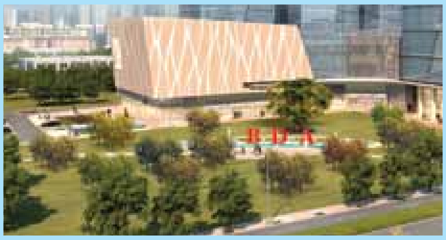
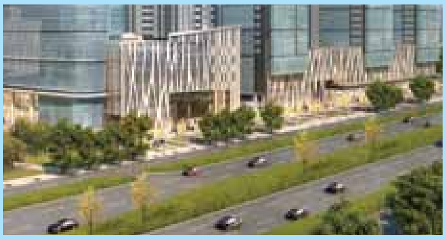
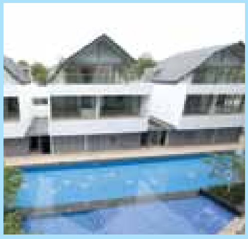
Hongkong Chinese Limited
香港華人有限公司

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





2011
ANNUAL REPORT

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Leon Chan Nim Leung

Independent non-executive Directors

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

Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Secretary

Mr. Andrew Hau Tat Kwong

Auditors

Ernst & Young

Principal Bankers

CITIC Bank International Limited
Standard Chartered Bank
Bank of Beijing Co., Ltd.
Bank of China, Macau Branch
Raiffeisen Bank International AG,
Singapore Branch
Oversea-Chinese Banking Corporation Limited

Solicitors

Howse Williams Bowers

Principal Share Registrars and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

24th Floor, Tower One, Lippo Centre
89 Queensway, Hong Kong

Stock Code

655

Website

www.hkchinese.com.hk

On behalf of the Board of Directors, I would like to present the annual report of the Company for the year ended 31st December, 2011.

Business Review

2011 was a difficult and challenging year for the world's major economies. Struck by the widening sovereign debt crisis in a number of European countries, the downgrade of US long-term sovereign debt rating, continuing weak economic recovery in the US and the lingering aftermath of the devastating earthquake, tsunami and nuclear leakage disaster in Japan, the major economies suffered and showed little growth. With consumer and investor confidence and job markets staying weak, the economic prospect in the major economies is for continuing sluggishness. In contrast, much of the Asia region (outside Japan) recorded steady growth in 2011.

China continued to be the Asia's economic driving force, helped by strong domestic demand and continuing strong exports. However, inflation rose well above target levels which brought renewed monetary actions by the Central Bank in the first half of 2011 to restrict credit expansion and bring down inflation, through, inter alia, increases of the banking reserve requirement and Renminbi base rates. These monetary actions appear to have an effective impact. Apart from China, the South East Asian countries, including Singapore, have been the other main contributors to the continuing steady economic growth in Asia.

Benefiting from the steady economic growth in the Asian regions in which the Group has operations, the Group recorded a consolidated profit attributable to shareholders of approximately HK$871 million for the year ended 31st December, 2011, as compared to a profit of HK$2,207 million recorded in 2010. The profit was mainly attributable to the fair value gain on an investment property under the Group's associates, and the share of profit from the sale of certain residential units upon the completion of property development projects in Singapore during the year.

In Singapore, the opening of the new integrated resorts, strong tourist arrivals, and its continuing role as one of the major financial centres in Asia have contributed to the country's continued economic growth in 2011. The strong property markets, especially in the office and commercial segments, have greatly benefited the Group's performance in Singapore.

The certificate of statutory completion for "Marina Collection" (the 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, Sentosa Island, Singapore. It provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres of which 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 Group. With the opening of the integrated casino/ recreational resort on the Sentosa Island, the Group is confident about the prospects of "Marina Collection".

Marina Collection at Sentosa Cove, Sentosa Island, Singapore

Business Review *(continued)*

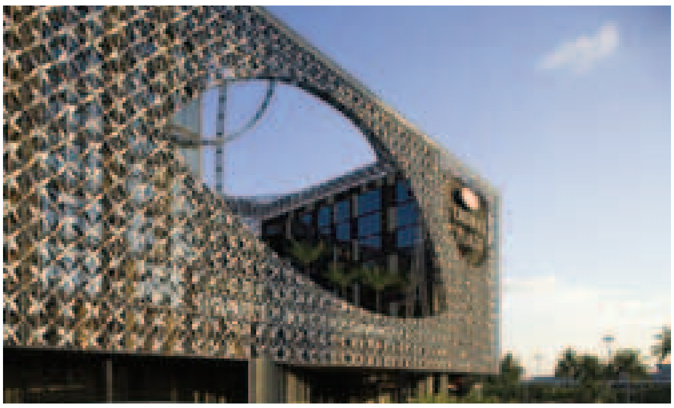
The Holland Collection in Singapore

The Group has a 30 per cent. interest in "The Holland Collection" located 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, with temporary occupation permit obtained in September 2011. All the 26 residential units in this project have been sold.

The Group also has a 50 per cent. interest in "Centennia Suites" located at 100 Kim Seng Road, Singapore. "Centennia Suites", with a site area of approximately 5,611 square metres, will be redeveloped into a residential development with a saleable area of approximately 16,182 square metres. It is expected that completion will take place in 2013. All the 97 residential units in this project have been pre-sold.

Perspective of Centennia Suites, a property development project in Singapore

Lippo ASM Asia Property LP ("LAAP", together with its subsidiaries, the "LAAP Group"), of which a wholly-owned subsidiary of the Company is the limited partner, was set up with the objective of investing in real estate and hospitality service 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 operations. OUE has interests 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.



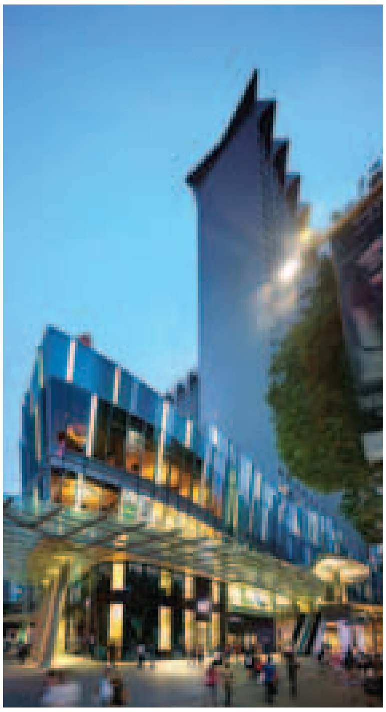
Crowne Plaza Changi Airport Hotel in Singapore

Swimming pool in Crowne Plaza Changi Airport Hotel

Business Review *(continued)*

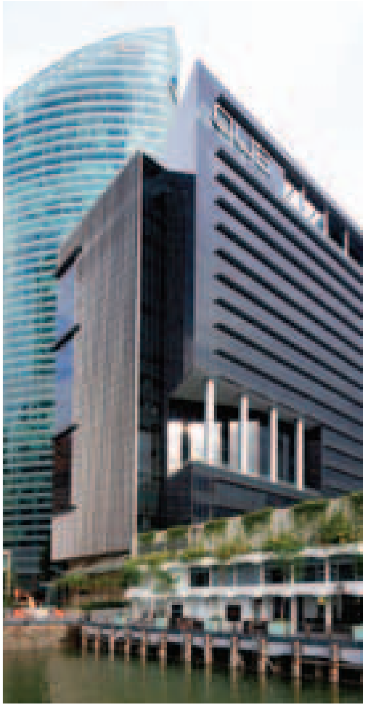
Property development project in 北京經濟技術開發區 (Beijing Economic-Technological Development Area), Beijing

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in Beijing (the "BDA Project"). With a total site area of approximately 51,209 square metres, the BDA Project, in which the 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 project 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 sold.



Mandarin Gallery at Mandarin Orchard Singapore

Mandarin Orchard Singapore in Singapore



OUE Bayfront in Singapore

Business Review *(continued)*

DBS Building Towers One and Two in Singapore

One Raffles Place in Singapore

Twin Peaks in Singapore

The Group will develop the site situated at 83 Estrada de Cacilhas, Macau, with an area of approximately 3,398 square metres, into a residential development now named as "M Residences". The Group has a 100 per cent. interest in this project which 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 had been launched and received favourable market response.

The Macau Chinese Bank Limited ("MCB"), a wholly-owned subsidiary of the Company, maintained a steady performance in 2011 amidst the strong performance of the Macau economy. Recognising that MCB's future performance will be largely dependent on the growth of the Macau economy, the Group will continue to seek business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

Despite the strong local economy, the local stock market was weak and inactive in 2011 with low initial public offering activities. Participation from retail investors remained tepid and cautious given the continuing uncertain market conditions. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on the market conditions in China and economic developments globally, especially in Europe and the US.

Perspective of M Residences, a property development project in Macau

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

Business Review *(continued)*

In 2008, the Company issued 202,024,362 units of warrants (the "Warrants") entitling the holder of one unit to subscribe for one ordinary share of the Company at a subscription price of HK$1.25. In accordance with the terms and conditions of the instrument of the Warrants, the subscription rights under the Warrants expired on 4th July, 2011 and listing of the Warrants on The Stock Exchange of Hong Kong Limited was withdrawn on that same day. Up to the expiry of the Warrants, the subscription rights attaching to a total of 186,563,826 units of the Warrants, with an aggregate subscription value of approximately HK$233 million, have been exercised by the warrantholders.

Prospects

Prospects for Asia remain positive but the continuing economic uncertainty in the US and Europe suggests that global economic recovery will be slow. The continuing weak US economy and sovereign debt crisis in Europe will continue to dampen the global economic recovery. For much of Asia, the low interest rate environment, itself a result of markets flushed with liquidity, has stoked inflationary pressures. In response, countries like China and India have introduced credit tightening and austerity measures in their efforts to tackle the inflation problem.

The Group will continue to focus on property investment and property development businesses in Asia Pacific region for its long term growth. Management is however watchful of the economic challenges ahead. Management will accordingly continue to take a cautious and prudent approach in the management of the Group's property portfolio and businesses and in its assessment of new investment opportunities.

Acknowledgement

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

Stephen Riady
Chairman

29th March, 2012

Discussion and Analysis of Annual Results

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$871 million for 2011 (2010 — HK$2,207 million). Apart from the normal operating income, the Group was benefited from the increase in recurrent income and the fair value gain on an investment property under the Group's 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 of the Group's associates as compared with last year.

Results for the year

Property investment

The revenue of the property investment business increased to HK$12 million (2010 — HK$10 million) in 2011, resulted from the higher rental rates for Lippo Tower in Chengdu. In addition, the Group also benefited from the revaluation gains of the Group's investment properties, the segment registered a profit of HK$10 million (2010 — HK$5 million).

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.

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.

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.

Treasury and securities 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. In 2011, treasury and securities investments business recorded a revenue of HK$21 million (2010 — HK$16 million), with a net profit of HK$2 million (2010 — HK$22 million). The drop in net profit was mainly attributable to the fair value loss on security investments.

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 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.

Results for the year *(continued)*

Other businesses

As most of the property development projects managed are either completed or nearing the completion stage, the revenue of the project management segment decreased to HK$5 million in 2011 (2010 — HK$20 million), and recorded a loss of HK$8 million (2010 — profit of HK$13 million).

Financial position

As at 31st December, 2011, the Group's total assets increased to HK$11.5 billion (2010 — HK$9.7 billion). Property-related assets increased to HK$10.0 billion (2010 — HK$8.3 billion), representing 87 per cent. (2010 — 85 per cent.) of the total assets. Total liabilities increased to HK$2.2 billion (2010 — HK$1.6 billion). The Group's financial position remained healthy and the current ratio (measured as current assets to current liabilities) was 1.2 to 1 (2010 — 1.1 to 1). The net asset value of the Group remained strong and increased to HK$9.1 billion (2010 — HK$8.0 billion). This was equivalent to HK$4.6 per share (2010 — HK$4.4 per share).

As at 31st December, 2011, bank and other borrowings of the Group (other than those attributable to banking business) increased to HK$766 million (2010 — HK$533 million). The bank loans amounted to HK$709 million (2010 — HK$348 million), which were denominated in Hong Kong dollars and Renminbi (2010 — Renminbi and United States dollars). The bank loans were secured by first legal mortgages over certain properties and certain bank deposits of the Group. The bank loans carried interest at floating rates. Approximately 10 per cent. (2010 — 84 per cent.) of the bank loans were repayable within one year. The Group's other borrowings as at 31st December, 2011 comprised of unsecured loans advanced from Lippo Limited of HK$57 million (2010 — HK$185 million). Such advance would be repayable on or before 31st December, 2013. At the end of the year, the gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) slightly increased to 7 per cent. (2010 — 6 per cent.).

During the year, 186,500,173 units of warrants of the Company were exercised at HK$1.25 each, with an aggregate subscription value of approximately HK$233 million. The Company has issued 186,500,173 ordinary shares of HK$1.00 each upon exercise of such warrants.

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$715 million (2010 — HK$556 million), mainly attributable to the property development projects in Macau and Beijing. The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Staff and remuneration

The Group had approximately 220 employees as at 31st December, 2011 (2010 — 198 employees). Staff costs (including directors' emoluments) charged to the income statement during the year amounted to HK$71 million (2010 — HK$72 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 Report

Corporate Governance Practices

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

In 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") in force prior to 1st April, 2012.

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

As at 1st January, 2011, the Board comprised eight members (the composition of the Board is shown on page 20), including three executive Directors and five non-executive Directors of whom three are independent as defined under the Listing Rules, with Dr. Mochtar Riady being the Chairman and Mr. Stephen Riady being the Chief Executive Officer. On 25th March, 2011, there were the following changes to the Board:

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

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

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

Following the above changes to the Board, the Board currently comprises seven members, including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules, with Mr. Stephen Riady being the Chairman and Mr. John Lee Luen Wai being the Chief Executive Officer (brief biographical details of the current Directors are set out on pages 21 to 23). A list containing the names of the Directors and their role and function can be found in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkchinese.com.hk).

Dr. Mochtar Riady is the father of Mr. Stephen Riady. Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

Board of Directors *(continued)*

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

Under the Company's Bye-laws, one-third of the Directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors. Under the Listing Rules, if an independent non-executive Director serves the Board for more than nine years, his forthcoming re-election shall be subject to a separate resolution to be approved by the shareholders of the Company.

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.

Rule 3.08 of the Listing Rules further specifies the duties and responsibilities of Directors. Directors must satisfy the required levels of skill, care and diligence. To satisfy such requirements, Directors are required to take an active interest in the Company's affairs and obtain a general understanding of its business and follow up anything untoward that comes to their attention. Delegating directors' functions is permissible but does not absolve them from their responsibilities or from applying the required levels of skill, care and diligence.

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

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. 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 during 2011 are set out below.

Board of Directors *(continued)*

Directors	Attendance/Number of Meetings: Board	Audit Committee	Remuneration Committee	Nomination Committee
Non-executive Directors				
Dr. Mochtar Riady *(resigned as non-executive Director and the Chairman on 25th March, 2011)*	0/0	N/A	N/A	N/A
Mr. Leon Chan Nim Leung *(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
Executive Directors				
Mr. Stephen Riady *(Chairman since 25th Mach, 2011)*	3/4	N/A	1/2	1/2
Mr. John Lee Luen Wai *(Chief Executive Officer since 25th March, 2011)*	4/4	N/A	N/A	N/A
Mr. Kor Kee Yee	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Tsui King Fai *(Chairman of the Audit Committee and on 29th March, 2012, also appointed as the Chairman of the Remuneration Committee and Nomination Committee)*	4/4	3/3	2/2	2/2
Mr. Albert Saychuan Cheok	4/4	2/3	1/2	1/2
Mr. Victor Yung Ha Kuk	4/4	3/3	2/2	2/2

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Their respective roles and responsibilities are set out in writing which have been approved by the Board. Dr. Mochtar Riady was the Chairman of the Board until 25th March, 2011 when he resigned as a non-executive Director and the Chairman of the Company and Mr. Stephen Riady was appointed as the Chairman to take up the vacancy. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities.

Mr. Stephen Riady was the Chief Executive Officer of the Company until 25th March, 2011. Following his appointment as the Chairman of the Company on 25th March, 2011, Mr. Stephen Riady resigned as the Chief Executive Officer of the Company and Mr. John Lee Luen Wai was appointed as the Chief Executive Officer of the Company to take up the vacancy on 25th March, 2011. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Non-executive Directors

As at 1st January, 2011, there were five non-executive Directors. Following the resignation of Dr. Mochtar Riady as a non-executive Director of the Company on 25th March, 2011, there are currently four non-executive Directors of whom three are independent. Under the Company's Bye-laws, every Director, including the non-executive Directors, shall be subject to retirement by rotation at least once every three years. This means that the specific term of appointment of a Director cannot exceed three years.

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

Remuneration of Directors

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkchinese.com.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 package 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 package of the Directors and senior management; and (ii) service contracts of certain Directors.

Majority of the Committee members are independent non-executive Directors . In order to comply with the Amendments, on 29th March, 2012, Mr. Tsui King Fai, an independent non-executive Director, was appointed as the Chairman of the Remuneration Committee and Mr. Leon Chan Nim Leung, 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. Tsui King Fai (being the Chairman of the Remuneration Committee), Victor Yung Ha Kuk and Albert Saychuan Cheok, one non-executive Director, namely Mr. Leon Chan Nim Leung, and one executive Director, namely Mr. Stephen Riady. 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 Bye-laws. No new Director was appointed during 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 websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkchinese.com.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.

Nomination of Directors *(continued)*

Majority of the Committee members are independent non-executive Directors. In order to comply with the Amendments, on 29th March, 2012, Mr. Tsui King Fai, an independent non-executive Director, was appointed as the Chairman of the Nomination Committee and Mr. Leon Chan Nim Leung, 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. Tsui King Fai (being the Chairman of the Nomination Committee), Victor Yung Ha Kuk and Albert Saychuan Cheok, one non-executive Director, namely Mr. Leon Chan Nim Leung, and one executive Director, namely Mr. Stephen Riady. Two meetings were held in 2011 and the individual attendance of each member is set out above.

A shareholder may propose a candidate for election as a Director in accordance with the Bye-laws of the Company. The procedures for such proposal are published on the Company's website (www.hkchinese.com.hk).

Auditors' Remuneration

Messrs. Ernst & Young has been re-appointed by the shareholders in the last annual general meeting as the Company's auditors. During the year, the fees charged to the accounts of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst and Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK$2.4 million (2010—HK$2.2 million) and approximately HK$0.4 million (2010 — HK$0.1 million), respectively.

Audit Committee

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkchinese.com.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 as well as overseeing and monitoring its 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. Tsui King Fai (being the Chairman of the Audit Committee), Victor Yung Ha Kuk and Albert Saychuan Cheok and one non-executive Director, namely Mr. Leon Chan Nim Leung. 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 two times each year. Senior management and auditors shall attend the meetings as and when necessary.

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

Internal Controls

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

Internal Controls *(continued)*

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

During the year, a review of the effectiveness of the Group's internal control system covering all material controls and risk management functions has been conducted. The review will be conducted annually in accordance with the requirements of the Code.

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

Internal Audit

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

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

Communication with Shareholders

The Company has established a shareholder 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 are proposed for each substantially separate issue at the AGM.

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

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

Fair Disclosure and Investor Relations

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

Management of the Group maintains regular contacts with the investment community, and participated in 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 endeavour to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

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

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 socially disadvantaged and the community as a whole.

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

Results and Distributions

The results of the Group for the year ended 31st December, 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 36 to 121.

The Directors have resolved to recommend the payment of a final distribution of HK2 cents per share (2010 — 2 cents per share) and a special final distribution of HK1 cent per share (2010 — Nil), amounting in aggregate to approximately HK$60 million for the year ended 31st December, 2011 (2010 — approximately HK$39.3 million). These represent total distributions for the year ended 31st December, 2011 (2010 — approximately HK$39.3 million).

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31st December, 2011 is set out on page 124.

Share Capital

Details of movements in the share capital of the Company are set out in Note 31 to the financial statements.

Share Option Scheme

Details of the share option scheme of the Company are set out in Note 32 to the financial statements.

Reserves and Distributable Reserves

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves are set out in Note 33 to the financial statements and in the consolidated statement of changes in equity on page 41, respectively.

Fixed Assets

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

Investment Properties

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

Donations

During the year, the Group made charitable and other donations of HK$15,904,000 (2010 — HK$6,725,000).

Directors

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

Non-executive Directors

Dr. Mochtar Riady *(Note 1)*
Mr. Leon Chan Nim Leung

Executive Directors

Mr. Stephen Riady *(Chairman) (Note 2)*
Mr. John Lee Luen Wai, BBS, JP *(Chief Executive Officer) (Note 3)*
Mr. Kor Kee Yee

Independent Non-executive Directors

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

Note:

1. Dr. Mochtar Riady resigned as a non-executive Director and the Chairman of the Company on 25th March, 2011.

2. Mr. Stephen Riady was appointed as the Chairman of the Company and resigned as the Chief Executive Officer of the Company on 25th March, 2011.

3. Mr. John Lee Luen Wai was appointed as the Chief Executive Officer of the Company on 25th March, 2011.

In accordance with Bye-law 87 of the Bye-laws of the Company (the "Bye-laws"), Messrs. Kor Kee Yee and Stephen Riady will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Dr. Mochtar Riady entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1st January, 2010. Dr. Mochtar Riady resigned as a Director of the Company on 25th March, 2011. Each of Messrs. Victor Yung Ha Kuk and Tsui King Fai entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2010. Following the expiry of the term under their respective former letter agreement with the Company, each of Messrs. Leon Chan Nim Leung and Albert Saychuan Cheok entered into a new letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1st January, 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 Bye-laws. Each of Messrs. John Lee Luen Wai and Kor Kee Yee has an employment agreement with the Company, which will be terminable by either party by giving three months' prior written notice. Mr. Stephen Riady does not have any service contract with the Company and/or its subsidiaries. In accordance with the Bye-laws, one-third of the Directors of the Company must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

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

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

Brief Biographical Details of Directors and Senior Management

Mr. Stephen Riady, aged 51, was appointed a Director of the Company in 1992. On 25th March, 2011, Mr. Riady resigned as the Chief Executive Officer of the Company and was appointed as the Chairman of the board of directors of the Company. He is also an executive director and the Chairman of Lippo Limited ("Lippo"), a public listed company in Hong Kong. Being an executive director of Lippo China Resources Limited ("LCR"), a public listed company in Hong Kong, Mr. Riady resigned as the Deputy Chairman, Managing Director and Chief Executive Officer and was appointed as the Chairman of the board of directors of LCR on 25th March, 2011. Mr. Riady is a director of Lanius Limited and Lippo Capital Limited. He is a member of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He also holds directorship in certain subsidiaries of the Company, Lippo and LCR. Mr. Riady is the Executive Chairman of Overseas Union Enterprise Limited and an executive director of Auric Pacific Group Limited ("Auric"), both are public listed companies in Singapore. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Mr. Riady is son of Dr. Mochtar Riady and Madam Lidya Suryawaty. The interests of Dr. Mochtar Riady and Madam Lidya Suryawaty in the Company are disclosed in the section headed "Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance" below.

Mr. John Lee Luen Wai, BBS, JP, aged 63, was appointed a Director of the Company in 1992. Mr. Lee is currently the Chief Executive Officer of the Company appointed on 25th March, 2011. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo and a director of LCR. He was appointed as the Chief Executive Officer of LCR on 25th March, 2011. He is a director of Prime Success Limited and Hennessy Holdings Limited. Mr. Lee is also an authorised representative of the Company, Lippo and LCR. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company, Lippo and LCR. 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 Export and Industry Bank, Inc. ("EIB"), a public listed company in the Philippines, up until his resignation on 13th December, 2011. Mr. Lee is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an Associate Member of The Institute of Chartered Accountants in England and Wales. He was a partner of Pricewaterhouse in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong 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. Leon Chan Nim Leung, aged 56, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of Lippo and LCR. He is also a director of a subsidiary of the Company and the Chairman of the supervisory board of a subsidiary of the Company. Mr. Chan is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He was the Chairman of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR until 29th March, 2012.

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

Mr. Albert Saychuan Cheok, aged 61, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a Fellow of the Australian Society of Certified Public Accountants and is a banker with over 30 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Philippines and Malaysia. Mr. Cheok is the Chairman of Auric and the Vice Chairman of EIB. Mr. Cheok is the Chairman of AcrossAsia Limited, a public listed company in Hong Kong. He is also the Chairman of Bowsprit Capital Corporation Limited ("Bowsprit"), the Manager of First REIT, a listed healthcare REIT in Singapore and the independent non-executive Chairman of Amplefield Limited ("Amplefield"). Both Bowsprit and Amplefield are public listed companies in Singapore. Mr. Cheok is the independent non-executive Chairman of Lippo-Mapletree Indonesia Retail Trust Management Limited, the Manager of Lippo-Mapletree Indonesia Retail Trust which is a listed Singapore based real estate investment trust. Mr. Cheok is also a non-executive director of IPP Financial Services Holdings Ltd in Singapore. He was the independent non-executive Chairman of Creative Master Bermuda Limited, a public listed company in Singapore, which he resigned with effect from 4th October, 2011. Mr. Cheok is a director of Metal Reclamation Berhad, a public listed company in Malaysia and a director of Oriental Capital Assurance Berhad, a general insurance company in Malaysia. Mr. Cheok is currently a member of the Board of Governors of the Malaysian Institute of Corporate Governance in Malaysia. Mr. Cheok is the independent non-executive Chairman of MIDAN City Development Co., Ltd. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005.

Mr. Kor Kee Yee, aged 63, was appointed a Director of the Company in 2002. He also holds directorship in certain subsidiaries of the Company. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

Mr. Victor Yung Ha Kuk, aged 58, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. Mr. Yung holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and LCR. Mr. Yung is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. Mr. 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.

Mr. Tsui King Fai, 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 Lippo and LCR. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. He was appointed as the Chairman of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR on 29th March, 2012.

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

Details of the interests of the Directors in the Company are disclosed in the section headed "Directors'and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations" below.

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 Au Shiu Leung, 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.

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

Directors' and Five Highest Paid Employees' Emoluments

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

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

The fees payable to the non-executive Directors are 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. The fees payable per annum to non-executive Directors for serving as the Chairmen and/or members of various Board committees of the Company are as follows:

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

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

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

(a) the director's fees and fringe benefits of Mr. John Lee Luen Wai in the total amount of approximately HK$66,000;

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

(c) the director's fee of Mr. Albert Saychuan Cheok in an amount of approximately HK$19,000.

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

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

(a) The Company

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

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)*

(a) The Company (continued)

^ The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK$1.00 each in the Company at an initial exercise price of HK$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK$1.68 per share to HK$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the year. Further details of the interests of Directors in the options are disclosed in Note 32 to the financial statements.

(b) Lippo Limited ("Lippo")

Name of Director	Number of ordinary shares of HK$0.10 each in Lippo: Personal interests (held as beneficial owner)	Number of ordinary shares of HK$0.10 each in Lippo: Other interests	Number of underlying ordinary shares of HK$0.10 each in Lippo: Personal interests (held as beneficial owner)	Total interests	Approximate percentage of total interests in the issued share capital
			Options*		
Stephen Riady	—	319,322,219 *Notes (i) and (ii)*	—	319,322,219	63.81
John Lee Luen Wai	1,031,250	—	1,125,000	2,156,250	0.43
Leon Chan Nim Leung	—	—	193,750	193,750	0.04
Victor Yung Ha Kuk	—	—	162,500	162,500	0.03
Tsui King Fai	—	—	162,500	162,500	0.03

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

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

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

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

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

\# The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK$0.10 each in LCR at an exercise price of HK$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year and the number of underlying ordinary shares of HK$0.10 each in LCR in respect of which options have been granted to them as at 1st January, 2011 and 31st December, 2011 were the same as set out above.

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, 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, 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 include, 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, Lippo Capital, 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, Lippo.

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

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

Note: *(continued)*

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

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

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

Name of Director	Exercise price per share	Number of underlying ordinary shares of HK$0.10 each in Lippo in respect of which options have been granted — Balance as at 1st January, 2011 and 31st December, 2011
	HK$	
John Lee Luen Wai	5.58	1,125,000
Leon Chan Nim Leung	5.58	193,750
Victor Yung Ha Kuk	5.58	162,500
Tsui King Fai	5.58	162,500

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

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 interest 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
First Tower Corporation	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenorth Holdings Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1	100
HKCL Holdings Limited	Ordinary shares	50,000	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
Prime Success Limited	Ordinary shares	1	100
Sabotty Investment Company Limited	Ordinary shares	1,000	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd.	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 include, inter alia, Mr. Stephen Riady and other members of the family.

As at 31st December, 2011, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st December, 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 arrangement to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st December, 2011, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

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

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

Name	Number of ordinary shares of HK$1.00 each	Approximate percentage of interests in the issued share capital
Substantial shareholders:		
Hennessy Holdings Limited ("Hennessy")	1,120,987,842	55.96
Prime Success Limited ("Prime Success")	1,120,987,842	55.96
Lippo Limited ("Lippo")	1,120,987,842	55.96
Lippo Capital Limited ("Lippo Capital")	1,120,987,842	55.96
Lanius Limited ("Lanius")	1,120,987,842	55.96
Dr. Mochtar Riady	1,120,987,842	55.96
Madam Lidya Suryawaty	1,120,987,842	55.96
Other persons:		
Paul G. Desmarais	156,460,000	8.01
Nordex Inc. ("Nordex")	156,460,000	8.01
Gelco Enterprises Ltee ("Gelco")	156,460,000	8.01
Power Corporation of Canada ("PCC")	156,460,000	8.01
Power Financial Corporation ("PFC")	156,460,000	8.01
IGM Financial Inc. ("IGM")	156,460,000	8.01

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 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, the Company.

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

3. Lippo Capital, the holding company of Lippo, together with its wholly-owned subsidiary, J & S Company Limited, owns ordinary shares representing approximately 63.81 per cent. of the issued share capital of Lippo.

4. 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 Lippo Capital under the provisions of the SFO.

5. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 1,120,987,842 ordinary shares in 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". Dr. Mochtar Riady, his wife Madam Lidya Suryawaty and Mr. Stephen Riady were taken to be interested in the shares of the Company under the provisions of the SFO.

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

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

Note: (continued)

6. Mackenzie Financial Corporation in its capacity as trustee and portfolio manager for certain mutual fund trusts, through its wholly-owned subsidiary Mackenzie Financial Capital Corporation which is a mutual fund corporation for which it acts as portfolio manager and through certain Bermuda-based mutual funds for which another wholly-owned subsidiary Mackenzie Cundill Investment Management (Bermuda) Limited acts as manager and for which it acts as sub-adviser, was directly interested in an aggregate of 156,460,000 ordinary shares of HK$1.00 each in, representing approximately 8.01 per cent. of the then issued share capital of, the Company. Paul G. Desmarais as controlling shareholder and Nordex, Gelco, PCC, PFC and IGM as intermediate holding companies to Mackenzie Financial Corporation, each has an indirect interest in the above 156,460,000 ordinary shares of the Company.

7. The percentages of interests in the issued share capital stated in this section were arrived at based on 2,003,215,097 ordinary shares of HK$1.00 each in issue of the Company as at 31st December, 2011. The percentages of interests of "other persons" in the issued share capital stated in this section were based on the respective disclosure forms filed with the Company.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2011, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

The Lippo Group (a general reference to the companies in which 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.

Other than the independent non-executive Directors, Messrs. Stephen Riady, John Lee Luen Wai and Leon Chan Nim Leung are also directors of Lippo Limited ("Lippo"), an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company. Dr. Mochtar Riady was also a director of LCR until 25th March, 2011. Further details of the Directors' interests in Lippo and LCR are disclosed in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations". Subsidiaries of Lippo and LCR are also engaged in property investment and property development.

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

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

Continuing Connected Transaction

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

On 14th September, 2010, a tenancy agreement was entered into between the Company and Porbandar Limited ("Porbandar"), a fellow subsidiary of the Company, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,686 square feet for a term of two years from 16th September, 2010 to 15th September, 2012, both days inclusive, at a monthly rental of HK$230,000 (equivalent to HK$2,760,000 per annum), exclusive of rates, service charges and all other outgoings or HK$253,260 (equivalent to HK$3,039,120 per annum), inclusive of an initial monthly service charge of HK$23,260, for office use. The service charge of HK$23,260 per calendar month (subject to adjustment) payable by the Company to Porbandar shall be applied by Porbandar in payment of applicable service charges of the manager of the building relating to the above property provided that such service charge may not exceed HK$30,000 per calendar month unless agreed by both parties in writing (the "Maximum Service Charge"). The monthly service charge was adjusted to HK$25,355 with effect from 1st February, 2011. The maximum estimated annual rental, inclusive of the Maximum Service Charge, is HK$3,120,000. The rental was determined by reference to the then prevailing open market rentals.

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

Further details of the above tenancy are disclosed in Note 39(a) to the financial statements.

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

Directors' and Controlling Shareholders' Interests in Contracts

Save as disclosed above and in Note 39 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

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

Management Contracts

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

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

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

Major Suppliers and Customers

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

Retirement Benefits Scheme

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

Audit Committee

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Tsui King Fai (Chairman), Mr. Albert Saychuan Cheok and Mr. Victor Yung Ha Kuk and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31st December, 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 12 to 18.

Sufficiency of Public Float

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

Pre-emptive Rights

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

Auditors

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

On behalf of the Board
John Lee Luen Wai
Chief Executive Officer

Hong Kong, 29th March, 2012

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 121, 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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

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 disclosure requirements of 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
Revenue	5	**103,269**	121,600
Cost of sales		**(19,304)**	(22,449)
Gross profit		**83,965**	99,151
Administrative expenses		**(106,725)**	(102,137)
Other operating expenses		**(78,034)**	(44,422)
Fair value gains on investment properties		**5,314**	2,146
Gain/(Loss) on disposal of available-for-sale financial assets		**4,767**	(244)
Net fair value gain/(loss) on financial assets at fair value through profit or loss		**(18,511)**	8,343
Finance costs	9	**(8,098)**	(9,825)
Share of results of associates	10	**973,390**	2,252,385
Share of results of jointly controlled entities		**17,180**	671
Profit before tax	6	**873,248**	2,206,068
Income tax	11	**(1,180)**	(1,118)
Profit for the year		**872,068**	2,204,950
Attributable to:			
Equity holders of the Company	12	**870,919**	2,207,172
Non-controlling interests		**1,149**	(2,222)
		872,068	2,204,950
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company	13		
Basic		**44.9**	121.5
Diluted		**44.8**	N/A

Details of the distributions payable and proposed for the year are disclosed in Note 14 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**872,068**	2,204,950
Other comprehensive income/(loss)		
Available-for-sale financial assets:		
Changes in fair value	**(1,078)**	(13,473)
Reclassification adjustments for disposal	**85**	(771)
Income tax effect	**(213)**	(1,800)
	(1,206)	(16,044)
Share of other comprehensive income/(loss) of associates:		
Share of changes in fair value of available-for-sale financial assets	**(2,559)**	231,518
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	**(70,144)**	413,254
	(69,880)	637,613
Exchange differences on translation of foreign operations	**(1,593)**	78,767
Other comprehensive income/(loss) for the year, net of tax	**(72,679)**	700,336
Total comprehensive income for the year	**799,389**	2,905,286
Attributable to:		
Equity holders of the Company	**795,247**	2,897,221
Non-controlling interests	**4,142**	8,065
	799,389	2,905,286

Consolidated Statement of Financial Position

As at 31st December, 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Goodwill	15	**71,485**	71,485
Fixed assets	16	**137,169**	139,397
Investment properties	17	**171,408**	162,055
Properties under development	18	**1,347,459**	906,477
Interests in associates	19	**7,589,494**	6,611,610
Interests in jointly controlled entities	20	**185,613**	303,600
Available-for-sale financial assets	21	**46,304**	90,513
Held-to-maturity financial assets	22	**27,265**	11,832
Loans and advances	23	**41,541**	34,197
		9,617,738	8,331,166
Current assets			
Properties held for sale		**8,545**	8,554
Financial assets at fair value through profit or loss	24	**92,442**	50,936
Loans and advances	23	**199,578**	183,528
Debtors, prepayments and deposits	25	**117,323**	102,287
Client trust bank balances		**550,716**	560,850
Restricted cash	26	**466,295**	308
Treasury bills		**—**	9,700
Cash and bank balances		**406,508**	493,134
		1,841,407	1,409,297
Current liabilities			
Bank and other borrowings	27	**67,349**	291,771
Creditors, accruals and deposits received	28	**1,313,919**	870,014
Current, fixed, savings and other deposits of customers	29	**120,225**	138,772
Tax payable		**1,821**	3,146
		1,503,314	1,303,703
Net current assets		**338,093**	105,594
Total assets less current liabilities		**9,955,831**	8,436,760

	Note	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Bank and other borrowings	27	**699,057**	240,927
Deferred tax liabilities	30	**35,808**	34,292
		734,865	275,219
Net assets		**9,220,966**	8,161,541
Equity			
Equity attributable to equity holders of the Company			
Issued capital	31	**2,003,215**	1,816,715
Reserves	33	**7,128,598**	6,232,234
		9,131,813	8,048,949
Non-controlling interests		**89,153**	112,592
		9,220,966	8,161,541

Stephen Riady
Director

John Lee Luen Wai
Director

Statement of Financial Position

As at 31st December, 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Fixed assets	16	**62**	106
Interests in subsidiaries	34	**3,178,882**	3,181,818
Available-for-sale financial assets	21	**3,165**	3,165
		3,182,109	3,185,089
Current assets			
Financial assets at fair value through profit or loss	24	**4,877**	7,098
Debtors, prepayments and deposits	25	**1,604**	4,540
Cash and bank balances		**98,371**	30,574
		104,852	42,212
Current liabilities			
Creditors, accruals and deposits received	28	**12,476**	22,467
Net current assets		**92,376**	19,745
Total assets less current liabilities		**3,274,485**	3,204,834
Non-current liabilities			
Bank and other borrowings	27	**57,608**	184,452
Net assets		**3,216,877**	3,020,382
Equity			
Issued capital	31	**2,003,215**	1,816,715
Reserves	33	**1,213,662**	1,203,667
		3,216,877	3,020,382

Stephen Riady
Director

John Lee Luen Wai
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	Capital redemption reserve	Legal reserve	Regulatory reserve	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve	Exchange equalisation reserve	Distributable reserves	Total	Non-controlling interests	Total equity
				(Note 33(d))	*(Note 33(e))*	*(Note 33(f))*			*(Note 33(g))*		*(Note 33(b))*			
	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	**1,816,715**	**44,042**	**7,219**	**13,328**	**7,142**	**891**	**229,686**	**28,255**	**(7,159)**	**813,240**	**5,095,590**	**8,048,949**	**112,592**	**8,161,541**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**870,919**	**870,919**	**1,149**	**872,068**
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	**–**	**–**	**–**	**–**	**–**	**–**	**(1,078)**	**–**	**–**	**–**	**–**	**(1,078)**	**–**	**(1,078)**
Reclassification adjustments for disposal	**–**	**–**	**–**	**–**	**–**	**–**	**85**	**–**	**–**	**–**	**–**	**85**	**–**	**85**
Income tax effect	**–**	**–**	**–**	**–**	**–**	**–**	**(213)**	**–**	**–**	**–**	**–**	**(213)**	**–**	**(213)**
Share of other comprehensive income/(loss) of associates	**–**	**–**	**–**	**–**	**–**	**–**	**(2,559)**	**–**	**2,823**	**(70,144)**	**–**	**(69,880)**	**–**	**(69,880)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,586)**	**–**	**(4,586)**	**2,993**	**(1,593)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(3,765)**	**–**	**2,823**	**(74,730)**	**870,919**	**795,247**	**4,142**	**799,389**
Issuance of shares upon exercise of warrants	**186,500**	**46,625**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**233,125**	**–**	**233,125**
Share of equity movements arising on equity transactions of associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**93,824**	**93,824**	**–**	**93,824**
Repayment to a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,581)**	**(27,581)**
Transfer of reserve	**–**	**–**	**–**	**–**	**392**	**–**	**–**	**–**	**–**	**–**	**(392)**	**–**	**–**	**–**
2010 final distribution, declared and paid to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,332)**	**(39,332)**	**–**	**(39,332)**
At 31st December, 2011	**2,003,215**	**90,667**	**7,219**	**13,328**	**7,534**	**891**	**225,921**	**28,255**	**(4,336)**	**738,510**	**6,020,609**	**9,131,813**	**89,153**	**9,220,966**
2010														
At 1st January, 2010	1,816,656	44,027	7,219	13,328	6,880	891	14,212	28,255	–	331,506	2,199,194	4,462,168	189,516	4,651,684
Profit/(Loss) for the year	–	–	–	–	–	–	–	–	–	–	2,207,172	2,207,172	(2,222)	2,204,950
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	–	–	–	–	–	–	(13,473)	–	–	–	–	(13,473)	–	(13,473)
Reclassification adjustments for disposal	–	–	–	–	–	–	(771)	–	–	–	–	(771)	–	(771)
Income tax effect	–	–	–	–	–	–	(1,800)	–	–	–	–	(1,800)	–	(1,800)
Share of other comprehensive income/(loss) of associates	–	–	–	–	–	–	231,518	–	(7,159)	413,254	–	637,613	–	637,613
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	68,480	–	68,480	10,287	78,767
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	215,474	–	(7,159)	481,734	2,207,172	2,897,221	8,065	2,905,286
Issuance of shares upon exercise of warrants	59	15	–	–	–	–	–	–	–	–	–	74	–	74
Disposal of interests in a subsidiary without loss of control	–	–	–	–	–	–	–	–	–	–	815	815	(815)	–
Share of equity movements arising on equity transactions of associates	–	–	–	–	–	–	–	–	–	–	688,671	688,671	–	688,671
Advances from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	3,308	3,308
Repayment to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(87,482)	(87,482)
Transfer of reserve	–	–	–	–	262	–	–	–	–	–	(262)	–	–	–
At 31st December, 2010	1,816,715	44,042	7,219	13,328	7,142	891	229,686	28,255	(7,159)	813,240	5,095,590	8,048,949	112,592	8,161,541

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	35(a)	**220,657**	152,901
Interest received		**17,852**	17,055
Dividends received from listed and unlisted investments		**1,638**	1,349
Taxes paid:			
Hong Kong		**(1,437)**	(398)
Overseas		**(256)**	(260)
Net cash flows from operating activities		**238,454**	170,647
Cash flows from investing activities			
Proceeds from disposal of:			
Fixed assets		**10**	15
Available-for-sale financial assets		**58,788**	2,795
Payments to acquire:			
Fixed assets		**(8,607)**	(2,054)
Available-for-sale financial assets		**(11,027)**	(504)
Held-to-maturity financial assets		**(15,960)**	(2,404)
Additions to properties under development		**(418,623)**	(275,935)
Repayments from/(Advances to) jointly controlled entities		**129,448**	(6,932)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	35(b)	**–**	4,000
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		**(675,576)**	(151,770)
Cash flows from financing activities			
Interest paid		**(7,246)**	(11,256)
Drawdown of bank and other borrowings *(Note)*		**671,510**	141,629
Repayment of bank and other borrowings *(Note)*		**(441,504)**	(109,479)
Issuance of shares upon exercise of warrants		**233,125**	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)
Distribution paid to shareholders of the Company		**(39,332)**	–
Net cash flows from/(used in) financing activities		**388,972**	(63,206)

	2011 HK$'000	2010 HK$'000
Net decrease in cash and cash equivalents	**(48,150)**	(44,329)
Cash and cash equivalents at beginning of year	**449,132**	490,806
Exchange realignments	**5,526**	2,655
Cash and cash equivalents at end of year	**406,508**	449,132
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**406,508**	493,134
Treasury bills	**–**	9,700
Time deposits with original maturity of more than three months	**–**	(53,702)
	406,508	449,132

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

Notes to the Financial Statements

1. Corporate Information

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

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

The immediate holding company of the Company is Hennessy Holdings Limited which is incorporated in the British Virgin Islands. In the opinion of the Directors, Lippo Cayman Limited ceased to be the ultimate holding company of the Company and Lippo Capital Limited, a company incorporated in the Cayman Islands and formerly an intermediate holding company, 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 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 distributable reserves, 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

(b) Joint ventures

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

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

A joint venture is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

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

2.4 Summary of Significant Accounting Policies *(continued)*

(b) Joint ventures *(continued)*

(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.

(d) Associates

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(e) 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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(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.

(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	Over the unexpired terms of the leases
Furniture, fixtures and equipment	10 per cent. to 33$^1/_3$ per cent.
Motor vehicles	20 per cent. to 25 per cent

2.4 Summary of Significant Accounting Policies *(continued)*

(g) Fixed assets and depreciation *(continued)*

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.

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

(i) Properties under development

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

2.4 Summary of Significant Accounting Policies *(continued)*

(j) Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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

Subsequent measurement (continued)

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

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

(k) Impairment of financial assets

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

(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

2.4 Summary of Significant Accounting Policies *(continued)*

(l) Derecognition of financial assets *(continued)*

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

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

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

(m) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include bank and other borrowings, creditors, 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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(m) Financial liabilities *(continued)*

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.

(q) Revenue recognition

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

(q) Revenue recognition *(continued)*

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

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

(r) Income tax

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

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

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

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.

2.4 Summary of Significant Accounting Policies *(continued)*

(r) Income tax *(continued)*

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

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

(s) Provisions

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

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

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

(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 15 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 — Nil). The carrying amount of available-for-sale financial assets as at 31st December, 2011 was HK$46,304,000 (2010 — HK$90,513,000).

Impairment of non-financial assets

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

4. Segment Information

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

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

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

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

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

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

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

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

(h) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of fund management and investment advisory services.

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

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

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

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

4. Segment Information *(continued)*

Year ended 31st December, 2011

	Property investment HK$'000	Property development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Project management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue										
External	11,543	–	4,708	15,972	43,831	11,393	4,806	11,016	–	103,269
Inter-segment	–	–	–	–	–	–	4,329	6,898	(11,227)	–
Total	11,543	–	4,708	15,972	43,831	11,393	9,135	17,914	(11,227)	103,269
Segment results	10,257	(35,805)	4,254	(2,253)	(21,281)	136	(8,305)	9,664	(11,227)	(54,560)
Unallocated corporate expenses										(54,664)
Finance costs										(8,098)
Share of results of associates	703,491	264,331	–	–	–	–	–	5,568	–	973,390
Share of results of jointly controlled entities	–	17,180	–	–	–	–	–	–	–	17,180
Profit before tax										873,248
Segment assets	287,492	1,963,016	256,675	166,011	674,841	267,081	11,659	27,576	–	3,654,351
Interests in associates	7,051,866	536,412	–	–	778	–	–	438	–	7,589,494
Interests in jointly controlled entities	–	185,613	–	–	–	–	–	–	–	185,613
Unallocated assets										29,687
Total assets										11,459,145
Segment liabilities	5,430	692,884	–	–	597,098	122,958	136	2,954	–	1,421,460
Unallocated liabilities										816,719
Total liabilities										2,238,179
Other segment information:										
Capital expenditure	–	377	–	–	792	535	137	6	–	1,847
Depreciation	(1,083)	(660)	–	–	(377)	(1,620)	(63)	(82)	–	(3,885)
Write-back of allowance/(Allowance) for bad and doubtful debts relating to:										
Banking operation	–	–	–	–	–	111	–	–	–	111
Non-banking operations	–	–	–	–	(12,214)	–	–	6,628	–	(5,586)
Provision for impairment losses on properties under development	–	(189)	–	–	–	–	–	–	–	(189)
Net fair value loss on financial assets at fair value through profit or loss	–	–	–	(18,511)	–	–	–	–	–	(18,511)
Fair value gains on investment properties	5,314	–	–	–	–	–	–	–	–	5,314
Unallocated:										
Capital expenditure										6,760
Depreciation										(5,943)

4. Segment Information *(continued)*

Year ended 31st December, 2010

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

4. Segment Information *(continued)*

Geographical information

(a) Revenue from external customers

	Group	
	2011 **HK$'000**	2010 HK$'000
Hong Kong	**60,756**	64,708
Macau	**14,184**	16,234
Mainland China	**10,267**	7,518
Republic of Singapore	**11,085**	26,653
Other	**6,977**	6,487
	103,269	121,600

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	**1,658**	1,283
Macau	**631,707**	594,658
Mainland China	**940,827**	524,491
Republic of Singapore	**7,883,904**	7,024,988
Other	**86,073**	83,401
	9,544,169	8,228,821

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 income on treasury investment which includes interest income on bank deposits and debt securities, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, gross income from underwriting and securities broking, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, gross income from project management, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Property investment	**11,543**	10,032
Treasury investment	**4,708**	2,767
Securities investment	**15,972**	12,910
Corporate finance and securities broking	**43,831**	49,057
Banking business	**11,393**	13,500
Project management	**4,806**	20,249
Other	**11,016**	13,085
	103,269	121,600

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):

	Note	Group 2011 HK$'000	Group 2010 HK$'000
Gross rental income		**11,543**	10,032
Less: Outgoings		**(2,450)**	(2,089)
Net rental income		**9,093**	7,943
Employee benefits expense *(Note (a))*:			
Wages and salaries		**(68,299)**	(69,386)
Retirement benefits costs *(Note (b))*		**(2,848)**	(2,814)
Total staff costs		**(71,147)**	(72,200)
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		**1,831**	693
Banking business		**9,199**	9,827
Other		**4,708**	2,767
Dividend income:			
Listed investments		**1,247**	728
Unlisted investments		**391**	621
Gain/(Loss) on disposal of:			
Listed financial assets at fair value through profit or loss		**5,230**	3,293
Unlisted financial assets at fair value through profit or loss		**5,484**	5,362
Unlisted available-for-sale financial assets		**4,767**	(244)
Net fair value gain/(loss) on financial assets at fair value through profit or loss:			
Listed		**(21,339)**	2,934
Unlisted		**2,828**	5,409
Provision for impairment losses on properties under development		**(189)**	(180)
Allowance for bad and doubtful debts		**(5,475)**	(6,309)
Interest expense attributable to banking business		**(738)**	(531)
Gain on disposal of a subsidiary	35(b)	**—**	790
Depreciation		**(9,828)**	(4,603)
Gain on disposal of fixed assets		**10**	15
Foreign exchange gains — net		**7,588**	2,434
Auditors' remuneration		**(2,526)**	(2,397)
Minimum lease payments under operating lease rentals in respect of land and buildings		**(23,224)**	(22,937)

Note:

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

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

7. Directors' Emoluments

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

	Group	
	2011 HK$'000	2010 HK$'000
Directors' fees	**1,033**	1,157
Basic salaries, housing and other allowances and benefits in kind	**2,433**	2,612
Retirement benefits costs	**24**	24
	3,490	3,793

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**	**Retirement benefits costs HK$'000**	**Total HK$'000**
Executive directors:				
Stephen Riady	**–**	**–**	**–**	**–**
John Lee Luen Wai	**59**	**907**	**12**	**978**
Kor Kee Yee	**–**	**1,526**	**12**	**1,538**
	59	**2,433**	**24**	**2,516**
Non-executive directors:				
Mochtar Riady *(Note)*	**36**	**–**	**–**	**36**
Leon Chan Nim Leung	**269**	**–**	**–**	**269**
	305	**–**	**–**	**305**
Independent non-executive directors:				
Albert Saychuan Cheok	**229**	**–**	**–**	**229**
Victor Yung Ha Kuk	**210**	**–**	**–**	**210**
Tsui King Fai	**230**	**–**	**–**	**230**
	669	**–**	**–**	**669**
	1,033	**2,433**	**24**	**3,490**

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	Retirement benefits costs HK$'000	Total HK$'000
Executive directors:				
Stephen Riady	—	—	—	—
John Lee Luen Wai	59	906	12	977
Kor Kee Yee	—	1,706	12	1,718
	59	2,612	24	2,695
Non-executive directors:				
Mochtar Riady *(Note)*	160	—	—	160
Leon Chan Nim Leung	269	—	—	269
	429	—	—	429
Independent non-executive directors:				
Albert Saychuan Cheok	229	—	—	229
Victor Yung Ha Kuk	220	—	—	220
Tsui King Fai	220	—	—	220
	669	—	—	669
	1,157	2,612	24	3,793

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

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

Details of share options granted to the Directors are set out in Note 32 to the financial statements.

8. Five Highest Paid Employees' Emoluments

The five highest paid employees during the year did not include any Director (2010 — one Director, details of whose emoluments are set out in Note 7 to the financial statements). Details of the emoluments of the five (2010 — four) 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	**7,898**	7,148
Discretionary bonuses paid and payable	**10,200**	16,389
Retirement benefits costs	**152**	93
	18,250	23,630

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
1,500,001 – 2,000,000	**1**	—
2,500,001 – 3,000,000	**1**	1
3,000,001 – 3,500,000	**1**	—
3,500,001 – 4,000,000	**—**	2
4,500,001 – 5,000,000	**1**	—
5,500,001 – 6,000,000	**1**	—
13,500,001 – 14,000,000	**—**	1
	5	4

9. Finance Costs

	Group	
	2011 HK$'000	2010 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**32,415**	15,165
Less: Interest capitalised	**(24,317)**	(5,340)
	8,098	9,825

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	**477**	488
Underprovision/(Overprovision) in prior years	**172**	(469)
	649	19
Overseas:		
Charge for the year	**97**	757
Overprovision in prior years	**(378)**	(244)
Deferred	**812**	586
	531	1,099
Total charge for the year	**1,180**	1,118

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	**873,248**	2,206,068
Tax at the statutory tax rate of 16.5 per cent. (2010 — 16.5 per cent.)	**144,086**	364,001
Effect of different tax rates in other jurisdictions	**754**	3,688
Adjustments in respect of current tax of previous years	**(206)**	(713)
Profits and losses attributable to jointly controlled entities and associates	**(163,444)**	(371,754)
Income not subject to tax	**(4,988)**	(3,651)
Expenses not deductible for tax	**4,854**	1,913
Tax losses utilised from previous years	**(13)**	(154)
Tax losses not recognised	**20,137**	7,788
Tax charge at the Group's effective rate	**1,180**	1,118

For the companies operating in the Republic of Singapore and Macau, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 17 per cent. and 12 per cent. (2010 — 17 per cent. and 12 per cent.), respectively.

The share of tax charge attributable to associates amounting to HK$399,884,000 (2010 — HK$721,692,000) and the share of tax charge attributable to a jointly controlled entity of HK$2,462,000 (2010 — HK$24,000) 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. 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$2,702,000 (2010 — HK$162,369,000) which has been dealt with in the financial statements of the Company as set out in Note 33 to the financial statements.

13. 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 1,939,183,000 ordinary shares (2010 – 1,816,660,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31st December, 2011 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 1,942,256,000 ordinary shares, calculated as follows:

	Number of shares 2011
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,939,183,000**
Effect of dilution — weighted average number of ordinary shares: Share options	**3,073,000**
	1,942,256,000

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

14. Distributions

	Group and Company	
	2011 HK$'000	2010 HK$'000
Final distribution, proposed, of HK2 cents (2010 — HK2 cents) per ordinary share	**40,034**	36,808
Special final distribution, proposed, of HK1 cent (2010 — Nil) per ordinary share	**20,017**	—
	60,051	36,808

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

15. Goodwill

	Group	
	2011	2010
	HK$'000	HK$'000
Cost:		
Balance at beginning of year	**74,815**	75,227
Disposal of a subsidiary	**—**	(412)
Balance at end of year	**74,815**	74,815
Accumulated impairment:		
Balance at beginning of year	**3,330**	3,742
Disposal of a subsidiary	**—**	(412)
Balance at end of year	**3,330**	3,330
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.

16. Fixed Assets

Group

2011	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2011	109,432	102,183	211,615
Additions during the year	—	8,607	8,607
Disposals during the year	—	(7,283)	(7,283)
Exchange adjustments	(968)	(210)	(1,178)
At 31st December, 2011	108,464	103,297	211,761
Accumulated depreciation:			
At 1st January, 2011	760	71,458	72,218
Depreciation provided for the year	1,190	8,638	9,828
Disposals during the year	—	(7,283)	(7,283)
Exchange adjustments	(37)	(134)	(171)
At 31st December, 2011	1,913	72,679	74,592
Net book value:			
At 31st December, 2011	106,551	30,618	137,169

16. Fixed Assets *(continued)*

Group

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

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 outside Hong Kong	**96,684**	98,698
Medium term leasehold land and buildings situated outside Hong Kong	**9,867**	9,974
	106,551	108,672

16. Fixed Assets *(continued)*

Company

	Furniture, fixtures, equipment and motor vehicles	
	2011 HK$'000	2010 HK$'000
Cost:		
Balance at beginning of year	**6,922**	7,196
Additions during the year	**27**	26
Disposal during the year	**—**	(300)
Balance at end of year	**6,949**	6,922
Accumulated depreciation:		
Balance at beginning of year	**6,816**	6,502
Depreciation provided for the year	**71**	614
Disposal during the year	**—**	(300)
Balance at end of year	**6,887**	6,816
Net book value	**62**	106

17. Investment Properties

	Group	
	2011 HK$'000	2010 HK$'000
Balance at beginning of year	**162,055**	156,874
Fair value adjustments	**5,314**	2,146
Exchange adjustments	**4,039**	3,035
Balance at end of year	**171,408**	162,055
Investment properties situated outside Hong Kong held under the following lease terms:		
Leasehold	**139,585**	131,174
Freehold	**31,823**	30,881
	171,408	162,055

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$171,408,000 (2010 — HK$162,055,000).

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 27 to the financial statements.

18. Properties under Development

	Group	
	2011 **HK$'000**	2010 HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**920,748**	756,380
Additions during the year	**418,623**	275,935
Reclassified to fixed assets	**—**	(122,740)
Written-off during the year	**—**	(18,597)
Exchange adjustments	**23,251**	29,770
Balance at end of year	**1,362,622**	920,748
Provisions for impairment losses:		
Balance at beginning of year	**(14,271)**	(29,410)
Impairment during the year	**(189)**	(180)
Written-off during the year	**—**	18,597
Exchange adjustments	**(703)**	(3,278)
Balance at end of year	**(15,163)**	(14,271)
	1,347,459	906,477
Land and buildings situated outside Hong Kong held under the following lease terms:		
Medium term leases	**1,306,333**	867,373
Freehold	**41,126**	39,104
	1,347,459	906,477

Certain properties under development have been mortgaged to secure banking facilities made available to the Group as set out in Note 27 to the financial statements.

19. Interests in Associates

	Group	
	2011 **HK$'000**	2010 HK$'000
Share of net assets in unlisted investments	**7,185,953**	6,204,790
Due from associates	**418,527**	421,986
	7,604,480	6,626,776
Provisions for impairment losses	**(14,986)**	(15,166)
	7,589,494	6,611,610

19. Interests in Associates *(continued)*

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 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 HK$'000	2010 HK$'000
Assets	**37,892,900**	33,249,684
Liabilities	**(22,661,127)**	(20,006,354)
Revenue	**3,658,681**	1,458,534
Profit	**1,197,243**	2,250,137

Details of the principal associates are set out on page 120.

20. Interests in Jointly Controlled Entities

	Group	
	2011 HK$'000	2010 HK$'000
Share of net assets in unlisted investments	**36,940**	92,941
Due from jointly controlled entities	**149,701**	211,687
	186,641	304,628
Provisions for impairment losses	**(1,028)**	(1,028)
	185,613	303,600

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.

20. Interests in Jointly Controlled Entities *(continued)*

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	**487,273**	762,168
Non-current assets	**2,114**	9,522
Current liabilities	**(59,260)**	(64,797)
Non-current liabilities	**(227,500)**	(387,801)
Net assets	**202,627**	319,092
Share of the jointly controlled entities' results:		
Revenue	**329,730**	20,001
Total expenses	**(312,550)**	(19,330)
Profit after tax	**17,180**	671
Share of the jointly controlled entities' capital commitments	**170,333**	242,741

Details of the principal jointly controlled entities are set out on page 121.

21. Available-for-sale Financial Assets

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets stated at fair value:				
Debt securities listed in Hong Kong	**3,407**	—	**—**	—
Debt securities listed overseas	**18,388**	18,841	**—**	—
Unlisted investment funds	**14,936**	62,912	**—**	—
	36,731	81,753	**—**	—
Financial assets stated at cost:				
Unlisted equity securities	**70,408**	69,595	**—**	—
Unlisted debt securities	**3,165**	3,165	**3,165**	3,165
Provision for impairment losses	**(64,000)**	(64,000)	**—**	—
	9,573	8,760	**3,165**	3,165
	46,304	90,513	**3,165**	3,165

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

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

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	**70,408**	69,595	**—**	—
Debt securities:				
Club debenture	**3,165**	3,165	**3,165**	3,165
Corporate entities	**11,704**	8,320	**—**	—
Banks and other financial institutions	**10,091**	10,521	**—**	—
	24,960	22,006	**3,165**	3,165

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK$1,078,000 (2010 — HK$13,473,000), 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 (2010 — Nil) has been charged to the consolidated income statement for the year.

In 2008, the Group had reclassified certain of its debt instruments from the fair value through profit or loss category into the available-for-sale category due to the change of its intention from holding these debt instruments for the purpose of trading in the near term to holding them for the foreseeable future. As at 31st December, 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.

22. 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.

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

23. 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 — 3 per cent. to 9 per cent.) per annum. The carrying amounts of loans and advances approximate to their fair values. Certain balances arising from securities broking and banking operations are secured by clients' properties, deposits and securities being held as collaterals with 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.

24. Financial Assets at Fair Value through Profit or Loss

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Equity securities:				
Listed in Hong Kong	**26,396**	13,523	**2,268**	3,678
Listed overseas	**36,902**	7,229	**2,609**	3,420
	63,298	20,752	**4,877**	7,098
Investment funds:				
Unlisted	**29,144**	30,184	**—**	—
	92,442	50,936	**4,877**	7,098

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities:				
Corporate entities	**60,380**	13,654	**4,877**	7,098
Banks and other financial institutions	**703**	5,049	**—**	—
Public sector entities	**2,215**	2,049	**—**	—
	63,298	20,752	**4,877**	7,098

25. 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	**5,649**	35,717
Between 61 and 90 days	**—**	4
Between 91 and 180 days	**125**	—
Over 180 days	**9**	—
	55,859	77,945

25. Debtors, Prepayments and Deposits *(continued)*

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 a property development project with a carrying amount of HK$26,460,000 (2010 — HK$15,874,000). 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 **HK$'000**	2010 HK$'000
Balance at beginning of year	**15,874**	15,874
Allowance for bad and doubtful debts	**12,214**	—
Impairment allowance released	**(1,628)**	—
Balance at end of year	**26,460**	15,874

Except for the above, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

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

26. 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 27 to the financial statements.

27. Bank and Other Borrowings

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Secured bank loans *(Note (a))*	**708,798**	348,246	**—**	—
Unsecured other borrowings *(Note (b))*	**57,608**	184,452	**57,608**	184,452
	766,406	532,698	**57,608**	184,452
Less: Amount classified under current portion	**(67,349)**	(291,771)	**—**	—
Non-current portion	**699,057**	240,927	**57,608**	184,452
Bank and other borrowings by currency:				
Hong Kong dollar	**328,963**	184,452	**57,608**	184,452
Renminbi	**437,443**	76,453	**—**	—
United States dollar	**—**	271,793	**—**	—
	766,406	532,698	**57,608**	184,452
Bank loans repayable:				
Within one year or on demand	**67,349**	291,771	**—**	—
In the second year	**370,094**	36,709	**—**	—
In the third to fifth years, inclusive	**271,355**	19,766	**—**	—
	708,798	348,246	**—**	—
Other borrowings repayable:				
In the second year	**57,608**	184,452	**57,608**	184,452

Note:

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

(i) first legal mortgages over certain investment properties and properties under development of the Group with carrying amounts of HK$91,279,000 (2010 — HK$84,614,000) and HK$1,306,333,000 (2010 — HK$867,373,000), respectively; and

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

(b) The Group's and the Company's other borrowings as at 31st December, 2011 comprised unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, of HK$57,608,000 (2010 — HK$184,452,000).

The Group's and Company's bank and other borrowings bear interest at floating rates ranging from 2.7 per cent. to 7.4 per cent. (2010 — 1.3 per cent. to 6.3 per cent.) per annum. The carrying amounts of the bank and other borrowings approximate to their fair values.

28. Creditors, Accruals and Deposits Received

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

	Group	
	2011	2010
	HK$'000	HK$'000
Outstanding balances with ages:		
Repayable on demand	**435,334**	585,921
Within 30 days	**169,644**	33,269
	604,978	619,190

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.

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

The current, fixed, savings and other deposits of customers attributable to banking business 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.

30. Deferred Tax

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

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Fair value gains on available-for-sale financial assets HK$'000	Total HK$'000
2011				
At 1st January, 2011	**497**	**31,306**	**2,489**	**34,292**
Deferred tax charged to the income statement during the year	**—**	**812**	**—**	**812**
Deferred tax debited to equity during the year	**—**	**—**	**213**	**213**
Exchange adjustments	**—**	**491**	**—**	**491**
At 31st December, 2011	**497**	**32,609**	**2,702**	**35,808**
2010				
At 1st January, 2010	497	30,401	689	31,587
Deferred tax charged to the income statement during the year	—	586	—	586
Deferred tax debited to equity during the year	—	—	1,800	1,800
Exchange adjustments	—	319	—	319
At 31st December, 2010	497	31,306	2,489	34,292

The Group has tax losses arising in Hong Kong of HK$284,377,000 (2010 — HK$220,301,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses at the end of the reporting period due to the unpredictability of future profit streams.

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.

31. Share Capital

Shares

	Group and Company	
	2011 **HK$'000**	2010 HK$'000
Authorised:		
4,000,000,000 (2010 — 4,000,000,000) ordinary shares of HK$1.00 each	**4,000,000**	4,000,000
Issued and fully paid:		
2,003,215,097 (2010 — 1,816,714,924) ordinary shares of HK$1.00 each	**2,003,215**	1,816,715

During the year, a total of 186,500,173 ordinary shares of HK$1.00 each in the Company were issued upon exercise in cash of the subscription rights attaching to the warrants of the Company in an aggregate amount of approximately HK$233,125,000 at a subscription price of HK$1.25 per share.

Warrants

As at 1st January, 2011, the Company had 201,960,709 units of warrants outstanding with an aggregate subscription value of approximately HK$252,451,000. Each warrant entitled the holder thereof to subscribe in cash for one ordinary share of HK$1.00 in the Company at a subscription price of HK$1.25 per share during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive). During the year, 186,500,173 units of warrants with an aggregate subscription value of approximately HK$233,125,000 were exercised for 186,500,173 ordinary shares of HK$1.00 each at a subscription price of HK$1.25 per share.

In accordance with the terms and conditions of the instrument of the warrants, the subscription rights under the warrants expired on 4th July, 2011. On 4th July, 2011, 15,460,536 units of warrants with an aggregate subscription value of approximately HK$19,326,000 remained unexercised and lapsed.

32. Share Option Scheme

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company, Lippo, an intermediate holding company of the Company, and Lippo China Resources Limited, a former intermediate holding company of the Company, on 7th June, 2007 (the "Adoption Date"), the board of the Directors of the Company (the "Board") may, at its discretion, offer to grant to any eligible employee (including director, officer and/or employee of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Person") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which 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, 134,682,909 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed one per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company on the date of grant of the option, as stated in the daily quotations sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (ii) the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; and (iii) the nominal value of the shares of the Company on the date of grant of the option.

32. Share Option Scheme *(continued)*

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

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

An option to subscribe for 337,500 Shares lapsed on 15th August, 2010. As at 1st January, 2011, there were outstanding options granted under the Share Option Scheme to subscribe for a total of 19,869,300 Shares (the "Option Shares").

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

Participants	Date of grant	Exercise price per Share HK$	Number of Option Shares Balance as at 1st January, 2011 and 31st December, 2011
Directors:			
John Lee Luen Wai	17th December, 2007	1.24	**4,590,000**
Leon Chan Nim Leung	17th December, 2007	1.24	**810,000**
Kor Kee Yee	17th December, 2007	1.24	**607,500**
Albert Saychuan Cheok	17th December, 2007	1.24	**607,500**
Victor Yung Ha Kuk	17th December, 2007	1.24	**607,500**
Tsui King Fai	17th December, 2007	1.24	**607,500**
Employees *(Note)*	17th December, 2007	1.24	**7,179,300**
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 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.

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

32. Share Option Scheme *(continued)*

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

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

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

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

At the end of the reporting period, the Company had options outstanding under the Share Option Scheme to subscribe for a total of 19,869,300 Shares, which represented approximately 1.0 per cent. of the then issued share capital of the Company. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 19,869,300 additional Shares and cash proceeds, before expenses, of approximately HK$24,152,000. In addition, the exercise in full of all these options would provide additional share capital of approximately HK$19,869,000 and share premium of approximately HK$4,283,000 (before issue expenses).

33. Reserves

Group

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

33. Reserves *(continued)*

Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve *(Note (d))* HK$'000	Distributable reserves *(Note (c))* HK$'000	Total HK$'000
2011					
At 1st January, 2011	**43,542**	**7,219**	**13,328**	**1,139,578**	**1,203,667**
Profit for the year and total comprehensive income for the year *(Note 12)*	**—**	**—**	**—**	**2,702**	**2,702**
Issuance of shares upon exercise of warrants	**46,625**	**—**	**—**	**—**	**46,625**
2010 final distribution, declared and paid to shareholders of the Company	**—**	**—**	**—**	**(39,332)**	**(39,332)**
At 31st December, 2011	**90,167**	**7,219**	**13,328**	**1,102,948**	**1,213,662**
2010					
At 1st January, 2010	43,527	7,219	13,328	977,209	1,041,283
Profit for the year and total comprehensive income for the year *(Note 12)*	—	—	—	162,369	162,369
Issuance of shares upon exercise of warrants	15	—	—	—	15
At 31st December, 2010	43,542	7,219	13,328	1,139,578	1,203,667

Note:

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

(b) Distributable reserves of the Group at 31st December, 2011 comprised retained profits of HK$5,005,022,000 (2010 — HK$4,040,671,000) and the remaining balance arising from the Cancellation of HK$1,015,587,000 (2010 — HK$1,054,919,000). Included in the distributable reserves of the Group at 31st December, 2011 were amounts of final distribution and special final distribution for the year then ended of HK$40,034,000 (2010 — HK$36,808,000) and HK$20,017,000 (2010 — Nil), respectively proposed after the end of the reporting period.

(c) Distributable reserves of the Company at 31st December, 2011 comprised contributed surplus of HK$134,329,000 (2010 — HK$134,329,000), accumulated losses of HK$46,968,000 (2010 — HK$49,670,000) and the remaining balance arising from the Cancellation of HK$1,015,587,000 (2010 — HK$1,054,919,000). Included in the distributable reserves of the Company at 31st December, 2011 were amounts of final distribution and special final distribution for the year then ended of HK$40,034,000 (2010 — HK$36,808,000) and HK$20,017,000 (2010 — Nil), respectively proposed after the end of the reporting period.

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

33. Reserves *(continued)*

Note: (continued)

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

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

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

34. Interests in Subsidiaries

	Company	
	2011 **HK$'000**	2010 HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**3,555,212**	3,604,081
Due to subsidiaries	**(262,224)**	(308,157)
	3,292,989	3,295,925
Provisions for impairment losses	**(114,107)**	(114,107)
	3,178,882	3,181,818

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 116 to 119.

35. Notes to the Consolidated Statement of Cash Flows

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

	Note	Group 2011 HK$'000	Group 2010 HK$'000
Profit before tax		**873,248**	2,206,068
Adjustments for:			
Share of results of associates		**(973,390)**	(2,252,385)
Share of results of jointly controlled entities		**(17,180)**	(671)
Loss/(Gain) on disposal of:			
Fixed assets	6	**(10)**	(15)
A subsidiary	6	**—**	(790)
An associate		**9**	—
Available-for-sale financial assets		**(4,767)**	244
Provision for impairment losses on properties under development	6	**189**	180
Net fair value loss/(gain) on financial assets at fair value through profit or loss		**18,511**	(8,343)
Allowance for bad and doubtful debts	6	**5,475**	6,309
Fair value gains on investment properties		**(5,314)**	(2,146)
Finance costs		**8,098**	9,825
Interest income		**(19,358)**	(16,193)
Dividend income		**(1,638)**	(1,349)
Depreciation	6	**9,828**	4,603
		(106,299)	(54,663)
Decrease/(Increase) in financial assets at fair value through profit or loss		**(60,017)**	19,115
Decrease in held-to-maturity financial assets		**57**	3
Increase in loans and advances		**(18,515)**	(29,127)
Increase in debtors, prepayments and deposits		**(14,150)**	(4,058)
Decrease in client trust bank balances		**9,543**	71,466
Increase in creditors, accruals and deposits received		**428,585**	176,524
Decrease in current, fixed, savings and other deposits of customers		**(18,547)**	(26,359)
Cash generated from operations		**220,657**	152,901

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

(b) Disposal of a subsidiary

	Group 2010 HK$'000
Net assets disposed of:	
Available-for-sale financial assets	3,210
Gain on disposal of a subsidiary	790
	4,000
Satisfied by:	
Cash	4,000

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

	Group 2010 HK$'000
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	4,000

36. Contingent Liabilities

Group

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).

Company

As at 31st December, 2011, guarantees provided by the Company in respect of banking facilities granted to its subsidiaries amounted to HK$958,509,000 (2010 — HK$599,270,000), which were utilised to an extent of HK$289,364,000 (2010 — HK$291,770,000).

37. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to four years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. 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	**10,659**	10,318
In the second to fifth years, inclusive	**11,080**	7,301
	21,739	17,619

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 31st July, 2014 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	**17,101**	12,933	**1,955**	2,760
In the second to fifth years, inclusive	**18,870**	2,571	**—**	1,955
	35,971	15,504	**1,955**	4,715

38. 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	**643,046**	483,103
Other capital commitments:		
Contracted, but not provided for *(Note)*	**72,082**	73,366
	715,128	556,469

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).

39. 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 Company paid rental expenses (including service charges) of HK$3,062,000 (2010 — HK$3,292,000) to Porbandar Limited, a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals.

(b) During the year, the Group paid rental expenses of HK$574,000 (2010 — HK$652,000) to fellow subsidiaries of the Company, in respect of office premises occupied by the Group. The rentals were determined by reference to the then prevailing open market rentals.

(c) 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.

(d) During the year, the Company paid finance cost to Lippo of HK$1,425,000 (2010 — HK$5,197,000) in respect of the loan advanced to the Company. The balance of which is set out in Note 27 to the financial statements.

(e) 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.

(f) 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.

(g) 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 19 and 20 to the financial statements, respectively.

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

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

40. 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	–	–	–	46,304	46,304
Financial assets at fair value through profit or loss	92,442	–	–	–	92,442
Loans and advances	–	–	241,119	–	241,119
Debtors and deposits	–	–	75,561	–	75,561
Client trust bank balances	–	–	550,716	–	550,716
Restricted cash	–	–	466,295	–	466,295
Cash and bank balances	–	–	406,508	–	406,508
	92,442	27,265	1,744,183	46,304	1,910,194

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	766,406
Creditors, accruals and deposits received	1,313,919
Current, fixed, savings and other deposits of customers	120,225
	2,200,550

40. 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	—	—	—	90,513	90,513
Financial assets at fair value through profit or loss	50,936	—	—	—	50,936
Loans and advances	—	—	217,725	—	217,725
Debtors and deposits	—	—	97,231	—	97,231
Client trust bank balances	—	—	560,850	—	560,850
Restricted cash	—	—	308	—	308
Treasury bills	—	—	9,700	—	9,700
Cash and bank balances	—	—	493,134	—	493,134
	50,936	11,832	1,382,936	90,513	1,536,217

Financial liabilities

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

40. 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	–	–	3,165	3,165
Financial assets at fair value through profit or loss	4,877	–	–	4,877
Debtors and deposits	–	971	–	971
Cash and bank balances	–	98,371	–	98,371
	4,877	99,342	3,165	107,384

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Bank and other borrowings	57,608
Creditors, accruals and deposits received	12,476
	70,084

40. Financial Instruments by Category *(continued)*

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

Company

At 31st December, 2010

Financial assets

	Financial assets at fair value through profit or loss held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	3,165	3,165
Financial assets at fair value through profit or loss	7,098	—	—	7,098
Debtors and deposits	—	1,000	—	1,000
Cash and bank balances	—	30,574	—	30,574
	7,098	31,574	3,165	41,837

Financial liabilities

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

41. 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:				
Debt securities	**21,795**	**—**	**—**	**21,795**
Investment funds	**—**	**2,914**	**12,022**	**14,936**
Financial assets at fair value through profit or loss:				
Equity securities	**63,298**	**—**	**—**	**63,298**
Investment funds	**—**	**409**	**28,735**	**29,144**
	85,093	**3,323**	**40,757**	**129,173**

As at 31st December, 2010

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

41. Fair Value Hierarchy *(continued)*

Group

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

	Available-for-sale investment funds HK$'000	**Investment funds at fair value through profit or loss HK$'000**
At 1st January, 2011	**59,306**	**29,665**
Total gains recognised in the income statement	**—**	**2,756**
Total gains recognised in other comprehensive income	**378**	**—**
Purchases	**499**	**—**
Disposals	**(48,148)**	**(3,664)**
Exchange adjustments	**(13)**	**(22)**
At 31st December, 2011	**12,022**	**28,735**

	Available-for-sale investment funds HK$'000	Investment funds at fair value through profit or loss HK$'000
At 1st January, 2010	79,237	27,319
Total gains recognised in the income statement	—	5,312
Total losses recognised in other comprehensive income	(15,123)	—
Purchases	38	—
Disposals	(3,363)	(3,042)
Exchange adjustments	(1,483)	76
At 31st December, 2010	59,306	29,665

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).

41. 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	**4,877**	**—**	**—**	**4,877**

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	7,098	—	—	7,098

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).

42. 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.

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

(a) Credit risk *(continued)*

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

	Group	
	2011 **HK$'000**	2010 HK$'000
By geographical area:		
Hong Kong	**130,741**	147,356
Macau	**155,707**	137,766
Others	**10,530**	10,548
	296,978	295,670

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

(b) Liquidity risk

The Group manages the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations meet the statutory requirement for 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. 9 per cent. of the Group's debts would mature in less than one year as at 31st December, 2011 (2010 — 55 per cent.) based on the carrying values of bank and other borrowings.

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

(b) Liquidity risk *(continued)*

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

Group

	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Undated HK$'000	Total HK$'000
At 31st December, 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	21,553	24,960
Loans and advances	155,236	33,005	11,337	19,201	22,340	–	241,119
Debtors and deposits	52,679	8,179	371	–	–	14,332	75,561
Client trust bank balances	126,934	423,782	–	–	–	–	550,716
Restricted cash	465,964	331	–	–	–	–	466,295
Cash and bank balances	240,865	165,643	–	–	–	–	406,508
	1,041,678	630,940	11,708	19,201	53,012	39,869	1,796,408
Liabilities							
Bank and other borrowings	18,009	–	49,340	699,057	–	–	766,406
Creditors, accruals and deposits received	437,977	177,519	588	–	–	697,835	1,313,919
Current, fixed, savings and other deposits of customers	57,478	58,566	4,181	–	–	–	120,225
	513,464	236,085	54,109	699,057	–	697,835	2,200,550

42. 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	—	—	—	—	—	22,006	22,006
Loans and advances	152,446	22,187	8,895	17,128	17,069	—	217,725
Debtors and deposits	44,101	38,010	1,376	—	—	13,744	97,231
Client trust bank balances	185,089	375,761	—	—	—	—	560,850
Restricted cash	—	308	—	—	—	—	308
Treasury bills	—	9,700	—	—	—	—	9,700
Cash and bank balances	166,774	326,360	—	—	—	—	493,134
	548,410	772,326	10,271	17,128	28,901	39,738	1,416,774
Liabilities							
Bank and other borrowings	19,978	—	271,793	240,927	—	—	532,698
Creditors, accruals and deposits received	588,599	137,449	1,706	—	—	142,260	870,014
Current, fixed, savings and other deposits of customers	113,673	20,390	4,709	—	—	—	138,772
	722,250	157,839	278,208	240,927	—	142,260	1,541,484

42. 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	–	–	–	–	3,165	3,165
Debtors and deposits	–	–	–	–	971	971
Cash and bank balances	4,057	94,314	–	–	–	98,371
	4,057	94,314	–	–	4,136	102,507
Liabilities						
Bank and other borrowings	–	–	–	57,608	–	57,608
Creditors, accruals and deposits received	–	29	–	–	12,447	12,476
Guarantees given to banks in connection with facilities granted to subsidiaries	289,364	–	–	–	–	289,364
	289,364	29	–	57,608	12,447	359,448
At 31st December, 2010						
Assets						
Debt securities:						
Available-for-sale financial assets	–	–	–	–	3,165	3,165
Debtors and deposits	–	–	–	–	1,000	1,000
Cash and bank balances	6,664	23,910	–	–	–	30,574
	6,664	23,910	–	–	4,165	34,739
Liabilities						
Bank and other borrowings	–	–	–	184,452	–	184,452
Creditors, accruals and deposits received	–	25	–	–	22,442	22,467
Guarantees given to banks in connection with facilities granted to subsidiaries	291,770	–	–	–	–	291,770
	291,770	25	–	184,452	22,442	498,689

(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.

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

(c) Interest rate risk *(continued)*

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	(352)	(352)	+50	(391)	(391)
United States dollar	+50	393	(868)	+50	(86)	(1,186)
Singapore dollar	+50	228	228	+50	144	144
Renminbi	+50	337	337	+50	391	391
Hong Kong dollar	–50	352	352	–50	391	391
United States dollar	–50	(393)	1,020	–50	86	1,324
Singapore dollar	–50	(228)	(228)	–50	(144)	(144)
Renminbi	–50	(337)	(337)	–50	(391)	(391)
Company						
Hong Kong dollar	+50	(113)	(113)	+50	(1,167)	(1,167)
United States dollar	+50	31	31	+50	51	51
Singapore dollar	+50	209	209	+50	2	2
Hong Kong dollar	–50	113	113	–50	1,167	1,167
United States dollar	–50	(31)	(31)	–50	(51)	(51)
Singapore dollar	–50	(209)	(209)	–50	(2)	(2)

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

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

(d) Foreign currency risk *(continued)*

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

	Increase/(Decrease) in profit before tax	
	2011 **HK$'000**	2010 HK$'000
Group		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2010 — 3 per cent.)	**11,417**	5,425
— weakened 3 per cent. (2010 — 3 per cent.)	**(11,417)**	(5,425)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2010 — 3 per cent.)	**1,430**	(18)
— weakened 3 per cent. (2010 — 3 per cent.)	**(1,430)**	18
Company		
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2010- — 3 per cent.)	**194**	793
— weakened 3 per cent. (2010 — 3 per cent.)	**(194)**	(793)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2010 — 3 per cent.)	**1,321**	114
— weakened 3 per cent. (2010 — 3 per cent.)	**(1,321)**	(114)

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

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 21) and financial assets at fair value through profit or loss (Note 24) as at 31st December, 2011. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

(e) Equity price risk *(continued)*

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

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 values 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**	**1,689**
Republic of Singapore	**36,392**	**2,328**
Global and other	**44,590**	**2,852**
2010		
Financial assets:		
Hong Kong	13,523	1,375
Republic of Singapore	3,420	348
Global and other	96,905	9,855

(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.

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

(f) Capital management *(continued)*

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 and other borrowings. Total shareholders' equity represents equity attributable to equity holders of the Company.

	Group	
	2011 **HK$'000**	2010 HK$'000
Bank and other borrowings *(Note 27)*	**766,406**	532,698
Less: Non-controlling interests in bank and other borrowings	**(83,886)**	(11,295)
Bank and other borrowings, net of non-controlling interests	**682,520**	521,403
Equity attributable to the equity holders of the Company	**9,131,813**	8,048,949
Gearing ratio	**7 per cent.**	6 per cent.

43. 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	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield Limited	British Virgin Islands	US$1	—	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US$50,000	—	100	Property investment
Centech Limited	British Virgin Islands	US$1	—	100	Investments and business consultancy
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US$3,000,000*	—	100	Property investment and management
Choregeo Pte. Ltd.**	Republic of Singapore	S$2	—	100	Property investment
Conrich Inc.	British Virgin Islands	US$1	—	100	Investment holding
Cyberspot Limited	British Virgin Islands	US$1	—	100	Investment holding
Cyfield Limited	British Virgin Islands	US$1	—	100	Property investment
Everwin Pacific Ltd.	British Virgin Islands	US$1	—	100	Property investment
Fiatsco Limited	British Virgin Islands	US$1	—	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	—	100	Property development
Goldlux Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Goldsney Investment Limited	Hong Kong	HK$2	—	100	Securities investment
HKC Property Investment Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
HKC Realty LLC**	United States of America	US$2,250,000*	—	100	Property investment
HKCL Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Hong Kong Housing Loan Limited	Hong Kong	HK$40,000,000	—	100	Money lending
ImPac Asset Management (HK) Limited	Hong Kong	HK$8,500,000	—	100	Investment advisory and asset management

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US$2,000,100	—	100	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US$13,000	—	100	Fund management
Lippo Asia Limited	Hong Kong	HK$120,000,000	—	100	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK$400,000	—	100	Fund management
Lippo Futures Limited	Hong Kong	US$2,000,000	—	100	Commodities brokerage
Lippo Medical Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Lippo Realty (Singapore) Pte. Limited**	Republic of Singapore	S$2	—	100	Project management
Lippo Securities Holdings Limited	Hong Kong	US$23,000,000	—	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	—	100	Investment holding
Lippo Securities Limited	Hong Kong	HK$220,000,000	—	100	Securities brokerage
Lippo (S) Pte. Ltd.**	Republic of Singapore	S$2,000,000	—	100	Property investment
L.S. Finance Limited	Hong Kong	HK$5,000,000	—	100	Money lending
Masta Limited	British Virgin Islands	US$1	—	100	Investment holding
Masuda Limited	British Virgin Islands	US$10,000	—	100	Investment holding
MGS Ltd.	British Virgin Islands	US$1	—	100	Investment holding
Norfyork International Limited	Hong Kong	HK$25,000,000	—	100	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Pacific Bond Limited	British Virgin Islands	US$1	—	100	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US$1	—	100	Investments

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Redsun Ltd.	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Rosery Inc.	British Virgin Islands	US$1	—	100	Investment holding
Sinogain Asia Limited	British Virgin Islands	US$1	—	100	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investments
Skyblue International Limited	British Virgin Islands	US$1	—	100	Investments
Stargala Limited	British Virgin Islands	US$1	—	100	Property investment
The Macau Chinese Bank Limited**	Macau	MOP180,000,000	—	100	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US$1	—	100	Investments
Uchida Limited	British Virgin Islands	US$1	—	100	Investment holding
Wealtop Limited	British Virgin Islands	US$1	—	100	Investment holding
Winluck Asia Limited	British Virgin Islands	US$1	—	100	Property investment
Winluck Pacific Limited	British Virgin Islands	US$1	—	100	Property investment
Winrider Limited	British Virgin Islands	US$1	—	100	Investment holding
Winsite Limited	British Virgin Islands	US$1	—	100	Investments
Winus Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US$1	—	100	Investments
Yield Point Limited	British Virgin Islands	US$1	—	100	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)**	People's Republic of China	US$36,000,000*	—	80	Property development
TechnoSolve Limited	Hong Kong	HK$26,296,000	—	68.65	Development of computer hardware and software

Name of company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
科慧（珠海）軟件有限公司**	People's Republic of China	RMB800,000*	—	68.65	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US$100	—	60	Investment holding

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

* *paid up registered capital*

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

Note:

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

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

Particulars of Principal Associates

Particulars of principal associates as at 31st December, 2011 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Greenix Limited	Corporate	British Virgin Islands	US$100,000	50	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US$100	49	Investment management
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US$15,036.58	39.90	Investment holding
Lippo ASM Asia Property LP**	Limited partnership	Cayman Islands	N/A	N/A	Investment in real estate and hospitality service businesses

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

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

Note:

S$ – Singapore dollars
US$ – United States dollars

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

Particulars of Principal Jointly Controlled Entities

Particulars of principal jointly controlled entities as at 31st December, 2011 are as set out below.

Name of company	Form of business structure	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Group#	Principal activities
Sunning Asia Limited	Corporate	British Virgin Islands	US$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	50	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US$10,579,040	30	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S$14,914,247	30	Property development

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

Note:

S$ – Singapore dollars
US$ – United States dollars

Schedule of Major Properties

(1) Properties Held for Investment as at 31st December, 2011

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

(2) Properties Held as Fixed Assets as at 31st December, 2011

Description	Use	Approximate gross floor area	Percentage of the Group's interest
		(square metres)	
PEOPLE'S REPUBLIC OF CHINA			
Basement, Ground Floor, 1st Floor and 2nd Floor The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,075.5	100
OVERSEAS			
259 Ocean Drive (Lots 1342L & 1343C of MK34 (Plot B8B-5/6)) Sentosa Cove Singapore 098538	Residential	698	100

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

Description	Use	Approximate site area	Approximate gross floor area	Percentage of the Group's interest	Estimated completion date	Stage of development at 31st December, 2011
		(square metres)	*(square metres)*			
PEOPLE'S REPUBLIC OF CHINA						
Land Lot No. 4C1, Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Multi-use	51,209	275,000	80	2013	Under construction
83 Estrada de Cacilhas Macau	Residential	3,398	26,025 (total saleable area)	100	2014	Foundation work in progress
OVERSEAS						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land

(4) Property Held for Sale as at 31st December, 2011

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

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the five financial years ended 31st December, 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	**870,919**	2,207,172	(325,978)	(227,070)	1,267,271
Total assets	**11,459,145**	9,740,463	6,038,528	6,224,911	6,593,582
Total liabilities	**(2,238,179)**	(1,578,922)	(1,386,844)	(1,363,994)	(1,896,179)
Net assets	**9,220,966**	8,161,541	4,651,684	4,860,917	4,697,403
Non-controlling interests	**(89,153)**	(112,592)	(189,516)	(191,327)	(12,078)
Equity attributable to equity holders of the Company	**9,131,813**	8,048,949	4,462,168	4,669,590	4,685,325