



Hongkong Chinese Limited

香港華人有限公司

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 30th June, 2005

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

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

Executive Directors

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

Independent non-executive Directors

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

COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

SECRETARY

Mr. Andrew Hau Tat Kwong

QUALIFIED ACCOUNTANT

Mr. Alex Au Shiu Leung

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Fubon Bank (Hong Kong) Limited
Asia Commercial Bank Limited
Wing Hang Bank, Ltd.
Standard Chartered Bank
Merrill Lynch International Bank Limited

SOLICITORS

Richards Butler

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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Lippo Centre, 89 Queensway
Hong Kong

STOCK CODE

655

WEBSITE

www.hkchinese.com.hk

The Directors of Hongkong Chinese Limited (the "Company") are pleased to present the unaudited 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
			<i>(restated)</i>
Revenue	4	617,056	762,178
Cost of sales		(545,028)	(671,817)
Gross profit		72,028	90,361
Administrative expenses		(33,457)	(40,788)
Other operating expenses		(28,470)	(20,348)
Fair value changes on investment properties		46,349	375
Allowance for bad and doubtful debts relating to non-banking operation	5	(33,810)	–
Net unrealised holding loss on other investments in securities		–	(72,522)
Share of results of associates		(413)	(3,496)
Finance costs		(3,317)	(2,068)
PROFIT/(LOSS) BEFORE TAX	6	18,910	(48,486)
Tax	7	(7,429)	(660)
PROFIT/(LOSS) FOR THE PERIOD		11,481	(49,146)
ATTRIBUTABLE TO:			
Equity holders of the Company		12,313	(48,716)
Minority interests		(832)	(430)
		11,481	(49,146)
		HK cents	HK cents
EARNINGS/(LOSS) PER SHARE	8		
Basic		0.9	(3.6)
Diluted		N/A	N/A
		HK\$'000	HK\$'000
INTERIM DISTRIBUTION	9	20,202	20,202

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			
Fixed assets		12,607	10,704
Investment properties		391,957	96,144
Properties under development		98,758	99,767
Goodwill:			
Goodwill		57,697	57,697
Negative goodwill		–	(1,144)
Interests in associates		21,452	27,166
Interests in a jointly controlled entity		7,313	7,313
Available-for-sale financial assets	10	177,044	–
Investment securities	11	–	365,658
Financial assets at fair value through profit or loss	12	195,703	–
Assets less liabilities attributable to banking operation	13	191,996	175,411
Deposit paid for long term investment		3,720	–
		1,158,247	838,716
CURRENT ASSETS			
Property held for sale		10,874	10,140
Available-for-sale financial assets	10	170,577	–
Financial assets at fair value through profit or loss	12	692,101	–
Other investments in securities	14	–	1,144,248
Loans and advances	15	120,227	175,598
Debtors, prepayments and deposits	16	118,552	167,496
Client trust bank balances		316,844	389,123
Pledged time deposits		86,116	–
Cash and cash equivalents		612,471	762,273
		2,127,762	2,648,878

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	<i>Note</i>	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000 (restated)
CURRENT LIABILITIES			
Bank loans	17	141,635	208,761
Creditors, accruals and deposits received	18	447,073	539,260
Tax payable		2,965	3,035
		<u>591,673</u>	<u>751,056</u>
NET CURRENT ASSETS		<u>1,536,089</u>	<u>1,897,822</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,694,336</u>	<u>2,736,538</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		12,907	1,234
		<u>2,681,429</u>	<u>2,735,304</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	19	1,346,829	1,346,829
Reserves	20	1,304,347	1,358,271
		<u>2,651,176</u>	<u>2,705,100</u>
Minority interests	20	30,253	30,204
		<u>2,681,429</u>	<u>2,735,304</u>

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

		Six months ended 30th June,	
		2005	2004
	Note	HK\$'000	HK\$'000 (restated)
Total equity at 1st January:			
As previously reported as equity		2,706,334	2,821,323
As previously reported separately as minority interests		30,204	24,793
Prior period and opening adjustments	1, 2	(5,152)	–
As restated		<u>2,731,386</u>	<u>2,846,116</u>
Changes in equity during the period:			
Exchange differences on translation of foreign operations	20	(3,124)	218
Fair value changes on available-for-sale financial assets	20	(16,043)	–
Deferred tax arising from fair value changes on available-for-sale financial assets	20	(2,743)	–
Surplus on revaluation of investment properties	20	–	2,626
Deferred tax arising from revaluation of investment properties	20	–	(459)
Net income/(expense) recognised directly in equity		(21,910)	2,385
Profit/(Loss) for the period	20	11,481	(49,146)
Total recognised income and expense for the period		(10,429)	(46,761)
Issue of shares by subsidiaries to minority shareholders		2,446	4,398
Advance from minority shareholders of a subsidiary		203	–
Acquisition of subsidiaries		–	2,174
Disposal of a subsidiary		–	(803)
Increase/(Decrease) in interests in a subsidiary		(1,772)	554
2003 final distribution, declared		–	(40,405)
2004 final distribution, declared		(40,405)	–
		<u>(49,957)</u>	<u>(80,843)</u>
Total equity at 30th June		<u>2,681,429</u>	<u>2,765,273</u>

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY *(Continued)*

	<i>Note</i>	Six months ended 30th June,	
		2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
<hr/>			
Total recognised income and expense for the period attributable to:			
Equity holders of the Company		(9,601)	(46,322)
Minority interests		(828)	(439)
		<hr/>	<hr/>
		(10,429)	(46,761)
		<hr/>	<hr/>
Effect of prior period and opening adjustments attributable to:			
Equity holders of the Company		(5,152)	–
Minority interests		–	–
		<hr/>	<hr/>
		(5,152)	–
		<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	227,350	(404,552)
Net cash used in investing activities	(268,650)	(96,521)
Net cash from/(used in) financing activities	(108,375)	57,841
Net decrease in cash and cash equivalents	(149,675)	(443,232)
Cash and cash equivalents at 1st January	762,273	1,335,116
Exchange realignments	(127)	2,152
Cash and cash equivalents at 30th June	612,471	894,036
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	612,471	894,036

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, 17, 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 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 changes in fair value 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.

(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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(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.

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\$950,373,000 and HK\$193,875,000 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;

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)***1. PRINCIPAL ACCOUNTING POLICIES** *(Continued)***(a) HKAS 32 and HKAS 39 – Financial Instruments** *(Continued)*

- (ii) investment securities with total carrying amount of HK\$195,672,000 and HK\$121,082,000 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\$5,062,000 debited to the opening balance of accumulated profit or loss to reflect the difference in fair value; and
- (iii) the remaining investment securities with total carrying amount of HK\$48,904,000 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.

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.

(b) 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 accumulated profit or loss 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.

(c) 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets *(Continued)*

Goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised on the 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.

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 accumulated profit or loss. 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.

(d) 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. The details of the prior period adjustment and opening adjustments are summarised as follows:

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

Effect of new policies (Increase/(Decrease))	Note	Investment property revaluation reserve HK\$'000	Distributable reserves (Note) 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(d)	(1,234)	-	-	(1,234)
Net decrease in total equity before opening adjustments		(1,234)	-	-	(1,234)
Opening adjustments:					
HKAS 39					
Re-designated investment securities as:					
Available-for-sale financial assets	1(a)	-	(5,145)	-	(5,145)
Financial asset at fair value through profit or loss	1(a)	-	83	-	83
HKAS 40					
Surplus on revaluation of investment properties	1(b)	(6,227)	6,227	-	-
HKFRS 3					
Derecognition of negative goodwill	1(c)	-	1,144	-	1,144
Total effect at 1st January, 2005		(7,461)	2,309	-	(5,152)

Note: Distributable reserves of the Group comprised of accumulated losses and other distributable reserves and all the above adjustments were made to accumulated losses.

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

The adoption of the HKFRSs has had no material impact on the opening balance of total equity at 1st January, 2004.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

The following tables summarise the impact on profit/(loss) 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/(loss) 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/(loss) for the period:							
HKAS 40							
Fair value changes on investment properties	1(b)	46,349	-	46,349	-	-	-
HKFRS 3							
Discontinuation of amortisation of goodwill/recognition of negative goodwill	1(c)	1,463	-	1,463	-	-	-
HK(SIC)-Int 21							
Deferred tax arising from revaluation of investment properties	1(d)	(7,571)	-	(7,571)	-	-	-
Total effect for the period		40,241	-	40,241	-	-	-
Effect on earnings per share:							
		<i>HK cents</i>			<i>HK cents</i>		
Basic		3.0			N/A		
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(a)	(18,786)	-	(18,786)	-	-	-
HKAS 40							
Fair value changes on investment properties no longer recognised in reserves	1(b)	(46,349)	-	(46,349)	-	-	-
HK (SIC)-Int 21							
Deferred tax arising from revaluation of investment properties	1(d)	-	-	-	(459)	-	(459)
Total effect for the period		(65,135)	-	(65,135)	(459)	-	(459)

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 property investment and development segment includes letting, resale and development of properties;
- (b) the treasury investment segment includes investments in cash and bond markets;
- (c) the securities investment segment includes dealings in securities and disposals of investments;
- (d) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (e) the banking business segment engages in the provisions of commercial and retail banking services;
- (f) the information technology segment engages in the development of computer hardware and software; and
- (g) the "other" segment comprises principally money lending and the provision of fund management service.

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								
	Property investment and development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Information technology	Other	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue									
External	4,291	7,680	569,848	27,260	6,884	-	1,093	-	617,056
Inter-segment	-	631	-	238	-	770	-	(1,639)	-
Total	4,291	8,311	569,848	27,498	6,884	770	1,093	(1,639)	617,056
Segment results	46,850	7,624	29,554	(33,437)	1,901	(2,248)	(7,980)	(1,220)	41,044
Unallocated corporate expenses									(21,721)
Share of results of associates	-	-	-	-	-	-	(413)	-	(413)
Profit before tax									18,910
Tax									(7,429)
Profit for the period									11,481

	Six months ended 30th June, 2004 (restated)								
	Property investment and development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Information technology	Other	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue									
External	539	6,276	703,688	36,155	9,723	-	5,797	-	762,178
Inter-segment	-	507	-	1,158	-	-	163	(1,828)	-
Total	539	6,783	703,688	37,313	9,723	-	5,960	(1,828)	762,178
Segment results	(927)	6,193	(28,379)	2,579	3,809	(6,301)	(1,326)	-	(24,352)
Unallocated corporate expenses									(20,638)
Share of results of associates	-	-	-	-	-	(2,050)	(1,446)	-	(3,496)
Loss before tax									(48,486)
Tax									(660)
Loss for the period									(49,146)

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 rental income, gross income on treasury investment which includes interest income on bank deposits and debt securities, gross income from securities investment which includes gross proceeds from sales of investments, dividend income and related interest income, gross income from underwriting and securities broking, interest and other income from money lending business 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property investment and development	4,291	539
Treasury investment	7,680	6,276
Securities investment	569,848	703,688
Corporate finance and securities broking	27,260	36,155
Banking business	6,884	9,723
Other	1,093	5,797
	617,056	762,178

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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 OPERATION

Amount represents specific provision made for a loan advanced to a margin client, 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/(LOSS) BEFORE TAX

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

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Dividend income:		
Listed investments	14,992	6,152
Unlisted investments	625	88
Interest income <i>(Note(a))</i> :		
Listed investments	9,049	10,315
Unlisted investments	1,328	969
Other	8,022	6,276
Net realised and unrealised holding gain/(loss) on financial assets at fair value through profit or loss:		
Listed	20,112	–
Unlisted	1,166	–
Net realised and unrealised holding gain/(loss) on other investments in securities:		
Listed	–	(48,167)
Unlisted	–	2,092
Net realised loss on disposal of unlisted available-for-sale financial assets	(601)	–
Other investment income:		
Unlisted	760	3,602
Depreciation:		
Banking operation	(393)	(392)
Other	(1,417)	(1,070)
Amortisation of goodwill arising on acquisition of subsidiaries <i>(Note (b))</i>	–	(2,182)
Provision for impairment losses:		
Available-for-sale financial assets	(1,418)	–
Associates	(6,987)	–

Note:

- (a) The amounts exclude income relating to banking operation of the Group.
- (b) The amortisation of goodwill arising on acquisition of subsidiaries for the six months ended 30th June, 2004 is 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
	HK\$'000	HK\$'000 (restated)
Charge for the period:		
Overseas	1,396	660
Deferred:		
Hong Kong	2,762	–
Overseas	3,271	–
Total tax charge for the period	<u>7,429</u>	<u>660</u>

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior periods to offset the estimated assessable profits generated during 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\$610,000 for the six months ended 30th June, 2004 is included in "Share of results of associates" on the face of the condensed consolidated profit and loss account.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit attributable to equity holders of the Company of HK\$12,313,000 (2004 – loss of HK\$48,716,000); and (ii) the weighted average number of 1,346,829,000 shares (2004 – 1,346,829,000 shares) in issue during the period.

(b) Diluted earnings/(loss) per share

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

9. INTERIM DISTRIBUTION

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interim distribution, declared, of HK1.5 cents (2004 – HK1.5 cents) per ordinary share	<u>20,202</u>	<u>20,202</u>

The interim distribution was declared after the balance sheet date and hence was not accrued on that date.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30th June, 2005 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Financial assets stated at fair value:		
Equity securities listed in Hong Kong	170,577	–
Unlisted equity securities	60,931	–
	<u>231,508</u>	–
Unlisted investment funds	66,250	–
	<u>297,758</u>	–
Financial assets stated at cost:		
Unlisted equity securities	64,000	–
Unlisted debt securities	10,057	–
Provision for impairment losses	(24,194)	–
	<u>49,863</u>	–
	<u>347,621</u>	–
Less: amount classified under current portion	(170,577)	–
Non-current portion	<u>177,044</u>	–
An analysis of the issuers of available-for-sale financial assets is as follows:		
Equity securities:		
Corporate entities	<u>295,508</u>	–
Debt securities:		
Club debenture	3,165	–
Corporate entities	6,892	–
	<u>10,057</u>	–

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

11. INVESTMENT SECURITIES

	30th June, 2005 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Equity securities, at cost:		
Listed in Hong Kong	-	28,750
Unlisted	-	152,060
	-	180,810
Provision for impairment loss for unlisted equity securities	-	(20,000)
	-	160,810
Unlisted debt securities, at cost	-	7,680
Provision for impairment loss for unlisted debt securities	-	(2,776)
	-	4,904
Unlisted investment funds, at cost	-	199,944
	-	365,658
Market value of listed investments at the balance sheet date	-	47,725
An analysis of the issuers of investment securities is as follows:		
Equity securities:		
Corporate entities	-	160,810
Debt securities:		
Club debentures	-	3,165
Corporate entities	-	1,739
	-	4,904

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Held for trading:		
Listed equity securities, at fair value:		
Hong Kong	118,288	–
Overseas	82,649	–
	<u>200,937</u>	–
Debt securities:		
Listed overseas, at fair value	169,764	–
Unlisted, at fair value	75,900	–
	<u>245,664</u>	–
Investment funds:		
Listed overseas, at fair value	48,166	–
Unlisted, at fair value	143,576	–
	<u>191,742</u>	–
Other:		
Unlisted, at fair value	53,758	–
	<u>692,101</u>	–
Designated as financial assets at fair value through profit or loss:		
Unlisted investment funds, at fair value	195,703	–
	<u>887,804</u>	–
Less: amount classified under current portion	(692,101)	–
Non-current portion	<u>195,703</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)*

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

	30th June, 2005 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
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	34,983	–
Corporate entities	165,480	–
	200,937	–
Debt securities:		
Central governments and central banks	10,263	–
Public sector entities	2,471	–
Banks and other financial institutions	99,427	–
Corporate entities	133,503	–
	245,664	–

13. 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 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 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
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

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

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

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

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
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:		
Corporate entities	9,197	–
Banks and other financial institutions	7,766	–
	16,963	–

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*13. 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:		
Corporate entities	-	9,190
Banks and other financial institutions	-	7,769
	-	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)*

13. 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 HK\$'000	31st December, 2004 HK\$'000
Rescheduled advances	218	3,342
Market value of collateral held	222	3,564

(e) Held-to-maturity financial assets

	30th June, 2005 HK\$'000	31st December, 2004 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

(f) Fixed assets

	Land and buildings HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
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)*

14. OTHER INVESTMENTS IN SECURITIES

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Listed equity securities, at market value:		
Hong Kong	-	248,326
Overseas	-	40,092
	-	288,418
Debt securities:		
Listed overseas, at market value	-	225,245
Unlisted, at fair value	-	157,605
	-	382,850
Investment funds:		
Listed overseas, at market value	-	229,252
Unlisted, at fair value	-	243,728
	-	472,980
	-	1,144,248
An analysis of the issuers of other investments in securities is as follows:		
Equity securities:		
Public sector entities	-	493
Banks and other financial institutions	-	6,341
Corporate entities	-	281,584
	-	288,418
Debt securities:		
Central governments and central banks	-	13,869
Banks and other financial institutions	-	105,239
Corporate entities	-	214,609
Others	-	49,133
	-	382,850

15. LOANS AND ADVANCES

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

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 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	32,995	32,835
Within 30 days	61,746	95,347
	94,741	128,182

Trading terms with customers are either on cash basis or on credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

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

17. BANK LOANS

	30th June, 2005 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Repayable within one year:		
Secured (<i>Note</i>)	131,635	188,761
Unsecured	10,000	20,000
	141,635	208,761

Note: The bank loans of HK\$131,635,000 (31st December, 2004 – HK\$188,761,000) were secured by certain securities and time deposits of the Group and certain securities owned by margin clients of the Group.

18. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

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

	30th June, 2005 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Outstanding balances with ages:		
Repayable on demand	331,116	486,189
Within 30 days	86,046	21,217
	417,162	507,406

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).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Authorised:		
2,000,000,000 (31st December, 2004 – 2,000,000,000) ordinary shares of HK\$1.00 each	2,000,000	2,000,000
Issued and fully paid:		
1,346,829,094 (31st December, 2004 – 1,346,829,094) ordinary shares of HK\$1.00 each	1,346,829	1,346,829

20. RESERVES

	Share premium account HK\$'000	Capital redemption reserve (Note (c)) HK\$'000	Legal reserve (Note (d)) HK\$'000	Investment property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Distributable reserves (Note (b)) HK\$'000	Exchange equalisation reserve HK\$'000	Total HK\$'000	Minority interests HK\$'000
At 1st January, 2005									
As previously reported	50,988	11,760	2,053	7,461	-	1,297,500	(10,257)	1,359,505	30,204
Prior period adjustment: (Notes 1 & 2) HK(SIC)-Int 21									
Deferred tax arising from revaluation of investment properties	-	-	-	(1,234)	-	-	-	(1,234)	-
At restated before opening adjustments	50,988	11,760	2,053	6,227	-	1,297,500	(10,257)	1,358,271	30,204
Opening adjustments: (Notes 1 & 2)									
In respect of financial instruments	-	-	-	-	-	(5,062)	-	(5,062)	-
In respect of investment properties	-	-	-	(6,227)	-	6,227	-	-	-
In respect of negative goodwill	-	-	-	-	-	1,144	-	1,144	-
At restated after opening adjustments	50,988	11,760	2,053	-	-	1,299,809	(10,257)	1,354,353	30,204
Fair value changes on available-for-sale financial assets	-	-	-	-	(16,043)	-	-	(16,043)	-
Deferred tax arising from fair value changes on available-for-sale financial assets	-	-	-	-	(2,743)	-	-	(2,743)	-
Transfer of reserve	-	-	1,154	-	-	(1,154)	-	-	-
Exchange realignment	-	-	-	-	-	-	(3,128)	(3,128)	4
Issue of shares by a subsidiary to minority shareholders	-	-	-	-	-	-	-	-	2,446
Advance from minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	203
Decrease in interests in a subsidiary	-	-	-	-	-	-	-	-	(1,772)
Profit/(Loss) for the period	-	-	-	-	-	12,313	-	12,313	(832)
2004 final distribution, declared and paid	-	-	-	-	-	(40,405)	-	(40,405)	-
At 30th June, 2005	50,988	11,760	3,207	-	(18,786)	1,270,563	(13,385)	1,304,347	30,253

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

	Share premium account HK\$'000	Capital redemption reserve (Note (c)) HK\$'000	Legal reserve (Note (d)) HK\$'000	Investment property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Distributable reserves (Note (b)) HK\$'000	Exchange equalisation reserve HK\$'000	Total HK\$'000	Minority interests HK\$'000
At 1st January, 2004	50,988	11,760	845	-	-	1,424,272	(13,371)	1,474,494	24,793
Surplus on revaluation of investment properties	-	-	-	2,626	-	-	-	2,626	-
Deferred tax arising from revaluation of investment properties	-	-	-	(459)	-	-	-	(459)	-
Transfer of reserve	-	-	1,208	-	-	(1,208)	-	-	-
Exchange realignment	-	-	-	-	-	-	227	227	(9)
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	4,398
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	2,174
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(803)
Increase in interests in a subsidiary	-	-	-	-	-	-	-	-	554
Loss for the period	-	-	-	-	-	(48,716)	-	(48,716)	(430)
2003 final distribution, declared and paid	-	-	-	-	-	(40,405)	-	(40,405)	-
At 30th June, 2004 and 1st July, 2004 (as restated)	50,988	11,760	2,053	2,167	-	1,333,943	(13,144)	1,387,767	30,677
Surplus on revaluation of investment properties	-	-	-	4,835	-	-	-	4,835	-
Deferred tax arising from revaluation of investment properties	-	-	-	(775)	-	-	-	(775)	-
Exchange realignment	-	-	-	-	-	-	2,887	2,887	(36)
Advance from minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	610
Loss for the period	-	-	-	-	-	(16,241)	-	(16,241)	(1,047)
2004 interim distribution, declared and paid	-	-	-	-	-	(20,202)	-	(20,202)	-
At 31st December, 2004 (as restated)	50,988	11,760	2,053	6,227	-	1,297,500	(10,257)	1,358,271	30,204

Note:

- (a) Cancellation of share premium account and transfer to distributable reserves:

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

- (b) Distributable reserves of the Group at 30th June, 2005 comprise accumulated losses of HK\$56,304,000 (1st January, 2005 – HK\$67,463,000; 31st December, 2004 – HK\$69,772,000) and the remaining balance arising from the Cancellation of HK\$1,326,867,000 (31st December, 2004 – HK\$1,367,272,000).
- (c) The capital redemption reserve is not available for distribution to shareholders.
- (d) 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.

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	-	-	-	6,892	-	3,165	10,057
Financial assets at fair value through profit or loss	-	4,200	12,686	149,140	79,638	-	245,664
Loans and advances	90,143	24,647	5,437	-	-	-	120,227
Client trust bank balances	31,040	285,804	-	-	-	-	316,844
Pledged time deposits	-	86,116	-	-	-	-	86,116
Cash and cash equivalents	31,179	581,292	-	-	-	-	612,471
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
	274,943	1,066,283	38,188	189,066	109,054	11,386	1,688,920
Liabilities							
Bank loans	-	141,635	-	-	-	-	141,635
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	212,679	8,662	1,969	-	-	253,716

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	-	-	-	1,739	-	3,165	4,904
Other investments in securities	-	-	28,722	234,815	70,180	49,133	382,850
Loans and advances	165,614	-	-	9,984	-	-	175,598
Client trust bank balances	43,244	345,879	-	-	-	-	389,123
Cash and cash equivalents	87,912	674,361	-	-	-	-	762,273
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
	369,843	1,121,527	50,295	277,633	92,403	61,488	1,973,189
Liabilities							
Bank loans	-	193,213	15,548	-	-	-	208,761
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	281,789	24,701	-	-	-	326,402

22. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities relating to its banking subsidiary:

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Guarantees and other endorsements	13,464	15,528
Liabilities under letters of credit on behalf of customers	7,209	13,717
	20,673	29,245

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

23. CAPITAL COMMITMENTS

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

	30th June, 2005	31st December, 2004
	HK\$'000	HK\$'000
Capital commitments in respect of property, plant and machinery:		
Contracted, but not provided for	7,265	–
Other capital commitments:		
Contracted, but not provided for <i>(Note)</i>	1,604,903	160,118
	1,612,168	160,118

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 shareholders of Lippo Limited, being the intermediate holding company of the Company. Subsequent to the balance sheet date, such approval has been obtained.

24. RELATED PARTY TRANSACTIONS

- (a) During the period, Lippo Securities Holdings Limited (“LSHL”), being a wholly-owned subsidiary of the Company, paid rental expenses of HK\$1,543,000 (2004 – HK\$1,156,000) to Prime Power Investment Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by LSHL. The rental was determined by reference to open market rentals.
- (b) During the period, the Company and ImPac Asset Management (HK) Limited (“ImPac”), being a wholly-owned subsidiary of the Company, paid rental expenses of HK\$717,000 (2004 – HK\$364,000) and Nil (2004 – HK\$116,000) to Porbandar Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by the Company and ImPac, respectively. The rental was determined by reference to open market rentals.
- (c) As at 30th June, 2005, the Group had amounts due from associates in a total of HK\$4,453,000 (31st December, 2004 – HK\$2,767,000) and an amount due from a jointly controlled entity of HK\$7,313,000 (31st December, 2004 – HK\$7,313,000). The balances with the associates and the jointly controlled entity are unsecured, interest-free and have no fixed terms of repayment.

SUPPLEMENTARY FINANCIAL 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.

(a) *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.

(b) *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.

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.

SUPPLEMENTARY FINANCIAL INFORMATION *(Continued)***Management of risks** *(Continued)**(c) 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.

(d) 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, swap 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.

(e) 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.

SUPPLEMENTARY FINANCIAL INFORMATION *(Continued)*

Management of risks *(Continued)*

(e) Market risk (Continued)

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. The Group has been taking positive steps to explore the overseas investment markets and diversified into property investment, in addition to its financial services businesses. By the first half of 2005, the Group's property-related assets have been gradually increased to 22 per cent. (31st December, 2004 – 12 per cent.) of the total assets.

Taking advantage of the continuing increases in property prices in Hong Kong as well as the East Asia, the Group achieved a net profit attributable to shareholders of HK\$12.3 million for the six months ended 30th June, 2005 (2004 – loss of HK\$48.7 million).

Results for the period

Turnover for the first six months of 2005 totalled HK\$617 million, which was 19 per cents. lower than the HK\$762 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.

Treasury and securities investments

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. Turnover attributable to treasury and securities investments amounted to HK\$578 million (2004 – HK\$710 million). Despite the lower turnover, the Group achieved a satisfactory return from this segment, contributing a profit of HK\$37 million (2004 – loss of HK\$22 million). Following the adoption of the new accounting standards in 2005, certain investments were restated at fair value with revaluation 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. During the current period, a net loss of HK\$19 million arising from these investments was charged to revaluation reserve.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Results for the period *(Continued)*

Corporate finance and securities broking

Despite the continued pick-up in domestic economy, the Hong Kong market for securities broking business remained competitive in the first half of 2005 due to the decreasing profit margin and high operating costs. The Group's corporate finance and securities broking business has been directly affected. Turnover generated from the corporate finance and securities broking segment for the period was lower, amounting to HK\$27 million (2004 – HK\$36 million). Taking into account a provision for a loan made to a margin client of HK\$34 million, the segment resulted in a net loss of HK\$33 million (2004 – profit of HK\$2.6 million). Recently, the Group has successfully launched the internet trading system that is expected to help reducing the running costs in the long run.

Banking business

The segment continually contributed stable and recurrent income to the Group. Interest income earned by the bank was 27 per cent. higher than that recorded in the last corresponding period as a result of rising interest rates. The bank registered a loan growth of 7.3 per cent. during the period. Management continued to lend conservatively and strive to improve the asset quality. Against this, the commission income decreased during the period and this resulted in a profit derived from this segment of HK\$1.9 million for the period (2004 – HK\$3.8 million).

Property investment and development

In capturing investment opportunities under the continuing surges in property prices in the region, the Group has been active in making strategic property investments. In particular, looking for long term capital appreciation, the Group completed the acquisition of a parcel of land in Macau with a site area of approximately 39,000 square feet in April 2005. The new office floor at Lippo Centre, Hong Kong acquired in the second half of last year has contributed rental income to the Group during the period. In addition, the Group has participated in well-located property development projects in China, Singapore and Japan. Benefited from the booming property markets in the region, the Group registered a revaluation gain of HK\$46 million during the period. Following the adoption of the revised accounting standards in 2005, such gain was recognised in the profit and loss account.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Results for the period *(Continued)*

Property investment and development (Continued)

In June 2005, the Group committed to invest up to HK\$1.45 billion in a property fund with the investment objectives to invest in real estate 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 is encouraging in the coming future. As at 30th June, 2005, no investment has yet been made by the property fund.

Financial position

As at 30th June, 2005, the Group's total assets slightly reduced to HK\$3.3 billion (31st December, 2004 – HK\$3.5 billion). Notwithstanding the reduction in total assets, the Group's financial position remained strong and current ratio (measured as current assets to current liabilities) rose to 3.6 to 1 (31st December, 2004 – 3.5 to 1).

During the period, the Group reduced its investment portfolio by HK\$0.3 billion and invested the amount in the property-related assets. At the balance sheet date, the Group maintained a total investment portfolio (excluding property-related assets) of HK\$1.0 billion (31st December, 2004 – HK\$1.3 billion), comprising debt securities of HK\$0.2 billion (31st December, 2004 – HK\$0.4 billion), equity securities of HK\$0.5 billion (31st December, 2004 – HK\$0.4 billion) and investment funds of HK\$0.3 billion (31st December, 2004 – HK\$0.5 billion). On the other hand, property-related assets increased to HK\$0.7 billion (31st December, 2004 – HK\$0.4 billion).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial position *(Continued)*

At the end of June 2005, total bank loans decreased significantly to HK\$142 million (31st December, 2004 – HK\$209 million), of which secured and unsecured portions amounted to HK\$132 million (31st December, 2004 – HK\$189 million) and HK\$10 million (31st December, 2004 – HK\$20 million), respectively. The loans were all denominated in Hong Kong dollars or United States dollars, repayable within one year and carried interest at floating rates. Certain securities and time deposits of the Group and certain securities owned by the margin clients of the Group were pledged against the secured banking facilities. Gearing ratio (measured as total borrowings to shareholders' funds) remained at a very low level of 5.3 per cent. (31st December, 2004 – 7.7 per cent.). Taking into account the 2004 final distribution of HK\$0.03 per share made to the shareholders in June 2005, the net asset value of the Group reduced slightly to HK\$2.65 billion (31st December, 2004 – HK\$2.71 billion), equivalent to HK\$1.97 (31st December, 2004 – HK\$2.01) per share.

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

Save as aforesaid, there were no charges on the Group's assets at the end of the period (31st December, 2004 – Nil). Other than those arising from the normal course of the Group's banking operation, it had no material contingent liabilities outstanding (31st December, 2004 – Nil).

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 the Notes 1 and 2 to the interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Staff and remuneration

The Group had approximately 168 employees as at 30th June, 2005 (2004 – 163 employees). Total staff costs (including directors' emoluments) amounted to HK\$24 million which was 28 per cent. lower than the HK\$34 million recorded in last corresponding period. The Group ensures that its employees are offered competitive remuneration packages. Currently, there are no share option schemes for its employees.

Outlook

The global economy has been rather resilient in absorbing the impacts from the soaring oil prices and the rising interest rates. The growth impetus continues to depend on the developments in the United States and Mainland China. Operating environment is still challenging. While dedicating to improve internal operational efficiencies, the Group will continue to refine its existing core businesses and capture new investment opportunities with long-term growth potential. The Group is cautiously optimistic about the global and regional economic prospects in the future year. 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, underpinned by continuing strong domestic consumption. Unemployment rate fell steadily. Rising business and consumer confidence provided a strong momentum to the local economic growth. The local economy also benefited much from the Mainland Individual Traveler Scheme and the Closer Economic Partnership Arrangements (“CEPA”). According to the figures recently released by the Government, the local GDP growth in the second quarter of 2005 was 6.8 per cent. while the GDP growth was 6.5 per cent. in the first half of 2005. However, rising interest rates and surging oil prices have dampened the global economic outlook. In China, the macro-economic tightening measures are expected to have a dampening effect on an overheated economy.

The Group recorded an unaudited consolidated profit attributable to equity holders 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 the Company, continues to be a net income contributor to the 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 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 be opened within the second half of this year.

The Group has a 34.34 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 the Company, 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.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business review *(Continued)*

The Group continues to explore new market opportunities and income sources and seek potential acquisition and alliance opportunities which are compatible with its long term growth strategy.

To enhance its asset portfolio, the Group has been exploring the opportunity of acquiring quality property interests in Hong Kong and elsewhere in Asia. In December 2004, the Group completed the purchase of the entire 7th Floor of Tower One, Lippo Centre, 89 Queensway, Hong Kong for a purchase price of HK\$68.34 million.

In April 2005, a wholly-owned subsidiary of the Company completed the acquisition of the land (with a site area of approximately 39,000 square feet) located at 83 Estrada de Cacilhas, Macau at a purchase price of HK\$238 million.

As announced earlier, a wholly-owned subsidiary of the Company has entered into contract 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 local economy during the rest of the year. The grand opening of the Hong Kong Disneyland, extension of the Mainland Individual Traveler Scheme and implementation of Phase 2 of CEPA are expected to provide further momentum to local economic growth. While the general prospects look good, there are some uncertainties on the global economic front, in particular, concerns about the pace of economic growth in the United States, rising interest rates, high oil prices and slowing down of the Mainland economy.

Overall, we see an optimistic outlook for the Group's business. 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. Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

ADDITIONAL INFORMATION

Interim distribution

The Directors have resolved to declare the payment of an interim distribution of HK1.5 cents (2004 – HK1.5 cents) per share for the six months ended 30th June, 2005, which will be paid on Friday, 21st October, 2005 to the shareholders whose names appear on the Company's Register of Members on Friday, 14th October, 2005.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 7th October, 2005 to Friday, 14th October, 2005 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim distribution for the six months ended 30th June, 2005, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tengis Limited, the Company's Branch Share Registrars in Hong Kong, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 6th October, 2005. Warrants in respect of the interim distribution will be dispatched to the shareholders on or about Friday, 21st October, 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

As at 30th June, 2005, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities (the "Listing Rules") 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\$1.00 each in the Company					
Mochtar Riady	-	-	973,240,440 <i>(Note 1)</i>	973,240,440	72.26
Stephen Riady	-	-	973,240,440 <i>(Note 1)</i>	973,240,440	72.26
John Lee Luen Wai	200	200	-	400	0.00
Tsui King Fai	-	50,000	-	50,000	0.00
Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")					
Mochtar Riady	-	-	248,697,776 <i>(Notes 1 & 2)</i>	248,697,776	57.34
Stephen Riady	-	-	248,697,776 <i>(Notes 1 & 2)</i>	248,697,776	57.34
John Lee Luen Wai	825,000	-	-	825,000	0.19

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\$0.10 each in Lippo China Resources Limited ("LCR")					
Mochtar Riady	-	-	6,544,696,389 <i>(Notes 1, 2 & 3)</i>	6,544,696,389	71.13
Stephen Riady	-	-	6,544,696,389 <i>(Notes 1, 2 & 3)</i>	6,544,696,389	71.13

Note:

- 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, was indirectly interested in 973,240,440 ordinary shares of HK\$1.00 each in, representing approximately 72.26 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 and in accordance with whose instructions Lanius was accustomed to act. Dr. Mochtar Riady did not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor children of Mr. Stephen Riady. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Riady (together with his minor children) as beneficiaries of the trust were taken to be interested in Lippo Cayman under the SFO.
- As at 30th June, 2005, Lippo Cayman, 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 Lippo.
- As at 30th June, 2005, Lippo 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.

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, Dr. Mochtar Riady, as founder and beneficiary of the aforesaid discretionary trust, and 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 1 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 Limited	Ordinary shares	3,669,576,788	72.45
		<i>(Note a)</i>	
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
		<i>(Note b)</i>	
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
		<i>(Note c)</i>	
Glory Power Worldwide Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Greenroot Limited	Ordinary shares	1	100
		<i>(Note d)</i>	
HKCL Holdings Limited	Ordinary shares	50,000	100
		<i>(Note e)</i>	
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100

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
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
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
Skyscraper Realty Limited	Ordinary shares	10	100
		<i>(Note f)</i>	
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
The Hong Kong Building and Loan Agency Limited ("HKBLA")	Ordinary shares	168,313,038	74.80
		<i>(Note e)</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 associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100

Note:

- a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.
- b. The interests were held by HCB General, a 70 per cent. owned subsidiary of Lippo Cayman.
- c. The interest was held by Lippo, a 57.34 per cent. owned subsidiary of Lippo Cayman.
- d. The interest was held by LCR, a 71.13 per cent. owned subsidiary of Lippo which in turn was a 57.34 per cent. owned subsidiary of Lippo Cayman.
- e. The interests were held through LCR, a 71.13 per cent. owned subsidiary of Lippo which in turn was a 57.34 per cent. owned subsidiary of Lippo Cayman. On 18th June, 2005, a conditional sale and purchase agreement was entered into by, inter alia, a wholly-owned subsidiary of LCR and LCR for the disposal of the entire interest in the shares of HKBLA. Such disposal was completed on 12th September, 2005.
- f. The interests were held through Lippo, a 57.34 per cent. owned subsidiary of Lippo Cayman.

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 is the founder and beneficiary. The beneficiaries of the trust also include, inter alia, Mr. Stephen Riady and his minor children. Dr. Mochtar Riady did not have any interests in the share capital of Lanius but the shareholders of Lanius were accustomed to act in accordance with his instructions.

As at 30th June, 2005, Mr. John Lee Luen Wai, 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 Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 30th June, 2005, Mr. Kor Kee Yee, through the interest of his spouse, was taken to be interested in 2,244,000 ordinary shares of HK\$1.00 each in, representing approximately 9.997 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

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

As at 30th June, 2005, Mr. John Lee Luen Wai, as beneficial owner, held 1,500,000 options granted to him on 23rd June, 1997 at a consideration of HK\$1.00 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). Accordingly, Mr. John Lee Luen Wai is entitled to subscribe for 9,000,000 ordinary shares in, representing approximately 0.09 per cent. of, the issued share capital of LCR. None of the options were exercised by Mr. John Lee Luen Wai since they were granted and the quantity of options held by him as at 30th June, 2005 remained unchanged.

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 above interest in the underlying shares of LCR was 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).

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).

Interests and short positions of shareholders discloseable under the SFO

As at 30th June, 2005, so far as is known to the Directors of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of the issued share capital
HKCL Holdings Limited ("HKCL Holdings")	806,656,440	59.89
LCR	973,240,440	72.26
Lippo	973,240,440	72.26
Lippo Cayman	973,240,440	72.26
Lanius	973,240,440	72.26
Madam Lidya Suryawaty	973,240,440	72.26

ADDITIONAL INFORMATION *(Continued)***Interests and short positions of shareholders discloseable under the SFO** *(Continued)**Note:*

1. HKCL Holdings, the immediate holding company of the Company, as beneficial owner, held 806,656,440 ordinary shares in the Company.
2. LCR's interests in the shares of the Company included the interest of HKCL Holdings which was held by LCR through Greenroot Limited, a wholly-owned subsidiary of LCR. LCR, as beneficial owner, directly held 166,584,000 ordinary shares in, representing approximately 12.37 per cent. of, the issued share capital of the Company.
3. Lippo was an intermediate holding company of LCR which was held by Skyscraper Realty Limited as to approximately 71.13 per cent., which in turn was wholly owned by First Tower Corporation, a wholly-owned subsidiary of Lippo.
4. Lippo Cayman was the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which was Lippo Capital Limited which controlled an approximate 50.47 per cent. interest in Lippo.
5. 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 include 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.
6. LCR's interests in the shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 973,240,440 ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady and Mr. Stephen Riady were interested, details of which were disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2005, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

ADDITIONAL INFORMATION *(Continued)*

Audit Committee

The Company has established an audit committee (the “Committee”) in compliance with Rule 3.21 of the Listing Rules. The Committee consists of three independent non-executive Directors, Messrs. Victor Yung Ha Kuk (Chairman), Albert Saychuan Cheok and Tsui King Fai and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee meets regularly. 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 interim financial statements 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 maximise 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.

During the six months ended 30th June, 2005, the Company has met the code provisions (those applicable to accounting periods commencing on or after 1st January, 2005) set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules, except for 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 Bye-laws, save for Dr. Mochtar Riady who is also the Chairman of the Company, was not subject to retirement by rotation and re-election at the Company’s last annual general meeting held on 3rd June, 2005 (“2005 AGM”).
- (ii) Prior to the amendment of the Company’s Bye-laws in the 2005 AGM, Directors were not required to retire by rotation at least once every three years. According to the Company’s existing Bye-laws, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

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 Bye-laws 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 intended that relevant amendment will be made to the Company's Bye-laws 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 as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Directors have complied with the required standard as set out in the Model Code throughout the six months ended 30th June, 2005.

By Order of the Board
Hongkong Chinese Limited
John Lee Luen Wai
Director

Hong Kong, 21st September, 2005