005)	(795)	(1,800)
Share of other comprehensive income/(loss) of associates	–	–	–	–	–	–	–	118,708	–	(3,997)	228,534	–	343,245	274,125	617,370
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	116,609	–	116,609	94,194	210,803
Reclassification adjustments relating to disposal of foreign operations	–	–	–	–	–	–	–	–	–	–	(3,437)	–	(3,437)	(1,389)	(4,826)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	165,212	–	(3,997)	341,706	1,682,725	2,185,646	1,594,434	3,780,080
Issuance of shares upon exercise of warrants by non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	74	74
Disposal of interests in a subsidiary without loss of control	–	–	–	–	–	–	–	–	–	–	–	455	455	(455)	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,080)	(1,080)
Share of equity movement arising on equity transactions of associates	–	–	–	–	–	–	–	–	–	–	–	386,934	386,934	307,819	694,753
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	–	–	–	–	–	146	–	–	–	–	–	(146)	–	–	–
2009 final dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	–	–	–	(10,009)	(10,009)	–	(10,009)
2009 final dividend, declared and paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(13,232)	(13,232)
2010 interim dividend, declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,941)	(8,941)
<b>At 31st December, 2010</b>	<b>50,043</b>	<b>914,507</b>	<b>23,920</b>	<b>1,709,202</b>	<b>22,035</b>	<b>3,658</b>	<b>458</b>	<b>275,895</b>	<b>25,634</b>	<b>(3,997)</b>	<b>606,537</b>	<b>3,636,186</b>	<b>7,264,078</b>	<b>5,137,413</b>	<b>12,401,491</b>

## Consolidated Statement of Changes in Equity (continued)

For the year ended 31st December, 2010

	Attributable to equity holders of the Company													Non-controlling interests	Total equity	
	Share issued capital	Share premium account	Share option reserve	Special capital reserve	Capital redemption reserve	Legal reserve	Regulatory reserve	Investment revaluation reserve	Other asset revaluation reserve	Exchange equalisation reserve	Retained profits	Total				
	(Note 35 (a))	(Note 35 (a))	(Note 35 (a))	(Note 35 (a))	(Note 35 (b))	(Note 35 (c))	(Note 35 (c))	(Note 35 (c))	(Note 35 (c))	(Note 35 (c))	(Note 35 (c))	(Note 35 (c))				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
2009																
At 1st January, 2009	53,297	914,507	23,920	1,709,202	18,781	3,465	458	134,854	9,859	189,643	1,632,250	4,690,236	3,401,841	8,092,077		
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	-	-	1,254	1,254	(56,349)	(55,095)		
Other comprehensive income/(loss) for the year:																
Available-for-sale financial assets:																
Changes in fair value	-	-	-	-	-	-	-	(39,642)	-	-	-	(39,642)	(13,572)	(53,214)		
Reclassification adjustments for impairment losses	-	-	-	-	-	-	-	3,527	-	-	-	3,527	2,790	6,317		
Income tax effect	-	-	-	-	-	-	-	353	-	-	-	353	279	632		
Surplus on revaluation of leasehold land and building	-	-	-	-	-	-	-	-	17,926	-	-	17,926	14,182	32,108		
Income tax effect on surplus on revaluation of leasehold land and building	-	-	-	-	-	-	-	-	(2,151)	-	-	(2,151)	(1,702)	(3,853)		
Share of other comprehensive income of associates	-	-	-	-	-	-	-	11,591	-	34,739	-	46,330	31,801	78,131		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	40,449	-	40,449	20,728	61,177		
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	(24,171)	15,775	75,188	1,254	68,046	(1,843)	66,203		
Repurchase of shares	(3,254)	-	-	-	3,254	-	-	-	-	-	(37,212)	(37,212)	-	(37,212)		
Repurchase of shares from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,193)	(1,193)		
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,870)	(1,870)		
Issuance of shares upon exercise of warrants by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	5	5		
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	-	-	-	-	-	47	-	-	-	-	(47)	-	-	-		
2008 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	(10,009)	(10,009)	-	(10,009)		
2008 final dividend, declared and paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(26,465)	(26,465)		
2009 interim dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	(10,009)	(10,009)	-	(10,009)		
2009 interim dividend and special interim dividend, declared and paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(26,465)	(26,465)		
At 31st December, 2009	50,043	914,507	23,920	1,709,202	22,035	3,512	458	110,683	25,634	264,831	1,576,227	4,701,052	3,342,968	8,044,020		

## Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	37(a)	221,248	278,192
Interest received		19,894	29,836
Dividends received from:			
An associate		7,471	—
A jointly controlled entity		51,333	162,910
Listed investments		2,359	236
Unlisted investments		621	3,214
Taxes paid:			
Hong Kong		(6,347)	(2,763)
Overseas		(46,104)	(13,743)
Net cash flows from operating activities		250,475	457,882
<b>Cash flows from investing activities</b>			
Proceeds from disposals of:			
Fixed assets		44,036	95,158
Investment properties		2,899	19,355
Available-for-sale financial assets		2,795	—
Associates		—	4,737
Payments to acquire:			
Fixed assets		(30,725)	(54,974)
Available-for-sale financial assets		(504)	(6,464)
Held-to-maturity financial assets		(2,404)	—
Additions to properties under development		(294,556)	(183,438)
Additions to investment properties		(40,086)	(4,952)
Increase in deposit paid for long term investment		(119,720)	—
Increase in interests in an associate		(94,786)	—
Repayment from/(Advances to) associates		(32,320)	12,746
Increase in interests in jointly controlled entities		(900)	(21,489)
Advances to jointly controlled entities		(4,080)	(57,847)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	37(b)	93,395	12,330
Decrease/(Increase) in pledged time deposits		(6)	26,108
Decrease/(Increase) in time deposits with original maturity of more than three months		129,255	(176,815)
Net cash flows used in investing activities		(347,707)	(335,545)

## Consolidated Statement of Cash Flows (continued)

For the year ended 31st December, 2010

	2010 HK\$'000	2009 HK\$'000
<b>Cash flows from financing activities</b>		
Interest paid	(57,343)	(66,265)
Drawdown of bank and other borrowings (Note)	221,629	962,646
Repayment of bank and other borrowings (Note)	(192,459)	(1,200,502)
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)
Issuance of shares upon exercise of warrants by non-controlling shareholders of a subsidiary	74	5
Repurchase of shares	—	(37,212)
Repurchase of shares from non-controlling shareholders of subsidiaries	—	(1,193)
Dividends paid to shareholders of the Company	(10,009)	(20,018)
Dividends paid to non-controlling shareholders of subsidiaries	(22,173)	(52,930)
Net cash flows used in financing activities	(144,455)	(416,511)
<b>Net decrease in cash and cash equivalents</b>	(241,687)	(294,174)
<b>Cash and cash equivalents at beginning of year</b>	1,155,700	1,441,456
Exchange realignments	11,149	8,418
<b>Cash and cash equivalents at end of year</b>	925,162	1,155,700
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	969,164	1,313,115
Treasury bills	9,700	19,400
Time deposits with original maturity of more than three months	(53,702)	(176,815)
	925,162	1,155,700

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.

## Statement of Financial Position

As at 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>Non-current assets</b>			
Fixed assets	19	14	42
Interests in subsidiaries	36	3,169,082	3,215,324
Available-for-sale financial assets	24	1,200	1,200
		<b>3,170,296</b>	3,216,566
<b>Current assets</b>			
Debtors, prepayments and deposits		1,437	2,078
Cash and bank balances		8,039	21,104
		<b>9,476</b>	23,182
<b>Current liabilities</b>			
Bank loans	29	188,000	55,000
Creditors, accruals and deposits received		3,327	4,209
		<b>191,327</b>	59,209
<b>Net current liabilities</b>		<b>(181,851)</b>	(36,027)
<b>Total assets less current liabilities</b>		<b>2,988,445</b>	3,180,539
<b>Non-current liabilities</b>			
Bank loans	29	160,000	348,000
<b>Net assets</b>		<b>2,828,445</b>	2,832,539
<b>Equity</b>			
Issued capital	33	50,043	50,043
Reserves	35	2,778,402	2,782,496
		<b>2,828,445</b>	2,832,539

John Luen Wai Lee  
Director

Stephen Riady  
Director

# Notes to the Financial Statements

## 1. Corporate Information

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

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

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

## 2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets, which have been measured at fair value. 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 retained profits, 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)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause</i>

## Notes to the Financial Statements (continued)

### 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\$455,000 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\$386,934,000 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\$387,389,000.



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
<b>Current liabilities</b>		
Increase in bank and other borrowings	17,158	19,308
<b>Non-current liabilities</b>		
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 29 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 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>2</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>4</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>4</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>5</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>3</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>3</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>2</sup>

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.

<sup>1</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2011

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2012

<sup>6</sup> 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 in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

#### (b) Joint ventures

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits 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, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors; or over which the Group has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;
- (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.

## Notes to the Financial Statements *(continued)*

### 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.

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.

## Notes to the Financial Statements (continued)

### 2.4 Summary of Significant Accounting Policies (continued)

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

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

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

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

## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

#### (g) Fixed assets and depreciation

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

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

Leasehold land	Over the remaining lease terms
Leasehold land under finance lease and buildings	Over the remaining lease terms
Leasehold improvements	10 per cent. to 20 per cent.
Furniture, fixtures, plant and equipment	10 per cent. to 33 <sup>1</sup> / <sub>3</sub> per cent.
Motor vehicles	12 per cent. to 25 per cent.

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

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

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

#### (h) Investment properties

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

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

## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

#### (h) Investment properties *(continued)*

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

For a transfer from investment properties to properties under development 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 retained profits as a movement in reserves.

#### (i) Properties under development

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

#### (j) Investments and other financial assets

##### *Initial recognition and measurement*

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

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

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



## Notes to the Financial Statements (continued)

### 2.4 Summary of Significant Accounting Policies (continued)

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

##### *Subsequent measurement*

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

##### *Financial assets at fair value through profit or loss*

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

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

## 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*

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.

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.

## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

#### (k) Impairment of financial assets

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

#### *Financial assets carried at amortised cost*

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

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

## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

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

##### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

##### *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.

## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

#### (q) Inventories

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

#### (r) Revenue recognition

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

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

#### (s) Income tax

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

Current tax assets and liabilities for the current and prior 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.

## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

#### (s) Income tax *(continued)*

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

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

- (i) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in 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.

#### (t) Provisions

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

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

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.



## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

#### (u) Employee benefits

##### *Paid leave entitlement*

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

#### (u) 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.

#### (v) Borrowing costs

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

#### (w) Operating leases

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

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

## Notes to the Financial Statements *(continued)*

### 2.4 Summary of Significant Accounting Policies *(continued)*

#### (x) Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand, cash at banks, 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.

#### (y) Foreign currencies

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

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

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)*

#### **(z) Related parties**

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

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

#### **(aa) Dividends and distributions**

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

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

## Notes to the Financial Statements (continued)

### 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 18 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. Impairment losses of HK\$13,417,000 (2009 — HK\$6,832,000) have been recognised for available-for-sale financial assets for the year. The carrying amount of available-for-sale financial assets as at 31st December, 2010 was HK\$492,639,000 (2009 — HK\$451,074,000).

##### *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.

## Notes to the Financial Statements *(continued)*

### 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 “other” segment comprises principally food business, the development of computer hardware and software, money lending and the provision of property, project and fund management and investment advisory services; and
- (h) the retail business segment engages in operation of department stores. At the end of the reporting period, the retail business segment is classified as discontinued operation of the Group.

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

	Continuing operations									Discontinued operation	
	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate	Banking business HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000	Retail	Consolidated HK\$'000
					finance and securities broking HK\$'000					business	
<b>Revenue</b>											
External	203,458	–	5,273	28,673	49,057	13,500	97,569	–	397,530	126,031	523,561
Inter-segment	12,514	–	–	–	–	–	23,606	(36,120)	–	–	–
<b>Total</b>	<b>215,972</b>	<b>–</b>	<b>5,273</b>	<b>28,673</b>	<b>49,057</b>	<b>13,500</b>	<b>121,175</b>	<b>(36,120)</b>	<b>397,530</b>	<b>126,031</b>	<b>523,561</b>
<b>Segment results</b>	<b>830,093</b>	<b>(11,633)</b>	<b>4,815</b>	<b>21,604</b>	<b>(2,165)</b>	<b>707</b>	<b>20,942</b>	<b>(26,882)</b>	<b>837,481</b>	<b>248,811</b>	<b>1,086,292</b>
	(Note 1)										
Unallocated corporate expenses									(200,635)	–	(200,635)
Finance costs									(56,580)	–	(56,580)
Share of results of associates (Note 2)	2,241,759	(14,142)	–	–	–	–	13,436	–	2,241,053	–	2,241,053
Share of results of jointly controlled entities	–	752	–	–	–	–	(595)	–	157	–	157
<b>Profit before tax</b>									<b>2,821,476</b>	<b>248,811</b>	<b>3,070,287</b>

Note:

- The amount included fair value gains on investment properties of HK\$661,467,000.
- 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 11 to the financial statements.



Notes to the Financial Statements (continued)

4. Segment Information (continued)  
Year ended 31st December, 2010

	Continuing operations								Discontinued operation		
	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities	Banking business	Other	Inter-segment elimination	Consolidated	Retail business	Consolidated
					broking						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Segment assets</b>	4,609,589	1,300,925	721,961	656,596	694,638	294,063	78,673	–	8,356,445	209,000	8,565,445
Interests in associates	6,324,642	417,721	–	–	778	–	764,609	–	7,507,750	–	7,507,750
Interests in jointly controlled entities	–	306,572	–	–	–	–	4,304	–	310,876	–	310,876
Unallocated assets									36,009	–	36,009
Total assets									16,211,080	209,000	16,420,080
<b>Segment liabilities</b>	1,798,265	266,898	–	335,242	628,303	136,281	381,302	(2,434,835)	1,111,456	–	1,111,456
Unallocated liabilities									2,907,133	–	2,907,133
Total liabilities									4,018,589	–	4,018,589
<b>Other segment information:</b>											
Capital expenditure	8,576	612	–	–	539	739	314	–	10,780	28,129	38,909
Depreciation	(2,516)	(551)	–	–	(435)	(1,660)	(2,444)	–	(7,606)	(23,033)	(30,639)
Write-back of allowance/ (Allowance) for bad and doubtful debts relating to:											
Banking operation	–	–	–	–	–	300	–	–	300	–	300
Non-banking operations	–	–	–	–	(536)	–	(32,718)	–	(33,254)	–	(33,254)
Provisions for impairment losses:											
Associates	–	–	–	–	–	–	(21,065)	–	(21,065)	–	(21,065)
Available-for-sale financial assets	–	–	–	(13,417)	–	–	–	–	(13,417)	–	(13,417)
Properties under development	–	(180)	–	–	–	–	–	–	(180)	–	(180)
Net fair value gain on financial assets at fair value through profit or loss	–	–	–	9,020	–	–	–	–	9,020	–	9,020
Fair value gains on investment properties	661,467	–	–	–	–	–	–	–	661,467	–	661,467
Unallocated:											
Capital expenditure									199	–	199
Depreciation									(2,929)	–	(2,929)

Notes to the Financial Statements (continued)

4. Segment Information (continued)

Year ended 31st December, 2009 (restated)

	Continuing operations								Discontinued operation		
	Property investment	Property development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Other	Inter-segment elimination	Consolidated	Retail business	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>											
External	173,915	977,684	15,382	15,345	53,727	13,815	73,516	–	1,323,384	131,585	1,454,969
Inter-segment	11,917	–	–	–	–	–	6,119	(18,036)	–	–	–
<b>Total</b>	<b>185,832</b>	<b>977,684</b>	<b>15,382</b>	<b>15,345</b>	<b>53,727</b>	<b>13,815</b>	<b>79,635</b>	<b>(18,036)</b>	<b>1,323,384</b>	<b>131,585</b>	<b>1,454,969</b>
<b>Segment results</b>	333,754	234,778	14,162	37,651	5,597	1,218	(40,170)	(9,788)	577,202	(164,257)	412,945
	(Note)										
Unallocated corporate expenses									(206,464)	–	(206,464)
Finance costs									(62,123)	–	(62,123)
Share of results of associates	(300,315)	(11,741)	–	–	(78)	–	(4,664)	–	(316,798)	–	(316,798)
Share of results of jointly controlled entities	–	204,404	–	–	–	–	–	–	204,404	–	204,404
<b>Profit/(Loss) before tax</b>									<b>196,221</b>	<b>(164,257)</b>	<b>31,964</b>

Note: The amount included fair value gains on investment properties of HK\$222,637,000.

Notes to the Financial Statements (continued)

4. Segment Information (continued)

Year ended 31st December, 2009 (restated)

	Continuing operations								Discontinued operation					
	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities		Banking business HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000	Retail		Inter-segment elimination HK\$'000	Consolidated HK\$'000
					broking	securities					business	elimination		
					HK\$'000	HK\$'000					HK\$'000	HK\$'000		
<b>Segment assets</b>	3,643,070	1,199,747	973,959	590,932	709,506	402,309	37,696	—	7,557,219	310,685	—	—	7,867,904	
Interests in associates	2,756,972	372,106	—	—	778	—	640,043	—	3,769,899	—	—	—	3,769,899	
Interests in jointly controlled entities	—	340,042	—	—	—	—	4,000	—	344,042	—	—	—	344,042	
Unallocated assets									55,741	—	—	—	55,741	
<b>Total assets</b>									11,726,901	310,685	—	—	12,037,586	
<b>Segment liabilities</b>	1,819,560	75,491	—	265,057	686,227	160,110	382,240	(2,406,928)	981,757	610,680	(480,223)	—	1,112,214	
Unallocated liabilities									2,881,352	—	—	—	2,881,352	
<b>Total liabilities</b>									3,863,109	610,680	(480,223)	—	3,993,566	
<b>Other segment information:</b>														
Capital expenditure	9,985	13	—	—	111	53	466	—	10,628	17,204	—	—	27,832	
Depreciation	(3,221)	(511)	—	—	(475)	(1,611)	(2,733)	—	(8,551)	(29,858)	—	—	(38,409)	
Write-back of allowance for bad and doubtful debts relating to:														
Banking operation	—	—	—	—	—	2,114	—	—	2,114	—	—	—	2,114	
Non-banking operations	—	—	—	—	4,948	—	—	—	4,948	—	—	—	4,948	
Provisions for impairment losses:														
Associates	—	—	—	—	—	—	(79,723)	—	(79,723)	—	—	—	(79,723)	
A jointly controlled entity	—	—	—	—	—	—	(494)	—	(494)	—	—	—	(494)	
Available-for-sale financial assets	—	—	—	(6,832)	—	—	—	—	(6,832)	—	—	—	(6,832)	
Properties held for sale	(759)	—	—	—	—	—	—	—	(759)	—	—	—	(759)	
Properties under development	—	(3,518)	—	—	—	—	—	—	(3,518)	—	—	—	(3,518)	
Impairment of goodwill	(23,371)	—	—	—	—	—	—	—	(23,371)	—	—	—	(23,371)	
Net fair value gain on financial assets at fair value through profit or loss	—	—	—	32,013	—	—	—	—	32,013	—	—	—	32,013	
Fair value gains on investment properties	222,637	—	—	—	—	—	—	—	222,637	—	—	—	222,637	
Unallocated:														
Capital expenditure									27,142	—	—	—	27,142	
Depreciation									(2,791)	—	—	—	(2,791)	

Notes to the Financial Statements (continued)

4. Segment Information (continued)

Geographical information

(a) Revenue from external customers

	Group	
	2010 HK\$'000	2009 HK\$'000 (restated)
Hong Kong	160,427	168,254
Macau	16,234	16,405
Republic of Singapore	67,638	986,843
Mainland China	146,436	144,479
Other	6,795	7,403
Attributable to continuing operations	397,530	1,323,384
Mainland China attributable to discontinued operation	126,031	131,585
	523,561	1,454,969

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

(b) Non-current assets

	Group	
	2010 HK\$'000	2009 HK\$'000 (restated)
Hong Kong	1,508,042	1,347,282
Macau	594,658	585,674
Republic of Singapore	7,739,701	4,024,360
Mainland China	3,575,938	2,466,870
Other	215,615	223,415
Attributable to continuing operations	13,633,954	8,647,601
Mainland China attributable to discontinued operation	—	200,938
	13,633,954	8,848,539

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.

## Notes to the Financial Statements (continued)

### 5. Revenue

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

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

	Group	
	2010 HK\$'000	2009 HK\$'000 (restated)
Property investment	203,458	173,915
Property development	—	977,684
Treasury investment	5,273	15,382
Securities investment	28,673	15,345
Corporate finance and securities broking	49,057	53,727
Banking business	13,500	13,815
Other	97,569	73,516
Attributable to continuing operations	397,530	1,323,384
Retail business attributable to discontinued operation (Note 14)	126,031	131,585
	<b>523,561</b>	1,454,969

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 HK\$'000	2009 HK\$'000
Interest income	9,827	9,914
Commission income	3,149	3,415
Other revenues	524	486
	<b>13,500</b>	13,815

### 6. Excess over the Cost of Business Combination

The amount represented the excess of the Group's additional share of net fair value of identifiable assets, liabilities and contingent liabilities of Hongkong Chinese Limited ("HKC") and Lippo China Resources Limited ("LCR"), both being listed subsidiaries of the Company, and its subsidiaries over the costs incurred thereon, resulted from the repurchase of its own shares by each of HKC and LCR from the market during 2009.

Notes to the Financial Statements (continued)

7. Profit Before Tax

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Gross rental income	186,210	173,915
Less: Outgoings	(18,599)	(19,851)
Net rental income	167,611	154,064
Employee benefits expense (Note (a)):		
Wages and salaries	(211,543)	(185,922)
Retirement benefits costs (Note (b))	(8,001)	(9,393)
Total staff costs	(219,544)	(195,315)
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	1,135	1,072
Banking operation	9,827	9,914
Other	5,273	15,382
Dividend income:		
Listed investments	2,359	236
Unlisted investments	621	3,214
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	17,425	6,734
Unlisted financial assets at fair value through profit or loss	5,362	2,047
Unlisted available-for-sale financial assets	(756)	—
Net fair value gain on financial assets at fair value through profit or loss:		
Listed	3,004	15,953
Unlisted	6,016	16,060
Provision for impairment losses on:		
Unlisted available-for-sale financial assets	(13,417)	(6,832)
A jointly controlled entity	—	(494)
Properties under development	(180)	(3,518)
Properties held for sale	—	(759)
Impairment of goodwill (Note (c))	—	(23,371)
Receivables written-off	—	(4,599)
Write-back of allowance/(Allowance) for bad and doubtful debts	(32,954)	7,062
Interest expense attributable to banking business	(531)	(579)
Depreciation	(33,568)	(41,200)
Impairment of fixed assets	—	(5,928)
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	35,837	252
Other items of fixed assets	19	(342)
Loss on disposal of investment properties	(754)	(145)
Foreign exchange gains — net	19,141	6,697
Cost of inventories sold	(21,114)	(743,040)
Auditors' remuneration	(5,546)	(4,807)
Minimum lease payments under operating lease rentals in respect of land and buildings	(141,751)	(185,422)

## Notes to the Financial Statements (continued)

### 7. Profit Before Tax (continued)

Note:

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

### 8. Directors' Emoluments

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

	<b>Group</b>	
	<b>2010 HK\$'000</b>	2009 HK\$'000
Directors' fees	<b>2,508</b>	1,488
Basic salaries, housing and other allowances and benefits in kind	<b>10,412</b>	9,947
Discretionary bonuses paid and payable	<b>19,000</b>	7,000
Retirement benefits costs	<b>102</b>	102
	<b>32,022</b>	18,537

Notes to the Financial Statements (continued)

8. Directors' Emoluments (continued)

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

2010	Directors' fees HK\$'000	Basic salaries, housing and other allowances and benefits in kind HK\$'000	Discretionary bonuses paid and payable HK\$'000	Retirement benefits costs HK\$'000	Total HK\$'000
Executive directors:					
Stephen Riady	—	7,395	16,000	—	23,395
John Luen Wai Lee	59	1,990	3,000	24	5,073
Jark Pui Lee	—	1,027	—	78	1,105
	59	10,412	19,000	102	29,573
Non-executive director:					
Leon Nim Leung Chan	709	—	—	—	709
Independent non-executive directors:					
Edwin Neo	420	—	—	—	420
King Fai Tsui	640	—	—	—	640
Victor Ha Kuk Yung	680	—	—	—	680
	1,740	—	—	—	1,740
	2,508	10,412	19,000	102	32,022



Notes to the Financial Statements (continued)

8. Directors' Emoluments (continued)

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

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

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 34 to the financial statements.

Notes to the Financial Statements (continued)

**9. Five Highest Paid Employees' Emoluments**

The five highest paid employees during the year included two Directors (2009 — two Directors), details of whose emoluments are set out in Note 8 to the financial statements. Details of the emoluments of the remaining three (2009 — three) 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	2,959	2,099
Discretionary bonuses paid and payable	44,000	24,000
Retirement benefits costs	81	74
	<b>47,040</b>	26,173

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

Emoluments bands (HK\$):	Group	
	2010 Number of employees	2009 Number of employees
6,500,001 – 7,000,000	1	—
7,000,001 – 7,500,000	—	1
8,000,001 – 8,500,000	1	1
10,500,001 – 11,000,000	—	1
32,000,001 – 32,500,000	1	—
	<b>3</b>	3

**10. Finance Costs**

	Group	
	2010 HK\$'000	2009 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	39,976	36,418
Interest on other loans	21,944	31,400
Total interest	61,920	67,818
Less: Interest capitalised	(5,340)	(5,695)
	<b>56,580</b>	62,123

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

## Notes to the Financial Statements (continued)

### 11. 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.

### 12. Share of Results of Jointly Controlled Entities

The amount included the Group's share of profit in Tanglin Residential Pte. Ltd. ("Tanglin") which was set up for the purpose of a property development project in the Republic of Singapore (the "Project") of HK\$81,000 (2009 — HK\$207,781,000). Tanglin was the owner and developer of the Project and handed over all the units to the buyers during 2009.

### 13. Income Tax

	Group	
	2010 HK\$'000	2009 HK\$'000
Hong Kong:		
Charge for the year	5,050	3,644
Overprovision in prior years	(3,406)	(2,170)
Deferred	31,160	28,642
	<b>32,804</b>	30,116
Overseas:		
Charge for the year	11,255	43,889
Underprovision/(Overprovision) in prior years	533	(17)
Deferred	128,260	13,071
	<b>140,048</b>	56,943
Total charge for the year	<b>172,852</b>	87,059

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)

13. Income Tax (continued)

A reconciliation of the tax charge applicable to profit 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 at the effective tax rate is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Profit before tax (including profit/(loss) before tax from discontinued operation)	3,070,287	31,964
Tax at the statutory tax rate of 16.5 per cent. (2009 — 16.5 per cent.)	506,597	5,274
Effect of different tax rates in other jurisdictions	58,119	6,960
Adjustments in respect of current tax of previous years	(2,873)	(2,187)
Profits and losses attributable to jointly controlled entities and associates	(369,800)	18,545
Income not subject to tax	(12,954)	(20,595)
Expenses not deductible for tax	27,756	19,798
Effect of withholding tax of 10 per cent. on the distributable profits of the Group's subsidiary in mainland China	1,620	2,066
Tax losses utilised from previous years	(85,300)	(8,516)
Tax losses not recognised	49,687	65,714
Tax charge at the Group's effective rate	172,852	87,059
Represented by:		
Tax charge attributable to continuing operations	172,852	87,059
Tax charge attributable to discontinued operation	—	—
	172,852	87,059

For the companies operated in the Republic of Singapore, Macau and mainland China, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 17 per cent., 12 per cent. and 25 per cent. (2009 — 17 per cent., 12 per cent. and 25 per cent.), respectively.

The share of tax charge attributable to associates amounting to HK\$727,393,000 (2009 — credit of HK\$49,998,000) and the share of tax credit attributable to jointly controlled entities of HK\$48,000 (2009 — charge of HK\$43,246,000) 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.

Notes to the Financial Statements (continued)

14. Discontinued Operation

On 7th August, 2010, the Group entered into an agreement with PT Multipolar Tbk (“Multipolar”, as guarantor), a company listed on the Indonesia Stock Exchange and an associate of Lippo Cayman, and Mainvest Limited (“Mainvest”, as purchaser), a wholly-owned subsidiary of Multipolar, to sell the retail business (specifically being the operations of three department stores in Tianjin, Chengdu and Yangzhou) which was carried on by Congrex Limited (“Congrex”) and its subsidiaries to Mainvest for an aggregate cash consideration of HK\$345,000,000 (the “Disposal”). In connection with the Disposal, the Group was granted an option to buy back 20 per cent. of the enlarged issued share capital of Congrex within three years from the completion of the Disposal. The Disposal was subsequently completed on 15th October, 2010. Following the completion of the Disposal, all the retail business operation was discontinued.

(a) Profit/(Loss) for the year from retail business is presented below:

	Note	2010 HK\$'000	2009 HK\$'000
<b>Revenue</b>	5	<b>126,031</b>	131,585
Cost of sales		<b>(116,561)</b>	(159,843)
<b>Gross profit/(loss)</b>		<b>9,470</b>	(28,258)
Administrative expenses		<b>(40,193)</b>	(61,367)
Other operating expenses		<b>(60,996)</b>	(74,632)
<b>Loss before tax</b>		<b>(91,719)</b>	(164,257)
Income tax	13	—	—
		<b>(91,719)</b>	(164,257)
Gain on disposal of discontinued operation (including HK\$4,826,000 reclassification of cumulative exchange differences on translation of foreign operations from equity to profit or loss on disposal of the operation (Note 37(b)))		<b>340,530</b>	—
<b>Profit/(Loss) for the year</b>		<b>248,811</b>	(164,257)
<b>Attributable to:</b>			
Equity holders of the Company		<b>177,178</b>	(116,967)
Non-controlling interests		<b>71,633</b>	(47,290)
		<b>248,811</b>	(164,257)
		<b>HK cents</b>	HK cents
<b>Earnings/(Loss) per share</b>	16		
Basic, from discontinued operation		<b>35.4</b>	(23.3)
Diluted, from discontinued operation		<b>N/A</b>	N/A

Notes to the Financial Statements (continued)

14. Discontinued Operation (continued)

(b) The net cash flow generated by retail business is presented below:

	2010 HK\$'000
Operating activities	(31,132)
Investing activities	(28,172)
Financing activities	99,347
Net cash inflow	40,043

15. Profit Attributable to Equity Holders of the Company

The consolidated profit attributable to equity holders of the Company for the year includes a profit of HK\$5,915,000 (2009 — HK\$9,361,000) which has been dealt with in the financial statements of the Company as set out in Note 35 to the financial statements.

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

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the year attributable to equity holders of the Company; and (ii) the weighted average number of 500,433,000 ordinary shares (2009 — 501,753,000 ordinary shares) in issue during the year.

	2010 HK\$'000	2009 HK\$'000
Consolidated profit/(loss) attributable to equity holders of the Company:		
From continuing operations	1,507,359	118,221
From discontinued operation	177,178	(116,967)
	1,684,537	1,254

(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)

17. Dividends

	Group and Company	
	2010 HK\$'000	2009 HK\$'000
Interim dividend, declared — Nil (2009 — HK2 cents per ordinary share)	—	10,009
Final dividend, proposed, of HK2 cents (2009 — HK2 cents) per ordinary share	10,009	10,009
	10,009	20,018

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

18. Goodwill

	Group	
	2010 HK\$'000	2009 HK\$'000
Cost:		
Balance at beginning of year	178,462	178,462
Disposal of a subsidiary	(412)	—
Balance at end of year	178,050	178,462
Accumulated impairment:		
Balance at beginning of year	106,977	83,606
Disposal of a subsidiary	(412)	—
Impairment during the year	—	23,371
Balance at end of year	106,565	106,977
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)

19. Fixed Assets

Group

2010	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:			
At 1st January, 2010	240,521	435,243	675,764
Additions during the year	8,383	30,725	39,108
Reclassified from properties under development	98,698	24,042	122,740
Reclassified from investment properties	2,636	—	2,636
Disposal of subsidiaries	—	(290,940)	(290,940)
Disposals during the year	(45,602)	(18,633)	(64,235)
Exchange adjustments	498	5,730	6,228
<b>At 31st December, 2010</b>	<b>305,134</b>	<b>186,167</b>	<b>491,301</b>
Accumulated depreciation and impairment losses:			
At 1st January, 2010	89,302	217,389	306,691
Depreciation provided for the year	3,654	29,914	33,568
Disposal of subsidiaries	—	(80,326)	(80,326)
Disposals during the year	(37,426)	(18,629)	(56,055)
Exchange adjustments	84	2,032	2,116
<b>At 31st December, 2010</b>	<b>55,614</b>	<b>150,380</b>	<b>205,994</b>
Net book value:			
<b>At 31st December, 2010</b>	<b>249,520</b>	<b>35,787</b>	<b>285,307</b>



Notes to the Financial Statements (continued)

19. Fixed Assets (continued)

Group

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

Certain leasehold land and buildings have been mortgaged to secure banking facilities made available to the Group as set out in Note 29 to the financial statements.

Notes to the Financial Statements (continued)

19. Fixed Assets (continued)

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 in Hong Kong	128,016	139,266
Leasehold land and buildings situated outside Hong Kong under:		
Long term leases	98,698	—
Medium term leases	22,806	11,953
	121,504	11,953
	249,520	151,219

Company

	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles	
	2010 HK\$'000	2009 HK\$'000
Cost:		
Balance at beginning of year	1,714	1,688
Additions during the year	1	26
Balance at end of year	1,715	1,714
Accumulated depreciation:		
Balance at beginning of year	1,672	1,646
Depreciation provided for the year	29	26
Balance at end of year	1,701	1,672
Net book value	14	42

Notes to the Financial Statements (continued)

20. Investment Properties

	Group	
	2010 HK\$'000	2009 HK\$'000
Medium term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	—	19,500
Disposal during the year	—	(19,500)
Balance at end of year	—	—
Long term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	1,188,600	985,100
Fair value adjustments	178,200	203,500
Balance at end of year	1,366,800	1,188,600
Medium term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	2,238,547	2,581,828
Additions during the year	92,802	4,952
Disposals during the year	(3,653)	—
Reclassified from/(to) fixed assets	(2,636)	45,687
Reclassified to properties under development	—	(421,000)
Fair value adjustments	484,422	23,559
Exchange adjustments	88,783	3,521
Balance at end of year	2,898,265	2,238,547
Freehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	31,826	27,459
Reclassified from fixed assets	—	8,446
Fair value adjustments	(1,155)	(4,422)
Exchange adjustments	210	343
Balance at end of year	30,881	31,826
	<b>4,295,946</b>	<b>3,458,973</b>

Based on professional valuations as at 31st December, 2010 made by Vigers Appraisal and Consulting Limited, an independent qualified valuer, the investment properties in Hong Kong were revalued on an open market, existing use basis at HK\$1,366,800,000 (2009 — HK\$1,188,600,000).

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\$2,929,146,000 (2009 — HK\$2,270,373,000).

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 29 to the financial statements.

Notes to the Financial Statements (continued)

21. Properties under Development

	Group	
	2010 HK\$'000	2009 HK\$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	954,405	1,052,367
Additions during the year	294,556	183,438
Disposals during the year	—	(698,542)
Reclassified from investment properties	—	421,000
Reclassified to fixed assets	(122,740)	—
Written-off during the year	(18,597)	—
Exchange adjustments	39,891	(3,858)
Balance at end of year	<b>1,147,515</b>	954,405
Provisions for impairment losses:		
Balance at beginning of year	(153,367)	(148,787)
Impairment during the year	(180)	(3,518)
Written-off during the year	18,597	—
Exchange adjustments	(8,992)	(1,062)
Balance at end of year	<b>(143,942)</b>	(153,367)
	<b>1,003,573</b>	801,038
Land and buildings situated outside Hong Kong held under the following lease terms:		
Long term leases	51,025	86,186
Medium term leases	913,444	680,500
Freehold	39,104	34,352
	<b>1,003,573</b>	801,038

Certain properties under development have been mortgaged to secure banking facilities made available to the Group as set out in Note 29 to the financial statements.

Notes to the Financial Statements (continued)

22. Interests in Associates

	Group	
	2010 HK\$'000	2009 HK\$'000
Share of net assets in listed investments	753,318	613,538
Share of net assets in unlisted investments	6,398,378	2,849,416
Goodwill	45,905	—
Due from associates	550,035	447,808
Due to associates	—	(3,654)
	<b>7,747,636</b>	3,907,108
Provisions for impairment losses	<b>(239,886)</b>	(137,209)
	<b>7,507,750</b>	3,769,899
Market value of listed investments at 31st December	<b>361,042</b>	451,340

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 include a loan of HK\$4,500,000 (2009 — HK\$4,500,000), which bears interest at Hong Kong dollar prime rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited and has no fixed terms of repayment. At the end of the reporting period, such balance was impaired and provided for (2009 — Nil).

The balances with the associates include another loan of HK\$32,320,000 (2009 — Nil), which bears interest at 8.5 per cent. per annum and is repayable on 30th November, 2011. The remaining balances with the associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these balances are considered as quasi-equity investments in the associates.

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Assets	46,664,067	31,203,090
Liabilities	<b>(31,153,973)</b>	(20,006,633)
Revenue	4,004,602	3,272,221
Profit/(Loss)	<b>2,044,935</b>	(476,005)

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

Notes to the Financial Statements (continued)

23. Interests in Jointly Controlled Entities

	Group	
	2010 HK\$'000	2009 HK\$'000
Share of net assets in unlisted investments	100,217	141,583
Due from jointly controlled entities	211,687	203,487
	311,904	345,070
Provisions for impairment losses	(1,028)	(1,028)
	310,876	344,042

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	789,933	824,018
Non-current assets	9,743	325
Current liabilities	(85,507)	(88,312)
Non-current liabilities	(387,801)	(391,954)
Net assets	326,368	344,077
Share of the jointly controlled entities' results:		
Revenue	38,851	1,117,097
Total expenses	(38,384)	(912,946)
Profit after tax	467	204,151
Share of the jointly controlled entities' capital commitments	242,741	77,349

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

Notes to the Financial Statements (continued)

24. 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:				
Equity securities listed overseas	381,782	306,136	—	—
Debt securities listed overseas	18,841	17,509	—	—
Unlisted debt securities	—	12,654	—	—
Unlisted investment funds	62,912	82,441	—	—
	<b>463,535</b>	418,740	—	—
Financial assets stated at cost:				
Unlisted equity securities	110,397	143,658	8,920	8,920
Unlisted debt securities	11,663	12,175	1,200	1,200
Unlisted investment funds	15,461	15,461	—	—
	<b>137,521</b>	171,294	<b>10,120</b>	10,120
Provisions for impairment losses	<b>(108,417)</b>	(138,960)	<b>(8,920)</b>	(8,920)
	<b>29,104</b>	32,334	<b>1,200</b>	1,200
	<b>492,639</b>	451,074	<b>1,200</b>	1,200

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	492,179	449,794	8,920	8,920
Debt securities:				
Club debentures	11,663	12,175	1,200	1,200
Corporate entities	8,320	19,974	—	—
Banks and other financial institutions	10,521	10,189	—	—
	<b>30,504</b>	42,338	<b>1,200</b>	1,200

## Notes to the Financial Statements (continued)

### 24. Available-for-sale Financial Assets (continued)

During the year, the gross gain in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK\$85,505,000 (2009 — loss of HK\$53,214,000), of which loss of 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.

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 with reference to their business performances prepared by the investees' management. An impairment loss of HK\$13,417,000 (2009 — HK\$6,832,000, 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.



Notes to the Financial Statements (continued)

25. Held-to-maturity Financial Assets

	Group	
	2010 HK\$'000	2009 HK\$'000
Debt securities, at amortised cost:		
Listed in Hong Kong	2,411	—
Listed overseas	9,421	9,431
	<b>11,832</b>	9,431
Market value of listed debt securities	<b>12,334</b>	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 HK\$'000	2009 HK\$'000
Banks and other financial institutions	<b>11,832</b>	9,431

26. Loans and Advances

The loans and advances to customers of the Group have effective interest rates ranging from 2 per cent. to 9 per cent. (2009 — 2 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	<b>13,294</b>	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.

Notes to the Financial Statements (continued)

27. Financial Assets at Fair Value through Profit or Loss

	Group	
	2010 HK\$'000	2009 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	13,523	25,081
Listed overseas	7,660	9,168
	<b>21,183</b>	34,249
Investment funds:		
Unlisted	107,744	96,178
Derivative financial assets:		
Call option	23,198	—
	<b>152,125</b>	130,427

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Equity securities:		
Corporate entities	14,085	23,522
Banks and other financial institutions	5,049	6,528
Public sector entities	2,049	4,199
	<b>21,183</b>	34,249

Notes to the Financial Statements (continued)

**28. Debtors, Prepayments and Deposits**

The balance mainly comprised of consideration receivables in respect of the disposal of the retail business of HK\$209,000,000 (2009 – progress billing receivables in respect of the sales of property units under a development project in the Republic of Singapore of HK\$151,429,000).

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	38,304	14,731
Between 31 and 60 days	–	885
Between 61 and 90 days	4	374
Between 91 and 180 days	–	775
Over 180 days	–	2,489
	<b>80,532</b>	57,691

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 the end of the reporting period, the impaired other receivables are related to investment and property development projects. 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	15,874	15,874
Allowance for bad and doubtful debts	26,645	–
Balance at end of year	42,519	15,874

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. 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)

29. Bank and Other Borrowings

	Group		Company	
	2010 HK\$'000	2009 HK\$'000 (restated)	2010 HK\$'000	2009 HK\$'000
Bank loans:				
Secured (Note (a))	2,059,991	1,966,821	348,000	403,000
Unsecured	—	10,000	—	—
	2,059,991	1,976,821	348,000	403,000
Other borrowings:				
Unsecured (Note (b))	—	39,550	—	—
	2,059,991	2,016,371	348,000	403,000
Less: Amount classified under current portion	(588,779)	(211,288)	(188,000)	(55,000)
Non-current portion	1,471,212	1,805,083	160,000	348,000
Bank and other borrowings by currency:				
Hong Kong dollar	1,331,000	1,358,000	348,000	403,000
United States dollar	271,793	225,670	—	—
Renminbi	457,198	432,701	—	—
	2,059,991	2,016,371	348,000	403,000
Bank loans repayable:				
Within one year or on demand	588,779	171,738	188,000	55,000
In the second year	1,095,717	481,550	160,000	188,000
In the third to fifth years, inclusive	229,789	817,289	—	160,000
After five years	145,706	506,244	—	—
	2,059,991	1,976,821	348,000	403,000
Other borrowings repayable:				
Within one year	—	39,550	—	—

## Notes to the Financial Statements (continued)

### 29. Bank and Other Borrowings (continued)

Note:

- (a) At the end of the reporting period, the bank loans were secured by:
- (i) shares in certain listed subsidiaries of the Group with market value of HK\$2,898,101,000 (2009 — HK\$2,299,969,000);
  - (ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development of the Group with carrying amounts of HK\$3,647,844,000 (2009 — HK\$2,932,790,000), HK\$105,024,000 (2009 — HK\$116,031,000) and HK\$867,373,000 (2009 — HK\$421,000,000), respectively; and
  - (iii) 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, 2009 comprised of an unsecured loan advanced 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 1.7 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.

### 30. 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	33,304	72,644
Between 31 and 60 days	35	9,576
Between 61 and 90 days	—	2,634
Between 91 and 180 days	—	4,418
Over 180 days	—	1,402
	<b>619,260</b>	741,562

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.

Notes to the Financial Statements (continued)

**31. 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.

**32. Deferred Tax**

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

**Group**

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Fair value gains on available-for-sale financial assets HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
<b>2010</b>						
At 1st January, 2010	5,941	514,712	689	(9,740)	2,026	513,628
Deferred tax charged/(credited) to the income statement during the year	3,045	158,195	—	(1,024)	(796)	159,420
Deferred tax debited to equity during the year	—	—	1,800	—	—	1,800
Exchange adjustments	—	19,598	—	—	54	19,652
<b>At 31st December, 2010</b>	<b>8,986</b>	<b>692,505</b>	<b>2,489</b>	<b>(10,764)</b>	<b>1,284</b>	<b>694,500</b>
<b>2009</b>						
At 1st January, 2009	5,447	466,346	1,320	(7,566)	2,409	467,956
Deferred tax charged/(credited) to the income statement during the year	494	43,776	—	(2,174)	(383)	41,713
Deferred tax debited/(credited) to equity during the year	—	3,853	(632)	—	—	3,221
Exchange adjustments	—	737	1	—	—	738
At 31st December, 2009	5,941	514,712	689	(9,740)	2,026	513,628

## Notes to the Financial Statements (continued)

### 32. Deferred Tax (continued)

The Group has tax losses of HK\$693,908,000 (2009 — HK\$780,091,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except for tax losses of HK\$6,176,000 (2009 — HK\$156,025,000) which will expire on or before 2015. In 2009, the Group had deductible temporary differences of HK\$170,512,000. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses at the end of the reporting period due to the unpredictability of future profit streams.

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

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.

### 33. Share Capital Shares

	Group and Company	
	2010 HK\$'000	2009 HK\$'000
<b>Authorised:</b>		
30,000,000,000 (2009 — 30,000,000,000) ordinary shares of HK\$0.10 each	<b>3,000,000</b>	3,000,000
<b>Issued and fully paid:</b>		
500,433,372 (2009 — 500,433,372) ordinary shares of HK\$0.10 each	<b>50,043</b>	50,043

#### Warrants

As at 1st January, 2010, the Company had 54,214,266 units of warrants outstanding with an aggregate subscription value of approximately HK\$254,807,000. Each warrant entitles the holder thereof to subscribe in cash for one ordinary share of HK\$0.10 in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both days inclusive). During the year, there was no movement in the warrants. The exercise in full of the outstanding warrants would, under the present capital structure of the Company, result in the issue of 54,214,266 additional ordinary shares of HK\$0.10 each in the Company.

## Notes to the Financial Statements *(continued)*

### 34. Share Option Schemes

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

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

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

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

34. Share Option Schemes (continued)

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

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

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

As at 1st January, 2010, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 6,046,250 Shares (the "Option Shares").

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

Participants	Date of grant	Exercise price per share HK\$	Number of Option Shares		
			Balance as at 1st January, 2010	Lapsed during the year	Balance as at 31st December, 2010
Directors:					
John Luen Wai Lee	17th December, 2007	5.58	1,125,000	—	1,125,000
Leon Nim Leung Chan	17th December, 2007	5.58	193,750	—	193,750
Jark Pui Lee	17th December, 2007	5.58	162,500	—	162,500
Edwin Neo	17th December, 2007	5.58	162,500	—	162,500
King Fai Tsui	17th December, 2007	5.58	162,500	—	162,500
Victor Ha Kuk Yung	17th December, 2007	5.58	162,500	—	162,500
Employees (Note 1)					
	17th December, 2007	5.58	3,290,000	—	3,290,000
	1st August, 2008	3.95	625,000	—	625,000
Others (Note 2)					
	17th December, 2007	5.58	162,500	62,500	100,000
Total			6,046,250	62,500	5,983,750
Weighted average exercise price per share (HK\$)			5.41	5.58	5.41

Note:

- 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.
- Others included a former Eligible Person who held an option to subscribe for 62,500 Option Shares which lapsed on 15th August, 2010.

Notes to the Financial Statements (continued)

**34. Share Option Schemes (continued)**

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

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

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme, save for those subject to options granted but not yet exercised under the Share Option Scheme, is 37,389,751 Shares, representing approximately 7.5 per cent. of the existing issued share capital of the Company.

The exercise prices of the Option Shares and exercise periods of the options of the Company outstanding as at 31st December, 2010 are as follows:

Number of Option Shares	Exercise price		Exercise period
	per share (Note)		
	HK\$		
5,358,750	5.58		17th June, 2008 to 16th December, 2012
625,000	3.95		1st August, 2009 to 16th December, 2012

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

At the end of the reporting period, the Company had options outstanding under the Share Option Scheme to subscribe for 5,983,750 Shares, which represented approximately 1.2 per cent. of the then issued share capital of the Company. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 5,983,750 additional Shares and cash proceeds, before expenses, of approximately HK\$32,371,000. In addition, the exercise in full of all these options would provide additional share capital of HK\$598,375 and share premium of approximately HK\$31,772,000 (before issue expenses).

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

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

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

Notes to the Financial Statements (continued)

34. Share Option Schemes (continued)

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

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

Options to subscribe for a total of 7,500,000 LCR Shares lapsed in 2009.

As at 1st January, 2010, there were outstanding options granted under the LCR Share Option Scheme to subscribe for a total of 91,510,000 LCR Shares (the "LCR Option Shares").

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

Participants	Date of grant	Exercise price per share HK\$	Number of LCR Option Shares		
			Balance as at 1st January, 2010	Lapsed during the year	Balance as at 31st December, 2010
Directors:					
John Luen Wai Lee	17th December, 2007	0.267	22,000,000	—	22,000,000
Leon Nim Leung Chan	17th December, 2007	0.267	3,000,000	—	3,000,000
Edwin Neo	17th December, 2007	0.267	2,300,000	—	2,300,000
King Fai Tsui	17th December, 2007	0.267	2,300,000	—	2,300,000
Victor Ha Kuk Yung	17th December, 2007	0.267	2,300,000	—	2,300,000
Employees (Note 1)	17th December, 2007	0.267	20,260,000	—	20,260,000
	1st August, 2008	0.169	7,000,000	—	7,000,000
Others (Note 2)	17th December, 2007	0.267	32,350,000	500,000	31,850,000
<b>Total</b>			<b>91,510,000</b>	<b>500,000</b>	<b>91,010,000</b>
Weighted average exercise price per share (HK\$)			0.260	0.267	<b>0.259</b>

Note:

- Employees refer to the employees of LCR and its subsidiaries 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.
- Others included a former Eligible Person who held an option to subscribe for 500,000 LCR Option Shares which lapsed on 15th August, 2010.

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

As at the date of this report, the total number of LCR Shares available for issue under the LCR Share Option Scheme, save for those subject to options granted but not yet exercised under the LCR Share Option Scheme, is 829,098,871 LCR Shares, representing approximately 9 per cent. of the existing issued share capital of LCR.

Notes to the Financial Statements (continued)

34. Share Option Schemes (continued)

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

The exercise prices of the LCR Option Shares and exercise periods of the options of LCR outstanding as at 31st December, 2010 are as follows:

Number of LCR Option Shares	Exercise price per share (Note) HK\$	Exercise period
84,010,000	0.267	17th June, 2008 to 16th December, 2012
7,000,000	0.169	1st August, 2009 to 16th December, 2012

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

At the end of the reporting period, LCR had options outstanding under the LCR Share Option Scheme to subscribe for 91,010,000 LCR Shares, which represented approximately 1 per cent. of the then issued share capital of LCR. The exercise in full of the outstanding options would, under the present capital structure of LCR, result in the issue of 91,010,000 additional LCR Shares and cash proceeds, before expenses, of approximately HK\$23,614,000. In addition, the exercise in full of all these options would provide additional share capital of HK\$9,101,000 and share premium of approximately HK\$14,513,000 (before issue expenses).

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

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

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

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

Notes to the Financial Statements (continued)

34. Share Option Schemes (continued)

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

As at 1st January, 2010, there were outstanding options granted under the HKC Share Option Scheme to subscribe for a total of 20,206,800 HKC Shares (the “HKC Option Shares”).

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

Participants	Date of grant	Exercise price per share HK\$	Number of HKC Option Shares		
			Balance as at 1st January, 2010	Lapsed during the year	Balance as at 31st December, 2010
Directors:					
John Luen Wai Lee	17th December, 2007	1.24	4,590,000	—	4,590,000
Leon Nim Leung Chan	17th December, 2007	1.24	810,000	—	810,000
King Fai Tsui	17th December, 2007	1.24	607,500	—	607,500
Victor Ha Kuk Yung	17th December, 2007	1.24	607,500	—	607,500
Other directors of HKC	17th December, 2007	1.24	1,215,000	—	1,215,000
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

Note:

- Employees refer to the employees of HKC and its subsidiaries 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.
- Others included a former Eligible Person who held an option to subscribe for 337,500 HKC Option Shares which lapsed on 15th August, 2010.

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

As at the date of this report, the total number of HKC Shares available for issue under the HKC Share Option Scheme, save for those subject to options granted but not yet exercised under the HKC Share Option Scheme, is 114,813,609 HKC Shares, representing approximately 6.2 per cent. of the existing issued share capital of HKC.

Notes to the Financial Statements (continued)

34. Share Option Schemes (continued)

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

The exercise prices of the HKC Option Shares and exercise periods of the options of HKC outstanding as at 31st December, 2010 are as follows:

Number of HKC Option Shares	Exercise price	
	per share (Note)	Exercise period
	HK\$	
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 HKC Option Shares are subject to adjustment in case of rights or bonus issues, or other similar changes in HKC's share capital.

At the end of the reporting period, HKC had options outstanding under the HKC Share Option Scheme to subscribe for 19,869,300 HKC Shares, which represented approximately 1.1 per cent. of the then issued share capital of HKC. The exercise in full of the outstanding options would, under the present capital structure of HKC, result in the issue of 19,869,300 additional HKC 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 HK\$19,869,300 and share premium of approximately HK\$4,283,000 (before issue expenses).

Notes to the Financial Statements (continued)

35. 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 pages 40 and 41 of the financial statements.

Company

	Share premium account HK\$'000	Share option reserve HK\$'000	Special capital reserve (Note (a)) HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>2010</b>						
At 1st January, 2010	912,350	12,766	1,709,202	22,034	126,144	2,782,496
Total comprehensive income for the year (Note 15)	—	—	—	—	5,915	5,915
2009 final dividend, declared and paid to shareholders of the Company	—	—	—	—	(10,009)	(10,009)
<b>At 31st December, 2010</b>	<b>912,350</b>	<b>12,766</b>	<b>1,709,202</b>	<b>22,034</b>	<b>122,050</b>	<b>2,778,402</b>
<b>2009</b>						
At 1st January, 2009	912,350	12,766	1,709,202	18,780	174,013	2,827,111
Total comprehensive income for the year (Note 15)	—	—	—	—	9,361	9,361
Repurchase of shares	—	—	—	3,254	(37,212)	(33,958)
2008 final dividend, declared and paid to shareholders of the Company	—	—	—	—	(10,009)	(10,009)
2009 interim dividend, declared and paid to shareholders of the Company	—	—	—	—	(10,009)	(10,009)
At 31st December, 2009	912,350	12,766	1,709,202	22,034	126,144	2,782,496

## Notes to the Financial Statements (continued)

### 35. Reserves (continued)

At 31st December, 2010, the Company's reserves available for distribution, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$122,050,000 (2009 — HK\$126,144,000). As at 31st December, 2010, other distributable reserve amounted to HK\$1,709,202,000 (2009 — HK\$1,709,202,000).

Included in the retained profits of the Group and the Company as at 31st December, 2010 was an amount of a proposed final dividend for the year then ended of HK\$10,009,000 (2009 — HK\$10,009,000) declared after the end of the reporting period.

Note:

#### (a) Special capital reserve

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

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

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

As at 31st December, 2010, no special capital reserve remained subject to the Undertaking (2009 — Nil).

#### (b) Legal reserve

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

#### (c) Regulatory reserve

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

#### (d) Hedging reserve

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



Notes to the Financial Statements (continued)

**36. Interests in Subsidiaries**

	<b>Company</b>	
	<b>2010</b> HK\$'000	2009 HK\$'000
Unlisted shares, at cost	<b>1</b>	1
Due from subsidiaries	<b>4,009,628</b>	4,003,704
Due to subsidiaries	<b>(635,473)</b>	(583,307)
	<b>3,374,156</b>	3,420,398
Provisions for impairment losses	<b>(205,074)</b>	(205,074)
	<b>3,169,082</b>	3,215,324

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 132 to 141.

Notes to the Financial Statements (continued)

37. Notes to the Consolidated Statement of Cash Flows

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

	Note	Group	
		2010 HK\$'000	2009 HK\$'000
Profit before tax (including profit/(loss) before tax from discontinued operation)		3,070,287	31,964
Adjustments for:			
Share of results of associates		(2,241,053)	316,798
Share of results of jointly controlled entities		(157)	(204,404)
Loss/(Gain) on disposal of:			
Fixed assets		(35,856)	90
Investment properties	7	754	145
Subsidiaries	37(b)	(362,614)	—
Available-for-sale financial assets	7	756	—
Associates		196	(284)
Provisions for impairment losses:			
Associates		21,065	79,723
A jointly controlled entity	7	—	494
Available-for-sale financial assets	7	13,417	6,832
Properties held for sale	7	—	759
Properties under development	7	180	3,518
Impairment of goodwill	7	—	23,371
Impairment of fixed assets	7	—	5,928
Fair value gains on investment properties		(661,467)	(222,637)
Net fair value gain on financial assets at fair value through profit or loss		(9,020)	(32,013)
Allowance/(Write-back of allowance) for bad and doubtful debts	7	32,954	(7,062)
Receivables written-off	7	—	4,599
Finance costs		56,580	62,123
Interest income		(19,141)	(29,482)
Dividend income		(2,980)	(3,450)
Depreciation	7	33,568	41,200
Excess over the cost of business combination		—	(1,870)
		(102,531)	76,342
Decrease/(Increase) in properties held for sale		13,424	(9,825)
Decrease in properties under development		—	730,634
Increase in inventories		(1,038)	(981)
Decrease in held-to-maturity financial assets		3	36
Decrease/(Increase) in financial assets at fair value through profit or loss		(50,663)	1,745
Decrease/(Increase) in loans and advances		(29,727)	10,104
Decrease/(Increase) in debtors, prepayments and deposits		107,821	(145,287)
Decrease/(Increase) in client trust bank balances		71,466	(120,883)
Increase/(Decrease) in creditors, accruals and deposits received		226,988	(333,979)
Increase/(Decrease) in current, fixed, savings and other deposits of customers		(26,359)	31,911
Increase in deferred rental		11,864	38,375
Cash generated from operations		221,248	278,192

Notes to the Financial Statements (continued)

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

(b) Disposal of subsidiaries

	Group	
	2010 HK\$'000	2009 HK\$'000
Net assets disposed of:		
Fixed assets	210,614	—
Interests in associates	—	388
Available-for-sale financial assets	3,210	—
Inventories	4,099	—
Financial assets at fair value through profit or loss	—	12,000
Debtors, prepayments and deposits	123,461	—
Tax recoverable	207	—
Cash and bank balances	77,605	—
Creditors, accruals and deposits received	(189,632)	(58)
Deferred rental	(183,887)	—
	45,677	12,330
Non-controlling interests	(1,080)	—
Release of cumulative exchange differences on translation of foreign operations	(4,826)	—
	39,771	12,330
Gain on disposal	362,614	—
	402,385	12,330
Satisfied by:		
Cash consideration received	171,000	12,330
Increase in other receivables	209,000	—
Increase in financial assets at fair value through profit or loss	22,385	—
	402,385	12,330

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Cash consideration received	171,000	12,330
Cash and bank balances disposed of	(77,605)	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	93,395	12,330

Notes to the Financial Statements (continued)

**38. Contingent Liabilities**

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).

The Company did not have any material contingent liabilities at the end of the reporting period (2009 – Nil).

**39. Operating Lease Arrangements**

**(a) As lessor**

The Group leases its investment properties and properties held for sale under operating lease arrangements with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. At 31st December, 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	52,777	90,337
In the second to fifth years, inclusive	109,605	100,397
	<b>162,382</b>	190,734

**(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	10,906	183,669	6,617	4,764
In the second to fifth years, inclusive (Note)	616	679,663	6,617	—
After five years (Note)	—	1,875,831	—	—
	<b>11,522</b>	2,739,163	<b>13,234</b>	4,764

Note: Significant reduction in the balances in 2010 was mainly due to the disposal of the retail business.

## Notes to the Financial Statements (continued)

### 40. 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	600,816	149,845
Other capital commitments:		
Contracted, but not provided for (Note)	81,920	75,596
	<b>682,736</b>	225,441

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).

### 41. Related Party Transactions

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

- (a) 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 22 and 23 to the financial statements, respectively.
- (b) During the year, ImPac Asset Management (HK) Limited, a wholly-owned subsidiary of HKC which in turn is a non-wholly owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, an associate of the Group, amounting to HK\$11,328,000 (2009 — HK\$11,349,000).
- (c) During the year, Lippo Realty (Singapore) Pte. Limited, a wholly-owned subsidiary of HKC which in turn is a non-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.
- (d) On 7th August, 2010, the Group entered into an agreement with Multipolar, an associate of Lippo Cayman, and Mainvest, a wholly-owned subsidiary of Multipolar, for the disposal of the retail business which was carried on by Congrex and its subsidiaries and the assignment and transfer of relevant brand names and related trademarks and domain name to Mainvest (or its nominee) for an aggregate cash consideration of HK\$345,000,000 which would be payable in cash by instalments (the "Disposal"). In connection with the Disposal, an option was granted to the Group to buy back 20 per cent. of the enlarged issued share capital of Congrex within three years from the completion of the Disposal. The Disposal was subsequently completed on 15th October, 2010. Further details of the Disposal are set out in Note 14 to the financial statements and in the section headed "Connected Transaction" in the Report of the Directors.
- (e) On 15th September, 2010, the Group entered into an agreement with Food Junction International Pte Ltd, an associate of the Group, for the disposal of its entire interest in All Around Limited, for a cash consideration of HK\$31,000,000. The disposal was subsequently completed on 2nd November, 2010.

Notes to the Financial Statements (continued)

**42. 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	—	—	—	492,639	492,639
Financial assets at fair value through profit or loss	152,125	—	—	—	152,125
Loans and advances	—	—	238,523	—	238,523
Debtors and deposits	—	—	350,454	—	350,454
Client trust bank balances	—	—	560,850	—	560,850
Pledged time deposits	—	—	308	—	308
Treasury bills	—	—	9,700	—	9,700
Cash and bank balances	—	—	969,164	—	969,164
	152,125	11,832	2,132,987	492,639	2,789,583

**Financial liabilities**

	Financial liabilities at amortised cost HK\$'000
Bank and other borrowings	2,059,991
Creditors, accruals and deposits received	1,068,566
Current, fixed, savings and other deposits of customers	138,772
	3,267,329

Notes to the Financial Statements (continued)

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

Financial liabilities

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

Notes to the Financial Statements (continued)

42. 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

	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	—	1,200	1,200
Debtors and deposits	397	—	397
Cash and bank balances	8,039	—	8,039
	8,436	1,200	9,636

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Bank loans	348,000
Creditors, accruals and deposits received	3,327
	351,327



## Notes to the Financial Statements (continued)

### 42. Financial Instruments by Category (continued)

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

#### Company

At 31st December, 2009

#### Financial assets

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

#### Financial liabilities

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

### 43. 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)

Notes to the Financial Statements (continued)

43. Fair Value Hierarchy (continued)

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:				
Equity securities	381,782	—	—	381,782
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	21,183	—	—	21,183
Investment funds	—	519	107,225	107,744
Derivative financial assets	—	—	23,198	23,198
	<b>421,806</b>	<b>4,125</b>	<b>189,729</b>	<b>615,660</b>

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:				
Equity securities	306,136	—	—	306,136
Debt securities	17,509	—	12,654	30,163
Investment funds	—	3,204	79,237	82,441
Financial assets at fair value through profit or loss:				
Equity securities	34,249	—	—	34,249
Investment funds	—	501	95,677	96,178
	357,894	3,705	187,568	549,167

Notes to the Financial Statements (continued)

43. Fair Value Hierarchy (continued)

Group

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

	Available- for-sale debt securities HK\$'000	Available- for-sale investment funds HK\$'000	Investment funds at fair value through profit or loss HK\$'000	Derivative financial assets HK\$'000
At 1st January, 2010	12,654	79,237	95,677	—
Total gains/(losses) recognised in the income statement	(8,944)	—	5,106	813
Total losses recognised in other comprehensive income	(3,710)	(15,123)	—	—
Purchases	—	38	77,766	22,385
Disposals	—	(3,363)	(71,400)	—
Exchange adjustments	—	(1,483)	76	—
<b>At 31st December, 2010</b>	<b>—</b>	<b>59,306</b>	<b>107,225</b>	<b>23,198</b>

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

During the year, 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).

The Company did not hold any financial instruments measured at fair value as at the end of the reporting period (2009 — Nil).

Notes to the Financial Statements (continued)

**44. Financial Risk Management Objectives and Policies**

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

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

**(a) Credit risk**

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

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

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

The Group's exposure to credit risk arising from loans and advances and trade debtors at the end of the reporting period based on the information provided to key management is as follows:

	<b>Group</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>By geographical area:</b>		
Hong Kong	<b>153,185</b>	92,421
Mainland China	<b>1,858</b>	7,695
Republic of Singapore	<b>15,698</b>	15,858
Macau	<b>137,766</b>	147,350
Others	<b>10,548</b>	9,461
	<b>319,055</b>	272,785

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

Notes to the Financial Statements (continued)

44. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity risk

The Group manages the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations 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. 29 per cent. of the Group's debts would mature in less than one year as at 31st December, 2010 (2009 — 10 per cent.) based on the carrying values of bank and other borrowings.

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

Group

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>At 31st December, 2010</b>							
<b>Assets</b>							
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	—	—	—	—	—	30,504	30,504
Loans and advances	152,446	22,187	24,593	22,228	17,069	—	238,523
Debtors and deposits	64,641	40,305	210,530	6,709	—	28,269	350,454
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	344,939	624,225	—	—	—	—	969,164
	747,115	1,072,486	235,123	28,937	28,901	62,761	2,175,323
<b>Liabilities</b>							
Bank and other borrowings	19,978	30,000	538,801	1,325,506	145,706	—	2,059,991
Creditors, accruals and deposits received	588,599	152,388	16,864	—	—	310,715	1,068,566
Current, fixed, savings and other deposits of customers	113,673	20,390	4,709	—	—	—	138,772
	722,250	202,778	560,374	1,325,506	145,706	310,715	3,267,329

Notes to the Financial Statements (continued)

44. 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)							
<b>Assets</b>							
Amount due from an associate	—	—	—	—	—	4,500	4,500
Amount due from a jointly controlled entity	—	—	—	—	—	3,977	3,977
Debt securities:							
Held-to-maturity financial assets	—	—	—	—	9,431	—	9,431
Available-for-sale financial assets	—	—	—	—	12,654	29,684	42,338
Loans and advances	116,480	33,117	31,468	16,299	17,730	—	215,094
Debtors and deposits	47,383	21,280	3,944	12,995	—	268,878	354,480
Client trust bank balances	270,504	360,056	—	—	—	—	630,560
Pledged time deposits	—	292	—	—	—	—	292
Treasury bills	—	19,400	—	—	—	—	19,400
Cash and bank balances	314,641	874,393	124,081	—	—	—	1,313,115
	749,008	1,308,538	159,493	29,294	39,815	307,039	2,593,187
<b>Liabilities</b>							
Bank and other borrowings	19,308	30,000	161,980	1,298,839	506,244	—	2,016,371
Creditors, accruals and deposits received	652,031	116,841	19,500	55,412	—	192,408	1,036,192
Current, fixed, savings and other deposits of customers	81,455	77,666	6,010	—	—	—	165,131
	752,794	224,507	187,490	1,354,251	506,244	192,408	3,217,694

Notes to the Financial Statements (continued)

44. 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
<b>At 31st December, 2010</b>						
<b>Assets</b>						
Debt securities:						
Available-for-sale financial assets	—	—	—	—	1,200	1,200
Debtors and deposits	—	—	—	—	397	397
Cash and bank balances	8,039	—	—	—	—	8,039
	8,039	—	—	—	1,597	9,636
<b>Liabilities</b>						
Bank loans	—	—	188,000	160,000	—	348,000
Creditors, accruals and deposits received	—	1,319	—	—	2,008	3,327
	—	1,319	188,000	160,000	2,008	351,327
<b>At 31st December, 2009</b>						
<b>Assets</b>						
Debt securities:						
Available-for-sale financial assets	—	—	—	—	1,200	1,200
Debtors and deposits	—	—	—	—	397	397
Cash and bank balances	1,339	19,765	—	—	—	21,104
	1,339	19,765	—	—	1,597	22,701
<b>Liabilities</b>						
Bank loans	—	—	55,000	348,000	—	403,000
Creditors, accruals and deposits received	—	179	—	—	4,030	4,209
	—	179	55,000	348,000	4,030	407,209

Notes to the Financial Statements (continued)

44. 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
<b>Group</b>						
Hong Kong dollar	+50	(6,836)	(6,836)	+50	(6,036)	(6,036)
United States dollar	+50	(688)	(1,788)	+50	(709)	(1,662)
Singapore dollar	+50	1,181	1,181	+50	267	267
Renminbi	+50	(226)	(226)	+50	(831)	(831)
Hong Kong dollar	-50	6,836	6,836	-50	6,036	6,036
United States dollar	-50	688	1,926	-50	709	1,817
Singapore dollar	-50	(1,181)	(1,181)	-50	(267)	(267)
Renminbi	-50	226	226	-50	831	831
<b>Company</b>						
Hong Kong dollar	+50	(1,885)	(1,885)	+50	(1,836)	(1,836)
United States dollar	+50	15	15	+50	41	41
Hong Kong dollar	-50	1,885	1,885	-50	1,836	1,836
United States dollar	-50	(15)	(15)	-50	(41)	(41)



Notes to the Financial Statements (continued)

44. Financial Risk Management Objectives and Policies (continued)

(d) Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its banking activities, foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

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

	Increase/(Decrease) in profit before tax	
	2010 HK\$'000	2009 HK\$'000
<b>Group</b>		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2009 — 3 per cent.)	<b>9,837</b>	11,650
— weakened 3 per cent. (2009 — 3 per cent.)	<b>(9,837)</b>	(11,650)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2009 — 3 per cent.)	<b>3,306</b>	7,586
— weakened 3 per cent. (2009 — 3 per cent.)	<b>(3,306)</b>	(7,586)

The Company has no material foreign currency risk at the end of the reporting period (2009 — Nil).

The Group has a banking subsidiary in Macau with certain monetary assets and liabilities denominated in Hong Kong dollar and United States dollar. The Directors 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.

Notes to the Financial Statements (continued)

44. Financial Risk Management Objectives and Policies (continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 24) and financial assets at fair value through profit or loss (Note 27) as at 31st December, 2010. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore and Indonesia stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31st December, 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
Indonesia – Jakarta Composite Index	3,704	3,786/2,475	2,534	2,560/1,245

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
<b>2010</b>		
<b>Financial assets:</b>		
Hong Kong	13,523	998
Republic of Singapore	3,851	284
Indonesia	381,782	28,179
Global and other	197,663	14,589
<b>2009</b>		
<b>Financial assets:</b>		
Hong Kong	25,081	2,549
Republic of Singapore	3,456	353
Indonesia	276,348	20,391
Global and other	214,119	21,194

## Notes to the Financial Statements (continued)

### 44. Financial Risk Management Objectives and Policies (continued)

#### (f) Capital management

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

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

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission (the "SFC") and 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.

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 29)	2,059,991	2,016,371
Less: Non-controlling interests in bank and other borrowings	(566,305)	(518,424)
Bank and other borrowings, net of non-controlling interests	1,493,686	1,497,947
Equity attributable to the equity holders of the Company	7,264,078	4,701,052
Gearing ratio	20.6 per cent.	31.9 per cent.

## Notes to the Financial Statements *(continued)*

### **45. Event after the Reporting Period**

In January 2011, Win Joyce Limited (“Win Joyce”), a wholly-owned subsidiary of LCR, and Jeremiah Holdings Limited (“Jeremiah”), a 60 per cent. subsidiary of LCR, completed an agreement for the acquisition of the entire issued share capital of Pantogon Holdings Pte Ltd (“Pantogon”) by Win Joyce or its wholly-owned subsidiary from Jeremiah, and the assignment of the shareholder’s loans owed by Pantogon to Jeremiah, from Jeremiah to Win Joyce or its wholly-owned subsidiary, for a total consideration of approximately HK\$150,300,000. Following the completion of the above agreement, the Company has increased its effective interest in Auric Pacific Group Limited, a company listed on Singapore Exchange Securities Trading Limited, from approximately 19.9 per cent. to approximately 28.1 per cent.

### **46. 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. In addition, the comparative income statement for the year ended 31st December, 2009 has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (Note 14).

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

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*		Principal activities
Boom Peak Investments Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Brighting Investments Limited	Hong Kong	HK\$1	—	71.2	Investment holding
Broadwell Asia Limited	British Virgin Islands	US\$1	—	71.2	Property investment
CSK Beijing Pte. Limited**	Republic of Singapore	S\$1	—	71.2	Investment holding
CSK Shanghai Pte. Limited**	Republic of Singapore	S\$1	—	71.2	Investment holding
Cajan Enterprises Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Caross Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Carvio Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Castar Assets Limited	British Virgin Islands	US\$1	—	71.2	Property investment
Celestial Fortune Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Chalton Assets Limited	British Virgin Islands	US\$1	—	71.2	Property investment
China Chance Investments Limited	Hong Kong	HK\$1	—	71.2	Investment holding
China Gold Pte. Ltd.**	Republic of Singapore	S\$1	—	71.2	Investment holding
China Pacific Electric Limited	British Virgin Islands	US\$100	—	71.2	Investment holding
Chung Po Investment and Development Company Limited	Hong Kong	HK\$1,000 and HK\$2,000,000 non-voting deferred shares	—	71.2	Investment holding
Citinvest Asia Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Classic Premium Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Conreal Holdings Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Dhillon Investments Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Dragon Board Holdings Limited	British Virgin Islands	S\$1	—	71.2	Investment holding
Easy Fame Inc.	British Virgin Islands	US\$1	—	71.2	Leasing

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*		Principal activities
Energetic Holdings Limited	British Virgin Islands	US\$1	–	71.2	Property investment
Enterprise Day Limited**	Hong Kong	HK\$10,000	–	71.2	Property holding
Enterprise Winner Limited**	Hong Kong	HK\$10,000	–	71.2	Property holding
Far East States Limited**	Hong Kong	HK\$10,000	–	71.2	Property investment
Fortune Finance Investment Limited	British Virgin Islands	US\$1	–	71.2	Investment
Free Froce Limited**	Hong Kong	HK\$10,000	–	71.2	Property investment
Frontop Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
福建莆田忠信物業管理有限公司 (Fujian Putian Zhong Xin Property Management Limited)** – wholly foreign-owned re-invested enterprise**	People's Republic of China	RMB810,000*	–	71.2	Property management
福建大地湄洲工業區開發有限公司 (Fujian Tati Meizhou Industrial Park Development Co., Ltd.)** – wholly foreign-owned enterprise**	People's Republic of China	US\$5,000,000*	–	71.2	Property investment and property development
Gabarro Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
Gain Advance Limited**	Hong Kong	HK\$10,000	–	71.2	Property investment
GIMME 5 Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
Golden Harmony Limited	British Virgin Islands	US\$1	–	71.2	Financing and investment holding
Gothic Investments Limited	Samoa	US\$1	–	71.2	Property investment
Grace Mind Limited**	Hong Kong	HK\$10,000	–	71.2	Property investment
Grand Vista Limited	British Virgin Islands	US\$1	–	71.2	Investment holding
Grandtop Pacific Limited	British Virgin Islands	US\$1	–	71.2	Investment
HKCL Investments Pte. Ltd.**	Republic of Singapore	S\$1,000,000	–	71.2	Property development
Harvest Mark Enterprises Limited**	Hong Kong	HK\$10,000	–	71.2	Property investment

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*		Principal activities
Harvest Paradise Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Harvest World (HK) Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Hilltop Pacific Inc.	British Virgin Islands	US\$1	—	71.2	Investment holding
Hongkong China Treasury Limited	British Virgin Islands/ Hong Kong	US\$1	—	71.2	Securities investment
Istan Assets Limited	British Virgin Islands	US\$1	—	71.2	Property investment
Jumbo States International Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Keytime Holdings Limited	British Virgin Islands	US\$1	—	71.2	Property investment
Kingmild Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Kingz Ltd	British Virgin Islands	US\$1	—	71.2	Investment holding
LCR Ltd.	British Virgin Islands	US\$1	—	71.2	Intellectual property
Lippo Commercial Management & Consulting Limited	Hong Kong	HK\$1	—	71.2	Investment holding
力寶商業管理諮詢(深圳)有限公司 (Lippo Commercial Management & Consulting (Shenzhen) Limited)** — wholly foreign-owned enterprise**	People's Republic of China	US\$1,500,000*	—	71.2	Provision of consulting services
Lippo Consortium Pte. Limited**	Republic of Singapore	S\$2	—	71.2	Property development
Lippo Group International Pte. Limited**	Republic of Singapore	S\$2	—	71.2	Investment holding
Lippo Network Limited	Hong Kong	HK\$1	—	71.2	Liaison office in Korea
力寶置業(江蘇)有限公司 (Lippo Realty (Jiangsu) Limited)** — wholly foreign-owned enterprise**	People's Republic of China	US\$16,000,000*	—	71.2	Property development
Lippo Retail Holdings Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Lippoland (Singapore) Pte. Ltd.**	Republic of Singapore	S\$2,000,000	—	71.2	Investment holding
Mainly Investment Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Mantor Assets Limited	British Virgin Islands	US\$1	—	71.2	Property investment
Mars Century Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment



**Particulars of Principal Subsidiaries** *(continued)*

<b>Name of company</b>	<b>Place of incorporation/ registration/ operations</b>	<b>Issued and fully paid ordinary share capital (unless otherwise stated)</b>	<b>Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*</b>		<b>Principal activities</b>
Mars Line Property Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Masstrong Limited	Hong Kong	HK\$1	—	71.2	Investment holding
Maxfit Holdings Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Modern Good Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Netscope Limited	British Virgin Islands	US\$1	—	71.2	Investment
New Blueprint Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Nigel International Limited	British Virgin Islands	US\$1	—	71.2	Financing
Ocean Mate International Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Porbandar Limited	British Virgin Islands/ Hong Kong	US\$2	—	71.2	Property investment
莆田塔林基礎建設有限公司 (Putian Talin Infrastructure Company Limited)** — wholly foreign-owned enterprise**	People's Republic of China	US\$300,000*	—	71.2	Property services
Queenz Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Radical Profits Limited	British Virgin Islands	US\$1	—	71.2	Property investment
Ranktop International Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Reach Way Development Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment
Reiley Inc.	British Virgin Islands	US\$1	—	71.2	Investment holding
Rich Pride Holdings Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Sanfield Australia Pty Ltd**	Australia	A\$2	—	71.2	Investment holding
Seamake Limited**	Hong Kong	HK\$10,000	—	71.2	Property investment

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*		Principal activities
Star Trendy Limited	British Virgin Islands/ Hong Kong	US\$1	—	71.2	Property holding
Starrico Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Super Assets Company Limited	Samoa	US\$1	—	71.2	Investment holding
Super Equity International Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Superform Investment Limited	Hong Kong	HK\$100 and HK\$2 non-voting deferred shares	—	71.2	Property investment
Tamsett Holdings Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Tecwell Limited	British Virgin Islands	US\$100	—	71.2	Investment holding
Topstar China Limited	Hong Kong	HK\$1	—	71.2	Investment holding
Trefar Enterprises Limited	British Virgin Islands	US\$1	—	71.2	Property investment
Valiant Star Limited	British Virgin Islands	US\$1	—	71.2	Investment
Vitaland Limited	Hong Kong	HK\$1	—	71.2	Investment holding
West Tower Holding Limited	British Virgin Islands/ Hong Kong	US\$1	—	71.2	Property investment
Win Joyce Limited	Hong Kong	HK\$2	—	71.2	Money lending
Winfire Limited	British Virgin Islands	US\$1	—	71.2	Financing
Winnery Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Wintex Holdings Limited	British Virgin Islands	US\$1	—	71.2	Investment holding
Wollora Assets Limited	British Virgin Islands	US\$1	—	71.2	Property investment
World Grand Holding Limited	British Virgin Islands	US\$1	—	71.2	Investment
Writring Investments Limited	Hong Kong	HK\$2	—	71.2	Property investment
珠海中寶房產開發有限公司 (Zhuhai Chung Po House Property Development Company Limited)** — wholly foreign-owned enterprise**	People's Republic of China	RMB165,120,621*	—	71.2	Property investment and property development

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
上海力寶復興房地產有限公司 (Shanghai Lippo Fuxing Real Estate Limited)** — equity joint venture enterprise <sup>#</sup>	People's Republic of China	US\$25,000,000*	—	67.6	Property investment
Jeremiah Holdings Limited	British Virgin Islands	S\$1,298,645	—	42.7	Investment holding
Pantogon Holdings Pte Ltd**	Republic of Singapore	S\$1,000,000	—	42.7	Investment holding
Aussie Land Pty Ltd**	Australia	A\$100,000	—	39.2	Property development
Nine Heritage Pte Ltd**	Republic of Singapore	S\$1,000,000	—	34.2	Investment holding
Hongkong Chinese Limited (listed on The Stock Exchange of Hong Kong Limited)	Bermuda/Hong Kong	HK\$1,816,714,924	—	55.8	Investment holding
Allyield Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US\$1	—	55.8	Property investment
Centech Limited	British Virgin Islands	US\$1	—	55.8	Investment and business consultancy
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)** — wholly foreign-owned enterprise <sup>#</sup>	People's Republic of China	US\$3,000,000*	—	55.8	Property investment and management
Choregeo Pte. Ltd.**	Republic of Singapore	S\$1,000,000	—	55.8	Property investment
Conrich Inc.	British Virgin Islands	US\$1	—	55.8	Investment holding
Cyberspot Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Cyfield Limited	British Virgin Islands	US\$1	—	55.8	Property investment
Everwin Pacific Ltd.	British Virgin Islands	US\$1	—	55.8	Property investment
Fiatsco Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	—	55.8	Property investment
Gemark Limited	Hong Kong	HK\$1	—	55.8	Investment holding

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*		Principal activities
Goldlux Holdings Limited	British Virgin Islands	US\$1	—	55.8	Investments
Goldsney Investment Limited	Hong Kong	HK\$2	—	55.8	Securities investment
HKC Property Investment Holdings Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
HKC Realty LLC**	United States of America	US\$2,250,000*	—	55.8	Property investment
HKCL Investments Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Hong Kong Housing Loan Limited	Hong Kong	HK\$40,000,000	—	55.8	Money lending
ImPac Asset Management (HK) Limited	Hong Kong	HK\$8,500,000	—	55.8	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US\$2,000,100	—	55.8	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US\$13,000	—	55.8	Fund management
Lifepower Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Lippo Asia Limited	Hong Kong	HK\$120,000,000	—	55.8	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK\$400,000	—	55.8	Fund management
Lippo Futures Limited	Hong Kong	US\$2,000,000	—	55.8	Commodities brokerage
Lippo Hospital Management Inc.	British Virgin Islands	US\$1	—	55.8	Investment holding
Lippo Medical Holdings Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S\$2	—	55.8	Project management
Lippo (S) Pte. Ltd.**	Republic of Singapore	S\$2,000,000	—	55.8	Property investment
Lippo Securities Holdings Limited	Hong Kong	US\$23,000,000	—	55.8	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	—	55.8	Investment holding
Lippo Securities Limited	Hong Kong	HK\$220,000,000	—	55.8	Securities brokerage
L.S. Finance Limited	Hong Kong	HK\$5,000,000	—	55.8	Money lending

**Particulars of Principal Subsidiaries** *(continued)*

<b>Name of company</b>	<b>Place of incorporation/ registration and operations</b>	<b>Issued and fully paid ordinary share capital (unless otherwise stated)</b>	<b>Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*</b>		<b>Principal activities</b>
Masta Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Masuda Limited	British Virgin Islands	US\$10,000	—	55.8	Investment holding
MGS Ltd.	British Virgin Islands	US\$1	—	55.8	Investment holding
Norfyork International Limited	Hong Kong	HK\$25,000,000	—	55.8	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US\$1	—	55.8	Investment holding
Pacific Bond Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US\$1	—	55.8	Investments
Redsun Ltd.	British Virgin Islands/ Hong Kong	US\$1	—	55.8	Property investment
Rosery Inc.	British Virgin Islands	US\$1	—	55.8	Investment holding
Sinogain Asia Limited	British Virgin Islands	US\$1	—	55.8	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US\$1	—	55.8	Investments
Skyblue International Limited	British Virgin Islands	US\$1	—	55.8	Investments
Stargala Limited	British Virgin Islands	US\$1	—	55.8	Property investment
The Macau Chinese Bank Limited**	Macau	MOP180,000,000	—	55.8	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US\$1	—	55.8	Investments
Uchida Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Wealtop Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Winluck Asia Limited	British Virgin Islands	US\$1	—	55.8	Property investment
Winluck Pacific Limited	British Virgin Islands	US\$1	—	55.8	Property investment
Winrider Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Winsite Limited	British Virgin Islands	US\$1	—	55.8	Investments

Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)*		Principal activities
Winus Holdings Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US\$1	—	55.8	Investments
Yield Point Limited	British Virgin Islands	US\$1	—	55.8	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)** — cooperative joint venture enterprise##	People's Republic of China	US\$36,000,000*	—	44.7	Property development
TechnoSolve Limited	Hong Kong	HK\$26,296,000	—	38.3	Development of computer hardware and software
科慧(珠海)軟件有限公司** — wholly foreign-owned enterprise##	People's Republic of China	RMB800,000*	—	38.3	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US\$100	—	33.5	Investment holding

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

## type of legal entity

\* paid up registered capital

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

Note:

A\$ — Australian dollars

MOP — Macau patacas

Pesos — Philippines pesos

RMB — People's Republic of China renminbi

S\$ — Singapore dollars

US\$ — United States dollars

As at 31st December, 2010, all the subsidiaries of the Company had no loan capital or convertible loan capital.

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

## Particulars of Principal Associates

Particulars of Principal Associates as at 31st December, 2010 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Group <sup>#</sup>	Principal activities
Standard Pacific Limited	Corporate	Hong Kong	HK\$4,290,000	50	Investment holding
MIDAN City Development Co., Ltd. <i>(formerly known as Lippo Incheon Development Co., Ltd.)</i>	Corporate	Korea	KRW71,817,000,000	47.9	Property development
King Success Limited	Corporate	Hong Kong	HK\$10,000	35.6	Property investment
Lippo-Savills Property Management Limited	Corporate	Hong Kong	HK\$2	35.6	Property management services
Asia Now Resources Corp. <i>(listed on TSX Venture Exchange of Canada)</i>	Corporate	Canada	C\$30,369,153	35.5	Exploration of mineral resources
Maxipo International Limited	Corporate	Hong Kong	HK\$51,874,833	34.8	Trading and investment holding
Medco Holdings, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i>	Corporate	Republic of the Philippines	Pesos 700,000,000	32.8	Investment holding
莆田華正自來水有限公司 <i>(Putian Hua Zheng Water Co., Ltd.)</i>	Equity joint venture enterprise	People's Republic of China	RMB9,241,470*	28.5	Water supply
CTC Entrepreneurs Corporation	Corporate	Republic of the Philippines	Pesos 250,000	28.5	Investment holding
Greenix Limited	Corporate	British Virgin Islands	US\$100,000	27.9	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S\$1,000,000	27.9	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US\$100	27.4	Investment management
Grosswin Limited	Corporate	British Virgin Islands	US\$10,000	25.1	Investment holding
Catalyst Enterprises Limited	Corporate	British Virgin Islands	US\$50,000	24.9	Investment holding
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US\$15,036.58	22.3	Investment holding

Particulars of Principal Associates (continued)

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Group <sup>#</sup>	Principal activities
Auric Pacific Group Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i>	Corporate	Republic of Singapore	S\$64,460,182	19.9	Investment holding
Export and Industry Bank, Inc. <i>(listed on The Philippine Stock Exchange, Inc.)</i>	Corporate	Republic of the Philippines	Pesos 4,734,452,540	19.5	Commercial banking
Food Junction Holdings Limited <i>(listed on Singapore Exchange Securities Trading Limited)</i>	Corporate	Republic of Singapore	S\$12,707,436	11.6	Investment holding
Lippo ASM Asia Property LP**	Limited partnership	Cayman Islands	N/A	N/A	Property-related investment

<sup>#</sup> represents the effective holding of the Group after non-controlling interests therein

<sup>\*</sup> paid up registered capital

<sup>\*\*</sup> Lippo ASM Asia Property LP is a limited partnership of which a wholly-owned subsidiary of Hongkong Chinese Limited, an indirect subsidiary of the Company, is the limited partner

Note:

C\$ — Canadian dollars

KRW — Korean Won

Pesos — Philippines pesos

RMB — People's Republic of China renminbi

S\$ — Singapore dollars

US\$ — United States dollars

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



## Particulars of Principal Jointly Controlled Entities

Particulars of Principal Jointly Controlled Entities as at 31st December, 2010 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group <sup>#</sup>	Principal activities
Tanglin Residential Pte. Ltd.	Corporate	Republic of Singapore	S\$2	35.6	Property investment and property development
Yunnan Tin-Lippo (Hong Kong) Resources Company Limited	Corporate	Hong Kong	HK\$10,000,000	34.9	Investments and metal trading
Sunning Asia Limited	Corporate	British Virgin Islands	US\$50,000	27.9	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S\$1,000,000	27.9	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US\$2	27.9	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US\$26,835,860	16.7	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S\$37,914,247	16.7	Property development

<sup>#</sup> represents the effective holding of the Group after non-controlling interests therein

Note:

S\$ — Singapore dollars

US\$ — United States dollars

## Schedule of Major Properties

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

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

*All the above properties are held under long term leases.*

Schedule of Major Properties *(continued)*(1) Properties held for Investment as at 31st December, 2010 *(continued)*

Description	Use	Approximate gross floor area  <i>(square metres)</i>	Status	Approximate percentage of Group's interest
<b>People's Republic of China</b>				
19th Floor to 29th Floor and 13 car parking spaces of Lippo Tianma Plaza 1 Wuyibei Road Fuzhou, Fujian	Commercial	11,955	Rental	71.2
Lippo CTS Plaza 4 Shuiwan Road Gongbei, Zhuhai Guangdong	Commercial Multi-use/ Hotel	28,698 58,044	Rental To be developed	71.2
15 units of Tower 1 Bright China Chang An Building 7 Jian Guo Men Nei Avenue Beijing	Commercial	2,100	Rental	71.2
Lippo Plaza (excluding Unit 2 on Basement 1, 12th, 13th, 15th and 16th Floors and 4 car parking spaces) 222 Huaihai Zhong Road Shanghai Lot No. 141	Commercial	Office: 38,666 Retail: 9,217	Rental	67.6
5 floors of Unit 1 Building 1 Lippo Tower 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	55.8
<i>The above properties are held under medium term leases.</i>				
3rd to 6th Floors The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,072	Rental	55.8

*The above property is held as propriedade privada.*

Schedule of Major Properties *(continued)*(1) Properties held for Investment as at 31st December, 2010 *(continued)*

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

*The above property is held under long term leases.*

Schedule of Major Properties *(continued)*

## (2) Properties held for Sale as at 31st December, 2010

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

## Schedule of Major Properties (continued)

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

Description	Use	Approximate site area <i>(square metres)</i>	Approximate gross floor area <i>(square metres)</i>	Approximate percentage of Group's interest	Estimated completion date	Stage of development as at 31st December, 2010
<b>People's Republic of China</b>						
Meizhou Island Putian, Fujian	Tourism/ Commercial	1,207,700	26,848	100	N/A	Phase I substantially completed
Tati City Shanting Township Putian, Fujian	Multi-use	1,292,467	150,963	71.2	N/A	Phase I completed
83 Estrada de Cacilhas Macau	Residential	3,583	18,349	55.8	2014	Under planning stage
Land Lot No.4C1 Beijing Economic- Technological Development Area (北京經濟技術開發區) Beijing	Multi-use	51,209	270,000	44.7	2012	Under construction
<b>Overseas</b>						
263 Ocean Drive Sentosa Cove Singapore 098148 Lot 1344M of MK 34 (Plot B8C-1)	Residential	708	530	71.2	N/A	Interior works in progress
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	55.8	N/A	Vacant land

Schedule of Major Properties *(continued)*

## (4) Properties held as Fixed Assets as at 31st December, 2010

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
<i>(square metres)</i>			
<b>Hong Kong</b>			
Certain office floors of Tower One Lippo Centre 89 Queensway Central Inland Lot No. 8615	Commercial	1,760	71.2
2nd Floor of Sun Court 3 Belcher's Street Kennedy Town Subsection 1 of Section C of Marine Lot No. 262, the remaining portion of Section C of Marine Lot No. 262 and the remaining portion of Marine Lot No. 262	Commercial	743	71.2
3 units and 3 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	660	71.2
<i>The above properties are held under long term leases.</i>			
<b>People's Republic of China</b>			
2 units of Tower 1 Bright China Chang An Building 7 Jian Guo Men Nei Avenue Beijing	Commercial	482	71.2
<i>The above properties are held under medium term leases.</i>			
Basement, Ground Floor, 1st Floor and 2nd Floor The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,076	55.8
<i>The above property is held as propriedade privada.</i>			

Schedule of Major Properties *(continued)***(4) Properties held as Fixed Assets as at 31st December, 2010** *(continued)*

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
<i>(square metres)</i>			

**Overseas**

259 Ocean Drive Sentosa Cove Singapore 098538 Lots 1342L and 1343C of MK 34 (Plot B8B – 5/6)	Residential	698	55.8
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*The above property is held under long term leases.*



## 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:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit/(Loss) attributable to equity holders of the Company	<b>1,684,537</b>	1,254	(336,744)	698,927	261,414
Total assets	<b>16,420,080</b>	12,037,586	12,546,472	13,003,482	11,242,200
Total liabilities	<b>(4,018,589)</b>	(3,993,566)	(4,454,395)	(4,624,716)	(4,376,793)
Net assets	<b>12,401,491</b>	8,044,020	8,092,077	8,378,766	6,865,407
Non-controlling interests	<b>(5,137,413)</b>	(3,342,968)	(3,401,841)	(3,588,709)	(3,124,976)
Equity attributable to equity holders of the Company	<b>7,264,078</b>	4,701,052	4,690,236	4,790,057	3,740,431

