



Lippo Limited

力寶有限公司

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT

For the six months ended 30th June, 2005

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CORPORATE INFORMATION

HONORARY CHAIRMAN*

Dr. Mochtar Riady

BOARD OF DIRECTORS

Executive Directors

Mr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee, J.P.

(*Managing Director and
Chief Executive Officer*)

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

Mr. David T. Yeh

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

COMMITTEES

Audit Committee

Mr. Victor Ha Kuk Yung (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

Mr. King Fai Tsui

Remuneration Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Riady

Nomination Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Riady

SECRETARY

Mr. Davy Kwok Fai Lee

QUALIFIED ACCOUNTANT

Mr. Alex Shiu Leung Au

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited

CITIC Ka Wah Bank Limited

United Overseas Bank Limited

Standard Chartered Bank

Agricultural Bank of China, Shanghai Branch

Merrill Lynch International Bank Limited

Liu Chong Hing Bank Limited

SOLICITORS

Richards Butler

REGISTRARS

Progressive Registration Limited

G/F., Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

REGISTERED OFFICE

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Lippo Centre

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Hong Kong

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* *non-officer position*

The Directors of Lippo Limited (the “Company”) are pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30th June,	
		2005	2004
	<i>Note</i>	HK\$'000	HK\$'000 (restated)
Revenue	4	1,220,690	1,798,843
Cost of sales		(959,541)	(1,480,483)
Gross profit		261,149	318,360
Other income	25	8,529	–
Administrative expenses		(114,402)	(113,023)
Other operating expenses		(104,281)	(84,452)
Fair value changes on investment properties		287,985	191,983
Write-back of provision/(Provision) for impairment loss in associates		(53,907)	4,655
Allowance for bad and doubtful debts relating to non-banking operations	5	(34,756)	(1,053)
Net unrealised holding loss on other investments in securities		–	(86,827)
Share of results of associates		3,543	21,534
Finance costs		(18,840)	(14,487)
Profit before tax	6	235,020	236,690
Tax	7	(79,575)	(44,076)
Profit for the period		155,445	192,614
Attributable to:			
Equity holders of the Company		77,742	119,000
Minority interests		77,703	73,614
		155,445	192,614
		HK cents	HK cents
Earnings per share	8		
Basic		18	27
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30th June, 2005	31st December, 2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
NON-CURRENT ASSETS			
Goodwill:			
Goodwill		79,342	79,262
Negative goodwill		–	(111,603)
Prepaid lease payments for land		5,304	5,399
Fixed assets		333,043	319,833
Investment properties		3,132,091	2,362,777
Properties under development		335,511	180,574
Interests in associates		483,745	531,676
Interests in jointly controlled entities		7,393	7,393
Available-for-sale financial assets	9	412,884	–
Investment securities	10	–	554,110
Financial assets at fair value through profit or loss	11	451,766	–
Held-to-maturity securities	12	–	62,816
Loans and advances	13	851	24,031
Deferred tax assets		4,115	4,115
Assets less liabilities attributable to banking operation	14	191,996	175,411
Deposit paid for long term investment		3,720	–
		5,441,761	4,195,794
CURRENT ASSETS			
Properties held for sale		64,051	11,005
Inventories		107,424	105,780
Available-for-sale financial assets	9	173,053	–
Financial assets at fair value through profit or loss	11	922,139	–
Held-to-maturity securities	12	–	82,216
Other investments in securities	15	–	1,308,276
Loans and advances	13	144,355	180,692
Debtors, prepayments and deposits	16	381,859	398,908
Client trust bank balances		316,844	389,123
Pledged time deposits		86,116	–
Cash and cash equivalents		1,515,793	1,940,374
		3,711,634	4,416,374

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	<i>Note</i>	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000 (restated)
CURRENT LIABILITIES			
Bank loans	17	368,283	471,654
Creditors, accruals and deposits received	18	786,004	854,218
Tax payable		69,518	70,850
		1,223,805	1,396,722
NET CURRENT ASSETS			
		2,487,829	3,019,652
TOTAL ASSETS LESS CURRENT LIABILITIES			
		7,929,590	7,215,446
NON-CURRENT LIABILITIES			
Long term bank loans	17	1,049,043	805,612
Deferred tax liabilities		339,550	263,975
		1,388,593	1,069,587
		6,540,997	6,145,859
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	19	43,373	43,373
Reserves	20	3,175,682	2,946,265
		3,219,055	2,989,638
Minority interests	20	3,321,942	3,156,221
		6,540,997	6,145,859

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	Six months ended 30th June, 2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Total equity at 1st January			
As previously reported as equity		3,061,206	2,800,472
As previously reported separately as minority interests		3,171,629	3,019,006
Prior period and opening adjustments	1,2	135,062	(37,033)
As restated		<u>6,367,897</u>	<u>5,782,445</u>
Changes in equity during the period:			
Exchange differences on translation of foreign operations		(41,045)	(4,772)
Fair value changes on available-for-sale financial assets		(31,640)	–
Deferred tax arising from fair value changes on available-for-sale financial assets		(2,743)	–
Net expense recognised directly in equity		(75,428)	(4,772)
Profit for the period		<u>155,445</u>	<u>192,614</u>
Total recognised income and expense for the period		80,017	187,842
Advance from minority shareholders of subsidiaries		82,054	19,328
Acquisition of subsidiaries		50,073	9,662
Issue of shares by subsidiaries to minority shareholders		2,446	4,398
Changes in interests in subsidiaries		(1,772)	(2,620)
Disposal of a subsidiary		–	(803)
Repurchase of shares		–	(7,950)
2003 final dividend, declared and paid to shareholders of the Company		–	(8,675)
2003 final dividend and distribution, declared and paid to minority shareholders of subsidiaries		–	(30,412)
2004 final dividend, declared and paid to shareholders of the Company		(8,675)	–
2004 final dividend and distribution, declared and paid to minority shareholders of subsidiaries		(31,043)	–
		<u>173,100</u>	<u>170,770</u>
Total equity at 30th June		<u>6,540,997</u>	<u>5,953,215</u>

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY
(Continued)

	Six months ended 30th June,	
	2005	2004
<i>Note</i>	HK\$'000	<i>HK\$'000</i> (restated)
Total recognised income and expense		
for the period attributable to:		
Equity holders of the Company	47,818	117,737
Minority interests	32,199	70,105
	80,017	187,842
Effect of prior period and opening adjustments		
attributable to:		
Equity holders of the Company	118,706	(35,088)
Minority interests	16,356	(1,945)
	135,062	(37,033)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from/(used in) operating activities	246,833	(124,441)
Net cash used in investing activities	(718,525)	(55,786)
Net cash from/(used in) financing activities	59,736	(14,401)
Net decrease in cash and cash equivalents	(411,956)	(194,628)
Cash and cash equivalents at 1st January	1,940,374	2,006,210
Exchange realignments	(12,625)	(40)
Cash and cash equivalents at 30th June	<u>1,515,793</u>	<u>1,811,542</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>1,515,793</u>	<u>1,811,542</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of this condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31st December, 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)***1. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 31, 33, 34, 37, 38, HKFRS 2, HK-Int 4 and HK(SIC)-Int 15 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior periods, owner-occupied leasehold land and buildings were included in fixed assets and stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings unless the lease payments cannot be allocated reliably between the land and building elements. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid lease payments for land, while leasehold buildings continue to be classified as part of fixed assets. Prepaid lease payments for land under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

The change has been adopted retrospectively and the comparative amounts have been restated to reflect the reclassification of leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

Until 31st December, 2004, the Group classified its investments in securities into investment securities and other investments in securities, which were stated in the balance sheet at cost less any impairment losses and at fair value, respectively. Any impairment losses on investment securities and fair value changes on other investments in securities were recognised in the profit and loss account for the period in which they arise. Loans and receivables were reported on the balance sheet at the total of principal amount outstanding and accrued interest receivable (if applicable) net of provisions for doubtful debts.

From 1st January, 2005 onwards, the Group classifies its investments into the following categories, taking into account the purpose for which the investments are acquired:

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. They are carried at fair value in the balance sheet. Any change in fair value shall be recognised in the profit and loss account.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently carried at amortised costs using effective interest method, less any accumulated impairment losses. If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed to the extent that such reversal shall not result in a carrying amount of the loans and receivables that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of such reversal shall be recognised in the profit and loss account.

Impairment provisions for loans and receivables assessed individually are calculated using a discounted cash flow analysis for the impaired advances. Collective assessment of impairment for individually insignificant items or items where no impairment has been identified on an individual basis is made using formula-based approaches or statistical methods. Impairment provisions for loans and receivables will be presented as individually assessed and collectively assessed instead of specific provisions and general provisions. Loans and receivables are included in loans and advances and debtors, prepayments and deposits in the balance sheet.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are carried at amortised costs using effective interest method, less any accumulated impairment losses.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are carried at fair value except for certain available-for-sale financial assets that do not have a published quoted price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses. The impairment loss is charged to the profit and loss account for the period in which they arise.

For available-for-sale financial assets carried at fair value, any gain or loss arising from the change in fair value shall be recognised directly in equity except for impairment losses, until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity shall be recognised in the profit and loss account.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)***1. PRINCIPAL ACCOUNTING POLICIES** *(Continued)***(b) HKAS 32 and HKAS 39 – Financial Instruments** *(Continued)**(iv) Available-for-sale financial assets (Continued)*

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments shall not be reversed through profit or loss. For debt instruments, impairment losses shall be reversed through profit or loss if the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised.

Interest on available-for-sale financial assets is calculated using the effective interest method and recognised in the profit and loss account and dividends are recognised in the profit and loss account when the Group's right to receive payment is established.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted financial assets), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions by reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

In accordance with the transitional provisions of HKAS 39, the Group re-designated:

- (i) other investments in securities with total carrying amount of HK\$1,108,131,000 and HK\$200,145,000 into financial assets at fair value through profit or loss and available-for-sale financial assets on 1st January, 2005, respectively. There is no effect on re-measurement as the accounting policy on measurement of the Group's other investments in securities as at 31st December, 2004 is the same as that for the financial assets at fair value through profit or loss and the available-for-sale financial assets which are carried at fair value;
- (ii) investment securities with total carrying amount of HK\$272,590,000 and HK\$196,628,000 into financial assets at fair value through profit or loss and available-for-sale financial assets on 1st January, 2005, respectively, resulting in an adjustment of HK\$88,513,000 and HK\$34,325,000 credited to the opening balance of retained profits and minority interests respectively to reflect the difference in fair value;
- (iii) the remaining investment securities with total carrying amount of HK\$84,892,000 into available-for-sale financial assets which are carried at cost less any impairment losses. There is no effect on re-measurement as the accounting policy on measurement of the Group's investment securities as at 31st December, 2004 is the same as that for available-for-sale financial assets which are carried at cost;
- (iv) loans and advances with total carrying amount of HK\$25,906,000 into available-for-sale financial assets on 1st January, 2005, resulting in an adjustment of HK\$8,823,000 and HK\$3,580,000 debited to the opening balance of retained profits and minority interests to reflect the difference in fair value; and

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

- (v) held-to-maturity securities with total carrying amount of HK\$145,032,000 into financial assets at fair value through profit or loss on 1st January, 2005. There is no material effect on re-measurement as the carrying amounts of the held-to-maturity securities are approximate to their fair values.

The effect of the above changes are summarised in Note 2 to the interim financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) HKAS 40 – Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the period of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively. The effects of the above changes are summarised in Note 2 to the interim financial statements.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised on a straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)***1. PRINCIPAL ACCOUNTING POLICIES** *(Continued)***(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets** *(Continued)*

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st January, 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained profits. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in Note 2 to the interim financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the current profits tax rate has been applied to the calculation of deferred tax.

The change has been adopted retrospectively and the comparative amounts have been restated to reflect the deferred tax liabilities incurred. The effects of the above changes are summarised in Note 2 to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the new and revised HKFRSs, the opening balances of the following accounts were adjusted retrospectively. Details of the prior period adjustment and opening adjustments are summarised as follows:

(a) Effect of opening balance of total equity at 1st January, 2005

Effect of new policies (Increase/(Decrease))	Note	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other asset revaluation reserve HK\$'000	Retained profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
Prior period adjustment:							
HK(SIC)-Int 21							
Deferred tax arising from revaluation of investment properties	<i>1(e)</i>	-	(15,264)	-	(56,304)	(15,408)	(86,976)
Net decrease in total equity before opening adjustments		-	(15,264)	-	(56,304)	(15,408)	(86,976)
Opening adjustments:							
HKAS 39							
Re-designated investment securities as:							
Available-for-sale financial assets	<i>1(b)</i>	-	-	-	88,470	34,285	122,755
Financial assets at fair value through profit or loss	<i>1(b)</i>	-	-	-	43	40	83
Re-designated loans and advances as available-for-sale financial assets	<i>1(b)</i>	-	-	-	(8,823)	(3,580)	(12,403)
HKAS 40							
Surplus on revaluation of investment properties	<i>1(c)</i>	-	(74,391)	(25,366)	99,757	-	-
HKFRS 3							
Derecognition of negative goodwill	<i>1(d)</i>	(529,598)	-	-	640,182	1,019	111,603
Total effect at 1st January, 2005		(529,598)	(89,655)	(25,366)	763,325	16,356	135,062

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Effect on opening balance of total equity at 1st January, 2004

Effect of new policies (Increase/(Decrease))	Note	Retained profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
Prior period adjustment:				
HK(SIC)-Int 21				
Deferred tax arising from revaluation of investment properties	1(e)	(35,088)	(1,945)	(37,033)
Total effect at 1st January, 2004		(35,088)	(1,945)	(37,033)

The following tables summarise the impact on profit and income or expenses recognised directly in equity for the six months ended 30th June, 2005 and 2004 upon the adoption of the new and revised HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 39, 40 and HKFRS 3, the amounts shown for the six months ended 30th June, 2004 may not be comparable to the amounts shown for the current period.

(c) Effect on profit for the six months ended 30th June, 2005 and 2004

Effect of new policies (Increase/(Decrease))	Note	Six months ended 30th June,					
		2005			2004		
		Equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000	Equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
Effect on profit for the period:							
HKAS 40							
Fair value changes on investment properties	1(c)	162,158	125,827	287,985	-	-	-
HKFRS 3							
Discontinuation of amortisation of goodwill/recognition of negative goodwill	1(d)	(758)	2,876	2,118	-	-	-
HK(SIC)-Int 21							
Deferred tax arising from revaluation of investment properties	1(e)	(39,194)	(33,535)	(72,729)	(21,216)	(8,757)	(29,973)
Total effect for the period		122,206	95,168	217,374	(21,216)	(8,757)	(29,973)
		<i>HK cents</i>			<i>HK cents</i>		
Effect on earnings per share:							
Basic		28			(4.9)		
Diluted		N/A			N/A		

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) Effect on income or expenses recognised directly in equity for the six months ended 30th June, 2005 and 2004

Effect of new policies (Increase/(Decrease))	Note	Six months ended 30th June, 2005			2004		
		Equity holders of the Company HK\$'000	Minority Interests HK\$'000	Total HK\$'000	Equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
HKAS 39							
Fair value changes on available-for-sale financial assets	1(b)	(20,750)	(13,633)	(34,383)	-	-	-
HKAS 40							
Fair value changes on investment properties no longer recognised in reserves	1(c)	(162,158)	(125,827)	(287,985)	-	-	-
HK(SIC)-Int 21							
Deferred tax arising from revaluation of investment properties	1(e)	30,936	36,291	67,227	-	-	-
Total effect for the period		(151,972)	(103,169)	(255,141)	-	-	-

3. SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. Descriptions of the business segments are as follows:

- (a) the treasury investment segment includes investments in cash and bond markets;
- (b) the property investment and development segment includes letting, resale and development of properties;
- (c) the securities investment segment includes dealings in securities and disposals of investments;
- (d) the food businesses segment engages in food manufacturing, wholesale distribution of food and allied fast-moving consumer goods;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services; and
- (g) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of property and fund management services.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

An analysis of the Group's segment information by business segment is set out as follows:

	Six months ended 30th June, 2005								Consolidated HK\$'000
	Treasury investment HK\$'000	Property investment and development HK\$'000	Securities investment HK\$'000	Food businesses HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	
Revenue									
External	17,451	73,715	666,364	421,875	27,068	6,884	7,333	-	1,220,690
Inter-segment	631	4,684	-	-	430	-	770	(6,515)	-
Total	18,082	78,399	666,364	421,875	27,498	6,884	8,103	(6,515)	1,220,690
Segment results	15,072	346,079	30,496	12,087	(33,437)	(44,955)	(5,245)	(5,904)	314,193
Unallocated corporate expenses									(67,193)
Finance costs									(15,523)
Share of results of associates	-	62	-	-	-	(29,649)	33,130	-	3,543
Profit before tax									235,020
Tax									(79,575)
Profit for the period									155,445

	Six months ended 30th June, 2004 (restated)								Consolidated HK\$'000
	Treasury investment HK\$'000	Property investment and development HK\$'000	Securities investment HK\$'000	Food businesses HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	
Revenue									
External	12,738	171,497	1,133,712	424,149	36,155	9,723	10,869	-	1,798,843
Inter-segment	6,973	3,381	356	-	2,790	-	163	(13,663)	-
Total	19,711	174,878	1,134,068	424,149	38,945	9,723	11,032	(13,663)	1,798,843
Segment results	11,328	272,678	(17,856)	12,419	2,579	3,809	(3,290)	(2,405)	279,262
Unallocated corporate expenses									(51,687)
Finance costs									(12,419)
Share of results of associates	-	117	-	-	-	401	21,016	-	21,534
Profit before tax									236,690
Tax									(44,076)
Profit for the period									192,614

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

4. REVENUE/TURNOVER

All revenue for the period represents turnover generated from the principal activities of the Group, comprising gross income on treasury investment which includes interest income on bank deposits and debt securities, gross rental income, gross proceeds from sales of properties, gross income from securities investments which includes gross proceeds from sales of investments, dividend income and related interest income, gross income from underwriting and securities broking, sales income from food businesses, interest and other income from money lending business, gross income from property management and net interest income, commissions, dealing income and other revenues from a banking subsidiary, after eliminations of all significant intra-group transactions.

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

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Treasury investment	17,451	12,738
Property investment and development	73,715	171,497
Securities investment	666,364	1,133,712
Food businesses	421,875	424,149
Corporate finance and securities broking	27,068	36,155
Banking business	6,884	9,723
Other	7,333	10,869
	1,220,690	1,798,843

Turnover attributable to banking business represents turnover 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. Turnover attributable to banking business is analysed as follows:

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interest income	6,822	5,356
Interest expenses	(786)	(868)
Commission income	907	4,577
Net dealing income/(expense) and other revenues/(expense)	(59)	658
	6,884	9,723

5. ALLOWANCE FOR BAD AND DOUBTFUL DEBTS RELATING TO NON-BANKING OPERATIONS

Included in the amount for the period was a specific provision made for a loan advanced to a margin client of HK\$33,810,000, which has been secured by certain shares in a listed company and a guarantee provided by a director of the client. Currently, both the client and the listed company are under liquidation or provisional liquidation and that the probability for recovery of the loan is uncertain.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

6. PROFIT BEFORE TAX

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

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interest income <i>(Note (a))</i> :		
Listed investments	10,140	11,419
Unlisted investments	3,110	2,439
Other	17,795	10,164
Dividend income:		
Listed investments	16,993	8,684
Unlisted investments	838	88
Net realised and unrealised holding gain on financial assets at fair value through profit or loss:		
Listed	18,343	–
Unlisted	7,336	–
Net realised and unrealised holding loss on other investments in securities:		
Listed	–	(31,069)
Unlisted	–	(475)
Other investment income:		
Listed	–	645
Unlisted	814	5,048
Net realised gain on disposal of available-for-sale financial assets:		
Listed	1,132	–
Unlisted	1,776	–
Gain on disposal of unlisted investment securities	–	211
Depreciation:		
Banking operation	(393)	(392)
Other	(9,611)	(10,997)
Amortisation of prepaid lease payments for land	(95)	–
Provision for impairment losses on unlisted available-for-sale financial assets	(5,240)	–
Gain on disposal of fixed assets	47	885
Gain on disposal of properties	–	34,834
Cost of inventories sold	(320,765)	(328,286)
Amortisation of goodwill arising from acquisition of subsidiaries <i>(Note (b))</i>	–	(4,169)
Negative goodwill recognised as income <i>(Note (b))</i>	–	2,596

Note:

- (a) The amounts exclude income relating to banking operation of the Group.
- (b) The amortisation of goodwill arising from acquisition of subsidiaries and negative goodwill recognised as income for the six months ended 30th June, 2004 are included under "Other operating expenses" on the face of the condensed consolidated profit and loss account.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

7. TAX

	Six months ended 30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
<hr/>		
Hong Kong:		
Charge for the period	–	230
(Over)/Underprovisions in prior years	(680)	52
Deferred	22,610	30,881
	<hr/> 21,930	<hr/> 31,163
Overseas:		
Charge for the period	9,017	10,173
Underprovisions in prior years	1,266	3,114
Deferred	47,362	(374)
	<hr/> 57,645	<hr/> 12,913
Total tax charge for the period	<hr/> 79,575	<hr/> 44,076

Hong Kong profits tax has been provided for at the rate of 17.5 per cent. (2004 – 17.5 per cent.) on the estimated assessable profits arising in Hong Kong for the period. Overseas taxes have been calculated on the estimated assessable profits for the period at the tax rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Share of tax attributable to associates amounting to HK\$4,735,000 (2004 – HK\$3,546,000) is included in “Share of results of associates” on the face of the condensed consolidated profit and loss account.

8. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit attributable to equity holders of the Company of HK\$77,742,000 (2004 – HK\$119,000,000, as restated); and (ii) the weighted average number of 433,735,000 shares (2004 – 436,637,000 shares) in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share is presented for the periods ended 30th June, 2005 and 2004 as there were no dilutive potential ordinary shares during these periods.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Financial assets stated at fair value:		
Equity securities listed in Hong Kong	171,165	–
Equity securities listed outside Hong Kong	174,757	–
Unlisted equity securities	60,931	–
	406,853	–
Unlisted debt securities	14,189	–
Unlisted investment funds	76,589	–
	497,631	–
Financial assets stated at cost:		
Unlisted equity securities	115,589	–
Unlisted debt securities	38,814	–
Unlisted investment funds	20,747	–
	175,150	–
Provisions for impairment losses	(86,844)	–
	88,306	–
	585,937	–
Less: amount classified under current portion	(173,053)	–
Non-current portion	412,884	–
An analysis of the issuers of available-for-sale financial assets is as follows:		
Equity securities:		
Banks and other financial institutions	2,974	–
Corporate entities	519,468	–
	522,442	–
Debt securities:		
Club debentures	12,175	–
Corporate entities	35,619	–
Banks and other financial institutions	5,209	–
	53,003	–

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

10. INVESTMENT SECURITIES

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Equity securities, at cost:		
Listed in Hong Kong	-	36,325
Listed outside Hong Kong	-	427,448
Unlisted	-	255,128
	-	718,901
Provisions for impairment losses	-	(453,583)
	-	265,318
Unlisted debt securities, at cost	-	35,732
Provisions for impairment losses	-	(2,776)
	-	32,956
Unlisted investment funds, at cost	-	292,711
Provisions for impairment losses	-	(36,875)
	-	255,836
	-	554,110
Market value of listed investments at the balance sheet date	-	241,261
An analysis of the issuers of investment securities is as follows:		
Equity securities:		
Banks and other financial institutions	-	709
Corporate entities	-	264,609
	-	265,318
Debt securities:		
Club debentures	-	12,175
Corporate entities	-	20,781
	-	32,956

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong, at fair value	183,319	–
Listed outside Hong Kong, at fair value	163,138	–
Unlisted, at fair value	10,411	–
	<u>356,868</u>	–
Debt securities:		
Listed outside Hong Kong, at fair value	213,708	–
Unlisted, at fair value	138,202	–
	<u>351,910</u>	–
Investment funds:		
Listed outside Hong Kong, at fair value	48,166	–
Unlisted, at fair value	367,500	–
	<u>415,666</u>	–
Other:		
Unlisted, at fair value	53,758	–
	<u>1,178,202</u>	–
Designated as financial assets at fair value through profit or loss:		
Unlisted investment funds, at fair value	195,703	–
	<u>1,373,905</u>	–
Less: amount classified under current portion	(922,139)	–
Non-current portion	<u>451,766</u>	–

Financial assets at fair value through profit or loss with carrying amount of HK\$55,410,000 were pledged as collateral for the bank loans of the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)***11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** *(Continued)*

	30th June, 2005	31st December, 2004
	HK\$'000	HK\$'000
An analysis of the issuers of financial assets at fair value through profit or loss is as follows:		
Equity securities:		
Public sector entities	474	–
Banks and other financial institutions	90,261	–
Corporate entities	266,133	–
	356,868	–
Debt securities:		
Central governments and central banks	10,263	–
Public sector entities	2,471	–
Banks and other financial institutions	103,314	–
Corporate entities	235,862	–
	351,910	–

12. HELD-TO-MATURITY SECURITIES

	30th June, 2005	31st December, 2004
	HK\$'000	HK\$'000
Debt securities, at amortised cost:		
Listed outside Hong Kong	–	50,938
Unlisted	–	94,094
	–	145,032
Less: amount classified under current portion	–	(82,216)
Non-current portion	–	62,816
Market value of listed securities at the balance sheet date	–	50,938
An analysis of the issuers of held-to-maturity securities is as follows:		
Banks and other financial institutions	–	6,260
Corporate entities	–	138,772
	–	145,032

13. LOANS AND ADVANCES

The carrying amounts of loans and advances are approximate to their fair values.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

14. ASSETS LESS LIABILITIES ATTRIBUTABLE TO BANKING OPERATION

Due to the dissimilar nature of banking and non-banking operations, assets less liabilities attributable to banking operation are shown separately in the condensed consolidated interim financial statements. The financial information in respect of banking operation shown below is based on the unaudited financial statements of MCB for the six months ended 30th June, 2005.

	<i>Note</i>	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Cash and short-term funds	<i>(a)</i>	111,406	83,908
Financial assets at fair value through profit or loss	<i>(b)</i>	25,490	–
Other investments in securities	<i>(c)</i>	–	24,673
Advances and other accounts	<i>(d)</i>	166,019	152,127
Held-to-maturity financial assets	<i>(e)</i>	9,618	9,643
Fixed assets	<i>(f)</i>	25,879	26,272
		338,412	296,623
Current, fixed, savings and other deposits of customers		(112,081)	(117,641)
Other accounts and provisions		(34,335)	(3,571)
		(146,416)	(121,212)
		191,996	175,411

Note:

(a) Cash and short-term funds

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Cash and balances with banks and other financial institutions	101,706	60,143
Treasury bills	9,700	23,765
	111,406	83,908

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

14. ASSETS LESS LIABILITIES ATTRIBUTABLE TO BANKING OPERATION *(Continued)*

Note: (Continued)

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

	30th June, 2005 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Listed equity securities, at fair value:		
Hong Kong	3,140	–
Overseas	704	–
	3,844	–
Debt securities:		
Listed outside Hong Kong, at fair value	9,197	–
Unlisted, at fair value	7,766	–
	16,963	–
Unlisted investment funds, at fair value	4,683	–
	25,490	–
An analysis of the issuers of financial assets at fair value through profit or loss is as follows:		
Equity securities:		
Corporate entities	3,844	–
Debt securities:		
Banks and other financial institutions	7,766	–
Corporate entities	9,197	–
	16,963	–

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

14. ASSETS LESS LIABILITIES ATTRIBUTABLE TO BANKING OPERATION (Continued)

Note: (Continued)

(c) Other investments in securities

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Listed equity securities, at market value:		
Hong Kong	-	3,128
Overseas	-	759
	-	3,887
Debt securities:		
Listed outside Hong Kong, at market value	-	9,190
Unlisted, at fair value	-	7,769
	-	16,959
Unlisted investment funds, at fair value	-	3,827
	-	24,673
An analysis of the issuers of other investments in securities is as follows:		
Equity securities:		
Corporate entities	-	3,887
Debt securities:		
Banks and other financial institutions	-	7,769
Corporate entities	-	9,190
	-	16,959

(d) Advances and other accounts

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Advances to customers	164,209	153,071
Other accounts	5,431	2,956
Accrued interest	1,034	1,240
Allowance for bad and doubtful debts	(4,655)	(5,140)
	166,019	152,127

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

14. ASSETS LESS LIABILITIES ATTRIBUTABLE TO BANKING OPERATION *(Continued)*

Note: (Continued)

(d) Advances and other accounts *(Continued)*

Non-performing loans, which represent the gross amount of advances, net of suspended interest, on which interest has been placed in suspense or on which interest accrual has ceased, are rescheduled as follows:

	30th June, 2005	31st December, 2004
	HK\$'000	HK\$'000
Rescheduled advances	218	3,342
Market value of collateral held	222	3,564

(e) Held-to-maturity financial assets

	30th June, 2005	31st December, 2004
	HK\$'000	HK\$'000
Debt securities, at amortised cost:		
Listed outside Hong Kong	9,618	9,643
Market value of listed debt securities	11,199	10,877
An analysis of the issuers of held-to-maturity financial assets is as follows:		
Banks and other financial institutions	9,618	9,643

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*14. ASSETS LESS LIABILITIES ATTRIBUTABLE TO BANKING OPERATION *(Continued)**Note: (Continued)*

(f) Fixed assets

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1st January, 2005 and 30th June, 2005	25,047	2,487	27,534
Accumulated depreciation:			
At 1st January, 2005	271	991	1,262
Provided for the period	125	268	393
At 30th June, 2005	396	1,259	1,655
Net book value:			
At 30th June, 2005	24,651	1,228	25,879
At 31st December, 2004	24,776	1,496	26,272

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

15. OTHER INVESTMENTS IN SECURITIES

	30th June, 2005	31st December, 2004
	HK\$'000	HK\$'000
<hr/>		
Listed equity securities, at market value:		
Hong Kong	-	280,620
Overseas	-	106,203
	<hr/>	<hr/>
	-	386,823
Debt securities:		
Listed overseas, at market value	-	225,245
Unlisted, at fair value	-	163,875
	<hr/>	<hr/>
	-	389,120
Investment funds:		
Listed overseas, at market value	-	229,252
Unlisted, at fair value	-	303,081
	<hr/>	<hr/>
	-	532,333
	<hr/>	<hr/>
	-	1,308,276
	<hr/>	<hr/>
An analysis of the issuers of other investments in securities is as follows:		
Equity securities:		
Public sector entities	-	493
Banks and other financial institutions	-	44,883
Corporate entities	-	341,447
	<hr/>	<hr/>
	-	386,823
Debt securities:		
Central governments and central banks	-	13,869
Banks and other financial institutions	-	105,239
Corporate entities	-	220,879
Other	-	49,133
	<hr/>	<hr/>
	-	389,120
	<hr/>	<hr/>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

16. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Outstanding balances with ages:		
Repayable on demand	32,995	32,959
Within 30 days	137,232	221,626
Between 31 and 60 days	63,317	59,767
Between 61 and 90 days	28,114	37,746
Between 91 and 180 days	16,032	18,157
Over 180 days	2,215	1,061
	279,905	371,316

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 90 days of issuance. 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.

The carrying amounts of debtors and deposits are approximate to their fair values.

17. BANK LOANS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Bank loans:		
Secured (Note)	1,384,728	1,229,635
Unsecured	32,598	47,631
	1,417,326	1,277,266
Portion due within one year included under current liabilities	(368,283)	(471,654)
Non-current portion	1,049,043	805,612
Bank loans repayable:		
Within one year	368,283	471,654
In the second year	185,720	246,741
In the third to fifth years, inclusive	247,772	38,871
After five years	615,551	520,000
	1,417,326	1,277,266

Note: The bank loans were secured by shares in certain subsidiaries of the Group, first legal mortgages over certain fixed assets, investment properties, leasehold land and buildings, properties under development and properties held for sale, certain securities and time deposits of the Group and certain securities owned by margin clients of the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

18. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

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

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Outstanding balances with ages:		
Repayable on demand	331,116	486,189
Within 30 days	168,797	76,645
Between 31 and 60 days	12,634	29,440
Between 61 and 90 days	3,157	5,571
Between 91 and 180 days	6,887	6,755
Over 180 days	557	563
	523,148	605,163

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 30th June, 2005, total client trust bank balances amounted to HK\$316,844,000 (31st December, 2004 – HK\$389,123,000).

19. SHARE CAPITAL

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Authorised:		
30,000,000,000 (31st December, 2004 – 30,000,000,000) ordinary shares of HK\$0.10 each	3,000,000	3,000,000
Issued and fully paid:		
433,735,010 (31st December, 2004 – 433,735,010) ordinary shares of HK\$0.10 each	43,373	43,373

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

20. RESERVES

	Share premium account HK\$'000	Special capital reserve (Note (a)) HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserve (Note (b)) HK\$'000	Investment revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other asset revaluation reserve (Note (c)) HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000
At 1st January, 2005												
As previously reported	517,794	1,709,202	17,861	529,598	1,027	-	89,655	25,366	(92,511)	219,841	3,017,833	3,171,629
Prior period adjustment: (Notes 1 & 2)												
HK(SIC)-Int 21												
Deferred tax arising from revaluation of investment properties	-	-	-	-	-	-	(15,264)	-	-	(56,304)	(71,568)	(15,408)
As restated before opening adjustments	517,794	1,709,202	17,861	529,598	1,027	-	74,391	25,366	(92,511)	163,537	2,946,265	3,156,221
Opening adjustments: (Notes 1 & 2)												
In respect of financial instruments	-	-	-	-	-	-	-	-	-	79,690	79,690	30,745
In respect of investment properties	-	-	-	-	-	-	(74,391)	(25,366)	-	99,757	-	-
In respect of negative goodwill	-	-	-	(529,598)	-	-	-	-	-	640,182	110,584	1,019
As restated after opening adjustments	517,794	1,709,202	17,861	-	1,027	-	-	-	(92,511)	983,166	3,136,539	3,187,985
Fair value changes on available-for-sale financial assets	-	-	-	-	-	(19,340)	-	-	-	-	(19,340)	(12,300)
Deferred tax arising from fair value changes on available-for-sale financial assets	-	-	-	-	-	(1,410)	-	-	-	-	(1,410)	(1,333)
Transfer of reserve	-	-	-	-	628	-	-	-	-	(628)	-	-
Exchange realignment	-	-	-	-	-	-	-	-	(9,174)	-	(9,174)	(31,871)
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	82,054
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	50,073
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	2,446
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,772)
Profit for the period	-	-	-	-	-	-	-	-	-	77,742	77,742	77,703
2004 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	(8,675)	(8,675)	-
2004 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,043)
At 30th June, 2005	517,794	1,709,202	17,861	-	1,655	(20,750)	-	-	(101,685)	1,051,605	3,175,682	3,321,942

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

20. RESERVES *(Continued)*

	Share premium account HK\$'000	Special capital reserve (Note (a)) HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserve (Note (b)) HK\$'000	Investment revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other asset revaluation reserve (Note (c)) HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000
At 1st January, 2004												
As previously reported	517,794	1,709,202	17,431	529,598	413	-	-	25,892	(101,793)	58,132	2,756,669	3,019,006
Prior period adjustment: (Notes 1 & 2)												
HK(SIC)-Int 21												
Deferred tax arising from revaluation of investment properties	-	-	-	-	-	-	-	-	-	(35,088)	(35,088)	(1,945)
As restated	517,794	1,709,202	17,431	529,598	413	-	-	25,892	(101,793)	23,044	2,721,581	3,017,061
Repurchase of shares	-	-	430	-	-	-	-	-	-	(7,950)	(7,520)	-
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	19,328
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	4,398
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,620)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,662
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(803)
Transfer of reserve	-	-	-	-	630	-	-	-	-	(630)	-	-
Transfer of portion of depreciation charge on leasehold properties attributable to the related revaluation surplus to retained profits	-	-	-	-	-	-	-	(297)	-	297	-	-
Exchange realignment	-	-	-	-	-	-	-	-	(1,263)	-	(1,263)	(3,509)
Profit for the period (as restated)	-	-	-	-	-	-	-	-	-	119,000	119,000	73,614
2003 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	(8,675)	(8,675)	-
2003 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(30,412)
At 30th June, 2004 (as restated)	517,794	1,709,202	17,861	529,598	1,043	-	-	25,595	(103,056)	125,086	2,823,123	3,086,719

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*20. RESERVES *(Continued)*

	Share premium account HK\$'000	Special capital reserve (Note (a)) HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserve (Note (b)) HK\$'000	Investment revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other asset revaluation reserve (Note (c)) HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000
At 1st July, 2004 (as restated)	517,794	1,709,202	17,861	529,598	1,043	-	-	25,595	(103,056)	125,086	2,823,123	3,086,719
Repayment to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(49,742)
Changes in interests in subsidiaries	-	-	-	-	(16)	-	3	-	102	-	89	23,333
Surplus on revaluation of investment properties	-	-	-	-	-	-	96,584	-	-	-	96,584	61,435
Deferred tax arising from revaluation of investment properties	-	-	-	-	-	-	(22,349)	-	-	-	(22,349)	(12,456)
Release upon disposal of investment properties	-	-	-	-	-	-	153	-	-	-	153	61
Transfer of portion of depreciation charge on leasehold properties attributable to the related revaluation surplus to retained profits	-	-	-	-	-	-	-	(229)	-	229	-	-
Exchange realignment	-	-	-	-	-	-	-	-	10,443	-	10,443	36,221
Profit for the period (as restated)	-	-	-	-	-	-	-	-	-	38,222	38,222	16,036
2004 interim distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,386)
At 31st December, 2004 (as restated)	517,794	1,709,202	17,861	529,598	1,027	-	74,391	25,366	(92,511)	163,537	2,946,265	3,156,221

Note:

(a) Special capital reserve

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)***20. RESERVES** *(Continued)*

Note: (Continued)

(a) Special capital reserve *(Continued)*

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

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

During the period, there was no movement of the special capital reserve subject to the Undertaking which was amounted to HK\$1,709,202,000 as at 30th June, 2005 (31st December, 2004 – HK\$1,709,202,000).

(b) Legal reserve

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

(c) Other asset revaluation reserve

The other asset revaluation reserve comprises revaluation surplus in respect of leasehold land and buildings which were reclassified from investment properties. On 1st January, 2005, the reserve was transferred to retained profits as referred to in Notes 1 and 2 to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

21. MATURITY PROFILE OF ASSETS AND LIABILITIES

The maturity profile analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	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 30th June, 2005							
Assets							
Debt securities:							
Available-for-sale financial assets	-	-	2,476	6,892	-	43,635	53,003
Financial assets at fair value through profit or loss	-	22,664	45,002	198,411	85,833	-	351,910
Loans and advances	113,811	24,774	5,770	777	74	-	145,206
Client trust bank balances	31,040	285,804	-	-	-	-	316,844
Pledged time deposit	-	86,116	-	-	-	-	86,116
Cash and cash equivalents	346,042	1,169,751	-	-	-	-	1,515,793
Assets less liabilities attributable to banking operation:							
Cash and short-term funds	95,722	15,684	-	-	-	-	111,406
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,618	-	9,618
Financial assets at fair value through profit or loss	-	-	-	7,766	976	8,221	16,963
Advances to customers	26,859	68,540	20,065	25,268	18,822	-	159,554
	613,474	1,673,333	73,313	239,114	115,323	51,856	2,766,413
Liabilities							
Bank loans	-	276,825	91,458	433,492	615,551	-	1,417,326
Assets less liabilities attributable to banking operation:							
Current, fixed, savings and other deposits of customers	30,406	71,044	8,662	1,969	-	-	112,081
	30,406	347,869	100,120	435,461	615,551	-	1,529,407

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

21. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

	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, 2004							
Assets							
Debt securities:							
Investment securities	-	-	-	20,782	-	12,174	32,956
Held-to-maturity securities	-	40,465	41,751	56,556	6,260	-	145,032
Other investments in securities	-	-	28,722	234,815	70,180	55,403	389,120
Loans and advances	166,253	232	4,223	11,587	22,428	-	204,723
Client trust bank balances	43,244	345,879	-	-	-	-	389,123
Cash and cash equivalents	677,365	1,263,009	-	-	-	-	1,940,374
Assets less liabilities attributable to banking operation:							
Cash and short-term funds	44,475	39,433	-	-	-	-	83,908
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,643	-	9,643
Other investments in securities	-	-	-	7,769	-	9,190	16,959
Advances to customers	28,598	61,854	21,573	23,326	12,580	-	147,931
	959,935	1,750,872	96,269	354,835	121,091	76,767	3,359,769
Liabilities							
Bank loans	-	249,127	222,527	285,612	520,000	-	1,277,266
Assets less liabilities attributable to banking operation:							
Current, fixed, savings and other deposits of customers	19,912	88,576	9,153	-	-	-	117,641
	19,912	337,703	231,680	285,612	520,000	-	1,394,907

22. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

- As at 30th June, 2005, the Group had guarantees in respect of banking facilities granted to an investee company of HK\$2,915,000 (31st December, 2004 – HK\$2,915,000).
- Details of the off-balance sheet exposures relating to banking operation

As at 30th June, 2005, the Group had contingent liabilities relating to its banking subsidiary of HK\$20,673,000 (31st December, 2004 – HK\$29,245,000), comprising guarantees and other endorsements of HK\$13,464,000 (31st December, 2004 – HK\$15,528,000) and liabilities under letters of credit on behalf of customers of HK\$7,209,000 (31st December, 2004 – HK\$13,717,000).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

23. CAPITAL COMMITMENTS

The Group had the following commitments at the balance sheet date:

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	8,281	4,699
Other capital commitments:		
Contracted, but not provided for <i>(Note)</i>	1,611,125	166,337
	1,619,406	171,036

Note: In June 2005, the Group committed to invest up to a maximum amount of HK\$1,450,000,000 in Lippo ASM Asia Property LP, a limited partnership recently established with the investment objective to invest in real estate in the East Asia region, which was conditional upon the approval of the Company's shareholders. Subsequent to the balance sheet date, such approval has been obtained.

24. RELATED PARTY TRANSACTION

As at 30th June, 2005, the Group had amounts due from associates in a total of HK\$48,570,000 (31st December, 2004 – HK\$47,566,000), amounts due to associates in a total of HK\$2,301,000 (31st December, 2004 – HK\$2,988,000) and amounts due from jointly controlled entities in a total of HK\$7,393,000 (31st December, 2004 – HK\$7,393,000). The balances with the associates and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

25. BUSINESS COMBINATION

On 8th June, 2005, the Group, through a non-wholly owned subsidiary, acquired an 85.3 per cent. equity interest in PT Duta Wisata Loka ("DWL"), a company incorporated in Indonesia and holding a shopping mall known as Megamal Pluit in Jakarta, Indonesia for rental purpose. The Group's effective interest in DWL is 10.4 per cent.

The carrying amounts of the acquiree's assets and liabilities immediately before combination and recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Fixed assets	7,849
Investment properties	251,721
Trade and other debtors	11,336
Cash and cash equivalents	16,831
Bank borrowings	(104,054)
Trade and other creditors	(58,224)
Provision for taxation	(2,547)
Net assets	122,912
Minority interests	(50,073)
Net assets acquired	<u>72,839</u>
Purchase consideration	64,310
Cash and cash equivalents in subsidiary acquired	(16,831)
Cash outflow on acquisition	<u>47,479</u>

The excess of the acquirer's interest in net assets over cost is as follows:

	<i>HK\$'000</i>
Purchase consideration	64,310
Net assets acquired	(72,839)
	<u>(8,529)</u>

The excess of HK\$8,529,000 was recognised as "Other income" in the condensed consolidated profit and loss account. Since the acquisition was just completed in June 2005, the post-acquisition profit contributed from the acquired business to the Group for the six months ended 30th June, 2005 was not material.

During the six months ended 30th June, 2004, the Group also completed acquisition of certain subsidiaries. Such acquisitions did not have significant impact on the Group's assets, liabilities and profit for that period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

26. SUBSEQUENT EVENT

On 12th September, 2005, HKCB Corporation Limited, a subsidiary of the Company, disposed of its entire interest in, representing 74.8 per cent. of the issued share capital of, The Hong Kong Building and Loan Agency Limited, a then listed subsidiary of the Company, at a profit for an aggregate consideration of HK\$184,000,000.

SUPPLEMENTARY INFORMATION

MANAGEMENT OF RISKS

The Group had established policies and procedures for risk management which were 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 risk management function was carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Directors of the Group.

(i) Credit risk

Credit risk arose from the possibility that the counterparty in a transaction may default. It arose 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 was 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 was performed by management of individual business units.

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

(ii) Liquidity risk

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

SUPPLEMENTARY INFORMATION *(Continued)***MANAGEMENT OF RISKS** *(Continued)***(ii) Liquidity risk** *(Continued)*

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fell due and to make the most efficient use of the Group's financial resources.

(iii) Interest rate risk

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

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

(iv) Foreign exchange risk

Foreign exchange risk was the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign exchange risk primarily arose from currency exposures originating from its commercial 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 exchange risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign exchange risk was managed and monitored on an on-going basis by senior managers of the Group.

SUPPLEMENTARY INFORMATION *(Continued)***MANAGEMENT OF RISKS** *(Continued)***(v) Market risk**

Market risk was the risk that changes in interest rates, foreign exchange rates, equity or commodity prices would affect the prices of financial instruments taken or held by the Group. Financial instruments included foreign exchange contracts, interest rate contracts, equity and fixed income securities.

Market risk limits were approved by the Directors of the Group. Actual positions were compared with approved limits and monitored regularly by the Executive Directors and senior managers of the Group. Exposures were measured and monitored on the basis of principal and notional amounts, outstanding balances and pre-determined stop-loss limits. All market risk trading positions were subject to periodic mark-to-market valuation, which was monitored and managed by senior managers of the Group. With respect to the investment accounts, the Group had established evaluation procedures for the selection of investments and fund managers and the Executive Directors and senior managers of the Group perform regular reviews of the operation and performance of these investment accounts and ensure compliance with the market risk limits and guidelines adopted by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

After an extended economic boom in 2004, Hong Kong's economic outlook for 2005 still seems robust though less rosy. Meanwhile, vibrant tourist growth, buoyant property prices, strong pick-up in local consumption helped counteract the effects of rising interest rates. In Mainland China, the economy continued to expand at a brisk pace during the first half of 2005 despite the anticipated slowdown of economic growth. Asia remains one of the world's most dynamic regions and offers multiple opportunities for businesses and investments. While dedicating to improve internal operational efficiencies, the Group has been cautious in making strategic investments to expand its businesses in the region. Benefited from the rising property prices in the region and better performance of the securities investment, the Group achieved a net profit attributable to shareholders of HK\$78 million for the six months ended 30th June, 2005 (2004 – HK\$119 million).

RESULTS FOR THE PERIOD

Property investment, treasury and securities investments and food businesses remained the principal businesses of the Group, contributing 6 per cent. (2004 – 10 per cent.), 56 per cent. (2004 – 63 per cent.) and 35 per cent. (2004 – 24 per cent.) of the total turnover. Turnover for the period totalled HK\$1,221 million, which was 32 per cent. lower than the HK\$1,799 million recorded for the same period of 2004. The drop was mainly attributed to the decrease in turnover derived from securities investment as the global investment markets increased its volatility due to interest rate rises and soaring oil prices.

Property investment

Turnover generated from this segment increased to HK\$74 million (2004 – HK\$61 million when the proceeds of HK\$110 million relating to the sale of World Trade Plaza in last year was excluded) as a result of the increase in rental income.

Given the quality and the strategic locations of the Group's property portfolio, the leasing of the properties progressed well. Rental income generated from properties located in Hong Kong and Mainland China registered an increase of 2 per cent. and 9.7 per cent., respectively. In particular, Lippo Plaza in Shanghai, China continued to achieve high occupancy and renewal rental rates. Rental income continued to provide stable and recurrent income source to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

RESULTS FOR THE PERIOD *(Continued)*

Property investment (Continued)

In capturing investment opportunities under the continuing surges in property prices in the region, the Group has been active in making strategic property investments. Taking into account the revaluation surplus arising from the Group's investment properties of HK\$288 million (2004 – HK\$192 million), the Group's property-related assets were increased by approximately HK\$1 billion during the period. In particular, the Group completed the acquisition of a parcel of land in Macau with a site area of approximately 3,623 square metres in April 2005 and a property at prime location in Singapore with a site area of approximately 3,213 square metres in June 2005. In addition, it also completed the acquisition of a subsidiary which is holding a shopping mall in Jakarta, Indonesia with a gross floor area of 117,000 square metres in June 2005. The shopping mall and the new office floor at Lippo Centre, Hong Kong acquired in the second half of last year have contributed rental income to the Group during the period.

In line with the Group's investment strategy, in June 2005, the Group committed to invest up to HK\$1.45 billion in a property fund, targeting investments in real estates in the East Asia. With the on-going improving economic environment and structural reforms in the East Asia, it is expected that the prospect for real estate investment in the East Asia will be encouraging in the coming future. As at 30th June, 2005, no investment has yet been made by the property fund.

Following the adoption of the revised accounting standards in 2005, the aforesaid revaluation surplus was recognised in the profit and loss account. Profit generated from this segment after including the aforesaid revaluation gain amounted to HK\$346 million (2004 – HK\$273 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***RESULTS FOR THE PERIOD** *(Continued)**Treasury and securities investments*

Turnover attributable to treasury and securities investments amounted to HK\$684 million (2004 – HK\$1,146 million). Following the commencement in the cycle of interest rate hikes since the year of 2004, the investment markets in the first half of 2005 were relatively more volatile than that in the same period of last year. As a result of the volatile markets, the Group reduced its securities trading activities and the turnover dropped. Despite the lower turnover, the Group achieved a satisfactory return from this segment, contributing a profit of HK\$46 million (2004 – loss of HK\$6.5 million). Following the adoption of the new accounting standards in 2005, certain investments were restated at fair value with revaluation gain or loss transferred to retained profits on 1st January, 2005 and the subsequent gain or loss recognised directly in equity. These investments are held for capital appreciation and, on disposal, such gain or loss accumulated in equity will be released to the profit and loss account. As a result, a net gain of HK\$80 million arising from these investments was credited to retained profits on 1st January, 2005 and a net loss of HK\$21 million was charged to revaluation reserve during the period.

Food businesses

Food businesses mainly comprise wholesale and distribution of food and allied fast-moving consumer goods and food manufacturing in Singapore, Malaysia and China. Amid the highly competitive markets, turnover derived from this segment dropped slightly to HK\$422 million (2004 – HK\$424 million). The Group is seeking to expand sales of its own house brands and focusing on improving the operational efficiency. Despite the lower turnover, profit sustained at approximately HK\$12 million (2004 – HK\$12 million).

Other businesses

The performance of the Group's securities broking business was affected after taking into account a provision made for a loan advanced to a margin client of HK\$34 million. Amidst the competition from the hydropower generation, the output performance of the Group's investment in a power plant in China was lower than the corresponding period. Some of the Group's other associates did not perform well, and accordingly a provision for the impairment losses amounting to HK\$54 million was made.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL POSITION

As at 30th June, 2005, the Group's total assets increased by HK\$0.5 billion to HK\$9.1 billion (31st December, 2004 – HK\$8.6 billion), of which non-current assets increased by HK\$1.2 billion whilst current assets reduced by HK\$0.7 billion. Notwithstanding the reduction in current assets, the Group's financial position remained strong and current ratio (measured as current assets to current liabilities) stood at 3.03 to 1 (31st December, 2004 – 3.16 to 1).

After the aforesaid property acquisitions during the period, the Group's property-related assets rose to approximately HK\$4 billion at the balance sheet date (31st December, 2004 – HK\$3 billion). The acquisitions were financed by the Group's internal resources and banking facilities.

At the end of June 2005, total bank loans increased by HK\$140 million to HK\$1,417 million (31st December, 2004 – HK\$1,277 million), of which secured and unsecured portions amounted to HK\$1,385 million (31st December, 2004 – HK\$1,230 million) and HK\$32 million (31st December, 2004 – HK\$47 million), respectively. The increase was in line with the expansion of the Group through the acquisition of new assets. Certain properties, fixed assets, shares in certain subsidiaries, certain securities and time deposits of the Group and the securities owned by the margin clients of the Group were pledged against the secured banking facilities. 82 per cent. (31st December, 2004 – 95 per cent.) of the loans were denominated in Hong Kong dollars or United States dollars with 14 per cent. (31st December, 2004 – Nil) in Singapore dollars. During the period, certain bank loans were refinanced with portion repayable within one year reduced to 26 per cent. (31st December, 2004 – 37 per cent.). Almost all the bank loans carried interest at floating rates. At the end of the period, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) slightly increased to 29.8 per cent. (31st December, 2004 – 28.0 per cent.).

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

Taking into account the profit for the period, the net asset value of the Group increased to HK\$3.2 billion (31st December, 2004 – HK\$3.0 billion, as restated to adjust for deferred tax liabilities in accordance with the change of accounting policies), equivalent to HK\$7.4 (31st December, 2004 – HK\$6.9, as restated) per share.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***FINANCIAL POSITION** *(Continued)*

Save as aforesaid, there were no charges on the Group's assets at the end of the period (31st December, 2004 – Nil) and other than those arising from the normal course of the Group's banking operation, it had no material contingent liabilities outstanding. At 31st December, 2004, the Group has agreed to indemnify one of its associates against a potential liability arising from claims by the associate's contractor to a maximum obligation of HK\$88 million. The indemnity released during the period as a result of the settlement of the aforesaid claims between the associate and the contractor.

CHANGES IN ACCOUNTING POLICIES

The Group adopted the new and revised accounting standards which came into effect for accounting periods commencing on 1st January, 2005. The resulting changes in accounting treatment and presentation of various items in the profit and loss account and balance sheet may render certain comparative figures not strictly comparable. Details of the changes and the summary of the effect of the changes are described in Notes 1 and 2 to the interim financial statements.

STAFF AND REMUNERATION

The Group had approximately 1,336 employees as at 30th June, 2005 (2004 – 940 employees). Staff levels were managed in line with business needs and market opportunities. Total staff costs (including directors' emoluments) amounted to HK\$94 million (2004 – HK\$101 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under a share option scheme of a subsidiary.

OUTLOOK

It is expected that the growth impetus continues to depend on the developments in the United States and Mainland China. Operating environment is still challenging. The Group will continue to refine its existing core businesses and capture new investment opportunities with long-term growth potential in a prudent and conservative manner. Given its own strong financial position, the Group is confident to take advantage of any strategic opportunities in pursuit of enhancing shareholders' value.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The Hong Kong economy continued to improve in the first half of 2005. GDP grew solidly by continuing strong domestic consumption, and the unemployment rate fell steadily. Rising business and consumer confidence provided a strong momentum to the local economic growth which also benefited much from the Mainland Individual Traveller Scheme and the Closer Economic Partnership Arrangements (“CEPA”). According to the figures recently released by the Government, GDP growth in the second quarter was 6.8 per cent. while GDP growth was 6.5 per cent. in the first half of 2005. However, rising interest rates and unprecedentedly high oil prices may induce uncertainties to the global economic outlook.

The Group recorded an unaudited consolidated profit attributable to shareholders of HK\$77.7 million for the period under review, compared to a profit of HK\$119 million for the last corresponding period.

Lippo China Resources Limited (“LCR”) (together with its subsidiaries, the “LCR Group”), a listed principal subsidiary of the Company, achieved an unaudited consolidated profit attributable to shareholders of HK\$113 million for the six months ended 30th June, 2005, compared to a profit of HK\$12.3 million for the first six months of 2004.

The Group’s investment properties continued to achieve high occupancy throughout the period. Rental income contributes stable income to the Group. Lippo Plaza, a grade A office and retail complex situated at Huaihai Zhong Road, Shanghai, China also achieved almost full occupancy at satisfactory rental rates. The LCR Group has a 66.5 per cent. effective interest in this investment. Amidst competition from hydropower generation, the output performance of 724 megawatt (net) coal-fired Meizhou Wan power plant project in Putian City, Fujian Province, China, in which the LCR Group has a 26.3 per cent. interest, during the period under review was lower than the last corresponding period.

BUSINESS REVIEW AND PROSPECTS *(Continued)***BUSINESS REVIEW** *(Continued)*

Although the upturn of price levels and turnover boosted the local property market, mortgage finance business was still challenging with narrow interest margin and keen competition. The loan portfolio of The Hong Kong Building and Loan Agency Limited (“HKBLA”), a former listed subsidiary of LCR, further reduced and income generated from mortgage loans dropped. HKBLA recorded a loss of HK\$2 million during the period under review. Since the Group intends to streamline its businesses by divesting certain non-core businesses, HKCB Corporation Limited, a wholly-owned subsidiary of LCR, entered into a conditional sale and purchase agreement on 18th June, 2005 for the disposal of its entire interest in the shares of HKBLA, representing 74.8 per cent. of the issued share capital of HKBLA, to Island New Finance Limited for an aggregate consideration of HK\$184 million (the “Disposal”). The Disposal was completed on 12th September, 2005. The LCR Group has made a satisfactory profit from the Disposal.

Auric Pacific Group Limited (“APG”) (together with its subsidiaries, the “APG Group”), a listed subsidiary of LCR in Singapore, recorded a profit attributable to shareholders of S\$4.2 million during the six months ended 30th June, 2005. APG intends to diversify its existing core business and improve its profitability by carrying out property investment, development, management services and other related activities in Singapore and/or overseas as an additional business independent from its existing core business of food manufacturing, wholesale distribution of food and allied fast-moving consumer goods and investment holding. It has been exploring opportunities to acquire quality property interests. In June 2005, the APG Group acquired a 50.9 per cent. effective interest in a shopping mall known as Megamal Pluit in Jakarta, Indonesia.

Hongkong Chinese Limited (“HCL”) (together with its subsidiaries, the “HCL Group”), a listed principal subsidiary of LCR, recorded an unaudited consolidated profit attributable to shareholders of HK\$12.3 million for the six months ended 30th June, 2005, compared to a loss of HK\$48.7 million in the first six months of 2004.

The Macau Chinese Bank Limited (“MCB”), an 85 per cent. subsidiary of HCL, continues to be a net income contributor to the HCL Group. The Macau economy continued to grow firmly in the first half of 2005. The improving economy has enabled MCB’s business turnover to pick up and the quality of its loan book to further improve. Macau’s strategic location will open up opportunities for MCB to extend its financial services into Mainland China, especially in the Pearl River Delta region. The renovation of The Macau Chinese Bank Building which will be the new headquarters of MCB, is expected to be completed soon and will be opened within the second half of this year.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

BUSINESS REVIEW *(Continued)*

The HCL Group has a 34.3 per cent. interest in the Convoy Group which is one of the largest independent financial planning service groups in Hong Kong. The improving local economy has helped to improve the business performance and profitability of the Convoy Group in the first half of 2005.

The local stock market performed well in the first half of 2005. However, the securities brokerage business in Hong Kong remains competitive due to decreasing profit margin and high operating costs. This affected the performance of Lippo Securities Holdings Limited, a wholly-owned subsidiary of HCL and its subsidiaries (“LSL Group”), which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. Recently, the LSL Group has successfully launched the internet trading system which will help its business in the long run.

To enhance its asset portfolio, the Group has been exploring the opportunity of acquiring quality property interests in Hong Kong and elsewhere in Asia. Other than diversification of business of APG into property investment and development as mentioned above, in April 2005, a wholly-owned subsidiary of HCL completed the acquisition of the land (with a site area of approximately 3,623 square metres) located at 83 Estrada de Cacilhas, Macau for a consideration of HK\$238 million. During the period under review, the Group acquired a residential property in Singapore known as Newton Heights for an aggregate purchase price of S\$43.6 million.

As announced earlier, a wholly-owned subsidiary of HCL has entered into an agreement to invest, as a founding limited partner, up to HK\$1.45 billion in Lippo ASM Asia Property LP (“LAAP”), a limited partnership recently established with the investment objective of investing in real estate in the East Asia region, in particular in Singapore, Malaysia, Thailand, Indonesia, China (including Hong Kong and Macau) and Japan. It is intended that LAAP will seek long-term capital growth through a well-diversified portfolio of investments in income producing property projects including commercial and residential usages, direct investments in high potential properties and green field development projects as well as listed and/or unlisted equity, bonds and/or equity equivalent securities of companies invested predominantly in real estate. Other sophisticated professional investors will be invited to invest, as additional limited partners, in LAAP up to its maximum fund size of HK\$3.5 billion. The Directors consider that participation in LAAP will provide an effective medium for the Group to invest and capture business opportunities in the Asian property markets. The addition of prospective limited partners as co-investors will increase LAAP’s ability to network and tackle larger projects.

BUSINESS REVIEW AND PROSPECTS *(Continued)***PROSPECTS**

The general prospects for the Hong Kong economy for the remainder of 2005 look promising. A continuing pick up in consumer spending and return of investor confidence are expected to support the economy during the rest of the year. The opening of the Hong Kong Disneyland, extension of the Mainland Individual Traveller Scheme and implementation of Phase 2 of CEPA are expected to provide further momentum to economic growth. While the general prospects look good, there are some uncertainties on the global economic front, in particular, the pace of economic growth in the United States, rising interest rates, high oil prices and slowing down of the Mainland economy.

Overall, outlook for the Group's business is optimistic. With its strong and healthy financial position, the Group is in an excellent position to benefit from the economic growth in Asia. The Group will continue to explore suitable investment opportunities, especially in the financial and investment sectors and look into property markets in the Asian Region, which are compatible with its long term growth strategy. Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (2004 – Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2005, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code") were as follows:

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$0.10 each in the Company					
Stephen Riady	-	-	248,697,776	248,697,776	57.34
			<i>Note (i)</i>		
Jark Pui Lee	-	48	-	48	0.00
John Luen Wai Lee	825,000	-	-	825,000	0.19
Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")					
Stephen Riady	-	-	6,544,696,389	6,544,696,389	71.13
			<i>Notes (i) and (ii)</i>		

ADDITIONAL INFORMATION *(Continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS** *(Continued)***(a) Interests in shares of the Company and associated corporations** *(Continued)*

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HCL")					
Stephen Riady	-	-	973,240,440 <i>Notes (i), (ii) and (iii)</i>	973,240,440	72.26
Jark Pui Lee	350	350	-	700	0.00
John Luen Wai Lee	200	200	-	400	0.00
King Fai Tsui	-	50,000	-	50,000	0.00

Note:

- (i) As at 30th June, 2005, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK\$0.10 each in, representing approximately 57.34 per cent. of, the issued share capital of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included, inter alia, Mr. Stephen Riady and his minor children. Mr. Stephen Riady together with his minor children, as beneficiaries of the trust, were taken to be interested in Lippo Cayman under the SFO.
- (ii) As at 30th June, 2005, the Company was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.13 per cent. of, the issued share capital of LCR.
- (iii) As at 30th June, 2005, LCR was directly and indirectly interested in an aggregate of 973,240,440 ordinary shares of HK\$1.00 each in, representing approximately 72.26 per cent. of, the issued share capital of HCL.

ADDITIONAL INFORMATION *(Continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS** *(Continued)***(a) Interests in shares of the Company and associated corporations** *(Continued)*

As at 30th June, 2005, Mr. Stephen Riady together with his minor children, as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note (i) above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Multimedia Limited (now known as AcrossAsia Limited)	Ordinary shares	3,669,576,788	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000	88.88
First Bond Holdings Limited	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandhill Asia Limited	Ordinary shares	1	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35

ADDITIONAL INFORMATION *(Continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS** *(Continued)***(a) Interests in shares of the Company and associated corporations** *(Continued)*

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Leisure Holdings Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	70,000	70
The Hong Kong Building and Loan Agency Limited ("HKBLA") <i>(Note)</i>	Ordinary shares	168,313,038	74.80
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100

Note: A conditional sale and purchase agreement was entered into by, inter alia, a wholly-owned subsidiary of LCR and LCR on 18th June, 2005 for the disposal of the entire interest in the shares of HKBLA (the "Disposal"). The Disposal was completed on 12th September, 2005.

ADDITIONAL INFORMATION *(Continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS** *(Continued)***(a) Interests in shares of the Company and associated corporations** *(Continued)*

As at 30th June, 2005, 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 was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady, father of Mr. Stephen Riady, is the founder and the beneficiaries of the trust included, inter alia, Mr. Stephen Riady and his minor children.

As at 30th June, 2005, Mr. John Luen Wai Lee, as beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Multimedia Limited (now known as AcrossAsia Limited), an associated corporation (within the meaning of Part XV of the SFO) of the Company.

(b) Interests in underlying shares of the Company's associated corporation**LCR**

Name of Director	Capacity and nature of interest	Number of underlying shares of HK\$0.10 each in LCR in respect of which options have been granted*	Approximate percentage of the issued share capital
John Luen Wai Lee	Personal (held as beneficial owner)	9,000,000	0.09
David T. Yeh	Personal (held as beneficial owner)	9,000,000	0.09

ADDITIONAL INFORMATION *(Continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS** *(Continued)***(b) Interests in underlying shares of the Company's associated corporation** *(Continued)*

- * The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees adopted by LCR (the "LCR Share Option Scheme"). Such options vested after two months from the date when the options were deemed to be granted and accepted and are exercisable from 23rd August, 1997 to 23rd June, 2007 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares in LCR at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the six months ended 30th June, 2005 and the quantity of options held by each of the above Directors as at 1st January, 2005 and 30th June, 2005 remained unchanged.

The above interests in the underlying shares of the Company's associated corporation were held pursuant to unlisted physically settled equity derivatives. As at 30th June, 2005, 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).

Certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Group solely for the purpose of holding the requisite qualifying shares.

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2005, 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 30th June, 2005, 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).

ADDITIONAL INFORMATION *(Continued)***INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE**

As at 30th June, 2005, 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 person, other than the Directors and chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

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

Name	Number of ordinary shares of HK\$0.10 each	Approximate percentage of the issued share capital
<i>Substantial shareholders:</i>		
Lippo Capital Limited ("Lippo Capital")	218,900,000	50.47
Lippo Cayman Limited ("Lippo Cayman")	248,697,776	57.34
Lanius Limited ("Lanius")	248,697,776	57.34
Dr. Mochtar Riady	248,697,776	57.34
Madam Lidya Suryawaty	248,697,776	57.34
Sun Hung Kai & Co. Limited ("SHK")	43,950,000	10.13
Allied Properties (H.K.) Limited ("APL")	43,950,000	10.13
Allied Group Limited ("AGL")	43,950,000	10.13
Lee and Lee Trust	43,950,000	10.13

Other person:

Upstand Assets Limited ("UAL")	31,450,000	7.25
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ADDITIONAL INFORMATION *(Continued)***INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE** *(Continued)***Interests of substantial shareholders (as defined under the Listing Rules) and other person in shares of the Company** *(Continued)**Note:*

1. 218,900,000 ordinary shares of the Company were owned by Lippo Capital directly as beneficial owner. Lippo Cayman, through its wholly-owned subsidiaries, Lippo Capital, J & S Company Limited and Huge Returns Limited, was indirectly interested in 237,335,144 ordinary shares of the Company. Together with 11,362,632 ordinary shares of the Company owned by Lippo Cayman directly as beneficial owner, Lippo Cayman was interested in an aggregate of 248,697,776 ordinary shares in, representing approximately 57.34 per cent. of, the issued share capital of the Company.
2. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
3. Lippo Cayman's interests in the ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 248,697,776 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".
4. 31,450,000 ordinary shares of the Company were held by UAL directly as beneficial owner. SHK, through its wholly-owned subsidiaries, UAL, Cheeroll Limited ("Cheeroll") and Best Delta International Limited ("Best Delta"), was indirectly interested in an aggregate of 43,950,000 ordinary shares in, representing approximately 10.13 per cent. of, the issued share capital of the Company. Cheeroll was a wholly-owned subsidiary of Shipshape Investments Limited ("Shipshape") and Best Delta was a wholly-owned subsidiary of Sun Hung Kai Venture Capital Limited which in turn was a wholly-owned subsidiary of Shipshape. Shipshape was a wholly-owned subsidiary of SHK. SHK was a 74.99 per cent. owned subsidiary of AP Emerald Limited which in turn was wholly owned by AP Jade Limited. AP Jade Limited was a wholly-owned subsidiary of APL which in turn was a 74.79 per cent. owned subsidiary of AGL. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust, and they together owned 39.25 per cent. interest in AGL.

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2005, 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 or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

ADDITIONAL INFORMATION *(Continued)*

SHARE OPTION SCHEME

Pursuant to the Share Option Scheme for Employees (the “LCR Share Option Scheme”) of Lippo China Resources Limited (“LCR”), a listed subsidiary of the Company, approved and adopted by its shareholders on 2nd May, 1994 (the “LCR Adoption Date”), the Directors of LCR might, at their discretion, grant to any employees (including directors) of LCR and its subsidiaries options to subscribe for shares in LCR. The purpose of the adoption of the LCR Share Option Scheme was to provide an incentive scheme to the employees of LCR and its subsidiaries. Under the rules of the LCR Share Option Scheme, no more options could be granted from the tenth anniversary of the LCR Adoption Date. Accordingly, no more options can be granted under the LCR Share Option Scheme from May 2004. The options can be exercisable after two months from the date on which the options were deemed to be granted and accepted and prior to the expiry of ten years from that date.

The maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme should not exceed 10 per cent. of the number of issued shares of LCR from time to time, excluding the aggregate number of shares issued on exercise of options, and the maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme in any one financial year should not exceed 5 per cent. of the total number of issued shares of LCR from time to time. In addition, the maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme to any grantee should not exceed 25 per cent. of the number of shares subject to the LCR Share Option Scheme at the time of grant. The exercise price for the shares under the LCR Share Option Scheme would be determined by the directors of LCR at their absolute discretion but in any event should not be less than 80 per cent. of the average of the closing price of the shares of LCR as stated on daily quotation sheets of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares of LCR, whichever was the greater. The consideration for the grant was HK\$1.00 per grantee which must be paid on acceptance to LCR by the grantee within 28 days after the date of offer of the option.

ADDITIONAL INFORMATION *(Continued)***SHARE OPTION SCHEME** *(Continued)*

The following is a summary of movement in share options of LCR during the six months ended 30th June, 2005:

Date of grant	Exercise price per share	Exercise period of share options	Quantity of share options outstanding at 1st January, 2005	Quantity of share options exercised/lapsed during the period	Quantity of share options outstanding at 30th June, 2005
23rd June, 1997	HK\$0.883	August 1997 to June 2007	5,800,000	Nil	5,800,000

Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each share option is entitled to subscribe for six ordinary shares of HK\$0.10 each in LCR in cash at the above exercise price per share which is subject to adjustment.

As at 30th June, 2005, save for Messrs. John Luen Wai Lee and David T. Yeh, Directors of the Company, and each of them held 1,500,000 options, none of the Directors, chief executive or substantial shareholders of the Company or their respective associates had an interest in any options to subscribe for shares of LCR. The remaining 2,800,000 share options are held by directors of LCR's subsidiaries or employees of LCR or its subsidiaries.

The exercise in full of 5,800,000 share options would, under the present capital structure of LCR, result in the issue of 34,800,000 shares of HK\$0.10 each, representing approximately 0.38 per cent. of the issued share capital of LCR.

Since no share options were granted under the LCR Share Option Scheme during the six months ended 30th June, 2005, no value of the share options granted has been disclosed.

ADDITIONAL INFORMATION *(Continued)*

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June, 2005, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the six months ended 30th June, 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has always recognised the importance of shareholders' transparency and accountability. The Directors believe that shareholders can maximize their benefits from good corporate governance. Therefore, the Company continuously reviews its corporate governance framework to ensure that it aligns with generally acceptable practices and standards.

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30th June, 2005, except for the code provision C.2 on internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005) and the following deviations from code provisions A.4.1 and A.4.2:

- (i) Not all non-executive Directors (other than two independent non-executive Directors appointed in September 2004 with a term of two years) were appointed for a specific term as required by the Code. However, they are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.
- (ii) Prior to the amendment of the Company's Articles of Association in the last annual general meeting held on 3rd June, 2005, Directors were not required to retire by rotation at least once every three years. According to the Company's Articles of Association, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting, and shall then be eligible for re-election.

ADDITIONAL INFORMATION *(Continued)***CODE ON CORPORATE GOVERNANCE PRACTICES** *(Continued)*

To comply with the Code, discussions will be made with the non-executive Directors about their terms of appointment. The Company's Articles of Association have been amended on 3rd June, 2005 to provide, inter alia, that every director shall be subject to retirement by rotation at least once every three years. It is proposed that relevant amendment will be made to the Company's Articles of Association in order that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors have complied with the required standard as set out in the Model Code during the period under review.

By Order of the Board
Lippo Limited
John Luen Wai Lee
*Managing Director and
Chief Executive Officer*

Hong Kong, 23rd September, 2005