Lippo Limited

力寶有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 226)

2011

ANNUAL REPORT

Contents

Corporate Information

Honorary Chairman*
Dr. Mochtar Riady

Board of Directors
Executive Directors
Mr. Stephen Riady *(Chairman)*
Mr. John Luen Wai Lee, BBS, JP
(Managing Director and Chief Executive Officer)
Mr. Jark Pui Lee, SBS, OBE, JP

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. King Fai Tsui *(Chairman)*
Mr. Leon Nim Leung Chan
Mr. Victor Ha Kuk Yung
Mr. Edwin Neo
Mr. Stephen Riady

Nomination Committee
Mr. King Fai Tsui *(Chairman)*
Mr. Leon Nim Leung Chan
Mr. Victor Ha Kuk Yung
Mr. Edwin Neo
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.
Bank of China, Macau Branch

Solicitors
Howse Williams Bowers

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

Website
www.lippoltd.com.hk

* *non-officer position*

I am pleased to present the annual report of the Company for the year ended 31st December, 2011.

Business Review

The global economy deteriorated visibly in 2011, with seeming recovery in the US and sovereign debt crisis dragging on across the Eurozone, emerging as an imminent source of threat to the world. With consumer and investor confidence and job markets staying weak, the economic prospect in developed economies has remained sluggish. In contrast, the growth of the emerging economies, though slowing, remains strong. Mainland China continued to be Asia's economic driving force, with its gross national product grew by 9.2 per cent. from a year ago. However, inflation rose well above target levels which brought renewed monetary action by the Central Government in the first half of 2011 to restrict credit expansion and bring down inflation, through, inter alia, increases of the banks' reserve requirement and Renminbi base rates. The inflation rate of mainland China eased from its peak of 6.5 per cent. in mid 2011 to 4.1 per cent. in late 2011. Apart from mainland China, India and the South East Asian countries, including Singapore, were the main contributors to the continuing steady economic growth in Asia.

Benefiting from steady economic growth in the Asian region in which the Group had operations, the Group recorded a consolidated profit attributable to shareholders of approximately HK$595 million for the year ended 31st December, 2011, as compared to a profit of HK$1,507 million for the year ended 31st December, 2010 when profit from discontinued operation was excluded. The profit was mainly attributable to the fair value gain of investment properties of the Group's subsidiaries and associates and the share of profit from the sale of certain residential units upon completion of property development projects in Singapore during the year. Hongkong Chinese Limited ("HKC", together with its subsidiaries, the "HKC Group"), a 56 per cent. listed subsidiary of the Company, recorded a consolidated profit attributable to shareholders of approximately HK$871 million for the year ended 31st December, 2011, as compared with a profit of HK$2,207 million for the year ended 31st December, 2010. Lippo China Resources Limited ("LCR", together with its subsidiaries, the "LCR Group"), a 71.21 per cent. listed subsidiary of the Company, also recorded a consolidated profit attributable to shareholders of approximately HK$288 million for the year ended 31st December, 2011, as compared with a profit of HK$478 million for the year ended 31st December, 2010 when profit from discontinued operation was excluded.


Lippo Centre in Hong Kong


Lippo Plaza in Shanghai

Business Review *(continued)*

Retail mall in Lippo Plaza, Shanghai

The Group's investment properties continued to enjoy satisfactory occupancy during the year under review and provided the Group with stable recurrent income. In April 2011, a subsidiary of LCR, which currently owns a majority interest in Lippo Plaza in Shanghai, had completed the capital reduction exercise (the "Completion"). Following the Completion, such subsidiary has become an indirect wholly-owned subsidiary of LCR through which it is more efficient for LCR to exercise management control and formulate business decisions. The LCR Group's share of results in Lippo Plaza increased accordingly. With the revamp of the retail mall, the rental income and occupancy rate of Lippo Plaza have improved and provided the LCR Group with a stable and reliable income stream.

To enhance its land bank in mainland China with high development potential, the LCR Group successfully won the bid for the land use rights of a piece of land in Taizhou City, Jiangsu Province (the "Land") for a consideration of RMB145 million in June 2011. The Land is located in China Medical City (中國醫藥城) ("CMC") with a total site area of approximately 80,615 square metres and a total permissible gross floor area (above ground) of approximately 161,230 square metres. The plan is to develop a residential development comprising townhouses and residential towers on the Land. Taizhou is a traffic hub connecting the southern and northern regions of the Jiangsu Province and is a fast developing city in new industry and trade, and CMC is the only national level medical high-tech development zone (國家級醫藥高新技術產業開發區) in mainland China, with an area of approximately 25 square kilometres.

Perspective of the property development project in Taizhou, mainland China

During the year under review, the LCR Group entered into agreements for the disposal of a total of 17 office units in Beijing and two residential units in Hong Kong for an aggregate consideration of RMB90.4 million and approximately HK$102.3 million respectively. Subsequent to the year end, the LCR Group also entered into agreements for the disposal of a couple of residential units in Hong Kong for an aggregate consideration of approximately HK$270.8 million. Such disposals reflect good opportunities for the LCR Group to realise its property portfolio at favourable market prices. The proceeds from the disposals had been/would be applied towards the general working capital and development projects of the LCR Group.

Business Review *(continued)*

Marina Collection at Sentosa Cove, Sentosa Island, Singapore

The certificate of statutory completion for Marina Collection in Singapore, in which the HKC Group has a 50 per cent. interest, was obtained in 2011. Marina Collection, with a total site area of approximately 22,222 square metres, is located at Sentosa Cove in Sentosa Island. It provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres of which 52 units have been sold and some of the units have been let out. Profits arising from the sale of the units prior to 2011 year end have been recognised in the 2011 annual results of the HKC Group. With the opening of the integrated casino/recreational resort on Sentosa Island, the HKC Group is confident about the prospects of Marina Collection.

The HKC Group has a 30 per cent. interest in The Holland Collection at 53 Holland Road, Singapore. With a site area of approximately 3,376 square metres, it has been developed into a low-rise luxury residential development with a total saleable area of approximately 5,497 square metres. The temporary occupation permit was obtained in September 2011. All the 26 residential units in this project have been sold.

Construction works for Centennia Suites at 100 Kim Seng Road, Singapore, a residential development with a saleable area of approximately 16,182 square metres, have commenced and it is expected that completion of the development will take place in 2013. All the 97 residential units in this project have been pre-sold. The HKC Group has a 50 per cent. interest in this project.

Perspective of Centennia Suites, a property development project in Singapore

The Holland Collection in Singapore

Business Review *(continued)*

Crowne Plaza Changi Airport Hotel in Singapore

Lippo ASM Asia Property LP (together with its subsidiaries, the "LAAP Group"), of which a wholly-owned subsidiary of HKC is the limited partner, was set up with the objective of investing in real estate and hospitality businesses in the Asia region. As at 31st December, 2011, the LAAP Group held a majority stake of approximately 65.6 per cent. in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore, principally engaged in property investment and development and hotel operation. OUE has interest in prime office buildings in the Central Business District in Singapore like One Raffles Place, OUE Bayfront and DBS Building Towers One and Two as well as hotels in the Asia region, including the famous Mandarin Orchard Singapore. In July 2011, OUE completed the acquisition of 100 per cent. stake of the Crowne Plaza Changi Airport Hotel. The Mandarin Gallery at the Mandarin Orchard Singapore, a premier luxury retail mall with retail space of around 11,639 square metres, is enjoying nearly full occupancy. The office development at OUE Bayfront was completed in January 2011. This bespoke portfolio of well diversified and high quality properties will help to generate substantial and stable recurrent income for OUE.

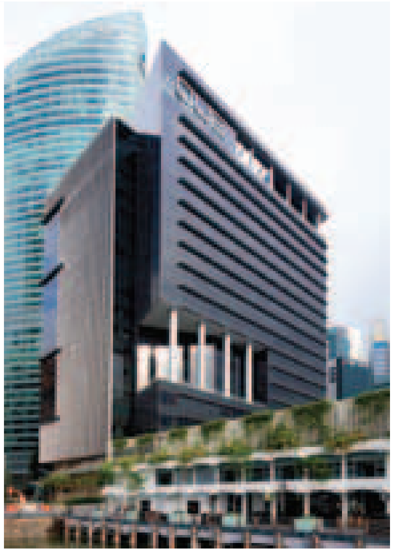
The HKC Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) (the "BDA Project"). With a total site area of approximately 51,209 square metres, the BDA Project, of which the HKC Group has an 80 per cent. interest, will be developed into an integrated residential, commercial and retail complex with a total gross floor area of about 275,000 square metres, including basements. Superstructure works are substantially completed and completion of the whole development is expected to be in 2013. Pre-sale was launched in the second half of 2011 and the response has been satisfactory. About 47 per cent. of the total saleable area was pre-sold.

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

Business Review *(continued)*

Mandarin Orchard Singapore in Singapore

Mandarin Gallery at Mandarin Orchard Singapore



OUE Bayfront in Singapore

Twin Peaks in Singapore

DBS Building Towers One and Two in Singapore

One Raffles Place in Singapore

Perspective of M Residences, a property development project in Macau

The HKC Group will develop a site situated at 83 Estrada de Cacilhas, Macau, with an area of approximately 3,398 square metres, into a residential development. The above project, now named as "M Residences", in which the HKC Group has 100 per cent. interest, will be developed into 311 residential units with a total saleable area of approximately 26,025 square metres. Foundation work has commenced in late 2011. With completion expected to be in 2014, pre-sale of the project has been launched and received favourable market response.

Business Review *(continued)*

LiXuan, a Chinese restaurant, in Shanghai

Lippo Chiuchow Restaurant in Hong Kong

MEDZS, a Mediterranean restaurant in Orchard Central, Singapore

LP+Tetsu, a French-Japanese restaurant, in Singapore

A food court in Serangoon NEX, Singapore

A food court in Raffles City, Singapore

Infrastructure construction works for the development at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the "MIDAN City Project"), in which the Group is interested in approximately 47.9 per cent., have been substantially completed. Marketing of this project is in progress. The MIDAN City Project, located in the Incheon Free Economic Zone, involves the development, construction and management of a residential, leisure and business complex with a 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.

Business Review *(continued)*

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") recorded a consolidated profit attributable to shareholders of approximately S$8.6 million for the year ended 31st December, 2011, as compared with a profit of S$6.3 million for the year ended 31st December, 2010. The higher cost of raw materials and higher operating expenses will continue to be a challenge to the F&B industry. Facing cost pressures and stiff competition, the APG Group will continue to focus on streamlining its food retail division, expand its business operations through new food retail concepts and contain rising costs in its efforts to sustain and improve its profitability. In January 2011, the Company's effective interest in APG was increased from approximately 19.9 per cent. to approximately 28.1 per cent.

Food Junction Holdings Limited ("Food Junction"), a listed company in Singapore, in which the APG Group is interested in approximately 61.4 per cent. of its issued share capital (excluding treasury shares), recorded a consolidated profit attributable to shareholders of approximately S$828,000 for the year ended 31st December, 2011, as compared with a profit of approximately S$2.65 million for the year ended 31st December, 2010. Food Junction is a regional foodservice company which operates and manages food courts and restaurants in Singapore, Malaysia, Indonesia, Hong Kong and mainland China. Anticipating operating conditions challenging, Food Junction will continue to streamline its food court and F&B operations, expand business operations through the introduction of new F&B concepts and control operating costs to improve its results and financial position.

During the year, Asia Now Resources Corp. ("Asia Now"), in which the LCR Group is interested in approximately 49.9 per cent. of its issued share capital, has focused its efforts in exploration of the site at Beiya in Yunnan Province. The exploration has made significant progress. An independent technical report prepared in accordance with the National Instrument 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Standard Definitions for Mineral Projects on the initial mineral resource estimate for the deposit in Beiya North was obtained in January 2012. Plans are being made to bring the exploration to a mining stage. Asia Now is a company listed on the TSX Venture Exchange of Canada, and is primarily engaged in the business of exploration of mineral deposits in mainland China.

In December 2011, the LCR Group had acquired 14,470,000 ordinary shares in, representing approximately 7.35 per cent. of the then issued share capital of, Haranga Resources Limited ("Haranga") for an aggregate consideration of A$4,051,600. Subsequent to the year end, in March 2012, the LCR Group entered into a subscription agreement with Haranga for the subscription of 15,000,000 new ordinary shares in Haranga at an aggregate subscription price of A$6 million. Immediately after the above subscription, the LCR Group was interested in a total of 29,470,000 shares in, representing approximately 13.92 per cent., on a non-diluted basis (and approximately 11.9 per cent., on a fully diluted basis) of, the issued share capital of Haranga. Haranga is listed on the Australian Securities Exchange and is primarily engaged in the acquisition, exploration and development of iron ore projects in Mongolia and owns a controlling interest in four separate iron ore projects in Mongolia. In addition, the LCR Group acquired in November 2011 an attributable interest of 8 per cent. of the total issued and outstanding Class A units in Skye Mineral Partners, LLC ("Skye") for a consideration of US$4.88 million. In February 2012, the LCR Group entered into a membership unit purchase agreement for the acquisition of a further 3,600 Class A units in, representing 8 per cent. of the total issued and outstanding Class A units and approximately 7.58 per cent. of the total issued and outstanding units in, Skye for a total consideration of US$8 million. Skye, through its majority owned subsidiary, CS Mining, LLC, owns and controls a few copper ore deposits located in the Milford Mineral Belt in Beaver County, State of Utah in the United States of America, and is expected to engage in the business of mining and processing copper and possibly other minerals following receipt of the appropriate permits. The above acquisitions have provided another opportunity for the LCR Group to invest in the promising mineral resource industry.

Business Review *(continued)*

In November 2011, the LCR Group entered into an agreement for the disposal of the entire issued share capital of Winnery Limited ("Winnery") for a consideration of IDR240,000,000,000. An initial payment of IDR24,000,000,000 had been received by the LCR Group and the balance of the consideration would be received in the final completion date which is expected to be in late 2012. Winnery holds 480 million shares in PT Lippo Karawaci Tbk, a company incorporated in Indonesia and whose shares are listed on the Indonesia Stock Exchange. The above disposal represents a good opportunity for the LCR Group to realise a gain from its investments and enable LCR to have additional capital and to, in the future, consider suitable investment opportunities if and when presented to it.

In order to maintain its percentage interest in HKC which would be otherwise have been diluted in the event that the other holders of the bonus warrants of HKC (the "HKC Warrants") exercise their subscription rights attaching to the HKC Warrants to subscribe for shares in HKC (the "HKC Shares"), the Group in April 2011 exercised its subscription rights attached to the HKC Warrants to subscribe for a total of 106,764,864 HKC Shares at a subscription price of HK$1.25 per share, totalling HK$133,456,000. On 4th July, 2011, the subscription rights under the HKC Warrants and the Company's warrants expired and their listing status were also withdrawn on the same date.

Prospects

The global economic outlook remains subdued. In the Eurozone, the uncertainties over the European debt crisis are unlikely to be resolved shortly. Consumer and investor confidence will remain volatile. In comparison, the US economy has shown signs of pick-up but the pace of recovery will be restrained by continued weakness in the property market and public spending cuts. The major Asian economies are likely to record slower growth as their export performance will be affected by the uncertainties in the developed economies. However, inflation has broadly stabilised, creating room for policy easing. In February 2012, mainland China has lowered banks' reserve requirement.

The Group will continue to focus on its existing businesses in the Asia-Pacific region for its long term growth. Management is watchful of the economic challenges ahead, and will accordingly continue to take a cautious and prudent approach in managing the Group's investment portfolio and businesses and in assessing new investment opportunities. In view of rising global commodity prices and scarcity of resources, the Group will seize suitable investment opportunities in mineral resource industry when opportunities arise.

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 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

29th March, 2012

Uncertainties surrounding the US economy and the sovereign debt crises in Europe over-shadowed the global economic environment in 2011. In mainland China, the Central Government implemented more tightening policies to cool down the economy. The Group reported a profit attributable to shareholders of HK$595 million for 2011 (2010 — HK$1,507 million when profit from discontinued operation was excluded). Apart from the normal operating income, the Group was benefited from the fair value gain on investment properties under the Group's subsidiaries and associates and the share of profit from Singapore property development projects completed during the year. The reduction in profit was primarily attributable to lower fair value gain of investment properties as compared with last year.

Results for the Year

Turnover for the year 2011 totalled HK$338 million (2010 — HK$398 million). Property investment remained the principal source of revenue of the Group, representing 66 per cent. (2010 — 51 per cent.) of the turnover from continuing operations.

Property Investment

Property investment business continued to provide stable and recurring revenue to the Group. Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, being the landmarks of the Group in Hong Kong and in mainland China respectively, continued to contribute remarkable results to the Group. The shopping mall of Lippo Plaza in Shanghai re-commenced operation in the second quarter of 2010 after a revamp of the mall, which was refurbished and upgraded to provide a high-end shopping environment. Rental income from the Group's properties in mainland China increased by 23 per cent. when compared with that of last year.

In April 2011, a subsidiary of the Company, which holds a majority interest in Lippo Plaza in Shanghai, completed a capital reduction exercise (the "Completion"). Following the Completion, the subsidiary became an indirect wholly-owned subsidiary of Lippo China Resources Limited ("LCR", a listed subsidiary of the Company). The realignment is conducive to effective business decision making and formulation.

Given the quality and strategic location of the investment properties, the Group recorded revaluation gains on its investment properties of a total of HK$368 million (2010 — HK$661 million) during the year.

The Group has invested in a property fund, Lippo ASM Asia Property LP (together with its subsidiaries, the "LAAP Group"), which has indirect interests in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investment and development and hospitality business. The hotels managed by OUE, including Mandarin Orchard Singapore and the newly acquired Crowne Plaza Changi Airport Hotel, are strategically located in various well known tourist destinations of Singapore, Malaysia and mainland China. OUE Bayfront, a prime office building near Marina Bay, obtained the temporary occupation permit in January 2011 and started to generate rental income. Together with DBS Building Towers One and Two acquired in September 2010 and Mandarin Gallery, a premier luxury retail mall at Orchard Road, Singapore, the investment property portfolio provided a higher and recurring source of revenue to OUE. OUE also holds interests in One Raffles Place near Marina Bay, the central financial and business district of Singapore. One Raffles Place Tower Two, a 38-storey Grade A office building adjoining One Raffles Place Tower One, is expected to commence leasing in 2012. Pre-sale of a residential property development project, namely Twin Peaks, at 33 Leonie Hill Road in Singapore has started. The Group registered a share of profit of HK$703 million from the LAAP Group during the year (2010 — HK$2,242 million). The profit was mainly attributable to the fair value gain on OUE Bayfront and higher income from the hospitality division and property investment division. LAAP's controlling stake in OUE decreased from approximately 67.1 per cent. as at 31st December, 2010 to approximately 65.6 per cent. as at 31st December, 2011. During the year, a net increase of the share of equity interest of HK$94 million was recorded directly in the reserves of the LAAP Group, mainly due to the share buy-back by OUE.

The Group continues to look for opportunities to realise the increase in value of its property assets. During the year, the Group completed the disposal of several office units in Beijing and a residential unit in Hong Kong at an aggregate consideration of approximately HK$157 million. The disposals represented a good opportunity for the Group to realise the profits.

Results for the Year *(continued)*

Property development

The Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and Thailand.

In Singapore, Marina Collection and The Holland Collection, joint venture development projects in Sentosa Cove and Holland Road respectively, were completed in 2011. Profits arising from the sold units have been recognised and the Group recorded share of profit of HK$282 million from these projects during the year. Pre-sale of Centennia Suites, another property development project at Kim Seng Road, was launched and all units were sold out in 2010. Centennia Suites is scheduled to be completed in 2013, and profit arising therefrom will be recognised upon completion of the development.

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area is progressing well and is expected to be completed in 2013. With the pre-sale permit obtained in July 2011, pre-sale has been launched. In June 2011, the Group successfully won the bid for the land use right of a piece of land with a site area of approximately 80,615 square metres in Taizhou City, Jiangsu Province for a consideration of RMB145 million, which is a residential development project comprising townhouses and residential towers. The Group also participated in another development project in Huai An, Jiangsu Province with a site area of approximately 41,087 square metres, which will be developed into an integrated residential, commercial and retail complex and is currently in planning and design stage. The Group will remain cautious in light of the changing market conditions and will timely adjust its development strategies accordingly.

Foundation work of M Residences, a property development project in Macau, also commenced in 2011. Pre-sale has been launched since November 2011 and has received satisfactory response. M Residences is expected to be completed in 2014.

The Group is currently interested in approximately 47.9 per cent. of a town development project at 326 Woonbook-dong, Jung-gu, Incheon Korea (the "MIDAN City Project"). The MIDAN City Project 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. Marketing of the project is in progress.

Treasury and securities investments

In 2011, treasury and securities investments business recorded a revenue of HK$26 million (2010 — HK$34 million), with a net loss of HK$1 million (2010 — net profit of HK$26 million). The drop was mainly attributable to the fair value loss on security investments. The global investment market is challenging and full of uncertainties. Anticipating future volatility, the Group cautiously managed its investment portfolio with a continuing focus on improving the overall asset quality. During the year, the Group acquired approximately 7 per cent. of the then issued share capital of Haranga Resources Limited ("Haranga"), a listed company in Australia engaged in the acquisition, exploration and development of iron ores in Mongolia for an aggregate consideration of approximately A$4 million, and an attributable interest of 8 per cent. of the total issued and outstanding Class A units in Skye Mineral Partners, LLC ("Skye"), which has interests in a few copper ore deposits in State of Utah in the United States of America for a consideration of US$4.88 million. Subsequent to year end, the Group further invested in Haranga for a total consideration of approximately A$6 million. Moreover, the Group entered into an agreement for the acquisition of 8 per cent. interests in Skye for an aggregate consideration of US$8 million.

Results for the Year *(continued)*

Corporate finance and securities broking

In 2011, market sentiments were adversely affected by uncertainties resulting from the post-earthquake recession in Japan, Eurozone financial crisis and inflation pressures. Investors have become cautious in the highly volatile markets. The Group's corporate finance and securities broking business was also affected, recording a turnover of HK$44 million in 2011 (2010 — HK$49 million) and a loss of HK$21 million (2010 — HK$2 million).

Banking business

The Macau Chinese Bank Limited ("MCB"), a licensed bank in Macau, is a wholly-owned subsidiary of Hongkong Chinese Limited ("HKC", a listed subsidiary of the Company). Although the Macau economy has rebounded since 2010, the operating environment has been tough because of increasing operating costs and inflation pressure. MCB managed to maintain the quality of its client and loan portfolio, and management continued to lend conservatively and seek growth in areas where appropriate. The banking business recorded a turnover of HK$11 million (2010 — HK$14 million), and contributed profit to the Group.

Other businesses

As most of the property development projects managed are either completed or nearing the completion stage, the revenue of the project management business decreased during the year. Besides, the disposal of a Chinese restaurant in Hong Kong to an associate in November 2010 led to the further decrease in revenue from other businesses.

In January 2011, the Group acquired the interest of Pantogon Holdings Pte Ltd from Jeremiah Holdings Limited, a 60 per cent. subsidiary of LCR. Following the completion of the transaction, the Company increased its effective interest in Auric Pacific Group Limited ("APG"), a listed company in Singapore, from approximately 19.9 per cent. to approximately 28.1 per cent. APG is mainly engaged in food manufacturing, wholesale and distribution, food retail and food court operation as well as property and securities investment. The Group recorded a share of profit of HK$26 million (2010 — HK$18 million) from APG during the year.

The Group also owns interests in Asia Now Resources Corp. ("Asia Now"), a company listed on the TSX Venture Exchange of Canada and is primarily engaged in the business of exploration of mineral deposits in mainland China. Asia Now is currently focusing on the exploration of the site at Beiya in Yunnan Province. An independent technical report was released in January 2012, which was prepared in accordance with the National Instrument 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Standard Definitions for Mineral Projects on the initial mineral resource estimate for the deposit.

Financial Position

In April 2011, the Group exercised all the warrants issued by HKC to it to subscribe for a total of 106,764,864 shares of HKC with a total consideration of approximately HK$133 million. This subscription enables the Group to maintain its percentage interest in HKC. Since some of the warrant holders did not exercise the warrants, the Group's interest in HKC increased from approximately 55.8 per cent. as at 31st December, 2010 to approximately 56.0 per cent. as at 31st December, 2011.

As at 31st December, 2011, the Group's total assets increased to HK$18.5 billion (2010 — HK$16.4 billion). Property-related assets increased to HK$15.1 billion (2010 — HK$13.0 billion), representing 82 per cent. (2010 — 79 per cent.) of the total assets. Total liabilities increased to HK$5.1 billion (2010 — HK$4.0 billion). The Group's financial position remained healthy and the current ratio (measured as current assets to current liabilities) was 1.4 to 1 (2010 — 1.2 to 1). The net asset value of the Group remained strong and increased to HK$7.9 billion (2010 — HK$7.3 billion). This was equivalent to HK$15.8 per share (2010 — HK$14.5 per share).

Financial Position *(continued)*

As at 31st December, 2011, bank loans of the Group (other than those attributable to banking business) increased to HK$2,585 million (2010 — HK$2,060 million). The bank loans were secured by certain properties, shares in certain subsidiaries and certain bank deposits of the Group and denominated in Hong Kong dollars and Renminbi (2010 — Hong Kong dollars, Renminbi and United States dollars). The bank loans carried interest at floating rates. Approximately 11 per cent. (2010 — 29 per cent.) of the bank loans were repayable within one year. At the end of the year, the gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 23.1 per cent. (2010 — 20.6 per cent.).

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 foreign exchange exposure.

Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (2010 — Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (2010 — Nil).

As at 31st December, 2011, the Group's total capital commitment increased to HK$945 million (2010 — HK$683 million), mainly attributable to 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 422 employees as at 31st December, 2011 (2010 — 359 employees). The increase in the number of employees was mainly due to the expansion of the property development team in mainland China. Staff costs (including directors' emoluments) charged to the income statement during the year amounted to HK$158 million (2010 — HK$220 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option scheme of the Company.

Outlook

2012 will continue to be a challenging year, as the European sovereign debt crises have not only caused turmoil in Eurozone economies, but also upset the global economy. There is growing concern that the world economy may face deepening volatility, unless the European debt problems can be resolved. Though inflationary pressure and tightening monetary measures in mainland China are lessened, the business environment is still challenging. However, the Group remains positive of the prospects of the Asia Pacific region over the medium term and will continue to focus on business development in the region. The Group will anticipate and respond to the fast changing market conditions, refine its existing businesses and prudently seek new investment opportunities with long-term growth potential.

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 2011, 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, 2011.

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 2011.

To enhance corporate governance, the Company has also established written guidelines no less exacting than the Model Code for the relevant employees of the Group in respect of their dealings in the Company's securities.

Board of Directors

The Board currently comprises seven members (the composition of the Board is shown on page 23), 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 24 to 26). A list containing the names of the Directors and their roles and functions can also be found in the Company's website (www.lippoltd.com.hk) and the Stock Exchange's website (www.hkexnews.hk). 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.

Board of Directors *(continued)*

Mr. Edwin Neo, who is to retire by rotation at the 2012 annual general meeting of the Company, has served as an independent non-executive Director of the Company for more than nine years. In addition to his confirmation of independence in accordance with Rule 3.13 of the Listing Rules, Mr. Edwin Neo continues to demonstrate the attributes of an independent non-executive Director by providing independent views and advice and there is no evidence that his tenure has had any impact on his independence. The Directors are of the opinion that Mr. Edwin Neo remains independent notwithstanding the length of his service and they believe that his valuable knowledge and experience in the Group's business and his external experience continue to generate significant contribution to the Company and its shareholders as a whole.

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. Under the Listing Rules, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

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.

Board of Directors *(continued)*

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Four Board meetings were held in 2011. 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 2011 are set out below:

	Attendance/Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Stephen Riady *(Chairman)*	3/4	N/A	1/2	1/2
Mr. John Luen Wai Lee *(Managing Director and Chief Executive Officer)*	4/4	N/A	N/A	N/A
Mr. Jark Pui Lee	4/4	N/A	N/A	N/A
Non-executive Director				
Mr. Leon Nim Leung Chan *(ceased to be the Chairman of the Remuneration Committee and Nomination Committee on 29th March, 2012 but remains as a member of both Committees)*	4/4	3/3	2/2	2/2
Independent non-executive Directors				
Mr. Victor Ha Kuk Yung *(Chairman of the Audit Committee)*	4/4	3/3	2/2	2/2
Mr. King Fai Tsui *(appointed as the Chairman of the Remuneration Committee and Nomination Committee on 29th March, 2012)*	4/4	3/3	2/2	2/2
Mr. Edwin Neo	3/4	2/3	1/2	1/2

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.

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) and the Stock Exchange's website (www.hkexnews.hk). In order to comply with the forthcoming amendments to the Listing Rules (the "Amendments"), the terms of reference of the Remuneration Committee had been revised in March 2012. 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 senior management, including salaries, bonuses, share options and benefits in kind. Salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group 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 senior management; and (ii) service contracts of certain Directors.

Majority of the Committee members are non-executive Directors and three of them are independent. To comply with the Amendments, on 29th March, 2012, Mr. King Fai Tsui, an independent non-executive Director, was appointed as the Chairman of the Remuneration Committee and Mr. Leon Nim Leung Chan, a non-executive Director, ceased to be the Chairman of the Remuneration Committee but remains as a member of the Remuneration Committee. The Remuneration Committee currently comprises five members including three independent non-executive Directors, namely Messrs. King Fai Tsui (being the Chairman of the Remuneration Committee), Edwin Neo and Victor Ha Kuk Yung, a non-executive Director, namely Mr. Leon Nim Leung Chan and an executive Director, namely Mr. Stephen Riady. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. Two meetings were held in 2011 and the individual attendance of each member is set out above.

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

Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Company's Articles of Association. No new Director was appointed in 2011.

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) and the Stock Exchange's website (www.hkexnews.hk). In order to comply with the Amendments, the terms of reference of the Nomination Committee had been revised in March 2012. 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 at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; assessment of the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman of the Board and the chief executive. 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 independence of the independent non-executive Directors. The Nomination Committee also reviewed the existing structure, size, composition and efficiency of the Board.

Majority of the Committee members are non-executive Directors and three of them are independent. To comply with the Amendments, on 29th March, 2012, Mr. King Fai Tsui, an independent non-executive Director, was appointed as the Chairman of the Nomination Committee and Mr. Leon Nim Leung Chan, a non-executive Director, ceased to be the Chairman of the Nomination Committee but remains as a member of the Nomination Committee. The Nomination Committee currently comprises five members including three independent non-executive Directors, namely, Messrs. King Fai Tsui (being the Chairman of the Nomination Committee), Edwin Neo and Victor Ha Kuk Yung, a non-executive Director, namely Mr. Leon Nim Leung Chan and an executive Director, namely Mr. Stephen Riady. Two meetings were held in 2011 and the individual attendance of each member is set out above.

Shareholders may propose a candidate for election as a Director in accordance with the Articles of Association of the Company. The procedures for such proposal are published on the Company's website (www.lippoltd.com.hk).

Auditors' Remuneration

Messrs. Ernst & Young has been appointed by the shareholders annually as the Company's auditors. During the year, the fees charged to the accounts of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK$4.9 million (2010—HK$5.1 million) and approximately HK$0.5 million (2010—HK$0.3 million), respectively. The non-statutory audit services provided in 2011 consisted of financial and tax due diligence and the review of the Group's continuing connected transactions.

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.lippoltd.com.hk) and the Stock Exchange's website (www.hkexnews.hk). In order to comply with the Amendments, the terms of reference of the Audit Committee had been revised in March 2012. The Audit Committee 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. The Audit Committee is also responsible for the Company's corporate governance functions. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including three independent non-executive Directors, namely Messrs. Victor Ha Kuk Yung (being the Chairman of the Audit Committee), Edwin Neo and King Fai Tsui and a non-executive Director, namely Mr. Leon Nim Leung Chan. Three meetings were held in 2011 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 twice 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.

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 has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

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 except where the chairman of a general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by the shareholders on a show of hands. Details of the poll procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lippoltd.com.hk).

To provide effective communication, the Company maintains a website at www.lippoltd.com.hk. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices and memorandum and articles of association 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.

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, 2011, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The external auditor is responsible for audit and report, if any, material misstatement or non-compliance with Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

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

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, and supported the Group's volunteer team in serving the disadvantaged groups and the community as a whole. In recognition of the commitment in caring for the community, the employees and the environment over the past years, the Company was awarded the Caring Company Logo by The Hong Kong Council of Social Service for the year 2011/2012.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December, 2011.

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.

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 130 to 138, pages 139 and 140 and page 141, respectively.

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, 2011 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, 2011 and the state of affairs of the Group and the Company as at 31st December, 2011 are set out in the financial statements on pages 38 to 141.

No interim dividend was declared (2010 – Nil) and the Directors have resolved to recommend the payment of a final dividend of HK4 cents per share (2010 – HK2 cents per share) and a special final dividend of HK3 cents per share (2010 – Nil) amounting to a total of approximately HK$35 million for the year ended 31st December, 2011 (2010 – approximately HK$10 million). Total dividends for the year ended 31st December, 2011 will be HK7 cents per share (2010 – HK2 cents per share) amounting to approximately HK$35 million (2010 – approximately HK$10 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, 2011 is set out on page 148.

Goodwill

Details of movements in goodwill during the year are set out in Note 16 to the financial statements.

Fixed Assets

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

Investment Properties

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

Bank Loans

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

Share Capital and Warrants

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

Share Option Schemes

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

Reserves and Distributable Reserves

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

Events after the Reporting Period

Details of the significant events 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 130 to 138.

Donations

Charitable and other donations made by the Group during the year amounted to HK$30,008,000 (2010 – HK$29,328,000).

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. He 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, BBS, JP *(Managing Director and Chief Executive Officer)*
Mr. Jark Pui Lee, SBS, OBE, JP

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. Stephen Riady, John Luen Wai Lee and Edwin Neo will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors *(continued)*

Each of Messrs. King Fai Tsui and Victor Ha Kuk Yung entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2010. Following the expiry of the term under their respective former letter agreement with the Company, each of Messrs. Leon Nim Leung Chan and Edwin Neo entered into a new letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1st January, 2012. 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, aged 51, 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 Officer 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 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. Mr. Riady is son of Dr. Mochtar Riady and Madam Lidya Suryawaty. 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.

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

Mr. John Luen Wai Lee, BBS, JP, aged 63, 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. 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 non-executive director of Asia Now Resources Corp., a company listed on TSX Venture Exchange of Canada. Mr. Lee was a non-executive director of Medco Holdings, Inc. and Export and Industry Bank, Inc., both are public listed companies in the Republic of Philippines. 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. He is an Honorary Fellow of the City University of Hong Kong and a Justice of Peace in 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 and a member of the Appeal Boards Panel (Education). Mr. Lee was awarded the Bronze Bauhinia Star by Hong Kong Government in 2011.

Mr. Jark Pui Lee, SBS, OBE, JP, aged 72, 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 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 International Chamber of Commerce — Hong Kong, China, 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 56, 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 a member of the Audit Committee, Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. He was the Chairman of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC until 29th March, 2012. 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 62, 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.

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

Mr. King Fai Tsui, aged 62, 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, China Aoyuan Property Group Limited and Newton Resources Ltd, all 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 the Chairman of the Audit Committee of HKC and a member of the Audit Committee of each of the Company and LCR. He is also a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC and was appointed as the Chairman of such Committees on 29th March, 2012.

Mr. Victor Ha Kuk Yung, aged 58, was appointed an independent non-executive Director of the Company in September 2004. He 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. 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 is also a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. Mr. Yung is an independent non-executive director of Travel Expert (Asia) Enterprises Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited on 30th September, 2011.

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.

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. Alex Shiu Leung Au, was appointed the chief financial officer of the Company in July 2011. Mr. Au was the chief financial officer of the Company during the period from January 2000 to March 2006. He was an executive director and company secretary of Asia Commercial Holdings Limited, a public listed company in Hong Kong, up till his resignation in July 2011. Mr. Au holds a Bachelor of Commerce (Accounting) degree with honours from the University of Birmingham. He is a member of The Institute of Chartered Accountants in England and Wales and an associate of The Hong Kong Institute of Certified Public Accountants. Mr. Au has over 25 years' experience in accounting and finance.

Brief Biographical Details of Other Officers *(continued)*

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.

Directors' and Five Highest Paid Employees' Emoluments

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

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

The fees payable to the non-executive Directors is 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. 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$
Audit Committee	
Chairman	40,000
Member	20,000
Other Committees	
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 letter agreement (as supplemented (as the case may be)) or employment 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$156,000; and

(c) the director's fees of Mr. Leon Nim Leung Chan in the total amount of approximately HK$49,000.

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, 2011, 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

	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		
Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Total interests	Approximate percentage of total interests in the issued share capital
				Options*		
Stephen Riady	–	–	319,322,219 *Note (i)*	–	319,322,219	63.81
Jark Pui Lee	–	60	–	162,500	162,560	0.03
John Luen Wai Lee	1,031,250	–	–	1,125,000	2,156,250	0.43
Leon Nim Leung Chan	–	–	–	193,750	193,750	0.04
Edwin Neo	–	–	–	162,500	162,500	0.03
King Fai Tsui	–	–	–	162,500	162,500	0.03
Victor Ha Kuk Yung	–	–	–	162,500	162,500	0.03

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

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

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

(c) Hongkong Chinese Limited ("HKC")

Name of Director	Number of ordinary shares of HK$1.00 each in HKC Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Number of underlying ordinary shares of HK$1.00 each in HKC Personal interests (held as beneficial owner) Options^	Total interests	Approximate percentage of total interests in the issued share capital
Stephen Riady	—	—	1,120,987,842 *Notes (i) and (iii)*	—	1,120,987,842	55.96
Jark Pui Lee	469	469	—	—	938	0.00
John Luen Wai Lee	270	270	—	4,590,000	4,590,540	0.23
King Fai Tsui	—	75,000	—	607,500	682,500	0.03
Leon Nim Leung Chan	—	—	—	810,000	810,000	0.04
Victor Ha Kuk Yung	—	—	—	607,500	607,500	0.03

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

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

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

Note:

(i) As at 31st December, 2011, Lippo Capital Limited ("Lippo Capital"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares of HK$0.10 each in, representing approximately 63.81 per cent. of the issued share capital of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the holder of 705,690,001 ordinary shares of HK$1.00 each in, representing the entire issued share capital of, Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the share capital of Lanius. The beneficiaries of the trust included, inter alia, Mr. Stephen Riady and other members of the family. Mr. Stephen Riady was taken to be interested in Lippo Capital under the provisions of the SFO.

(ii) As at 31st December, 2011, the Company was indirectly interested in 6,544,696,389 ordinary shares of HK$0.10 each in, representing approximately 71.21 per cent. of the issued share capital of, LCR.

(iii) As at 31st December, 2011, the Company was indirectly interested in 1,120,987,842 ordinary shares of HK$1.00 each in, representing approximately 55.96 per cent. of the then issued share capital of, HKC.

(iv) The percentages of the issued share capital stated in this section were arrived at based on the issued share capital of each of the Company, LCR and HKC (as the case may be) as at 31st December, 2011.

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

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

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

For the reasons outlined above, through his deemed interests in Lippo Capital 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:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	10	100
	Non-voting deferred shares	1,000	100
Broadwell Overseas Holdings Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000	88.88
Grand Peak Investment Limited	Ordinary shares	2	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenorth Holdings Limited	Ordinary shares	1	100
Honix Holdings Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Kingaroy Limited	Ordinary shares	1	100
Kingtrend International Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1	100
	Non-voting deferred shares	15,999,999	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Investments Limited	Ordinary shares	2	100
Lippo Pacific Limited	Ordinary shares	1	100
Lippo Realty Limited	Ordinary shares	2	100
Manneton Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
SCR Ltd.	Ordinary shares	1	100
Sabotty Investment Company Limited	Ordinary shares	1,000	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	70,000	70
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	Ordinary shares	1	100
Worldlink Resources Limited	Ordinary shares	1	100

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

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

As at 31st December, 2011, 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 Capital. 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.

As at 31st December, 2011, 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 wholly-owned subsidiary of Bravado International Ltd. ("Bravado"). Mr. Stephen Riady is the beneficial owner of the entire issued capital of Bravado. For the reasons outlined above, through his deemed interest in Lippo Capital, 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, 2011, 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, 2011, 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, 2011, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Arrangements to Acquire Shares or Debentures

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

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

As at 31st December, 2011, 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 of the Company

Name	Number of ordinary shares of HK$0.10 each	Approximate percentage of the issued share capital
Lippo Capital Limited ("Lippo Capital")	319,322,219	63.81
Lanius Limited ("Lanius")	319,322,219	63.81
Dr. Mochtar Riady	319,322,219	63.81
Madam Lidya Suryawaty	319,322,219	63.81

Note:

1. Lippo Capital, through its wholly-owned subsidiary, J & S Company Limited, was indirectly interested in 14,699,997 ordinary shares of the Company. Together with 304,622,222 ordinary shares of the Company owned by Lippo Capital directly as beneficial owner, Lippo Capital was interested in an aggregate of 319,322,219 ordinary shares of HK$0.10 each in, representing approximately 63.81 per cent. of the issued share capital of, the Company.

2. Lanius is the holder of the entire issued share capital of Lippo Capital 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 shares of the Company under the provisions of the SFO.

3. Lippo Capital's interests in the ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 319,322,219 ordinary shares of the Company related to the same block of 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".

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2011, 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 or 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, 2011, 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.

Connected Transaction and Continuing Connected Transaction

During the year, the Company did not have any connected transaction and continuing connected transaction which were subject to the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors' and Controlling Shareholders' Interest in Contracts

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

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

Directors' Service Contracts

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

Management Contracts

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

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

During the year, 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(t) and 6 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, 2011.

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 15 to 21.

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 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, 29th March, 2012

Independent Auditors' Report

ERNST & YOUNG
安永

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 38 to 141, which comprise the consolidated and company statements of financial position as at 31st December, 2011, 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.

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, 2011, 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
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Hong Kong, 29th March, 2012

Consolidated Income Statement

For the year ended 31st December, 2011

	Note	2011 HK$'000	2010 HK$'000
Continuing Operations			
Revenue	5	**338,162**	397,530
Cost of sales		**(38,219)**	(60,073)
Gross profit		**299,943**	337,457
Administrative expenses		**(206,030)**	(247,632)
Other operating expenses		**(163,657)**	(145,988)
Fair value gains on investment properties		**368,397**	661,467
Gain on disposal of fixed assets		**10,103**	35,856
Gain/(Loss) on disposal of available-for-sale financial assets		**4,767**	(756)
Gain/(Loss) on disposal of subsidiaries	36(b)	**(15,776)**	22,084
Net fair value gain/(loss) on financial assets at fair value through profit or loss		**(26,917)**	9,020
Provisions for impairment losses:			
Properties under development		**(49,954)**	(180)
Associates		**(419)**	(21,065)
Available-for-sale financial assets		**—**	(13,417)
Finance costs	9	**(67,231)**	(56,580)
Share of results of associates	10	**974,801**	2,241,053
Share of results of jointly controlled entities		**18,777**	157
Profit before tax from continuing operations	6	**1,146,804**	2,821,476
Income tax	11	**(80,894)**	(172,852)
Profit for the year from continuing operations		**1,065,910**	2,648,624
Discontinued Operation			
Profit for the year from discontinued operation	12	**—**	248,811
Profit for the year		**1,065,910**	2,897,435
Attributable to:			
Equity holders of the Company	13	**594,533**	1,684,537
Non-controlling interests		**471,377**	1,212,898
		1,065,910	2,897,435
		HK$	HK$
Earnings per share attributable to equity holders of the Company	14		
Basic			
— For profit for the year		**1.19**	3.37
— For profit from continuing operations		**1.19**	3.01
Diluted			
— For profit for the year		**N/A**	N/A
— For profit from continuing operations		**N/A**	N/A

Details of the dividends payable and proposed for the year are disclosed in Note 15 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**1,065,910**	2,897,435
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	**(81,935)**	85,505
Reclassification adjustments for disposal	**85**	(771)
Derecognition of available-for-sale financial assets	**—**	(23,636)
Income tax effect	**(213)**	(1,800)
	(82,063)	59,298
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	**(2,559)**	216,706
Share of effective portion of changes in fair value of cash flow hedges of an associate	**2,823**	(7,159)
Share of exchange differences on translation of foreign operations	**(75,985)**	407,823
	(75,721)	617,370
Exchange differences on translation of foreign operations	**100,492**	210,803
Reclassification adjustments relating to disposal of foreign operations	**—**	(4,826)
Other comprehensive income/(loss) for the year, net of tax	**(57,292)**	882,645
Total comprehensive income for the year	**1,008,618**	3,780,080
Attributable to:		
Equity holders of the Company	**564,439**	2,185,646
Non-controlling interests	**444,179**	1,594,434
	1,008,618	3,780,080

Consolidated Statement of Financial Position

As at 31st December, 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Goodwill	16	**71,485**	71,485
Fixed assets	17	**271,012**	285,307
Investment properties	18	**4,688,129**	4,295,946
Properties under development	19	**1,347,459**	1,003,573
Interests in associates	20	**8,462,570**	7,507,750
Interests in jointly controlled entities	21	**194,396**	310,876
Available-for-sale financial assets	22	**407,916**	492,639
Held-to-maturity financial assets	23	**27,265**	11,832
Loans and advances	24	**41,541**	39,297
Deposits paid for long term investments		**192,624**	119,720
		15,704,397	14,138,425
Current assets			
Properties held for sale		**77,882**	22,455
Financial assets at fair value through profit or loss	25	**247,142**	152,125
Loans and advances	24	**204,678**	199,226
Debtors, prepayments and deposits	26	**166,519**	367,827
Client trust bank balances		**550,716**	560,850
Restricted cash	27	**466,295**	308
Treasury bills		**—**	9,700
Cash and bank balances		**1,085,542**	969,164
		2,798,774	2,281,655
Current liabilities			
Bank loans	28	**290,689**	588,779
Creditors, accruals and deposits received	29	**1,545,517**	1,068,566
Current, fixed, savings and other deposits of customers	30	**120,225**	138,772
Tax payable		**53,966**	56,760
		2,010,397	1,852,877
Net current assets		**788,377**	428,778
Total assets less current liabilities		**16,492,774**	14,567,203

	Note	**2011 HK$'000**	2010 HK$'000
Non-current liabilities			
Bank loans	28	**2,294,405**	1,471,212
Deferred tax liabilities	31	**793,132**	694,500
		3,087,537	2,165,712
Net assets		**13,405,237**	12,401,491
Equity			
Equity attributable to equity holders of the Company			
Issued capital	32	**50,044**	50,043
Reserves	34	**7,840,460**	7,214,035
		7,890,504	7,264,078
Non-controlling interests		**5,514,733**	5,137,413
		13,405,237	12,401,491

John Luen Wai Lee
Director

Stephen Riady
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2011

	Attributable to equity holders of the Company														
	Issued capital	Share premium account	Share option reserve	Special capital reserve *(Note 34 (a))*	Capital redemption reserve	Legal reserve *(Note 34 (b))*	Regulatory reserve *(Note 34 (c))*	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve *(Note 34 (d))*	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011															
At 1st January, 2011	50,043	914,507	23,920	1,709,202	22,035	3,658	458	275,895	25,634	(3,997)	606,537	3,636,186	7,264,078	5,137,413	12,401,491
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	594,533	594,533	471,377	1,065,910
Other comprehensive income/(loss) for the year:															
Available-for-sale financial assets:															
Changes in fair value	–	–	–	–	–	–	–	(58,207)	–	–	–	–	(58,207)	(23,728)	(81,935)
Reclassification adjustments for disposal	–	–	–	–	–	–	–	50	–	–	–	–	50	35	85
Income tax effect	–	–	–	–	–	–	–	(107)	–	–	–	–	(107)	(106)	(213)
Share of other comprehensive income/(loss) of associates	–	–	–	–	–	–	–	(1,436)	–	1,581	(42,530)	–	(42,385)	(33,336)	(75,721)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	70,555	–	70,555	29,937	100,492
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	(59,700)	–	1,581	28,025	594,533	564,439	444,179	1,008,618
Issuance of shares upon exercise of warrants	1	12	–	–	–	–	–	–	–	–	–	–	13	–	13
Changes in non-controlling interests from the exercise of warrants of a subsidiary *(Note 37)*	–	–	–	–	–	–	–	–	–	–	–	12,311	12,311	87,358	99,669
Changes in non-controlling interests without change in control *(Note 37)*	–	–	–	–	–	–	–	–	–	–	–	4,447	4,447	(129,850)	(125,403)
Share of equity movements arising on equity transactions of associates	–	–	1,035	–	–	–	–	–	–	–	–	54,190	55,225	41,287	96,512
Repayment to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(27,581)	(27,581)
Transfer of reserve	–	–	–	–	–	218	–	–	–	–	–	(218)	–	–	–
2010 final dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	–	–	–	(10,009)	(10,009)	–	(10,009)
Dividend and distribution, declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(38,073)	(38,073)
At 31st December, 2011	50,044	914,519	24,955	1,709,202	22,035	3,876	458	216,195	25,634	(2,416)	634,562	4,291,440	7,890,504	5,514,733	13,405,237

	Attributable to equity holders of the Company														
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Special capital reserve *(Note 34 (a))* HK$'000	Capital redemption reserve HK$'000	Legal reserve *(Note 34 (b))* HK$'000	Regulatory reserve *(Note 34 (c))* HK$'000	Investment revaluation reserve HK$'000	Other asset revaluation reserve HK$'000	Hedging reserve *(Note 34 (d))* HK$'000	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
2010															
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 movements 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)
Dividend, declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(22,173)	(22,173)
At 31st December, 2010	50,043	914,507	23,920	1,709,202	22,035	3,658	458	275,895	25,634	(3,997)	606,537	3,636,186	7,264,078	5,137,413	12,401,491

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**218,684**	221,248
Interest received		**21,410**	19,894
Dividends received from:			
An associate		**11,483**	7,471
A jointly controlled entity		**—**	51,333
Listed investments		**3,281**	2,359
Unlisted investments		**749**	621
Taxes paid:			
Hong Kong		**(4,895)**	(6,347)
Overseas		**(13,105)**	(46,104)
Net cash flows from operating activities		**237,607**	250,475
Cash flows from investing activities			
Proceeds from disposals of:			
Fixed assets		**24,410**	44,036
Investment properties		**133,105**	2,899
Available-for-sale financial assets		**58,788**	2,795
Payments to acquire:			
Fixed assets		**(12,642)**	(30,725)
Available-for-sale financial assets		**(51,370)**	(504)
Held-to-maturity financial assets		**(15,960)**	(2,404)
Additions to properties under development		**(425,092)**	(294,556)
Additions to investment properties		**(19,086)**	(40,086)
Increase in deposits paid for long term investments		**(66,964)**	(119,720)
Increase in interests in an associate		**—**	(94,786)
Advances to associates		**(4,657)**	(32,320)
Increase in interests in a jointly controlled entity		**—**	(900)
Repayments from/(Advances to) jointly controlled entities		**129,432**	(4,080)
Deferred consideration received		**209,000**	—
Deposits received		**20,300**	—
Disposal of subsidiaries, net of cash and cash equivalents disposed of	36(b)	**100**	93,395
Increase in restricted cash		**(465,972)**	(6)
Decrease in time deposits with original maturity of more than three months		**56,367**	129,255
Net cash flows used in investing activities		**(430,241)**	(347,707)

	2011 **HK$'000**	2010 HK$'000
Cash flows from financing activities		
Interest paid	**(63,957)**	(57,343)
Drawdown of bank loans *(Note)*	**2,131,510**	221,629
Repayment of bank and other borrowings *(Note)*	**(1,627,677)**	(192,459)
Issuance of shares upon exercise of warrants	**13**	—
Issuance of shares upon exercise of warrants by non-controlling shareholders of a subsidiary	**99,669**	74
Advances from a non-controlling shareholder of a subsidiary	**—**	3,308
Repayment to a non-controlling shareholder of a subsidiary	**(27,581)**	(87,482)
Payment relating to change in non-controlling interests	**(125,403)**	—
Dividends paid to shareholders of the Company	**(10,009)**	(10,009)
Dividends and distribution paid to non-controlling shareholders of subsidiaries	**(38,073)**	(22,173)
Net cash flows from/(used in) financing activities	**338,492**	(144,455)
Net increase/(decrease) in cash and cash equivalents	**145,858**	(241,687)
Cash and cash equivalents at beginning of year	**925,162**	1,155,700
Exchange realignments	**14,522**	11,149
Cash and cash equivalents at end of year	**1,085,542**	925,162
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**1,085,542**	969,164
Treasury bills	**—**	9,700
Time deposits with original maturity of more than three months	**—**	(53,702)
	1,085,542	925,162

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, 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Fixed assets	17	**1,739**	14
Interests in subsidiaries	35	**3,162,310**	3,169,082
Available-for-sale financial assets	22	**1,200**	1,200
		3,165,249	3,170,296
Current assets			
Financial assets at fair value through profit or loss	25	**29,658**	—
Debtors, prepayments and deposits	26	**2,876**	1,437
Cash and bank balances		**111,119**	8,039
		143,653	9,476
Current liabilities			
Bank loans	28	**97,000**	188,000
Creditors, accruals and deposits received	29	**3,648**	3,327
		100,648	191,327
Net current assets/(liabilities)		**43,005**	(181,851)
Total assets less current liabilities		**3,208,254**	2,988,445
Non-current liabilities			
Bank loans	28	**383,000**	160,000
Net assets		**2,825,254**	2,828,445
Equity			
Issued capital	32	**50,044**	50,043
Reserves	34	**2,775,210**	2,778,402
		2,825,254	2,828,445

John Luen Wai Lee
Director

Stephen Riady
Director

1. Corporate Information

Lippo Limited is a limited liability company incorporated in the 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 ("Lippo Capital") which is incorporated in the Cayman Islands. In the opinion of the Directors, Lippo Cayman Limited ceased to be the ultimate holding company of the Company and Lippo Capital became the ultimate holding company of the Company on 20th June, 2011.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2011. 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.

Total comprehensive income within a subsidiary is 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.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

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	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

[1] Effective for annual periods beginning on or after 1st July, 2011
[2] Effective for annual periods beginning on or after 1st January, 2012
[3] Effective for annual periods beginning on or after 1st July, 2012
[4] Effective for annual periods beginning on or after 1st January, 2013
[5] Effective for annual periods beginning on or after 1st January, 2014
[6] Effective for annual periods beginning on or after 1st January, 2015

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1st January, 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1st January, 2013.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1st January, 2013.

Amendments to HKAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1st January, 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1st January, 2012 and anticipates that the adoption of HKAS 12 Amendments may result in adjustments to the amounts of deferred tax liabilities recognised in prior years with respect to investment properties. The Group is in the process of making an assessment of the impact of the application of the amendments.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(b) Joint ventures *(continued)*

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.

(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.

2.4 Summary of Significant Accounting Policies *(continued)*

(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.

(e) Business combinations and goodwill

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 will be 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.

2.4 Summary of Significant Accounting Policies *(continued)*

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

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.

(f) Impairment of non-financial assets

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(g) Fixed assets and depreciation

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

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

Leasehold land under finance leases 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 $33^1/_3$ per cent.
Motor vehicles	12 per cent. to 25 per cent.

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

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

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

(h) Investment properties

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

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

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(h) Investment properties *(continued)*

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, restricted cash, debtors and deposits, loans and advances and quoted and unquoted financial instruments.

2.4 Summary of Significant Accounting Policies *(continued)*

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity financial assets depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using FVO 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.

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 whether the ability and intention to sell its available-for-sale financial assets 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 Group has the ability and intent to hold until the maturity date of the financial asset.

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

2.4 Summary of Significant Accounting Policies *(continued)*

(k) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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.

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.

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 loans, creditors, accruals 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 amortisation process.

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

2.4 Summary of Significant Accounting Policies *(continued)*

(m) Financial liabilities *(continued)*

Subsequent measurement (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

(n) Offsetting of financial instruments

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

(o) Fair value of financial instruments

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

(p) Properties held for sale

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

2.4 Summary of Significant Accounting Policies *(continued)*

(q) Revenue recognition

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

(i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms. Contingent rent, which is determined based on a factor other than just the passage of time, is recognised when the Group's entitlement to receive payment has been established in accordance with the terms of the agreements;

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

(iii) sale from food business, on dispatch of goods to customers;

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

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

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

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

(viii) net income from concession sales, upon the sales of goods by the relevant stores; and

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

2.4 Summary of Significant Accounting Policies *(continued)*

(r) Income tax

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

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

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

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(s) Provisions

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

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

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

(t) Employee benefits

Paid leave entitlement

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

Retirement benefits

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(t) Employee benefits *(continued)*

Share-based payment transactions

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

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(u) Borrowing costs

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

(v) Operating leases

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

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

(w) Cash and cash equivalents

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

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

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

(x) Foreign currencies

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

2.4 Summary of Significant Accounting Policies *(continued)*

(x) Foreign currencies *(continued)*

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.

(y) Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 Summary of Significant Accounting Policies *(continued)*

(z) Dividends and distributions

Final dividends and distributions proposed by the Directors after the end of the reporting period are not recognised as a liability at the end of the reporting period. When these dividends and distributions have been approved by the shareholders and declared in a general meeting, they are recognised as a liability.

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

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

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

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

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

(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 described 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, 2011 was HK$71,485,000 (2010 — HK$71,485,000). Further details are given in Note 16 to the financial statements.

Estimation of fair value of investment properties

The best evidence of fair value is the current prices in an active market for similar lease terms and other contracts. In the absence of such information, the Group considers information from a variety of sources, including (i) by reference to independent valuations; (ii) the current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (iii) the recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts, and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the income statement. No impairment loss has been recognised for available-for-sale financial assets for the year (2010 — HK$13,417,000). The carrying amount of available-for-sale financial assets as at 31st December, 2011 was HK$407,916,000 (2010 — HK$492,639,000).

Impairment of non-financial assets

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

4. Segment Information

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

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

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

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

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

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

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

(g) the "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 engaged in operation of department stores. At the end of the prior 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.

4. Segment Information *(continued)*

Year ended 31st December, 2011

	Continuing operations									Discontinued operation	
	Property investment HK$'000	Property development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000	Retail business HK$'000	Consolidated HK$'000
Revenue											
External	222,446	–	8,029	18,364	43,831	11,393	34,099	–	338,162	–	338,162
Inter-segment	10,693	–	–	–	–	–	11,227	(21,920)	–	–	–
Total	233,139	–	8,029	18,364	43,831	11,393	45,326	(21,920)	338,162	–	338,162
Segment results	541,262 *(Note)*	(96,055)	7,064	(8,267)	(21,281)	136	(18,327)	(11,227)	393,305	–	393,305
Unallocated corporate expenses									(172,848)	–	(172,848)
Finance costs									(67,231)	–	(67,231)
Share of results of associates	703,488	240,701	–	–	–	–	30,612	–	974,801	–	974,801
Share of results of jointly controlled entities	–	18,786	–	–	–	–	(9)	–	18,777	–	18,777
Profit before tax									1,146,804	–	1,146,804
Segment assets	4,962,385	2,252,047	898,875	685,587	674,841	267,081	51,420	–	9,792,236	–	9,792,236
Interests in associates	7,051,866	644,522	–	–	778	–	765,404	–	8,462,570	–	8,462,570
Interests in jointly controlled entities	–	190,101	–	–	–	–	4,295	–	194,396	–	194,396
Unallocated assets									53,969	–	53,969
Total assets									18,503,171	–	18,503,171
Segment liabilities	1,874,886	758,790	–	232,561	597,098	122,958	288,697	(2,304,054)	1,570,936	–	1,570,936
Unallocated liabilities									3,526,998	–	3,526,998
Total liabilities									5,097,934	–	5,097,934
Other segment information:											
Capital expenditure	49	1,311	–	–	792	535	780	–	3,467	–	3,467
Depreciation	(3,290)	(796)	–	–	(377)	(1,620)	(675)	–	(6,758)	–	(6,758)
Write-back of allowance/(Allowance) for bad and doubtful debts relating to:											
Banking operation	–	–	–	–	–	111	–	–	111	–	111
Non-banking operations	–	–	–	–	(12,214)	–	6,628	–	(5,586)	–	(5,586)
Provisions for impairment losses:											
Properties under development	–	(49,954)	–	–	–	–	–	–	(49,954)	–	(49,954)
Associates	–	–	–	–	–	–	(419)	–	(419)	–	(419)
A jointly controlled entity	–	–	–	–	–	–	(16)	–	(16)	–	(16)
Net fair value loss on financial assets at fair value through profit or loss	–	–	–	(26,917)	–	–	–	–	(26,917)	–	(26,917)
Fair value gains on investment properties	368,397	–	–	–	–	–	–	–	368,397	–	368,397
Unallocated:											
Capital expenditure									9,175	–	9,175
Depreciation									(8,101)	–	(8,101)

Note: The amount included fair value gains on investment properties of HK$368,397,000.

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 finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000	Retail business HK$'000	Consolidated HK$'000
Revenue											
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)	–	–	–
Total	215,972	–	5,273	28,673	49,057	13,500	121,175	(36,120)	397,530	126,031	523,561
Segment results	830,093 *(Note)*	(11,633)	4,815	21,604	(2,165)	707	20,942	(26,882)	837,481	248,811	1,086,292
Unallocated corporate expenses									(200,635)	–	(200,635)
Finance costs									(56,580)	–	(56,580)
Share of results of associates	2,241,759	(14,142)	–	–	–	–	13,436	–	2,241,053	–	2,241,053
Share of results of jointly controlled entities	–	752	–	–	–	–	(595)	–	157	–	157
Profit before tax									2,821,476	248,811	3,070,287
Segment assets	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
Segment liabilities	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
Other segment information:											
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)

Note: The amount included fair value gains on investment properties of HK$661,467,000.

4. Segment Information *(continued)*

Geographical information

(a) Revenue from external customers

	Group	
	2011 **HK$'000**	2010 HK$'000
Hong Kong	**118,575**	160,427
Macau	**14,184**	16,234
Mainland China	**183,870**	146,436
Republic of Singapore	**11,577**	67,638
Other	**9,956**	6,795
Attributable to continuing operations	**338,162**	397,530
Mainland China attributable to discontinued operation	**—**	126,031
	338,162	523,561

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

(b) Non-current assets

	Group	
	2011 **HK$'000**	2010 HK$'000
Hong Kong	**1,659,154**	1,508,042
Macau	**631,707**	594,658
Mainland China	**4,232,919**	3,575,938
Republic of Singapore	**8,551,200**	7,739,701
Other	**194,236**	215,615
Attributable to continuing operations	**15,269,216**	13,633,954
Mainland China attributable to discontinued operation	**—**	—
	15,269,216	13,633,954

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, 2011 and 2010.

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 and commissions from concessionaire sales generated 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	
	2011	2010
	HK$'000	HK$'000
Property investment	**222,446**	203,458
Treasury investment	**8,029**	5,273
Securities investment	**18,364**	28,673
Corporate finance and securities broking	**43,831**	49,057
Banking business	**11,393**	13,500
Other	**34,099**	97,569
Attributable to continuing operations	**338,162**	397,530
Retail business attributable to discontinued operation *(Note 12)*	**—**	126,031
	338,162	523,561

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	
	2011	2010
	HK$'000	HK$'000
Interest income	**9,199**	9,827
Commission income	**1,916**	3,149
Other revenues	**278**	524
	11,393	13,500

6. Profit Before Tax

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

	Group	
	2011 HK$'000	2010 HK$'000
Gross rental income *(Note (a))*	**222,446**	186,210
Less: Outgoings	**(21,365)**	(18,599)
Net rental income	**201,081**	167,611
Employee benefits expense *(Note (b))*:		
Wages and salaries	**(153,376)**	(211,543)
Retirement benefits costs *(Note (c))*	**(4,565)**	(8,001)
Total staff costs	**(157,941)**	(219,544)
Interest income:		
Unlisted financial assets at fair value through profit or loss	**324**	529
Listed available-for-sale financial assets	**1,526**	1,486
Listed held-to-maturity financial assets	**1,770**	891
Loans and advances	**2,009**	1,135
Banking business	**9,199**	9,827
Other	**8,029**	5,273
Dividend income:		
Listed investments	**3,281**	2,359
Unlisted investments	**749**	621
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**5,230**	17,425
Unlisted financial assets at fair value through profit or loss	**5,484**	5,362
Unlisted available-for-sale financial assets	**4,767**	(756)
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	**(21,150)**	3,004
Unlisted	**(5,767)**	6,016
Provision for impairment losses on unlisted available-for-sale financial assets	**—**	(13,417)
Allowance for bad and doubtful debts	**(5,475)**	(32,954)
Interest expense attributable to banking business	**(738)**	(531)
Depreciation	**(14,859)**	(33,568)
Gain/(Loss) on disposal of fixed assets:		
Leasehold land and buildings	**10,294**	35,837
Other items of fixed assets	**(191)**	19
Loss on disposal of investment properties	**(231)**	(754)
Foreign exchange gains — net	**9,275**	19,141
Cost of inventories sold	**—**	(21,114)
Auditors' remuneration	**(5,403)**	(5,546)
Minimum lease payments under operating lease rentals in respect of land and buildings	**(27,223)**	(141,751)

6. Profit Before Tax *(continued)*

Note:

(a) The amounts include contingent rents under operating leases of HK$12,953,000 (2010 — HK$9,212,000).

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

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

(d) The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

7. Directors' Emoluments

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

	Group	
	2011	2010
	HK$'000	HK$'000
Directors' fees	**2,508**	2,508
Basic salaries, housing and other allowances and benefits in kind	**10,723**	10,412
Discretionary bonuses paid and payable	**11,000**	19,000
Retirement benefits costs	**102**	102
	24,333	32,022

7. Directors' Emoluments *(continued)*

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

2011	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	–	7,708	8,000	–	15,708
John Luen Wai Lee	59	1,991	3,000	24	5,074
Jark Pui Lee	–	1,024	–	78	1,102
	59	10,723	11,000	102	21,884
Non-executive director:					
Leon Nim Leung Chan	709	–	–	–	709
Independent non-executive directors:					
Edwin Neo	420	–	–	–	420
King Fai Tsui	650	–	–	–	650
Victor Ha Kuk Yung	670	–	–	–	670
	1,740	–	–	–	1,740
	2,508	10,723	11,000	102	24,333

7. Directors' Emoluments *(continued)*

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

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

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

Details of share options granted to the Directors are set out in Note 33 to the financial statements.

8. Five Highest Paid Employees' Emoluments

The five highest paid employees during the year included two Directors (2010 — two Directors), details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the remaining three (2010 — three) non-director, highest paid employees for the year are as follows:

	Group	
	2011 **HK$'000**	2010 HK$'000
Basic salaries, housing and other allowances and benefits in kind	**5,340**	2,959
Discretionary bonuses paid and payable	**18,479**	44,000
Retirement benefits costs	**127**	81
	23,946	47,040

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

	Group	
Emoluments bands (HK$):	**2011** **Number of employees**	2010 Number of employees
4,500,001 — 5,000,000	**1**	—
5,500,001 — 6,000,000	**1**	—
6,500,001 — 7,000,000	**—**	1
8,000,001 — 8,500,000	**—**	1
13,000,001 — 13,500,000	**1**	—
32,000,001 — 32,500,000	**—**	1
	3	3

9. Finance Costs

	Group	
	2011 **HK$'000**	2010 HK$'000
Interest on bank loans wholly repayable within five years	**68,135**	39,976
Interest on other loans	**23,413**	21,944
Total interest	**91,548**	61,920
Less: Interest capitalised	**(24,317)**	(5,340)
	67,231	56,580

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

10. Share of Results of Associates

The amount included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP") of approximately HK$703,491,000 (2010 — HK$2,241,768,000) and share of profit from Lippo Marina Collection Pte. Ltd. ("Lippo Marina") of approximately HK$264,331,000 (2010 — HK$5,043,000). LAAP, a property fund which carries the objective of investing in real estate and hospitality service business in Asia, invested in Overseas Union Enterprise Limited ("OUE"), a listed company in the Republic of Singapore which is principally engaged in property investment and development and hospitality business. The profit in 2011 was mainly attributable to the increase in recurrent income and the fair value gain on an investment property of OUE. Lippo Marina was set up for the purpose of a property development project in the Republic of Singapore, namely Marina Collection. Marina Collection was completed in April 2011 and share of profits arising from the sold units was recognised during the year.

11. Income Tax

	Group	
	2011 HK$'000	2010 HK$'000
Hong Kong:		
Charge for the year	**4,333**	5,050
Overprovision in prior years	**(4,884)**	(3,406)
Deferred	**26,066**	31,160
	25,515	32,804
Overseas:		
Charge for the year	**14,976**	11,255
Underprovision/(Overprovision) in prior years	**(378)**	533
Deferred	**40,781**	128,260
	55,379	140,048
Total charge for the year	**80,894**	172,852

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2010 — 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.

11. 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	
	2011 HK$'000	2010 HK$'000
Profit before tax (including profit before tax from discontinued operation)	**1,146,804**	3,070,287
Tax at the statutory tax rate of 16.5 per cent. (2010 — 16.5 per cent.)	**189,223**	506,597
Effect of different tax rates in other jurisdictions	**25,178**	58,119
Adjustments in respect of current tax of previous years	**(5,262)**	(2,873)
Profits and losses attributable to jointly controlled entities and associates	**(163,940)**	(369,800)
Income not subject to tax	**(21,279)**	(12,954)
Expenses not deductible for tax	**24,474**	27,756
Effect of withholding tax of 10 per cent. on the distributable profits of the Group's subsidiary in mainland China	**(1,317)**	1,620
Tax losses utilised from previous years	**(523)**	(85,300)
Tax losses not recognised	**34,340**	49,687
Tax charge at the Group's effective rate	**80,894**	172,852
Represented by:		
Tax charge attributable to continuing operations	**80,894**	172,852
Tax charge attributable to discontinued operation	**—**	—
	80,894	172,852

For the companies operating 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. (2010 — 17 per cent., 12 per cent. and 25 per cent.), respectively.

The share of tax charge attributable to associates amounting to HK$407,508,000 (2010 — HK$727,393,000) and the share of tax charge attributable to jointly controlled entities of HK$2,661,000 (2010 — credit of HK$48,000) 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.

12. Discontinued Operation

On 15th October, 2010, the Group completed the sale of the retail business (specifically being the operations of three department stores in Tianjin, Chengdu and Yangzhou) 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 interest in the retail business within three years from completion of the Disposal. Following the completion of the Disposal, all the retail business operation was discontinued.

(a) Profit for the year ended 31st December, 2010 from retail business is presented below:

	Note	2010 HK$'000
Revenue	5	126,031
Cost of sales		(116,561)
Gross profit		9,470
Administrative expenses		(40,193)
Other operating expenses		(60,996)
Loss before tax		(91,719)
Income tax	11	—
		(91,719)
Gain on disposal of discontinued operation (including HK$4,826,000 reclassification of cumulative exchange differences on translation of foreign operations from equity to profit or loss on disposal of the operation *(Note 36(b)*))		340,530
Profit for the year		248,811
Attributable to:		
Equity holders of the Company		177,178
Non-controlling interests		71,633
		248,811
		HK$
Earnings per share	14	
Basic, from discontinued operation		0.35
Diluted, from discontinued operation		N/A

12. 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

13. 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$6,805,000 (2010 — HK$5,915,000) which has been dealt with in the financial statements of the Company as set out in Note 34 to the financial statements.

14. Earnings Per Share Attributable to Equity Holders of the Company

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company; and (ii) the weighted average number of 500,435,000 ordinary shares (2010 — 500,433,000 ordinary shares) in issue during the year.

	2011 **HK$'000**	2010 HK$'000
Consolidated profit attributable to equity holders of the Company:		
From continuing operations	**594,533**	1,507,359
From discontinued operation	**—**	177,178
	594,533	1,684,537

(b) Diluted earnings per share

No diluted earnings per share is presented for the years ended 31st December, 2011 and 2010 as the share options and warrants outstanding during these years had no dilutive effect on the basic earnings per share for these years.

15. Dividends

	Group and Company	
	2011 **HK$'000**	2010 HK$'000
Final dividend, proposed, of HK4 cents (2010 — HK2 cents) per ordinary share	**20,017**	10,009
Special final dividend, proposed, of HK3 cents (2010 — Nil) per ordinary share	**15,013**	—
	35,030	10,009

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

16. Goodwill

	Group	
	2011 **HK$'000**	2010 HK$'000
Cost:		
Balance at beginning of year	**178,050**	178,462
Disposal of a subsidiary	**—**	(412)
Balance at end of year	**178,050**	178,050
Accumulated impairment:		
Balance at beginning of year	**106,565**	106,977
Disposal of a subsidiary	**—**	(412)
Balance at end of year	**106,565**	106,565
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. (2010 — 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.

17. Fixed Assets

Group

2011	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, 2011	305,134	186,167	491,301
Additions during the year	–	12,642	12,642
Reclassified from investment properties	3,123	–	3,123
Disposals during the year	(14,500)	(10,278)	(24,778)
Exchange adjustments	(759)	62	(697)
At 31st December, 2011	292,998	188,593	481,591
Accumulated depreciation and impairment losses:			
At 1st January, 2011	55,614	150,380	205,994
Depreciation provided for the year	4,734	10,125	14,859
Disposals during the year	(572)	(9,899)	(10,471)
Exchange adjustments	99	98	197
At 31st December, 2011	59,875	150,704	210,579
Net book value:			
At 31st December, 2011	233,123	37,889	271,012

17. Fixed Assets *(continued)*

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
At 31st December, 2010	305,134	186,167	491,301
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
At 31st December, 2010	55,614	150,380	205,994
Net book value:			
At 31st December, 2010	249,520	35,787	285,307

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

17. Fixed Assets *(continued)*

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

	Group	
	2011 HK$'000	2010 HK$'000
Long term leasehold land and buildings situated in Hong Kong	**124,940**	128,016
Leasehold land and buildings situated outside Hong Kong under:		
Long term leases	**96,684**	98,698
Medium term leases	**11,499**	22,806
	108,183	121,504
	233,123	249,520

Company

	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles	
	2011 HK$'000	2010 HK$'000
Cost:		
Balance at beginning of year	**1,715**	1,714
Additions during the year	**1,858**	1
Disposals during the year	**(1,620)**	—
Balance at end of year	**1,953**	1,715
Accumulated depreciation:		
Balance at beginning of year	**1,701**	1,672
Depreciation provided for the year	**133**	29
Disposals during the year	**(1,620)**	—
Balance at end of year	**214**	1,701
Net book value	**1,739**	14

18. Investment Properties

	Group	
	2011 **HK$'000**	2010 HK$'000
Long term leasehold land and buildings situated in Hong Kong:		
Balance at beginning of year	**1,366,800**	1,188,600
Disposals during the year	**(51,500)**	—
Fair value adjustments	**208,950**	178,200
Balance at end of year	**1,524,250**	1,366,800
Medium term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**2,898,265**	2,238,547
Additions during the year	**19,086**	92,802
Reclassified to fixed assets	**(3,123)**	(2,636)
Disposals during the year	**(81,836)**	(3,653)
Fair value adjustments	**158,290**	484,422
Exchange adjustments	**141,374**	88,783
Balance at end of year	**3,132,056**	2,898,265
Freehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**30,881**	31,826
Fair value adjustments	**1,157**	(1,155)
Exchange adjustments	**(215)**	210
Balance at end of year	**31,823**	30,881
	4,688,129	4,295,946

Based on professional valuations as at 31st December, 2011 made by Vigers Appraisal and Consulting Limited, an independent qualified valuer, on an open market, existing use basis and by reference to the actual disposal value of investment properties which were disposed of to an independent third party subsequent to the end of the reporting period, the investment properties in Hong Kong were revalued at HK$1,524,250,000 (2010 — HK$1,366,800,000).

Based on professional valuations as at 31st December, 2011 made by Asian Appraisal Company, Inc., CBRE, Inc., 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$3,163,879,000 (2010 — HK$2,929,146,000).

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

19. Properties under Development

	Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**1,147,515**	954,405
Additions during the year	**425,092**	294,556
Reclassified to properties held for sale	**(55,480)**	—
Reclassified to fixed assets	**—**	(122,740)
Written-off during the year	**—**	(18,597)
Exchange adjustments	**32,067**	39,891
Balance at end of year	**1,549,194**	1,147,515
Provisions for impairment losses:		
Balance at beginning of year	**(143,942)**	(153,367)
Impairment during the year	**(49,954)**	(180)
Written-off during the year	**—**	18,597
Exchange adjustments	**(7,839)**	(8,992)
Balance at end of year	**(201,735)**	(143,942)
	1,347,459	1,003,573
Land and buildings situated outside Hong Kong held under the following lease terms:		
Long term leases	**—**	51,025
Medium term leases	**1,306,333**	913,444
Freehold	**41,126**	39,104
	1,347,459	1,003,573

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

20. Interests in Associates

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets in listed investments	**752,504**	753,318
Share of net assets in unlisted investments	**7,353,088**	6,398,378
Goodwill	**45,905**	45,905
Due from associates	**548,002**	550,035
	8,699,499	7,747,636
Provisions for impairment losses	**(236,929)**	(239,886)
	8,462,570	7,507,750
Market value of listed investments at 31st December	**330,265**	361,042

The balance as at 31st December, 2011 included the Group's interest in LAAP of approximately HK$7,045,821,000 (2010 — HK$6,318,378,000). Certain shares of OUE held by LAAP Group had been pledged to secure banking facilities made available to the subsidiaries of LAAP. LAAP's controlling stake in OUE decreased from approximately 67.1 per cent. as at 31st December, 2010 to approximately 65.6 per cent. as at 31st December, 2011.

The balances with the associates include a loan of HK$4,500,000 (2010 — 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.

The balances with the associates include another loan of HK$36,558,000 (2010 — HK$32,320,000), which bears interest at 8.5 per cent. per annum and is repayable on demand. 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:

	Group	
	2011	2010
	HK$'000	HK$'000
Assets	**51,981,474**	46,664,067
Liabilities	**(34,705,504)**	(31,153,973)
Revenue	**6,151,398**	4,004,602
Profit	**1,009,414**	2,044,935

Details of the principal associates are set out on pages 139 and 140.

21. Interests in Jointly Controlled Entities

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets in unlisted investments	**45,723**	100,217
Due from jointly controlled entities	**149,701**	211,687
	195,424	311,904
Provisions for impairment losses	**(1,028)**	(1,028)
	194,396	310,876

The balances with the jointly controlled entities include a loan of HK$3,984,000 (2010 — HK$3,988,000), which is secured by certain shares of a jointly controlled entity, bears interest at the 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:

	Group	
	2011	2010
	HK$'000	HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**505,591**	789,933
Non-current assets	**2,737**	9,743
Current liabilities	**(69,418)**	(85,507)
Non-current liabilities	**(227,500)**	(387,801)
Net assets	**211,410**	326,368
Share of the jointly controlled entities' results:		
Revenue	**331,570**	38,851
Total expenses	**(312,793)**	(38,384)
Profit after tax	**18,777**	467
Share of the jointly controlled entities' capital commitments	**170,333**	242,741

Details of the principal jointly controlled entities are set out on page 141.

22. Available-for-sale Financial Assets

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Financial assets stated at fair value:				
Equity securities listed overseas	**300,925**	381,782	**—**	—
Debt securities listed in Hong Kong	**3,407**	—	**—**	—
Debt securities listed overseas	**18,388**	18,841	**—**	—
Unlisted investment funds	**52,943**	62,912	**—**	—
	375,663	463,535	**—**	—
Financial assets stated at cost:				
Unlisted equity securities	**113,546**	110,397	**8,920**	8,920
Unlisted debt securities	**11,663**	11,663	**1,200**	1,200
Unlisted investment funds	**15,461**	15,461	**—**	—
	140,670	137,521	**10,120**	10,120
Provisions for impairment losses	**(108,417)**	(108,417)	**(8,920)**	(8,920)
	32,253	29,104	**1,200**	1,200
	407,916	492,639	**1,200**	1,200

The debt securities bear interest at effective rates ranging from nil to 10 per cent. (2010 — nil to 10 per cent.) per annum.

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Equity securities:				
Corporate entities	**414,471**	492,179	**8,920**	8,920
Debt securities:				
Club debentures	**11,663**	11,663	**1,200**	1,200
Corporate entities	**11,704**	8,320	**—**	—
Banks and other financial institutions	**10,091**	10,521	**—**	—
	33,458	30,504	**1,200**	1,200

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

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK$81,935,000 (2010 — gain of HK$85,505,000), of which HK$85,000 (2010 — gain of HK$771,000) was reclassified from consolidated other comprehensive income to the consolidated income statement for the year.

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

Apart from the above, certain unlisted available-for-sale financial assets 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 available-for-sale financial assets 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. No impairment loss has been charged to the consolidated income statement for the year (2010 — HK$13,417,000).

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, 2011, these debt instruments were stated at fair value of HK$8,297,000 (2010 — HK$8,320,000). Had the reclassification not taken place, the Group would have recognised a fair value loss of HK$23,000 (2010 — gain of HK$1,000,000) in the consolidated income statement for the year.

23. Held-to-maturity Financial Assets

	Group	
	2011 HK$'000	2010 HK$'000
Debt securities, at amortised cost:		
Listed in Hong Kong	**8,083**	2,411
Listed overseas	**19,182**	9,421
	27,265	11,832
Market value of listed debt securities	**26,654**	12,334

The debt securities bear interest at effective rates ranging from 6 per cent. to 9 per cent. (2010 — 6 per cent. to 9 per cent.) per annum.

23. Held-to-maturity Financial Assets *(continued)*

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

	Group	
	2011 **HK$'000**	2010 HK$'000
Corporate entities	**15,889**	—
Banks and other financial institutions	**11,376**	11,832
	27,265	11,832

24. Loans and Advances

The loans and advances to customers of the Group bear interest at effective rates ranging from 3 per cent. to 8 per cent. (2010 — 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 a carrying amount of HK$498,272,000 (2010 — HK$562,723,000).

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	
	2011 **HK$'000**	2010 HK$'000
Balance at beginning of year	**13,294**	9,048
Allowance for bad and doubtful debts	**156**	6,759
Impairment allowance released	**(5,000)**	(97)
Amount written-off as uncollectible	**—**	(2,416)
Balance at end of year	**8,450**	13,294

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.

25. Financial Assets at Fair Value through Profit or Loss

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Held for trading:				
Equity securities:				
Listed in Hong Kong	**26,396**	13,523	**—**	—
Listed overseas	**99,439**	7,660	**29,658**	—
	125,835	21,183	**29,658**	—
Investment funds:				
Unlisted	**102,682**	107,744	**—**	—
Derivatives financial assets:				
Call option	**18,625**	23,198	**—**	—
	247,142	152,125	**29,658**	—

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

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Equity securities:				
Corporate entities	**122,917**	14,085	**29,658**	—
Banks and other financial institutions	**703**	5,049	**—**	—
Public sector entities	**2,215**	2,049	**—**	—
	125,835	21,183	**29,658**	—

26. Debtors, Prepayments and Deposits

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

	Group	
	2011	2010
	HK$'000	HK$'000
Outstanding balances with ages:		
Repayable on demand	**50,076**	42,224
Within 30 days	**8,031**	38,304
Between 31 and 60 days	**587**	—
Between 61 and 90 days	**14**	4
Between 91 and 180 days	**125**	—
Over 180 days	**9**	—
	58,842	80,532

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 individually impaired receivables are related to securities broking operation and investment and property development projects with a carrying amount of HK$53,105,000 (2010 — HK$42,519,000). The Group does not hold sufficient collateral or other credit enhancements over these balances. Movements in the allowance for bad and doubtful debts for these individually impaired receivables during the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Balance at beginning of year	**42,519**	15,874
Allowance for bad and doubtful debts	**12,214**	26,645
Impairment allowance released	**(1,628)**	—
Balance at end of year	**53,105**	42,519

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.

The balance as at 31st December, 2010 mainly comprised consideration receivables in respect of the disposal of the retail business of HK$209,000,000, which was fully settled in 2011.

27. Restricted Cash

The balance includes:

(a) certain amount of the pre-sale proceeds received by a subsidiary of the Group engaging in property development that was placed with designated bank accounts under supervision pursuant to relevant rules and regulations; and

(b) bank deposits pledged to secure banking facilities made available to the Group as set out in Note 28 to the financial statements.

28. Bank Loans

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Secured bank loans *(Note)*	**2,585,094**	2,059,991	**480,000**	348,000
Less: Amount classified under current portion	**(290,689)**	(588,779)	**(97,000)**	(188,000)
Non-current portion	**2,294,405**	1,471,212	**383,000**	160,000
Bank loans by currency:				
Hong Kong dollar	**1,797,355**	1,331,000	**480,000**	348,000
Renminbi	**787,739**	457,198	**—**	—
United States dollar	**—**	271,793	**—**	—
	2,585,094	2,059,991	**480,000**	348,000
Bank loans repayable:				
Within one year or on demand	**290,689**	588,779	**97,000**	188,000
In the second year	**689,434**	1,095,717	**198,000**	160,000
In the third to fifth years, inclusive	**1,501,375**	229,789	**185,000**	—
After five years	**103,596**	145,706	**—**	—
	2,585,094	2,059,991	**480,000**	348,000

Note:

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$2,434,934,000 (2010 — HK$2,898,101,000);

(ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development of the Group with carrying amounts of HK$4,036,890,000 (2010 — HK$3,647,844,000), HK$124,940,000 (2010 — HK$105,024,000) and HK$1,306,333,000 (2010 — HK$867,373,000), respectively; and

(iii) certain bank deposits of the Group with a carrying amount of HK$168,588,000 (2010 — HK$308,000).

The Group's and Company's bank loans bear interest at floating rates ranging from 1.8 per cent. to 7.4 per cent. (2010 — 1.7 per cent. to 6.3 per cent.) per annum. The carrying amounts of the bank loans approximate to their fair values.

29. Creditors, Accruals and Deposits Received

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

	Group	
	2011 **HK$'000**	2010 HK$'000
Outstanding balances with ages:		
Repayable on demand	**435,334**	585,921
Within 30 days	**169,677**	33,304
Between 31 and 60 days	**—**	35
	605,011	619,260

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, 2011, total client trust bank balances amounted to HK$550,716,000 (2010 — HK$560,850,000).

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.

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

The current, fixed, savings and other deposits of customers attributable to banking operation bear interest at effective rates ranging from 0.02 per cent. to 2.75 per cent. (2010 — 0.01 per cent. to 2.9 per cent.) per annum. The carrying amounts approximate to their fair values.

31. 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
2011						
At 1st January, 2011	**8,986**	**692,505**	**2,489**	**(10,764)**	**1,284**	**694,500**
Deferred tax charged/(credited) to the income statement during the year	**595**	**67,814**	**—**	**(245)**	**(1,317)**	**66,847**
Deferred tax debited to equity during the year	**—**	**—**	**213**	**—**	**—**	**213**
Exchange adjustments	**—**	**31,539**	**—**	**—**	**33**	**31,572**
At 31st December, 2011	**9,581**	**791,858**	**2,702**	**(11,009)**	**—**	**793,132**
2010						
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
At 31st December, 2010	8,986	692,505	2,489	(10,764)	1,284	694,500

The Group has tax losses of HK$840,043,000 (2010 — HK$693,908,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except tax losses of HK$8,359,000 (2010 — HK$6,176,000) which will expire on or before 2016. Deferred tax assets have not been recognised in respect of these 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, 2011, there were no significant unrecognised deferred tax liabilities (2010 — 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 has no liability to additional tax should such amounts be remitted.

32. Share Capital

Shares

	Group and Company	
	2011	2010
	HK$'000	HK$'000
Authorised:		
30,000,000,000 (2010 — 30,000,000,000) ordinary shares of HK$0.10 each	**3,000,000**	3,000,000
Issued and fully paid:		
500,436,032 (2010 — 500,433,372) ordinary shares of HK$0.10 each	**50,044**	50,043

During the year, a total of 2,660 ordinary shares of HK$0.10 each in the Company were issued upon exercise in cash of the subscription rights attached to the warrants of the Company in an aggregate amount of approximately HK$13,000 at a subscription price of HK$4.70 per share.

Warrants

As at 1st January, 2011, the Company had 54,214,266 units of warrants outstanding with an aggregate subscription value of approximately HK$254,807,000. Each warrant entitled 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, 2,660 units of warrants with an aggregate subscription value of approximately HK$13,000 were exercised for 2,660 ordinary shares of HK$0.10 each at a subscription price of HK$4.70 per share.

In accordance with the terms and conditions of the instrument of warrants of the Company, the subscription rights under the warrants expired on 4th July, 2011. On 4th July, 2011, 54,211,606 units of warrants with an aggregate subscription value of approximately HK$254,795,000 remained unexercised and lapsed.

33. Share Option Schemes

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

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

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

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

33. Share Option Schemes (continued)

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

On 17th December, 2007, options were granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors of the Company and employees of the Group to subscribe for a total of 4,337,000 ordinary shares of HK$0.10 each in the Company (the "Shares") at an initial exercise price of HK$6.98 per Share (subject to adjustment). Due to the rights issue of new shares of the Company in June 2008 in the proportion of one rights share for every four shares held, adjustments were made to the number of Shares subject to the options 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.

An option to subscribe for 62,500 Shares lapsed in 2010.

As at 1st January, 2011, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 5,983,750 Shares (the "Option Shares").

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

			Number of Option Shares
Participants	**Date of grant**	**Exercise price per Share HK$**	**Balance as at 1st January, 2011 and 31st December, 2011**
Directors:			
John Luen Wai Lee	17th December, 2007	5.58	**1,125,000**
Leon Nim Leung Chan	17th December, 2007	5.58	**193,750**
Jark Pui Lee	17th December, 2007	5.58	**162,500**
Edwin Neo	17th December, 2007	5.58	**162,500**
King Fai Tsui	17th December, 2007	5.58	**162,500**
Victor Ha Kuk Yung	17th December, 2007	5.58	**162,500**
Employees *(Note)*	17th December, 2007	5.58	**3,390,000**
	1st August, 2008	3.95	**625,000**
Total			**5,983,750**
Weighted average exercise price per Share (HK$)			**5.41**

Note: Employees refer to the employees of the Group as at 31st December, 2011 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. One of the participants, who was granted an option to subscribe for 100,000 Option Shares in 2007, has become an employee of the Group during the year.

33. Share Option Schemes *(continued)*

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

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

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme, save for those subject to options granted but not yet exercised under the Share Option Scheme, is 37,389,751 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, 2011 are as follows:

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

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.

33. Share Option Schemes *(continued)*

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

Options to subscribe for 7,500,000 LCR Shares and 500,000 LCR Shares lapsed in 2009 and 2010 respectively.

As at 1st January, 2011, there were outstanding options granted under the LCR Share Option Scheme to subscribe for a total of 91,010,000 LCR Shares (the "LCR Option Shares").

Details of 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, 2011 and 31st December, 2011
Directors:			
John Luen Wai Lee	17th December, 2007	0.267	**22,000,000**
Leon Nim Leung Chan	17th December, 2007	0.267	**3,000,000**
Edwin Neo	17th December, 2007	0.267	**2,300,000**
King Fai Tsui	17th December, 2007	0.267	**2,300,000**
Victor Ha Kuk Yung	17th December, 2007	0.267	**2,300,000**
Employees *(Note)*	17th December, 2007	0.267	**20,710,000**
	1st August, 2008	0.169	**7,000,000**
Others	17th December, 2007	0.267	**31,400,000**
Total			**91,010,000**
Weighted average exercise price per share (HK$)			**0.259**

Note: Employees refer to the employees of LCR and its subsidiaries as at 31st December, 2011 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. One of the participants, who was granted an option to subscribe for 450,000 LCR Option Shares in 2007, has become an employee of LCR during the year.

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.

33. Share Option Schemes *(continued)*

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

The exercise prices of the LCR Option Shares and exercise periods of the options of LCR outstanding as at 31st December, 2011 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.

33. Share Option Schemes *(continued)*

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

An option to subscribe for 337,500 HKC Shares lapsed in 2010.

As at 1st January, 2011, there were outstanding options granted under the HKC Share Option Scheme to subscribe for a total of 19,869,300 HKC Shares (the "HKC Option Shares").

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

Participants	Date of grant	Exercise price per share HK$	Number of HKC Option Shares Balance as at 1st January, 2011 and 31st December, 2011
Directors:			
John Luen Wai Lee	17th December, 2007	1.24	**4,590,000**
Leon Nim Leung Chan	17th December, 2007	1.24	**810,000**
King Fai Tsui	17th December, 2007	1.24	**607,500**
Victor Ha Kuk Yung	17th December, 2007	1.24	**607,500**
Other directors of HKC	17th December, 2007	1.24	**1,215,000**
Employees *(Note)*	17th December, 2007	1.24	**7,179,300**
Others	17th December, 2007	1.24	**2,835,000**
	1st August, 2008	1.00	**2,025,000**
Total			**19,869,300**
Weighted average exercise price per share (HK$)			**1.22**

Note: Employees refer to the employees of HKC and its subsidiaries as at 31st December, 2011 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

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

As at the date of this report, the total number of HKC Shares available for issue under the HKC Share Option Scheme, save for those subject to options granted but not yet exercised under the HKC Share Option Scheme, is 114,813,609 HKC Shares, representing approximately 5.7 per cent. of the existing issued share capital of HKC.

33. Share Option Schemes *(continued)*

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

The exercise prices of the HKC Option Shares and exercise periods of the options of HKC outstanding as at 31st December, 2011 are as follows:

Number of HKC Option Shares	Exercise price per share *(Note)* HK$	Exercise period
17,844,300	1.24	17th June, 2008 to 16th December, 2012
2,025,000	1.00	1st August, 2009 to 16th December, 2012

Note: The exercise prices of the 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 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).

34. 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 42 and 43 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
2011						
At 1st January, 2011	**912,350**	**12,766**	**1,709,202**	**22,034**	**122,050**	**2,778,402**
Profit for the year and total comprehensive income for the year *(Note 13)*	**—**	**—**	**—**	**—**	**6,805**	**6,805**
Issuance of shares upon exercise of warrants	**12**	**—**	**—**	**—**	**—**	**12**
2010 final dividend, declared and paid to shareholders of the Company	**—**	**—**	**—**	**—**	**(10,009)**	**(10,009)**
At 31st December, 2011	**912,362**	**12,766**	**1,709,202**	**22,034**	**118,846**	**2,775,210**
2010						
At 1st January, 2010	912,350	12,766	1,709,202	22,034	126,144	2,782,496
Profit for the year and total comprehensive income for the year *(Note 13)*	—	—	—	—	5,915	5,915
2009 final dividend, declared and paid to shareholders of the Company	—	—	—	—	(10,009)	(10,009)
At 31st December, 2010	912,350	12,766	1,709,202	22,034	122,050	2,778,402

At 31st December, 2011, the Company's reserves available for distribution, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance, amounted to HK$118,846,000 (2010 — HK$122,050,000). As at 31st December, 2011, other distributable reserve amounted to HK$1,709,202,000 (2010 — HK$1,709,202,000).

Included in the retained profits of the Group and the Company as at 31st December, 2011 were amounts of final dividend and special final dividend for the year then ended of HK$20,017,000 (2010 — HK$10,009,000) and HK$15,013,000 (2010 — Nil) respectively proposed after the end of the reporting period.

34. Reserves *(continued)*

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, 2011, no special capital reserve remained subject to the Undertaking (2010 — 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

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

35. Interests in Subsidiaries

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**4,048,820**	4,009,628
Due to subsidiaries	**(681,437)**	(635,473)
	3,367,384	3,374,156
Provisions for impairment losses	**(205,074)**	(205,074)
	3,162,310	3,169,082

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 130 to 138.

36. Notes to the Consolidated Statement of Cash Flows

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

		Group	
	Note	**2011 HK$'000**	2010 HK$'000
Profit before tax (including profit before tax from discontinued operation)		**1,146,804**	3,070,287
Adjustments for:			
Share of results of associates		**(974,801)**	(2,241,053)
Share of results of jointly controlled entities		**(18,777)**	(157)
Loss/(Gain) on disposal of:			
Fixed assets		**(10,103)**	(35,856)
Investment properties	6	**231**	754
Subsidiaries	36(b)	**15,776**	(362,614)
Associates		**9**	196
Available-for-sale financial assets		**(4,767)**	756
Provisions for impairment losses:			
Associates		**419**	21,065
A jointly controlled entity		**16**	—
Available-for-sale financial assets		**—**	13,417
Properties under development		**49,954**	180
Net fair value loss/(gain) on financial assets at fair value through profit or loss		**26,917**	(9,020)
Allowance for bad and doubtful debts	6	**5,475**	32,954
Fair value gains on investment properties		**(368,397)**	(661,467)
Finance costs		**67,231**	56,580
Interest income		**(22,857)**	(19,141)
Dividend income		**(4,030)**	(2,980)
Depreciation	6	**14,859**	33,568
		(76,041)	(102,531)
Decrease in properties held for sale		**262**	13,424
Increase in inventories		**—**	(1,038)
Decrease in held-to-maturity financial assets		**57**	3
Increase in financial assets at fair value through profit or loss		**(121,934)**	(50,663)
Increase in loans and advances		**(18,515)**	(29,727)
Decrease/(Increase) in debtors, prepayments and deposits		**(12,808)**	107,821
Decrease in client trust bank balances		**9,543**	71,466
Increase in creditors, accruals and deposits received		**456,667**	226,988
Decrease in current, fixed, savings and other deposits of customers		**(18,547)**	(26,359)
Increase in deferred rental		**—**	11,864
Cash generated from operations		**218,684**	221,248

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

(b) Disposal of subsidiaries

	Group	
	2011	2010
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	**—**	210,614
Available-for-sale financial assets	**—**	3,210
Loans and advance	**15,876**	—
Inventories	**—**	4,099
Debtors, prepayments and deposits	**—**	123,461
Tax recoverable	**—**	207
Cash and bank balances	**—**	77,605
Creditors, accruals and deposits received	**—**	(189,632)
Deferred rental	**—**	(183,887)
	15,876	45,677
Non-controlling interests	**—**	(1,080)
Reclassification of cumulative exchange differences on translation of foreign operations	**—**	(4,826)
	15,876	39,771
Gain/(Loss) on disposal	**(15,776)**	362,614
	100	402,385
Satisfied by:		
Cash consideration received	**100**	171,000
Increase in other receivables	**—**	209,000
Increase in financial assets at fair value through profit or loss	**—**	22,385
	100	402,385

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

	Group	
	2011	2010
	HK$'000	HK$'000
Cash consideration received	**100**	171,000
Cash and bank balances disposed of	**—**	(77,605)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**100**	93,395

37. Changes in Non-controlling Interests without Change in Control

Major changes in non-controlling interests during the year are as follows:

(a) During the year, Hennessy Holdings Limited, a wholly-owned subsidiary of the Company, and the other holders of warrants issued by HKC ("HKC warrants") exercised 106,764,864 HKC warrants and 79,735,309 HKC warrants to subscribe for a total of 106,764,864 HKC Shares and 79,735,309 HKC Shares for a total consideration of approximately HK$133,456,000 and HK$99,669,000, respectively. The Group's effective ownership in HKC increased from approximately 55.8 per cent. as at 31st December, 2010 to approximately 56.0 per cent. as at 31st December, 2011. The Group recognised an increase in non-controlling interest of HK$87,358,000 and an increase in retained profits of HK$12,311,000.

(b) 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 a wholly-owned subsidiary of Win Joyce from Jeremiah, and the assignment of the shareholder's loans owed by Pantogon to Jeremiah, from Jeremiah to a wholly-owned subsidiary of Win Joyce, for a total consideration of approximately HK$150,267,000 (the "Transaction"). The carrying amount of the non-controlling interests in Pantogon on the date of completion of the Transaction was HK$43,782,000. The Group recognised a decrease in non-controlling interests of HK$43,782,000 and an increase in retained profits of HK$43,782,000.

(c) In April 2011, 力寶置業(上海)有限公司 (Lippo Realty (Shanghai) Limited) ("Lippo Realty"), a subsidiary of LCR, completed a capital reduction exercise (the "Completion") pursuant to which the 5 per cent. registered capital of Lippo Realty was reduced at a cash consideration of approximately HK$125,403,000. After the Completion, Lippo Realty has become an indirect wholly-owned subsidiary of LCR. The carrying amount of the non-controlling interests in Lippo Realty on the date of the Completion was HK$85,778,000. The Group recognised a decrease in non-controlling interests of HK$85,778,000 and a decrease in retained profits of HK$39,625,000.

38. Contingent Liabilities

As at 31st December, 2011, the Group had contingent liabilities relating to its banking subsidiary of HK$24,834,000 (2010 — HK$18,420,000), comprising guarantees and other endorsements of HK$15,278,000 (2010 — HK$11,048,000) and liabilities under letters of credit on behalf of customers of HK$9,556,000 (2010 — HK$7,372,000).

The Company did not have any material contingent liabilities at the end of the reporting period (2010 — 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 eight 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. As at 31st December, 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011 **HK$'000**	2010 HK$'000
Within one year	**192,391**	52,777
In the second to fifth years, inclusive	**229,379**	109,605
After five years	**16,063**	—
	437,833	162,382

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 31st December, 2016 and the leases for properties contain provision for rental adjustments. As at 31st December, 2011, 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	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Within one year	**18,153**	10,906	**6,617**	6,617
In the second to fifth years, inclusive	**26,319**	616	**—**	6,617
	44,472	11,522	**6,617**	13,234

40. Capital Commitments

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

	Group	
	2011 **HK$'000**	2010 HK$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**864,263**	600,816
Other capital commitments:		
Contracted, but not provided for *(Note)*	**80,627**	81,920
	944,890	682,736

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$71 million (2010 — HK$72 million).

The Company did not have any material commitments at the end of the reporting period (2010 — Nil).

41. Related Party Transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

(a) During the year, the Group received investment advisory income of HK$11,196,000 (2010 — HK$11,328,000) from an associate of the Group.

(b) During the year, the Group received project management incomes of HK$2,847,000 (2010 — HK$5,007,000) and HK$5,812,000 (2010 — HK$27,515,000) from associates and jointly controlled entities of the Group, respectively.

(c) During the year, the Group received rental income of HK$2,178,000 (2010 — HK$35,000) from associates of the Group. The rentals were determined by reference to the then prevailing open market rentals.

(d) During the year, the Group paid rental expenses (including service charges) of HK$2,186,000 (2010 — Nil) to an associate of the Group. The rental was determined by reference to the then prevailing open market rentals.

(e) As at 31st December, 2011, the Group had balances with its associates and jointly controlled entities, further details of which are set out in Notes 20 and 21 to the financial statements, respectively.

(f) Details of the Directors' emoluments are disclosed in Note 7 to the financial statements.

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, 2011

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	—	—	3,984	—	3,984
Held-to-maturity financial assets	—	27,265	—	—	27,265
Available-for-sale financial assets	—	—	—	407,916	407,916
Financial assets at fair value through profit or loss	247,142	—	—	—	247,142
Loans and advances	—	—	246,219	—	246,219
Debtors and deposits	—	—	107,030	—	107,030
Client trust bank balances	—	—	550,716	—	550,716
Restricted cash	—	—	466,295	—	466,295
Cash and bank balances	—	—	1,085,542	—	1,085,542
	247,142	27,265	2,459,786	407,916	3,142,109

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank loans	2,585,094
Creditors, accruals and deposits received	1,545,517
Current, fixed, savings and other deposits of customers	120,225
	4,250,836

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, 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
Restricted cash	—	—	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 loans	2,059,991
Creditors, accruals and deposits received	1,068,566
Current, fixed, savings and other deposits of customers	138,772
	3,267,329

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, 2011

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	1,200	1,200
Financial assets at fair value through profit or loss	29,658	—	—	29,658
Debtors and deposits	—	551	—	551
Cash and bank balances	—	111,119	—	111,119
	29,658	111,670	1,200	142,528

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank loans	480,000
Creditors, accruals and deposits received	3,648
	483,648

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

43. Fair Value Hierarchy

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value

Group

As at 31st December, 2011

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Available-for-sale financial assets:				
Equity securities	**300,925**	**—**	**—**	**300,925**
Debt securities	**21,795**	**—**	**—**	**21,795**
Investment funds	**—**	**2,914**	**50,029**	**52,943**
Financial assets at fair value through profit or loss:				
Equity securities	**125,835**	**—**	**—**	**125,835**
Investment funds	**—**	**409**	**102,273**	**102,682**
Derivative financial assets	**—**	**—**	**18,625**	**18,625**
	448,555	**3,323**	**170,927**	**622,805**

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
	421,806	4,125	189,729	615,660

43. Fair Value Hierarchy *(continued)*

Group

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

	Available-for-sale investment funds HK$'000	Investment funds at fair value through profit or loss HK$'000	Derivative financial assets HK$'000
At 1st January, 2011	**59,306**	**107,225**	**23,198**
Total losses recognised in the income statement	**—**	**(1,266)**	**(4,573)**
Total gains recognised in other comprehensive income	**378**	**—**	**—**
Purchases	**38,506**	**—**	**—**
Disposals	**(48,148)**	**(3,664)**	**—**
Exchange adjustments	**(13)**	**(22)**	**—**
At 31st December, 2011	**50,029**	**102,273**	**18,625**

	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	—
At 31st December, 2010	—	59,306	107,225	23,198

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 (2010 — Nil).

43. Fair Value Hierarchy *(continued)*

Company

As at 31st December, 2011

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss: Equity securities	**29,658**	**—**	**—**	**29,658**

As at 31st December, 2010

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss: Equity securities	—	—	—	—

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 (2010 — Nil).

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:

	Group	
	2011 HK$'000	2010 HK$'000
By geographical area:		
Hong Kong	**137,334**	153,185
Macau	**155,707**	137,766
Mainland China	**1,490**	1,858
Republic of Singapore	**—**	15,698
Others	**10,530**	10,548
	305,061	319,055

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

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 the 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. 11 per cent. of the Group's debts would mature in less than one year as at 31st December, 2011 (2010 — 29 per cent.) based on the carrying values of bank loans.

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

Group

	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Undated HK$'000	Total HK$'000
At 31st December, 2011							
Assets							
Amount due from a jointly controlled entity	–	–	–	–	–	3,984	3,984
Debt securities:							
Held-to-maturity financial assets	–	–	–	–	27,265	–	27,265
Available-for-sale financial assets	–	–	–	–	3,407	30,051	33,458
Loans and advances	155,236	33,005	16,437	19,201	22,340	–	246,219
Debtors and deposits	53,643	11,236	1,241	–	–	40,910	107,030
Client trust bank balances	126,934	423,782	–	–	–	–	550,716
Restricted cash	465,964	331	–	–	–	–	466,295
Cash and bank balances	469,361	616,181	–	–	–	–	1,085,542
	1,271,138	1,084,535	17,678	19,201	53,012	74,945	2,520,509
Liabilities							
Bank loans	18,009	–	272,680	2,190,809	103,596	–	2,585,094
Creditors, accruals and deposits received	437,977	191,549	688	–	–	915,303	1,545,517
Current, fixed, savings and other deposits of customers	57,478	58,566	4,181	–	–	–	120,225
	513,464	250,115	277,549	2,190,809	103,596	915,303	4,250,836

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, 2010							
Assets							
Amount due from a jointly controlled entity	—	—	—	—	—	3,988	3,988
Debt securities:							
Held-to-maturity financial assets	—	—	—	—	11,832	—	11,832
Available-for-sale financial assets	—	—	—	—	—	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	—	—	34,978	350,454
Client trust bank balances	185,089	375,761	—	—	—	—	560,850
Restricted cash	—	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	22,228	28,901	69,470	2,175,323
Liabilities							
Bank loans	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

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
At 31st December, 2011						
Assets						
Debt securities:						
Available-for-sale financial assets	–	–	–	–	1,200	1,200
Debtors and deposits	–	–	–	–	551	551
Cash and bank balances	3,282	107,837	–	–	–	111,119
	3,282	107,837	–	–	1,751	112,870
Liabilities						
Bank loans	–	–	97,000	383,000	–	480,000
Creditors, accruals and deposits received	–	2,567	–	–	1,081	3,648
	–	2,567	97,000	383,000	1,081	483,648
At 31st December, 2010						
Assets						
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
Liabilities						
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

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's and the Company's profit before tax and equity (through the impact on interest-bearing monetary assets and liabilities).

	2011			2010		
	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
Group						
Hong Kong dollar	+50	(5,410)	(5,410)	+50	(6,836)	(6,836)
United States dollar	+50	683	(578)	+50	(688)	(1,788)
Singapore dollar	+50	559	559	+50	1,181	1,181
Renminbi	+50	(987)	(987)	+50	(226)	(226)
Hong Kong dollar	-50	5,410	5,410	-50	6,836	6,836
United States dollar	-50	(683)	730	-50	688	1,926
Singapore dollar	-50	(559)	(559)	-50	(1,181)	(1,181)
Renminbi	-50	987	987	-50	226	226
Company						
Hong Kong dollar	+50	(1,846)	(1,846)	+50	(1,885)	(1,885)
United States dollar	+50	1	1	+50	15	15
Hong Kong dollar	-50	1,846	1,846	-50	1,885	1,885
United States dollar	-50	(1)	(1)	-50	(15)	(15)

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 in 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, Singapore dollar and Renminbi 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	
	2011 HK$'000	2010 HK$'000
Group		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2010 — 3 per cent.)	**15,367**	9,837
— weakened 3 per cent. (2010 — 3 per cent.)	**(15,367)**	(9,837)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2010 — 3 per cent.)	**2,793**	3,306
— weakened 3 per cent. (2010 — 3 per cent.)	**(2,793)**	(3,306)
Renminbi against Hong Kong dollar		
— strengthened 3 per cent. (2010 — 3 per cent.)	**1,559**	1
— weakened 3 per cent. (2010 — 3 per cent.)	**(1,559)**	(1)

The Company has no material foreign currency risk as at the end of the reporting period (2010 — 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.

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 22) and financial assets at fair value through profit or loss (Note 25) as at 31st December, 2011. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore, Australia 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, 2011	**High/Low 2011**	31st December, 2010	High/Low 2010
Hong Kong — Hang Seng Index	**18,434**	**24,420/16,250**	23,035	24,964/18,985
Republic of Singapore — Straits Times Index	**2,646**	**3,281/2,522**	3,190	3,314/2,651
Australia — S&P/ASX200	**4,057**	**4,971/3,863**	4,745	5,002/4,222
Indonesia — Jakarta Composite Index	**3,822**	**4,196/3,218**	3,704	3,786/2,475

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**
2011		
Financial assets:		
Hong Kong	**26,396**	**1,657**
Republic of Singapore	**66,402**	**4,168**
Australia	**32,528**	**2,042**
Indonesia	**300,925**	**18,891**
Global and other	**174,759**	**10,971**
2010		
Financial assets:		
Hong Kong	13,523	998
Republic of Singapore	3,851	284
Indonesia	381,782	28,179
Global and other	197,663	14,589

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 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, 2011 and 31st December, 2010.

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 loans. Total shareholders' equity represents equity attributable to equity holders of the Company.

	Group	
	2011 **HK$'000**	2010 HK$'000
Bank loans *(Note 28)*	**2,585,094**	2,059,991
Less: Non-controlling interests in bank loans	**(761,091)**	(566,305)
Bank loans, net of non-controlling interests	**1,824,003**	1,493,686
Equity attributable to the equity holders of the Company	**7,890,504**	7,264,078
Gearing ratio	**23.1 per cent.**	20.6 per cent.

45. Events after the Reporting Period

(a) In February 2012, the Group entered into a membership unit purchase agreement with two independent third parties for the acquisition of a total of 3,600 Class A units in, representing 8 per cent. of the total issued and outstanding Class A units and approximately 7.58 per cent. of the total issued and outstanding units in Skye Mineral Partners, LLC ("Skye") for an aggregate consideration of approximately HK$62,000,000. Upon the completion of the above acquisition, the Group would be interested in an aggregate of 7,200 Class A units in Skye, thereby increasing its effective interest in the total issued and outstanding Class A units in Skye to 16 per cent.

(b) In March 2012, the Group entered into a subscription agreement with Haranga Resources Limited ("Haranga") for the subscription of 15,000,000 new ordinary shares in Haranga (the "Subscription") at a subscription price of A$0.40 (equivalent to approximately HK$3.28) per share, totalling approximately HK$49,191,000. Immediately after the Subscription, the Group was interested in a total of 29,470,000 shares in, representing approximately 13.92 per cent., on a non-diluted basis (and approximately 11.90 per cent., on a fully diluted basis) of, the issued share capital of Haranga.

(c) After the reporting period, the Group entered into agreements for the disposal of five residential properties in Hong Kong to independent third parties for a total consideration of approximately HK$270,750,000.

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 29th March, 2012.

Particulars of Principal Subsidiaries

Particulars of Principal Subsidiaries as at 31st December, 2011 are as set out below.

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Acematic Limited	British Virgin Islands	US$1	100	100	Investment holding
Lippo Commercial Paper Limited	British Virgin Islands	US$1	100	100	Financing
Lippo Finance Holdings Limited	British Virgin Islands	US$50,000	100	100	Investment holding
Lippo Treasury Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Financing
Creaworld (Holdings) Company Limited	Hong Kong	HK$2	–	100	Investment holding
福建華陽湄洲開發有限公司 (Fujian Creaworld Meizhou Development Co., Ltd.)** – wholly foreign-owned enterprise##	People's Republic of China	HK$82,065,037*	–	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$25,000,000	–	100	Fund Management
Lippo Worldwide Investments Limited	British Virgin Islands	US$1	–	100	Investment
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
Alsurpreme Limited	British Virgin Islands	US$1	–	71.2	Investment holding
Apex Tier Limited	British Virgin Islands	US$1	–	71.2	Investment
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
Boom Peak Investments Limited	British Virgin Islands	US$1	–	71.2	Investment holding

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
Broadwell Asia Limited	British Virgin Islands	US$1	–	71.2	Property investment
CSK Beijing Pte. Limited**	Republic of Singapore	S$2	–	71.2	Investment holding
CSK Shanghai Pte. Limited**	Republic of Singapore	S$2	–	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
Citivest 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
Energetic Holdings Limited	British Virgin Islands	US$1	–	71.2	Property investment
Fortune Finance Investment Limited	British Virgin Islands	US$1	–	71.2	Investment
Frontop Limited	British Virgin Islands	US$1	–	71.2	Investment holding

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
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
Golden Harmony Limited	British Virgin Islands	US$1	–	71.2	Financing and investment holding
Golden Rain Holdings Limited	British Virgin Islands	US$1	–	71.2	Investment
Goldmax Pacific Limited	British Virgin Islands	US$1	–	71.2	Investment holding
Gothic Investments Limited	Samoa	US$1	–	71.2	Property investment
Grand Vista Limited	British Virgin Islands	US$1	–	71.2	Investment holding
Grandbiz Investments Limited	British Virgin Islands	US$1	–	71.2	Investment
Grandtop Pacific Limited	British Virgin Islands	US$1	–	71.2	Investment
Green Assets Investments Limited	British Virgin Islands	US$1	–	71.2	Investment
Greenfame Holdings Limited	British Virgin Islands	US$1	–	71.2	Investment
HKCL Investments Pte. Ltd.**	Republic of Singapore	S$2	–	71.2	Property development
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
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 Consortium Pte. Limited**	Republic of Singapore	S$2	–	71.2	Property development

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Lippo Group International Pte. Limited**	Republic of Singapore	S$2	–	71.2	Investment holding
力寶置業（江蘇）有限公司 (Lippo Realty (Jiangsu) Limited)** – wholly foreign-owned enterprise##	People's Republic of China	US$23,500,000*	–	71.2	Property development
力寶置業（上海）有限公司 (Lippo Realty (Shanghai) Limited)** (formerly known as上海力寶復興房地產有限公司 (Shanghai Lippo Fuxing Real Estate Limited)) – wholly foreign-owned enterprise##	People's Republic of China	US$23,750,000*	–	71.2	Property investment
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
Mantor Assets Limited	British Virgin Islands	US$1	–	71.2	Property investment
Masstrong Limited	Hong Kong	HK$1	–	71.2	Investment holding
Maxfit Holding Limited	British Virgin Islands	US$1	–	71.2	Investment holding
Netscope Limited	British Virgin Islands	US$1	–	71.2	Investment
New Blueprint Limited	British Virgin Islands	US$1	–	71.2	Investment holding
Pantogon Holdings Pte Ltd**	Republic of Singapore	S$1,000,000	–	71.2	Investment holding
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
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

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 and investment holding
Winfire Limited	British Virgin Islands	US$1	–	71.2	Financing
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
珠海力寶置業有限公司 (Zhuhai Lippo Realty Limited)** (formerly known as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	RMB225,000,000*	–	71.2	Property investment and property development
Jeremiah Holdings Limited	British Virgin Islands	S$1,298,645	–	42.7	Investment holding
Nine Heritage Pte Ltd**	Republic of Singapore	S$1,000,000	–	34.2	Investment holding

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
Hongkong Chinese Limited *(listed on The Stock Exchange of Hong Kong Limited)*	Bermuda/Hong Kong	HK$2,003,215,097	–	56.0	Investment holding
Allyield Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US$50,000	–	56.0	Property investment
Centech Limited	British Virgin Islands	US$1	–	56.0	Investment and business consultancy
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)** — wholly foreign-owned enterprise##	People's Republic of China	US$3,000,000*	–	56.0	Property investment and management
Choregeo Pte. Ltd.**	Republic of Singapore	S$2	–	56.0	Property investment
Conrich Inc.	British Virgin Islands	US$1	–	56.0	Investment holding
Cyberspot Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Cyfield Limited	British Virgin Islands	US$1	–	56.0	Property investment
Everwin Pacific Ltd.	British Virgin Islands	US$1	–	56.0	Property investment
Fiatsco Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	–	56.0	Property development
Goldlux Holdings Limited	British Virgin Islands	US$1	–	56.0	Investments
Goldsney Investment Limited	Hong Kong	HK$2	–	56.0	Securities investment
HKC Property Investment Holdings Limited	British Virgin Islands	US$1	–	56.0	Investment holding
HKC Realty LLC**	United States of America	US$2,250,000*	–	56.0	Property investment
HKCL Investments Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Hong Kong Housing Loan Limited	Hong Kong	HK$40,000,000	–	56.0	Money lending
ImPac Asset Management (HK) Limited	Hong Kong	HK$8,500,000	–	56.0	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US$2,000,100	–	56.0	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US$13,000	–	56.0	Fund management

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Lippo Asia Limited	Hong Kong	HK$120,000,000	–	56.0	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK$400,000	–	56.0	Fund management
Lippo Futures Limited	Hong Kong	US$2,000,000	–	56.0	Commodities brokerage
Lippo Medical Holdings Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S$2	–	56.0	Project management
Lippo (S) Pte. Ltd.**	Republic of Singapore	S$2,000,000	–	56.0	Property investment
Lippo Securities Holdings Limited	Hong Kong	US$23,000,000	–	56.0	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	–	56.0	Investment holding
Lippo Securities Limited	Hong Kong	HK$220,000,000	–	56.0	Securities brokerage
L.S. Finance Limited	Hong Kong	HK$5,000,000	–	56.0	Money lending
Masta Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Masuda Limited	British Virgin Islands	US$10,000	–	56.0	Investment holding
MGS Ltd.	British Virgin Islands	US$1	–	56.0	Investment holding
Norfyork International Limited	Hong Kong	HK$25,000,000	–	56.0	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US$1	–	56.0	Investment holding
Pacific Bond Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US$1	–	56.0	Investments
Redsun Ltd.	British Virgin Islands/ Hong Kong	US$1	–	56.0	Property investment
Rosery Inc.	British Virgin Islands	US$1	–	56.0	Investment holding
Sinogain Asia Limited	British Virgin Islands	US$1	–	56.0	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US$1	–	56.0	Investments

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
Skyblue International Limited	British Virgin Islands	US$1	–	56.0	Investments
Stargala Limited	British Virgin Islands	US$1	–	56.0	Property investment
The Macau Chinese Bank Limited**	Macau	MOP180,000,000	–	56.0	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US$1	–	56.0	Investments
Uchida Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Wealtop Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Winluck Asia Limited	British Virgin Islands	US$1	–	56.0	Property investment
Winluck Pacific Limited	British Virgin Islands	US$1	–	56.0	Property investment
Winrider Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Winsite Limited	British Virgin Islands	US$1	–	56.0	Investments
Winus Holdings Limited	British Virgin Islands	US$1	–	56.0	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US$1	–	56.0	Investments
Yield Point Limited	British Virgin Islands	US$1	–	56.0	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*	–	44.8	Property development
TechnoSolve Limited	Hong Kong	HK$26,296,000	–	38.4	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*	–	38.4	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US$100	–	33.6	Investment holding

\# *based on the number of issued shares carrying voting rights and 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*

Particulars of Principal Subsidiaries *(continued)*

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, 2011, 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, 2011 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Group#	Principal activities
Standard Pacific Limited	Corporate	Hong Kong	HK$4,290,000	50	Investment holding
MIDAN City Development Co., Ltd.	Corporate	Korea	KRW71,817,000,000	47.9	Property development
Lippo-Savills Property Management Limited	Corporate	Hong Kong	HK$2	35.6	Property management services
Asia Now Resources Corp. *(listed on TSX Venture Exchange of Canada)*	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
China Singkong Investment Holdings Limited	Corporate	British Virgin Islands	US$95	33	Investment holding
Medco Holdings, Inc. *(listed on The Philippine Stock Exchange, Inc.)*	Corporate	Republic of the Philippines	Pesos 700,000,000	32.8	Investment holding
莆田華正自來水有限公司 (Putian Hua Zheng Water Co., Ltd.)	Equity joint venture enterprise	People's Republic of China	RMB9,241,470*	28.5	Water supply
CTC Entrepreneurs Corporation	Corporate	Republic of the Philippines	Pesos 250,000	28.5	Investment holding
Auric Pacific Group Limited *(listed on Singapore Exchange Securities Trading Limited)*	Corporate	Republic of Singapore	S$64,460,182	28.1	Investment holding
Greenix Limited	Corporate	British Virgin Islands	US$100,000	28	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S$1,000,000	28	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US$100	27.4	Investment management
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
Export and Industry Bank, Inc. *(listed on The Philippine Stock Exchange, Inc.)*	Corporate	Republic of the Philippines	Pesos 4,734,452,540	19.5	Commercial banking

Particulars of Principal Associates *(continued)*

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Group#	Principal activities
Food Junction Holdings Limited *(listed on Singapore Exchange Securities Trading Limited)*	Corporate	Republic of Singapore	S$12,707,436	17.2	Investment holding
Lippo ASM Asia Property LP**	Limited partnership	Cayman Islands	N/A	N/A	Investment in real estate and hospitality service businesses

\# *based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein*

* *paid up registered capital*

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

Note:

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, 2011 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group#	Principal activities
Tanglin Residential Pte. Ltd.	Corporate	Republic of Singapore	S$2	35.6	Property investment and 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	28	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$1,000,000	28	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	28	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US$10,579,040	16.8	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S$14,914,247	16.8	Property development

based on the number of issued shares carrying voting rights and 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, 2011

Description	Use	Approximate gross floor area	Status	Approximate percentage of Group's interest
		(square metres)		
Hong Kong				
Lippo Centre 89 Queensway Central Inland Lot No. 8615*	Commercial	Office: 3,458 Retail: 1,935 (net floor area)	Rental	71.2

* The above property comprises various shop units on the podium floors and certain office floors.

11 units and 16 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	2,420	Rental	71.2

Note: An agreement was entered into in November 2011 for the disposal of an unit and a car parking space in Celestial Garden. Such agreement was subsequently completed in January 2012.

Subsequent to the year end and up to the date of this report, the Group had entered into agreements for the disposal of a total of five units and five car parking spaces in Celestial Garden.

All the above properties are held under long term leases.

(1) Properties held for Investment as at 31st December, 2011 *(continued)*

Description	Use	Approximate gross floor area	Status	Approximate percentage of Group's interest
		(square metres)		
People's Republic of China				
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	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
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
5 floors of Unit 1 Building 1 Lippo Tower 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	56.0

The above properties are held under medium term leases.

Description	Use	Approximate gross floor area	Status	Approximate percentage of Group's interest
3rd to 6th Floors The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,072	Rental	56.0

The above property is held as propriedade privada.

(1) Properties held for Investment as at 31st December, 2011 *(continued)*

Description	Use	Approximate gross floor area	Status	Approximate percentage of Group's interest
		(square metres)		
Overseas				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	56.0
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	56.0
The above properties are freehold.				
Apartment No. 2 Blumenthalstrasse 22 69120 Heidelberg Germany	Residential	153 (net floor area)	Rental	56.0
The above property is held under long term leases.				

(2) Properties held for Sale as at 31st December, 2011

Description	Use	Approximate site area	Approximate gross floor area	Approximate percentage of Group's interest
			(square metres)	
Overseas				
263 Ocean Drive Sentosa Cove Singapore 098148 Lot 1344M of MK 34 (Plot B8C-1)	Residential	708	530	71.2
Unit #03–03 The Residences Katana 20 Jalan Madge 55000 Kuala Lumpur Malaysia	Residential	N/A	360	71.2
2 units at Rosehill 8–16 Virginia Street New South Wales Australia	Residential	N/A	346	71.2
854 West Adams Boulevard Los Angeles CA 90007 United States of America	Residential	1,142	723	56.0

(3) Properties held for Development as at 31st December, 2011

Description	Use	Approximate site area	Approximate gross floor area	Approximate percentage of Group's interest	Estimated completion date	Stage of development as at 31st December, 2011
		(square metres)	*(square metres)*			
People's Republic of China						
Meizhou Island Putian, Fujian	Tourism/ Commercial	1,207,700	26,848	100	N/A	Phase I substantially completed
Tati City Shanting Township Putian, Fujian	Multi-use	1,292,467	150,963	71.2	N/A	Phase I completed
83 Estrada de Cacilhas Macau	Residential	3,398	26,025 (total saleable area)	56.0	2014	Foundation work in progress
Land Lot No. 4C1 Beijing Economic-Technological Development Area （北京經濟技術開發區） Beijing	Multi-use	51,209	275,000	44.8	2013	Under construction
Overseas						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	56.0	N/A	Vacant land

(4) Properties held as Fixed Assets as at 31st December, 2011

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
		(square metres)	
Hong Kong			
Certain office floors of Tower One Lippo Centre 89 Queensway Central Inland Lot No. 8615	Commercial	1,760	71.2
2nd Floor of Sun Court 3 Belcher's Street Kennedy Town Subsection 1 of Section C of Marine Lot No. 262, the remaining portion of Section C of Marine Lot No. 262 and the remaining portion of Marine Lot No. 262	Commercial	743	71.2
3 units and 3 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	660	71.2

The above properties are held under long term leases.

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
People's Republic of China			
Basement, Ground Floor, 1st Floor and 2nd Floor The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,076	56.0

The above property is held as propriedade privada.

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
Overseas			
259 Ocean Drive Sentosa Cove Singapore 098538 Lots 1342L and 1343C of MK 34 (Plot B8B – 5/6)	Residential	698	56.0

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, 2011, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below.

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Profit/(Loss) attributable to equity holders of the Company	**594,533**	1,684,537	1,254	(336,744)	698,927
Total assets	**18,503,171**	16,420,080	12,037,586	12,546,472	13,003,482
Total liabilities	**(5,097,934)**	(4,018,589)	(3,993,566)	(4,454,395)	(4,624,716)
Net assets	**13,405,237**	12,401,491	8,044,020	8,092,077	8,378,766
Non-controlling interests	**(5,514,733)**	(5,137,413)	(3,342,968)	(3,401,841)	(3,588,709)
Equity attributable to equity holders of the Company	**7,890,504**	7,264,078	4,701,052	4,690,236	4,790,057

Lippo Limited

力寶有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 226)