



**Lippo China Resources Limited**

**力寶華潤有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 156)

**INTERIM REPORT**

For the six months ended 30th June, 2006

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Non-executive Directors

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

#### Executive Directors

Mr. James Riady (*Chairman*)  
Mr. Stephen Riady  
(*Deputy Chairman, Managing Director  
and Chief Executive Officer*)  
Mr. John Luen Wai Lee, J.P.

#### Independent non-executive Directors

Mr. Edwin Neo  
Mr. King Fai Tsui  
Mr. Victor Ha Kuk Yung

### COMMITTEES

#### Audit Committee

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

#### Remuneration Committee

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

#### Nomination Committee

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

### SECRETARY

Ms. Millie Yuen Fun Luk

### QUALIFIED ACCOUNTANT

Mr. Tai Chiu Ng

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited  
CITIC Ka Wah Bank Limited  
United Overseas Bank Limited  
Bank of China Limited  
Agricultural Bank of China, Shanghai Branch

### SOLICITORS

Richards Butler

### REGISTRARS

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

### REGISTERED OFFICE

Room 2301, 23rd Floor  
Tower One  
Lippo Centre  
89 Queensway  
Hong Kong

### STOCK CODE

156

### WEBSITE

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

The Directors of Lippo China Resources Limited (the “Company”) are pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2006.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30th June,	
		2006 HK\$'000	2005 HK\$'000 (restated)
<b>Revenue</b>	3	<b>1,147,438</b>	1,277,819
Cost of sales		<b>(816,220)</b>	(1,013,630)
<b>Gross profit</b>		<b>331,218</b>	264,189
Other income		–	8,529
Administrative expenses		<b>(80,843)</b>	(112,688)
Other operating expenses		<b>(80,135)</b>	(102,008)
Fair value gains on investment properties		<b>84,546</b>	287,985
Net fair value gain/(loss) on financial assets at fair value through profit or loss		<b>8,655</b>	(5,035)
Provision for impairment losses in associates		–	(53,907)
Allowance for bad and doubtful debts relating to non-banking operations	4	–	(34,756)
Share of results of associates		<b>3,169</b>	3,543
Share of results of jointly controlled entities		<b>(9,852)</b>	–
Finance costs		<b>(40,600)</b>	(18,198)
<b>Profit before tax</b>	5	<b>216,158</b>	237,654
Tax	6	<b>(33,647)</b>	(79,595)
<b>Profit for the period</b>		<b>182,511</b>	158,059
<b>Attributable to:</b>			
Equity holders of the Company		<b>126,904</b>	112,977
Minority interests		<b>55,607</b>	45,082
		<b>182,511</b>	158,059
		<b>HK cents</b>	HK cents
<b>Earnings per share attributable to equity holders of the Company</b>	7		
Basic		<b>1.4</b>	1.2
Diluted		<b>N/A</b>	N/A
		<b>HK\$'000</b>	HK\$'000
<b>Interim dividend</b>	8	<b>18,402</b>	18,402

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30th June, 2006</b>	31st December, 2005
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Goodwill		<b>57,285</b>	72,692
Fixed assets		<b>248,514</b>	352,214
Investment properties		<b>3,514,237</b>	3,265,261
Properties under development		<b>507,088</b>	420,179
Interests in associates	9	<b>2,266,140</b>	651,975
Interests in jointly controlled entities		<b>137,760</b>	12,615
Available-for-sale financial assets	10	<b>346,370</b>	437,054
Financial assets at fair value through profit or loss	11	<b>269,716</b>	374,196
Held-to-maturity financial assets	12	<b>9,619</b>	9,604
Loans and advances	13	<b>32,020</b>	29,975
Deferred tax assets		-	1,120
Deposit paid for long term investments		-	139,936
		<b>7,388,749</b>	5,766,821
<b>CURRENT ASSETS</b>			
Properties held for sale		<b>45,877</b>	55,718
Inventories		-	139,548
Available-for-sale financial assets	10	<b>11,000</b>	217,019
Financial assets at fair value through profit or loss	11	<b>513,638</b>	801,002
Loans and advances	13	<b>311,282</b>	251,727
Debtors, prepayments and deposits	14	<b>254,862</b>	434,965
Client trust bank balances		<b>608,143</b>	444,460
Treasury bills		<b>75,660</b>	15,520
Cash and bank balances		<b>508,368</b>	1,288,700
		<b>2,328,830</b>	3,648,659

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
<b>CURRENT LIABILITIES</b>			
Bank and other borrowing	15	214,845	173,233
Creditors, accruals and deposits received	16	1,026,389	925,673
Current, fixed, savings and other deposits of customers	17	182,594	116,743
Tax payable		57,191	72,843
		<b>1,481,019</b>	1,288,492
<b>NET CURRENT ASSETS</b>			
		<b>847,811</b>	2,360,167
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>8,236,560</b>	8,126,988
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowing	15	1,601,593	962,187
Defined-benefit pension obligation		–	2,062
Deferred tax liabilities		355,914	354,252
		<b>1,957,507</b>	1,318,501
<b>NET ASSETS</b>			
		<b>6,279,053</b>	6,808,487
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital	18	920,109	920,109
Reserves	19	4,150,617	4,063,506
		<b>5,070,726</b>	4,983,615
Minority interests	19	1,208,327	1,824,872
		<b>6,279,053</b>	6,808,487

## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

		<b>Six months ended 30th June,</b>	
	<i>Note</i>	<b>2006</b>	<b>2005</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Total equity at 1st January</b>		<b>6,808,487</b>	6,430,106
<b>Changes in equity during the period:</b>			
Exchange differences on translation of foreign operations		<b>70,038</b>	(40,966)
Net fair value loss on available-for-sale financial assets		<b>(8,412)</b>	(31,640)
Deferred tax arising from fair value gain on available-for-sale financial assets		<b>(4,001)</b>	(2,743)
Derecognition of available-for-sale financial assets		<b>(82,475)</b>	–
Share of reserves of an associate and a jointly controlled entity		<b>10,088</b>	–
Net expense recognised directly in equity		<b>(14,762)</b>	(75,349)
Profit for the period		<b>182,511</b>	158,059
Total recognised income and expense for the period		<b>167,749</b>	82,710
Issue of shares by subsidiaries to minority shareholders	19	<b>402</b>	2,446
Advance from minority shareholders of subsidiaries	19	<b>39,132</b>	82,054
Acquisition of subsidiaries	19	–	50,073
Changes in interests in subsidiaries	19	<b>(257)</b>	(1,772)
Deconsolidation of subsidiaries		<b>(706,850)</b>	–
2004 final dividend, declared and paid to shareholders of the Company	19	–	(18,402)
2004 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	19	–	(25,730)
2005 final dividend, declared and paid to shareholders of the Company	19	<b>(18,402)</b>	–
2005 final distribution, declared and paid to minority shareholders of subsidiaries	19	<b>(11,208)</b>	–
		<b>(529,434)</b>	171,379
<b>Total equity at 30th June</b>		<b>6,279,053</b>	6,601,485
<b>Total recognised income and expense for the period attributable to:</b>			
Equity holders of the Company		<b>104,232</b>	71,018
Minority interests		<b>63,517</b>	11,692
		<b>167,749</b>	82,710

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
		(restated)
Net cash from operating activities	<b>354,926</b>	231,148
Net cash used in investing activities	<b>(1,773,538)</b>	(707,666)
Net cash from financing activities	<b>676,897</b>	56,547
Net decrease in cash and cash equivalents	<b>(741,715)</b>	(419,971)
Cash and cash equivalents at 1st January	<b>1,304,220</b>	2,053,204
Exchange realignments	<b>19,428</b>	(12,624)
Cash and cash equivalents at 30th June	<b>581,933</b>	1,620,609
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>508,368</b>	1,610,909
Treasury bills	<b>75,660</b>	9,700
Bank overdrafts	<b>(2,095)</b>	–
	<b>581,933</b>	1,620,609



# 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 these condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31st December, 2005, except in relation to the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new/revised HKFRSs”), which have become effective for accounting periods beginning on or after 1st January, 2006, that are adopted for the first time for the current period’s financial statements:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new/revised HKFRSs has 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 following new/revised HKFRSs relevant to the Group’s operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 2. SEGMENT INFORMATION

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

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

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 2. SEGMENT INFORMATION (Continued)

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

	Six months ended 30th June, 2006								Consolidated HK\$'000
	Treasury investment HK\$'000	Property investment and development HK\$'000	Securities investment HK\$'000	Food businesses HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	
	Revenue								
External	20,946	125,718	786,246	138,856	46,110	14,338	15,224	-	1,147,438
Inter-segment	797	2,709	-	-	222	-	3,494	(7,222)	-
<b>Total</b>	<b>21,743</b>	<b>128,427</b>	<b>786,246</b>	<b>138,856</b>	<b>46,332</b>	<b>14,338</b>	<b>18,718</b>	<b>(7,222)</b>	<b>1,147,438</b>
<b>Segment results</b>	<b>20,657</b>	<b>158,265</b>	<b>133,823</b>	<b>400</b>	<b>6,772</b>	<b>5,051</b>	<b>2,424</b>	<b>(4,223)</b>	<b>323,169</b>
Unallocated corporate expenses									(66,005)
Finance costs									(34,323)
Share of results of associates	-	(4,779)	-	-	-	(4,446)	12,394	-	3,169
Share of results of jointly controlled entities	-	(8,406)	-	-	-	-	(1,446)	-	(9,852)
Profit before tax									216,158
Tax									(33,647)
Profit for the period									<b>182,511</b>

	Six months ended 30th June, 2005 (restated)								Consolidated HK\$'000
	Treasury investment HK\$'000	Property investment and development HK\$'000	Securities investment HK\$'000	Food businesses HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	
	Revenue								
External	17,437	75,187	721,192	421,875	27,072	7,729	7,327	-	1,277,819
Inter-segment	631	3,195	-	-	426	-	770	(5,022)	-
<b>Total</b>	<b>18,068</b>	<b>78,382</b>	<b>721,192</b>	<b>421,875</b>	<b>27,498</b>	<b>7,729</b>	<b>8,097</b>	<b>(5,022)</b>	<b>1,277,819</b>
<b>Segment results</b>	<b>15,115</b>	<b>346,061</b>	<b>27,030</b>	<b>12,087</b>	<b>(33,437)</b>	<b>(44,955)</b>	<b>(5,135)</b>	<b>(4,415)</b>	<b>312,351</b>
Unallocated corporate expenses									(63,359)
Finance costs									(14,881)
Share of results of associates	-	62	-	-	-	(29,649)	33,130	-	3,543
Profit before tax									237,654
Tax									(79,595)
Profit for the period									<b>158,059</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 3. REVENUE

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

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

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
		(restated)
Treasury investment	<b>20,946</b>	17,437
Property investment and development	<b>125,718</b>	75,187
Securities investment	<b>786,246</b>	721,192
Food businesses	<b>138,856</b>	421,875
Corporate finance and securities broking	<b>46,110</b>	27,072
Banking business	<b>14,338</b>	7,729
Other	<b>15,224</b>	7,327
	<b>1,147,438</b>	1,277,819

Revenue attributable to banking business represents revenue generated from The Macau Chinese Bank Limited, a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China (the "PRC"). Revenue attributable to banking business is analysed as follows:

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
		(restated)
Interest income	<b>12,064</b>	6,822
Commission income	<b>1,658</b>	907
Other revenues	<b>616</b>	–
	<b>14,338</b>	7,729

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

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

The allowance for the six months ended 30th June, 2005 included an individual provision of HK\$33,810,000 made for a loan advanced to a margin client, which had been secured by certain shares in a listed company and a guarantee provided by a director of the client. Both the client and the listed company were under provisional liquidation and in the opinion of Directors, the probability for recovery of the loan was uncertain.

### 5. PROFIT BEFORE TAX

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

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
		(restated)
Interest income:		
Listed investments	<b>3,652</b>	10,140
Unlisted investments	<b>791</b>	3,110
Banking operation	<b>12,064</b>	6,822
Other	<b>20,946</b>	17,781
Dividend income:		
Listed investments	<b>817</b>	17,070
Unlisted investments	<b>1,291</b>	838
Net realised gain/(loss) on disposal of:		
Listed financial assets at fair value through profit or loss	<b>20,284</b>	29,333
Unlisted financial assets at fair value through profit or loss	<b>20</b>	1,155
Listed available-for-sale financial assets	<b>103,338</b>	-
Unlisted available-for-sale financial assets	<b>632</b>	(517)
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	<b>1,082</b>	(5,541)
Unlisted	<b>7,573</b>	506
Other unlisted investment income	<b>702</b>	814
Depreciation	<b>(8,875)</b>	(10,004)
Amortisation of prepaid lease payments for land	-	(95)
Gain/(Loss) on disposal of fixed assets	<b>(1)</b>	47
Gain on disposal of properties	<b>699</b>	-
Loss on disposal of an associate	<b>(5,575)</b>	-
Cost of inventories sold	<b>(101,149)</b>	(320,765)
Provision for impairment losses on unlisted available-for-sale financial assets	<b>(1,142)</b>	(5,240)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 6. TAX

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Hong Kong:		
Charge for the period	<b>1,270</b>	–
Overprovisions in prior years	–	(680)
Deferred	<b>6,304</b>	22,630
	<hr/>	<hr/>
	<b>7,574</b>	21,950
	<hr/>	<hr/>
Overseas:		
Charge for the period	<b>10,713</b>	9,017
Underprovisions in prior years	<b>263</b>	1,266
Deferred	<b>15,097</b>	47,362
	<hr/>	<hr/>
	<b>26,073</b>	57,645
	<hr/>	<hr/>
Total tax charge for the period	<b>33,647</b>	79,595
	<hr/>	<hr/>

Hong Kong profits tax has been provided for at the rate of 17.5 per cent. (2005 – 17.5 per cent.) on the estimated assessable profits arising in Hong Kong for the period. Overseas taxes have been calculated on the estimated assessable profits for the period at the tax rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

#### (a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit attributable to equity holders of the Company of HK\$126,904,000 (2005 – HK\$112,977,000); and (ii) the weighted average number of 9,201,089,000 ordinary shares (2005 – 9,201,089,000 ordinary shares) in issue during the period.

#### (b) Diluted earnings per share

No diluted earnings per share is presented for the periods ended 30th June, 2006 and 2005 as the share options outstanding during these periods had no dilutive effect on the basic earnings per share for these periods.

### 8. INTERIM DIVIDEND

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interim dividend, declared, of HK0.2 cent (2005 – HK0.2 cent) per ordinary share	<b>18,402</b>	18,402

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

### 9. INTERESTS IN ASSOCIATES

The balance as at 30th June, 2006 included the Group's interest in Lippo ASM Asia Property LP ("LAAP"), a property fund which carries the objective of investing in real estates in the East Asia region, of approximately HK\$1,433 million (31st December, 2005 – HK\$151 million). In May 2006, LAAP participated in a joint venture to invest in Overseas Union Enterprise Limited, a listed company in Singapore principally engaged in property investments and hotel operations.

In February 2006, the Company donated 2,380,000 shares in Auric Pacific Group Limited ("APG"), a then subsidiary of the Company, to a PRC university (the "Donation"), resulted in an expense of approximately HK\$21 million charged to profit and loss account which represented the then book value of the donated shares. As a result of the Donation, the Group's indirect interest in APG reduced from 51.2 per cent. to 49.3 per cent. and the Group ceased control over the board of APG. Accordingly, APG ceased to be a subsidiary and becomes an associate of the Group.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 9. INTERESTS IN ASSOCIATES (Continued)

The carrying amounts of assets and liabilities of APG and its subsidiaries ("APG Group") as at 31st December, 2005 are as follows:

	HK\$'000
<b>Non-current assets</b>	
Goodwill	15,407
Fixed assets	84,467
Investment properties	333,533
Available-for-sale financial assets	14,106
Financial assets at fair value through profit or loss	105,443
Deferred taxation	1,120
	554,076
<b>Current assets</b>	
Inventories	139,548
Financial assets at fair value through profit or loss	141,558
Debtors, prepayments and deposits	237,844
Cash and bank balances	373,464
	892,414
<b>Current liabilities</b>	
Bank borrowings	40,700
Creditors, accruals and deposits received	182,160
Tax payable	13,520
	236,380
<b>Net current assets</b>	656,034
<b>Total assets less current liabilities</b>	1,210,110
<b>Non-current liabilities</b>	
Defined-benefit pension obligation	2,062
Deferred tax liabilities	23,753
	25,815
<b>Net assets</b>	1,184,295

Prior to the Donation, the assets and liabilities of APG were consolidated to the Group's balance sheet on a line by line basis. Subsequent to the Donation, the Group equity accounted for the net assets of the APG Group which resulted in various reduction in the respective lines of the above assets and liabilities. The Company continued to share the results of APG. Therefore, the Donation would not significantly affect APG's contribution to the Group. At the date of the Donation, the market value of the donated shares was approximately S\$2.6 million (equivalent to approximately HK\$12.3 million).

During the period, the Group disposed of its 26.3 per cent. equity interest in Fujian Electric (Hong Kong) LDC, the principal underlying asset of which is a power plant located at Putian City in the PRC, to realise a minority non-core investment for a consideration of US\$55.3 million (equivalent to approximately HK\$429.1 million).



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Financial assets stated at fair value:		
Equity securities listed in Hong Kong	16,583	262,666
Equity securities listed overseas	188,645	182,796
Unlisted equity securities	11,000	43,854
	<b>216,228</b>	489,316
Unlisted debt securities	11,374	18,205
Unlisted investment funds	84,604	85,963
	<b>312,206</b>	593,484
Financial assets stated at cost:		
Unlisted equity securities	107,442	152,075
Unlisted debt securities	38,787	38,419
Unlisted investment funds	15,461	15,461
	<b>161,690</b>	205,955
Provision for impairment losses	<b>(116,526)</b>	(145,366)
	<b>45,164</b>	60,589
	<b>357,370</b>	654,073
Less: Amount classified under current portion	<b>(11,000)</b>	(217,019)
Non-current portion	<b>346,370</b>	437,054
The debt securities have effective interest rates ranging from nil to 8 per cent. (31st December, 2005 – nil to 8 per cent.) per annum.		
An analysis of the issuers of available-for-sale financial assets is as follows:		
Equity securities:		
Corporate entities	<b>323,670</b>	641,391
Debt securities:		
Club debentures	10,975	10,975
Corporate entities	39,186	45,649
	<b>50,161</b>	56,624

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	<b>67,035</b>	78,480
Listed overseas	<b>4,866</b>	127,164
	<b>71,901</b>	205,644
Debt securities:		
Listed in Hong Kong	–	1,967
Listed overseas	<b>8,824</b>	173,758
Unlisted	–	132,670
	<b>8,824</b>	308,395
Investment funds:		
Listed in Hong Kong	–	25
Listed overseas	<b>43,628</b>	50,913
Unlisted	<b>375,938</b>	287,819
	<b>419,566</b>	338,757
Other:		
Unlisted	<b>13,347</b>	53,649
	<b>513,638</b>	906,445
Designated as financial assets at fair value through profit or loss:		
Unlisted investment funds	<b>269,716</b>	268,753
	<b>783,354</b>	1,175,198
Less: Amount classified under current portion	<b>(513,638)</b>	(801,002)
Non-current portion	<b>269,716</b>	374,196

The debt securities have effective interest rates ranging from 6.5 per cent. to 8 per cent. (31st December, 2005 – nil to 14.8 per cent.) per annum.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

Equity securities:

Banks and other financial institutions	-	47,417
Corporate entities	<b>71,901</b>	158,227
	<b>71,901</b>	205,644

Debt securities:

Central governments and central banks	-	9,289
Public sector entities	-	4,397
Banks and other financial institutions	-	97,308
Corporate entities	<b>8,824</b>	197,401
	<b>8,824</b>	308,395

### 12. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Debt securities, at amortised cost:		
Listed overseas	<b>9,619</b>	9,604
Market value of listed debt securities at the balance sheet date	<b>10,805</b>	11,019

The debt securities have effective interest rates of 9 per cent. (31st December, 2005 – 9 per cent.) per annum.

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

Banks and other financial institutions	<b>9,619</b>	9,604
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## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 13. LOANS AND ADVANCES

The loans and advances to customers of the Group have effective interest rates ranging from 3 per cent. to 18 per cent. (31st December, 2005 – 3 per cent. to 18 per cent.) per annum. The carrying amounts of loans and advances are approximate to their fair values.

Movements of allowance for bad and doubtful debts for banking operation during the period are as follows:

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of period	<b>3,000</b>	5,140
Allowance for bad and doubtful debts	<b>24</b>	–
Impairment allowance released	<b>(12)</b>	(485)
	<b>3,012</b>	4,655

### 14. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	<b>30th June,</b>	31st December,
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Outstanding balances with ages:		
Repayable on demand	<b>43,236</b>	55,282
Within 30 days	<b>73,389</b>	160,921
Between 31 and 60 days	–	56,016
Between 61 and 90 days	<b>42</b>	42,269
Between 91 and 180 days	–	16,710
Over 180 days	<b>153</b>	2,280
	<b>116,820</b>	333,478

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

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 15. BANK AND OTHER BORROWING

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Bank overdrafts:		
Secured (Note (a))	<b>2,095</b>	–
Bank loans:		
Secured (Note (a))	<b>1,559,343</b>	1,094,720
Unsecured	<b>5,000</b>	40,700
	<b>1,566,438</b>	1,135,420
Other borrowing:		
Unsecured (Note (b))	<b>250,000</b>	–
	<b>1,816,438</b>	1,135,420
Repayable within one year	<b>(214,845)</b>	(173,233)
Non-current portion	<b>1,601,593</b>	962,187
Bank loans and overdrafts repayable:		
Within one year	<b>214,845</b>	173,233
In the second year	<b>304,876</b>	100,494
In the third to fifth years, inclusive	<b>426,717</b>	341,693
After five years	<b>620,000</b>	520,000
	<b>1,566,438</b>	1,135,420
Other borrowing repayable:		
In the second year	<b>250,000</b>	–

The carrying amounts of the Group's bank and other borrowing are approximate to their fair values and bear interest at rates ranging from 4.5 per cent. to 8 per cent. (31st December, 2005 – 3.1 per cent. to 7.6 per cent.) per annum.

*Note:*

- (a) The bank loans and overdrafts were secured by shares in certain listed subsidiaries of the Group, first legal mortgages over certain investment properties, leasehold land and buildings, properties under development, properties held for sale, certain securities of the Group and certain securities owned by margin clients of the Group.
- (b) The Group's other borrowing was advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, which is repayable on or before 31st December, 2007.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 16. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

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

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Outstanding balances with ages:		
Repayable on demand	<b>651,741</b>	495,639
Within 30 days	<b>86,649</b>	149,047
Between 31 and 60 days	–	21,603
Between 61 and 90 days	–	4,544
Between 91 and 180 days	–	6,744
Over 180 days	<b>177</b>	1,178
	<b>738,567</b>	678,755

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, 2006, total client trust bank balances amounted to HK\$608,143,000 (31st December, 2005 – HK\$444,460,000).

Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business are interest-bearing, the balances of trade creditors are non-interest bearing.

### 17. CURRENT, FIXED, SAVINGS AND OTHER DEPOSITS OF CUSTOMERS

The current, fixed, savings and other deposits of customers attributable to banking operation have effective interest rates ranging from 1.75 per cent. to 5 per cent. (31st December, 2005 – 0.25 per cent. to 4.18 per cent.) per annum.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 18. SHARE CAPITAL

	<b>30th June, 2006</b>	31st December, 2005
	<b>HK\$'000</b>	HK\$'000
Authorised:		
28,000,000,000 (31st December, 2005 – 28,000,000,000) ordinary shares of HK\$0.10 each	<b>2,800,000</b>	2,800,000
Issued and fully paid:		
9,201,088,716 (31st December, 2005 – 9,201,088,716) ordinary shares of HK\$0.10 each	<b>920,109</b>	920,109

#### Share options

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

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 18. SHARE CAPITAL *(Continued)*

The following is a summary of movement in share options of the Company during the period:

<b>Date of grant</b>	<b>Exercise price per share</b>	<b>Exercise period of share options</b>	<b>Quantity of share options outstanding at 1st January, 2006</b>	<b>Quantity of share options exercised/lapsed during the period</b>	<b>Quantity of share options outstanding at 30th June, 2006</b>
23rd June, 1997	HK\$0.883	August 1997 to June 2007	5,800,000	Nil	5,800,000

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

As at 30th June, 2006, save for Mr. John Luen Wai Lee, a Director of the Company, held 1,500,000 options, none of the Directors, chief executive or substantial shareholders of the Company or their respective associates had an interest in any options to subscribe for shares of the Company. The remaining 4,300,000 share options are held by directors (including a former director) of the Company's subsidiaries or employees of the Company or its subsidiaries. Under the rules of the Share Option Scheme, the options held by the above former director are permitted to be exercised within six months from his resignation in June 2006.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 920,108,871 shares of HK\$0.10 each, representing approximately 10 per cent. of the issued share capital of the Company. The exercise in full of 5,800,000 share options would, under the capital structure of the Company as at 30th June, 2006, result in the issue of 34,800,000 shares of HK\$0.10 each, representing approximately 0.38 per cent. of the issued share capital of the Company and cash proceeds, before expenses, of HK\$30,728,000.

Since no share options were granted under the Share Option Scheme during the period, no value of the share options granted has been disclosed.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 19. RESERVES

	Share premium account HK\$'000	Special capital reserve (Note (a)) HK\$'000	Legal reserve (Note (b)) HK\$'000	Investment revaluation reserve HK\$'000	Exchange equalisation reserve HK\$'000	Regulation reserve (Note (c)) HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000
At 1st January, 2006	785,257	2,075,948	2,192	79,154	(135,010)	845	-	1,255,120	4,063,506	1,824,872
Net fair value loss on available-for-sale financial assets	-	-	-	(4,822)	-	-	-	-	(4,822)	(3,590)
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	(2,891)	-	-	-	-	(2,891)	(1,110)
Derecognition of available-for-sale financial assets	-	-	-	(60,463)	-	-	-	-	(60,463)	(22,012)
Transfer of reserve	-	-	669	-	-	-	-	(669)	-	-
Share of reserves of an associate and a jointly controlled entity	-	-	-	10,230	-	-	(118)	-	10,112	(24)
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	39,132
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	(257)
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	402
Deconsolidation of subsidiaries	-	-	-	-	1,281	-	-	-	1,281	(708,131)
Exchange realignment	-	-	-	-	35,392	-	-	-	35,392	34,646
Profit for the period	-	-	-	-	-	-	-	126,904	126,904	55,607
2005 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	(18,402)	(18,402)	-
2005 final distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(11,208)
<b>At 30th June, 2006</b>	<b>785,257</b>	<b>2,075,948</b>	<b>2,861</b>	<b>21,208</b>	<b>(98,337)</b>	<b>845</b>	<b>(118)</b>	<b>1,362,953</b>	<b>4,150,617</b>	<b>1,208,327</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 19. RESERVES (Continued)

	Share premium account <i>HK\$'000</i>	Special capital reserve <i>(Note (a)) HK\$'000</i>	Legal reserve <i>(Note (b)) HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Exchange equalisation reserve <i>HK\$'000</i>	Regulation reserve <i>(Note (c)) HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1st January, 2005	785,257	2,075,948	1,485	-	(161,716)	-	-	1,110,034	3,811,008	1,698,989
Net fair value loss on available-for-sale financial assets	-	-	-	(27,190)	-	-	-	-	(27,190)	(4,450)
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	(1,982)	-	-	-	-	(1,982)	(761)
Transfer of reserve	-	-	880	-	-	-	-	(880)	-	-
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	82,054
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	(1,772)
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	2,446
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	50,073
Exchange realignment	-	-	-	-	(12,787)	-	-	-	(12,787)	(28,179)
Profit for the period	-	-	-	-	-	-	-	112,977	112,977	45,082
2004 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	(18,402)	(18,402)	-
2004 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(25,730)
At 30th June, 2005	785,257	2,075,948	2,365	(29,172)	(174,503)	-	-	1,203,729	3,863,624	1,817,752

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 19. RESERVES *(Continued)*

Note:

#### (a) Special capital reserve

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 2nd December, 1997 and the subsequent confirmation by the court on 22nd December, 1997, the then entire amount standing to the credit of the share premium account of the Company in the amount of HK\$849,149,000 was cancelled on 23rd December, 1997 (the "Cancellation").

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

- (1) The reserve is to be used for eliminating goodwill which has already arisen on the acquisition of subsidiaries and associates at the date of the Cancellation and that arising as a result of future acquisitions.
- (2) The reserve (a) shall not be treated as realised profits; and (b) shall be treated as an undistributable reserve for so long as there shall remain any outstanding debts or claims which were in existence on the date of the Cancellation provided that:
  - (i) the Company shall be at liberty to apply the reserve for the same purposes as a share premium account may be applied; and
  - (ii) the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking.

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 23rd December, 1998 and the subsequent confirmation by the court on 26th January, 1999, the then issued and fully paid-up share capital of the Company was reduced from approximately HK\$1,533,498,000 divided into 3,066,996,246 shares of HK\$0.50 each to approximately HK\$306,700,000 divided into 3,066,996,246 shares of HK\$0.10 each and an amount standing to the credit of the share capital account of the Company of approximately HK\$1,226,799,000 was cancelled and transferred to a special capital reserve account, the application of which is subject to the same conditions as specified in (2)(a) and (2)(b)(ii) of the terms of the Undertaking above.

As at 30th June, 2006, no special capital reserve remained subject to the Undertaking (31st December, 2005 – Nil).

#### (b) Legal reserve

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

#### (c) Regulatory reserve

The regulatory reserve made under HKAS 30 represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 20. 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
<b>At 30th June, 2006</b>							
<b>Assets</b>							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,619	-	9,619
Available-for-sale financial assets	-	-	-	8,065	11,374	30,722	50,161
Financial assets at fair value through profit or loss	-	-	-	-	885	7,939	8,824
Loans and advances	198,051	48,033	65,198	14,516	17,504	-	343,302
Client trust bank balances	43,227	564,916	-	-	-	-	608,143
Treasury bills	-	75,660	-	-	-	-	75,660
Cash and bank balances	171,067	337,301	-	-	-	-	508,368
	<b>412,345</b>	<b>1,025,910</b>	<b>65,198</b>	<b>22,581</b>	<b>39,382</b>	<b>38,661</b>	<b>1,604,077</b>
<b>Liabilities</b>							
Bank and other borrowing	2,095	136,147	76,603	981,593	620,000	-	1,816,438
Current, fixed, savings and other deposits of customers	32,335	145,341	4,918	-	-	-	182,594
	<b>34,430</b>	<b>281,488</b>	<b>81,521</b>	<b>981,593</b>	<b>620,000</b>	<b>-</b>	<b>1,999,032</b>
	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>At 31st December, 2005</b>							
<b>Assets</b>							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,604	-	9,604
Available-for-sale financial assets	-	3,123	-	7,697	15,082	30,722	56,624
Financial assets at fair value through profit or loss	-	4,665	39,393	180,823	75,372	8,142	308,395
Loans and advances	138,483	62,255	44,260	12,642	17,333	6,729	281,702
Client trust bank balances	21,150	423,310	-	-	-	-	444,460
Treasury bills	-	15,520	-	-	-	-	15,520
Cash and bank balances	525,725	762,975	-	-	-	-	1,288,700
	<b>685,358</b>	<b>1,271,848</b>	<b>83,653</b>	<b>201,162</b>	<b>117,391</b>	<b>45,593</b>	<b>2,405,005</b>
<b>Liabilities</b>							
Bank and other borrowing	-	65,700	107,533	442,187	520,000	-	1,135,420
Current, fixed, savings and other deposits of customers	43,601	71,643	1,499	-	-	-	116,743
	<b>43,601</b>	<b>137,343</b>	<b>109,032</b>	<b>442,187</b>	<b>520,000</b>	<b>-</b>	<b>1,252,163</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 21. CONTINGENT LIABILITIES

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

- (a) As at 30th June, 2006, the Group had guarantees in respect of banking facilities granted to an associate HK\$977,000 (31st December, 2005 – HK\$977,000) and an investee company of HK\$916,000 (31st December, 2005 – HK\$914,000).
- (b) Details of the off-balance sheet exposures relating to banking operation

As at 30th June, 2006, the Group had contingent liabilities relating to its banking subsidiary of HK\$22,394,000 (31st December, 2005 – HK\$29,953,000), comprising guarantees and other endorsements of HK\$7,070,000 (31st December, 2005 – HK\$11,785,000) and liabilities under letters of credit on behalf of customers of HK\$15,324,000 (31st December, 2005 – HK\$18,168,000).

### 22. CAPITAL COMMITMENTS

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

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	<b>55,023</b>	61,168
Other capital commitments:		
Contracted, but not provided for ( <i>Note</i> )	<b>289,605</b>	1,944,869
	<b>344,628</b>	2,006,037

*Note:* The balance as at 30th June, 2006 included the Group's capital commitment in respect of the formation of a joint venture for a property project in the PRC of approximately HK\$149 million (31st December, 2005 - HK\$149 million).

The balance as at 31st December, 2005 included the Group's capital commitment in a property fund of approximately HK\$1,292 million, which had been paid during the period. Details of the property fund are described in Note 9 to the interim financial statements.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 23. RELATED PARTY TRANSACTIONS

- (a) As at 30th June, 2006, the Group had amounts due from associates in a total of HK\$148,177,000 (31st December, 2005 – HK\$52,916,000), amounts due to associates in a total of HK\$2,397,000 (31st December, 2005 – HK\$2,213,000) and amounts due from jointly controlled entities in a total of HK\$140,098,000 (31st December, 2005 – HK\$7,317,000). The balances with the associates and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment except for the balance due from Tanglin Residential Pte Ltd. which bears interest at 4.35 per cent. per annum.
- (b) During the period, the Group received rental income from Lippo of HK\$1,489,000 (2005 – HK\$1,489,000). The rental was determined by reference to open market rentals.
- (c) During the period, ImPac Asset Management (HK) Limited, a wholly-owned subsidiary of Hongkong Chinese Limited (“HCL”) which in turn is a non-wholly owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounting to HK\$5,638,000 (2005 – Nil).
- (d) During the period, HCL paid finance costs to Lippo of HK\$1,373,000 (2005 – Nil) in respect of the loans advanced to HCL. The balance of which is set out in Note 15 to the interim financial statements.
- (e) During the period, a wholly-owned subsidiary of HCL acquired certain financial assets at fair value through profit or loss from LAAP, being an associate of the Group, amounting to HK\$219,951,000 (2005 – Nil). The acquisition price was determined by reference to fair market value.
- (f) During the period up to the date when APG ceased to be a subsidiary of the Company, PT Duta Wisata Loka (“DWL”), a subsidiary of APG and the then non-wholly owned subsidiary of the Company, received rental, service charges and outgoings from PT Matahari Putra Prima Tbk and PT Matahari Graha Fantasi, indirect non-wholly owned subsidiaries of Lippo Cayman Limited (“Lippo Cayman”), amounted to HK\$2,343,000 (2005 – HK\$709,000) and HK\$231,000 (2005 – HK\$68,000) respectively. Lippo Cayman is the ultimate holding company of the Company.

### 24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period’s presentation. The reclassifications and restatements had no impact on the Group’s earnings for the six months ended 30th June, 2005.

## 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.

#### (i) Credit risk

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

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

The Group had established guidelines to ensure that all new debt investments were properly made, taking into account a number of factors, including but not limiting to, the credit rating requirements, the maximum exposure limit to a single corporate or issuers; etc. All relevant departments within the Group were involved to ensure that appropriate processes, systems and controls were set in place before and after the investments were acquired.

#### (ii) Liquidity risk

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

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)*

#### (iii) Interest rate risk

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

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

#### (iv) Foreign exchange risk

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

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

#### (v) Market risk

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

The global economy sustained a steady growth in the first half of 2006, especially in the Asia region. Entering 2006, the Group took advantage of the improving global and local market conditions and realised a substantial part of its investment portfolio at profit. Property investment and development sector continued to perform well and generated stable returns and revenues to the Group. Meanwhile, the Group continued to strengthen its core businesses and take positive steps to explore the overseas investment markets.

For the six months ended 30th June, 2006, the Group's profit attributable to shareholders increased to HK\$127 million (2005 – HK\$113 million) which was 12 per cent. higher than that in the last corresponding period.

### RESULTS FOR THE PERIOD

Turnover for the six months ended 30th June, 2006 totalled HK\$1,147 million, which was 10 per cent. lower than the HK\$1,278 million (restated) recorded in the corresponding period of 2005. The decrease was mainly because the Group ceased to consolidate the turnover attributable to Auric Pacific Group Limited ("APG") and its subsidiaries (the "APG Group") since February 2006 with details mentioned below.

Despite the drop in turnover, the Group reported improved results in various businesses in the first half of 2006. Property, treasury and securities investments and food businesses remained the principal source of revenue of the Group, contributing 11 per cent. (2005 – 6 per cent.), 70 per cent. (2005 – 58 per cent., restated) and 12 per cent. (2005 – 33 per cent.) of the total turnover.

### Property investment and development

Turnover generated from this segment increased to HK\$126 million (2005 – HK\$75 million) as a result of a substantial increase in rental income and sales of properties.

The leasing of the existing properties progressed well given the quality and the strategic location. Rental income generated from properties located in Hong Kong and Mainland China registered an increase of 2 per cent. and 17 per cent., respectively. In particular, Lippo Plaza in Shanghai, China continued to achieve high occupancy and renewal rental rates. In April 2006, the Group acquired a freehold commercial property with total lettable area of 111,245 square feet within the central business district of Singapore for an aggregate consideration of approximately HK\$448 million. The property started to generate rental income to the Group in the current period. Property letting continued to provide stable and recurrent income source to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### RESULTS FOR THE PERIOD *(Continued)*

#### Property investment and development *(Continued)*

With the growth in Hong Kong and Mainland China property markets became moderate in the first half of year 2006, the Group recorded a revaluation gain on investment properties of HK\$85 million (2005 – HK\$288 million) during the period.

In 2005, the Group entered into an agreement under which it would be committed to invest in a property fund (the “Property Fund”), carrying the objective of investing in real estates in the East Asia region. During the current period, the Group has contributed HK\$1.3 billion to the Property Fund. In May 2006, the Property Fund participated in a joint venture to invest in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore principally engaged in property investments and hotel operations. OUE held a number of prime office buildings and hotels located in major financial and business districts and prime shopping area in Singapore as well as other Asia regions. Amidst the backup of a sustained pick up in tourism sector and the economy with a limited supply of prime office buildings and hotels in Singapore and some Asia regions, it is expected that these assets have future value appreciation potential.

On the other hand, the Group has direct interests in other development projects in Singapore, including a 50:50 joint venture development with CapitaLand Limited in Alexandra Road/Tiong Bahru Road, as well as a wholly-owned development in Newton Road. As at 30th June, 2006, total payment made for these projects exceeded HK\$350 million. The pre-sale of residential units at Newton Road was launched in May 2006 with very good responses. Currently, the Group has pre-sold nearly all the units in the Newton Road project. Profit generated from the sale shall be recognised later when the property is completed.

Additionally, the Group has participated in other well-located development projects in China, Singapore, Thailand and Japan.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### RESULTS FOR THE PERIOD *(Continued)*

#### Treasury and securities investments

Entering 2006, the Group took advantage of the improving market conditions and actively realised a substantial part of its investment portfolio at profit. This resulted in the increase in securities investments. Turnover and profits attributable to treasury and securities investments amounted to HK\$807 million (2005 – HK\$739 million, restated) and HK\$154 million (2005 – HK\$42 million), respectively.

Looking ahead, the investment market would still be challenging and full of uncertainty. Foreseeing the global investment markets continued to be volatile with interest rate and oil price persisted to rise in the second half of 2006, the Group took necessary steps to restructure and refine its investment portfolio in the securities investment segment.

#### Food businesses

Food businesses mainly comprise wholesale and distribution of food and allied fast-moving consumer goods and food manufacturing in Singapore and Malaysia which are conducted by the APG Group. As APG ceased to be a subsidiary of the Group since February 2006, turnover derived from this segment dropped significantly by HK\$283 million to HK\$139 million (2005 – HK\$422 million). However, APG remains as an associate of the Group, the Group can continue to share the results of APG under the equity method of accounting.

#### Other businesses

Benefiting from strong economic growth in Macau and the rising interest rates, the banking subsidiary's interest income rose sharply by 77 per cent. as compared with the last corresponding period. Profit derived from the banking segment increased to HK\$5 million (2005 – loss of HK\$45 million which included a provision for impairment loss in an associate). The Group's securities broking business has benefited from the active local capital market, registering a remarkable increase in turnover to HK\$46 million (2005 – HK\$27 million). Profit from this segment improved substantially to HK\$7 million (2005 – loss of HK\$33 million). The Group had disposed of its 26.3 per cent. owned power plant in Fujian Province, China in May 2006 and recorded a loss on disposal of HK\$5.6 million.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL POSITION

Various new property investments were made by the Group during the period. These investments have been financed by internal resources and external financing and hence total assets of the Group increased. On the other hand, as APG ceased to be a subsidiary of the Group, only the Group's share of the APG Group's net assets are included under "Interests in Associates" in the consolidated balance sheet. The increase in total assets mentioned above was almost offset by the decrease caused by such deconsolidation. As at 30th June, 2006, the Group's total assets increased by HK\$0.3 billion to HK\$9.7 billion (31st December, 2005 – HK\$9.4 billion), of which non-current assets increased by HK\$1.6 billion whilst current assets reduced by HK\$1.3 billion. Notwithstanding the reduction in current assets, the Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.57 to 1 (31st December, 2005 – 2.83 to 1).

At as 30th June, 2006, property-related assets after the aforesaid acquisitions increased to approximately HK\$5.9 billion (31st December, 2005 – HK\$4.0 billion), representing 60 per cent. (31st December, 2005 – 42 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced to HK\$1.2 billion (2005 – HK\$1.8 billion), representing 12 per cent. (2005 – 20 per cent.) of the total assets.

During the current period, the bank and other borrowings of the Group (other than those attributable to banking operations) increased by HK\$681 million to HK\$1,816 million (31st December, 2005 – HK\$1,135 million) which was in-line with the expansion of the Group.

The secured and unsecured portion of the bank loans and overdrafts amounted to HK\$1,561 million (31st December, 2005 – HK\$1,095 million) and HK\$5 million (31st December, 2005 – HK\$40 million), respectively. Certain properties, fixed assets, shares in certain subsidiaries, certain securities of the Group and the securities owned by margin clients of the Group were pledged against the secured banking facilities. 72 per cent. of the loans and overdrafts (31st December, 2005 – 85 per cent.) were denominated in Hong Kong dollars or United States dollars. All bank loans and overdrafts carried interest at floating rates and 14 per cent. of the bank loans and overdrafts (31st December, 2005 – 15 per cent.) are repayable within one year. During the current period, Lippo Limited, an intermediate holding company of the Company, provided advances to the Group of HK\$250 million. Such advances were unsecured, carried interest at floating rates and would be repayable on or before 31st December, 2007. At the end of the period, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) increased to 30.5 per cent. (31st December, 2005 – 21.2 per cent.). Taking into account the profit for the period and the 2005 final dividend totalling HK\$18.4 million paid to the shareholders of the Company in June 2006, the consolidated net asset value attributable to shareholders of the Company slightly increased by 2 per cent. to HK\$5.1 billion (31st December, 2005 – HK\$5.0 billion). This was equivalent to HK\$0.55 per share (31st December, 2005 – HK\$0.54 per share).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL POSITION *(Continued)*

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

Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (31st December, 2005 – Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (31st December, 2005 – Nil).

As at 30th June, 2006, the Group had total capital commitment of HK\$0.3 billion (31st December, 2005 – HK\$2 billion) after the Group had injected HK\$1.3 billion to the Property Fund in the current period.

### STAFF AND REMUNERATION

The Group had approximately 317 employees as at 30th June, 2006 (2005 – 1,316 employees). The substantial decrease was due to exclusion of the employees of the APG Group following its cessation as a subsidiary of the Group. Accordingly, total staff costs (including directors' emoluments) during the period reduced significantly to HK\$64 million (2005 – HK\$93 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option scheme of the Company.

### OUTLOOK

Despite turbulence of oil price and uncertainty in the United States interest rate hikes, the Group is cautiously optimistic about the global and regional economic prospects. The growth prospects will continue to be centered on developments in the Asia Pacific Region. The operating environment of the Group remains challenging. While striving to continue to improve internal operational efficiencies, the Group will keep on refining its existing core businesses and seeking new investment opportunities with long-term growth potential. Given its own strong financial position, the Group is confident that it would be able to take advantage of new business opportunities in its pursuit of enhancing shareholders' value.

## BUSINESS REVIEW AND PROSPECTS

### BUSINESS REVIEW

The global and local operating conditions have been broadly favourable in spite of subdued sentiment as a result of increasing interest rates, political instability in the Middle East and surging oil prices. Continuing strong domestic consumption and rising business and consumer confidence provided momentum to local economic growth. The strong economic conditions in the surrounding Asian region also improved business and investment opportunities. In Mainland China, the macro-economic tightening measures appear to have only a slight dampening effect on an overheated economy.

For the six months ended 30th June, 2006, the Group recorded an unaudited consolidated profit attributable to shareholders of HK\$127 million, compared to a profit of HK\$113 million for the last corresponding period.

The Group's investment properties continued to achieve high occupancy throughout the period. Rental income contributes stable income to the Group. Lippo Plaza, a grade A office and retail complex situated at Huaihai Zhong Road, Shanghai, China also maintained almost full occupancy at satisfactory rental rates. The Group has a 66.5 per cent. effective interest in this investment.

The pre-sale of the residential development known as Newton One at Newton Road in Singapore was launched in May 2006. Nearly all the residential units have been sold. The pre-sale of the joint development with CapitaLand Limited, one of the largest listed property companies in Asia with its headquarters in Singapore, of a residential development at Alexandra Road/Tiong Bahru Road in Singapore is expected to be launched shortly.

In order to realise a minority non-core investment, the Group entered into a conditional agreement in March 2006 for the disposal of its entire interest in the 724 megawatt (net) coal-fired Meizhou Wan power plant project in Putian City, Fujian Province, China for a consideration of US\$55.3 million (the "Disposal"). The Disposal was subsequently completed in May 2006.

Hongkong Chinese Limited ("HCL") (together with its subsidiaries, the "HCL Group"), a listed principal subsidiary of the Company, performed well in the first half of 2006 and recorded an unaudited consolidated profit attributable to shareholders of HK\$129 million for the six months ended 30th June, 2006, compared to a profit of HK\$12 million in the first six months of 2005.

## BUSINESS REVIEW AND PROSPECTS *(Continued)*

### BUSINESS REVIEW *(Continued)*

The HCL 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 HCL Group continued with its quest to acquire quality property interests in Hong Kong and Singapore and elsewhere in Asia. The Singapore market, in particular, has been performing very well in the past year.

The HCL Group has participated in a joint venture to purchase a total of eleven floors of a commercial building located at 79 Anson Road in Singapore (the "Property") for S\$95 million. The Property is situated within the central business district in Singapore and comprises a total lettable area of approximately 111,245 square feet. Completion of the acquisition of the Property took place in April 2006. The rental income from the Property will provide additional recurrent and stable income source for the HCL Group. Reflecting limited supply but increasing demand for commercial buildings in Singapore, there will be high potential for value appreciation of the Property.

Lippo ASM Asia Property LP ("LAAP"), a limited partnership of which a wholly-owned subsidiary of HCL is the founding limited partner, carries the investment objective of investing in real estate in the East Asia region, in particular in Singapore, Malaysia, Thailand, Indonesia, Mainland China, Hong Kong, 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. The Directors consider that participation in LAAP will provide an effective medium for the Group to exploit investment opportunities in the Asian property markets.

Recently, LAAP has participated in a joint venture to acquire a controlling stake in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in the businesses of property investments and hotel operations. OUE has interests in prime office buildings in the central business district in Singapore and hotels such as Meritus Mandarin which is located at Orchard Road, a prime shopping area in Singapore. These high quality properties generate stable recurrent income to OUE.

## BUSINESS REVIEW AND PROSPECTS *(Continued)*

### **BUSINESS REVIEW** *(Continued)*

The HCL Group has formed a joint venture for the purpose of acquiring and holding an 86.25 per cent. equity interest in 同仁醫療管理集團有限公司 (Tongren Healthcare Management Group Co., Ltd.) which is principally engaged in, inter alia, investing in, operating, managing and providing consultation services relating to the medical and healthcare related business and organisations; management of healthcare centres, rehabilitation centres and nursing homes; construction and operation of hospitals; and real estate development and investment in Mainland China. It is believed that the above transaction will offer the HCL Group an opportunity to tap into the real estate and hospital and healthcare business in Mainland China.

The Macau Chinese Bank Limited (“MCB”), an 85 per cent. subsidiary of HCL, continues to be a net income contributor to the HCL Group. The Macau economy continued to grow firmly in the first half of 2006. The improving economy has helped to increase MCB’s business activity and product diversification. The opening of its new head office at The Macau Chinese Bank Building is expected to broaden its customer base and create new business opportunities for MCB.

The HCL 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 2006.

The local stock market was very active in the first half of 2006 which benefited the performance of Lippo Securities Holdings Limited, a wholly-owned subsidiary of HCL, and its subsidiaries (the “LSL Group”), which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. Through more involvement in the initial public offering margin financing business, the LSL Group has managed to enhance its income base in the first half of 2006. The securities brokerage business in Hong Kong remains competitive and the LSL Group will continue to explore new income sources in the local securities market.



## BUSINESS REVIEW AND PROSPECTS *(Continued)*

### BUSINESS REVIEW *(Continued)*

Auric Pacific Group Limited (“APG”) (together with its subsidiaries, the “APG Group”), the shares of which are listed on the Main Board of Singapore Exchange Securities Trading Limited (“SGX-ST”), recorded a loss attributable to shareholders of S\$1.4 million for the six months ended 30th June, 2006, compared to a profit of S\$4.2 million for the last corresponding period. APG’s core food business is a mature and highly competitive business. The growth potential of its food business will be largely influenced by the economic prospects of the markets in which the APG Group operates. The APG Group, therefore, embarked on a diversification plan to broaden its food and distribution business as well as strengthening its total business base. In January 2006, the APG Group acquired approximately 29.9 per cent. interest in Food Junction Holdings Limited (“Food Junction”) whose shares are listed on the Dealing and Automated Quotation System of SGX-ST for an aggregate consideration of S\$24.8 million. Food Junction is principally engaged in managing the daily operational requirements of food courts and food stalls. The APG Group has been exploring opportunities to acquire quality property interests and investments in Singapore. In line with the economic growth in Singapore, the outlook for the property market in Singapore remains positive. In January 2006, the APG Group agreed to acquire the property at 329 Bukit Timah Road in Singapore for a consideration of S\$10.5 million. In February 2006, the APG Group also entered into an agreement to acquire a commercial property known as One Phillip Street in Singapore (with a net lettable area of approximately 36,022 square feet) for an aggregate consideration of S\$37.6 million. In order to diversify its business into the resilient retail section in the region, the APG Group has formed a joint venture to acquire an approximate 29.9 per cent. of the issued share capital of Robinson and Company, Limited (“Robinsons”), the shares of which are listed on the Main Board of the SGX-ST, for an aggregate consideration of approximately S\$203 million. The acquisition was completed in June 2006. Robinsons and its subsidiaries operate well-known retail and departmental stores including Robinsons, Marks and Spencers and John Little stores in Singapore and Malaysia. In February 2006, APG ceased to be a subsidiary of the Company and becomes an associated company of the Company. The Group is now interested in approximately 49.3 per cent. of the issued share capital of APG.

## BUSINESS REVIEW AND PROSPECTS *(Continued)*

### PROSPECTS

The global economy remains fundamentally strong. The general prospect for the Hong Kong economy for the remainder of 2006 looks promising. A continuing pick up in consumer spending and investor confidence will support continuing local economic growth. The broad expectation that the trend of rising interest rate in the United States will come to an end soon should help to improve the market sentiment in Hong Kong. There is also broad optimism about the economic and business prospects in the surrounding Asian countries. However, there continues to be some uncertainties on the global economic front, including concerns of the likely pace of economic growth in the United States, high oil prices and implications of an economic slow down in the Mainland China economy.

Overall, we see an optimistic outlook for the Group's business. The Group is in an excellent position to benefit from the economic growth in Asia. The Group will continue to explore suitable investment opportunities in property, retailing and healthcare sectors in the Asian region. However, Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

## **ADDITIONAL INFORMATION**

### **INTERIM DIVIDEND**

The Directors have resolved to declare the payment of an interim dividend of HK0.2 cent per share (2005 – HK0.2 cent per share) amounting to approximately HK\$18,402,000 for the six months ended 30th June, 2006 (2005 – HK\$18,402,000), which will be paid on Friday, 27th October, 2006 to shareholders whose names appear on the Register of Members on Friday, 20th October, 2006.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 13th October, 2006 to Friday, 20th October, 2006 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend for the six months ended 30th June, 2006, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 12th October, 2006.

## 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, 2006, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
<b>Number of ordinary shares of HK\$0.10 each in the Company</b>					
Mochtar Riady	-	-	6,544,696,389 <i>Notes (i) and (ii)</i>	6,544,696,389	71.13
James Riady	-	-	6,544,696,389 <i>Notes (i) and (ii)</i>	6,544,696,389	71.13
Stephen Riady	-	-	6,544,696,389 <i>Notes (i) and (ii)</i>	6,544,696,389	71.13
<b>Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")</b>					
Mochtar Riady	-	-	248,697,776 <i>Note (i)</i>	248,697,776	57.34
James Riady	-	-	248,697,776 <i>Note (i)</i>	248,697,776	57.34
Stephen Riady	-	-	248,697,776 <i>Note (i)</i>	248,697,776	57.34
John Luen Wai Lee	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
<b>Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HCL")</b>					
Mochtar Riady	-	-	973,240,440 <i>Notes (i), (ii) and (iii)</i>	973,240,440	72.26
James Riady	-	-	973,240,440 <i>Notes (i), (ii) and (iii)</i>	973,240,440	72.26
Stephen Riady	-	-	973,240,440 <i>Notes (i), (ii) and (iii)</i>	973,240,440	72.26
John Luen Wai Lee	200	200	-	400	0.00
King Fai Tsui	-	50,000	-	50,000	0.00

*Note:*

- (i) As at 30th June, 2006, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK\$0.10 each in, representing approximately 57.34 per cent. of, the issued share capital of Lippo. 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 included Dr. Mochtar Riady, Mr. James Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor children of each of Messrs. James Riady and Stephen Riady. Dr. Mochtar Riady, as the founder and beneficiary of the trust, and Messrs. James Riady and Stephen Riady (together with their minor children), as beneficiaries of the trust, were taken to be interested in Lippo Cayman under the SFO.

## 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)*

- (ii) As at 30th June, 2006, 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 the Company.
- (iii) As at 30th June, 2006, the Company was directly and indirectly interested in an aggregate of 973,240,440 ordinary shares of HK\$1.00 each in, representing approximately 72.26 per cent. of, the issued share capital of HCL.

As at 30th June, 2006, Dr. Mochtar Riady, as the founder and beneficiary of the aforesaid discretionary trust, and Messrs. James Riady and Stephen Riady (together with their minor children), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note (i) above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia 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
CRC China Limited	Ordinary shares	1	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000	88.88
		<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

## 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
Grand Peak Investment Limited	Ordinary shares	2	100
Grandhill Asia Limited	Ordinary shares	1	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Global Assets Limited	Ordinary shares	1	100
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 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 d)</i>	
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux 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)*

*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 interests were held through Lippo, a 57.34 per cent. owned subsidiary of Lippo Cayman.

As at 30th June, 2006, each of Messrs. James Riady and Stephen Riady, as beneficial owners, through their respective nominees, 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 included, inter alia, Messrs. James Riady and Stephen Riady and their 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, 2006, Mr. John Luen Wai Lee, as a 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.



## 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

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

\* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees adopted by the Company (the "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 Share Option Scheme to subscribe for ordinary shares in the Company 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 the Company at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by the above Director during the six months ended 30th June, 2006 and the quantity of options held by the above Director as at 1st January, 2006 and 30th June, 2006 remained unchanged.

The above interest in the underlying shares of the Company was held pursuant to unlisted physically settled equity derivatives. As at 30th June, 2006, 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).

## 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)*

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2006, 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, 2006, 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 SECURITIES AND FUTURES ORDINANCE**

As at 30th June, 2006, so far as is known to the Directors of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") as follows:

#### **Interests of substantial shareholders in shares of the Company**

Name	Number of ordinary shares of HK\$0.10 each	Approximate percentage of the issued share capital
Lippo Limited ("Lippo")	6,544,696,389	71.13
Lippo Cayman Limited ("Lippo Cayman")	6,544,696,389	71.13
Lanius Limited ("Lanius")	6,544,696,389	71.13
Madam Lidya Suryawaty	6,544,696,389	71.13

## ADDITIONAL INFORMATION *(Continued)*

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

#### Interests of substantial shareholders in shares of the Company *(Continued)*

Note:

1. 6,544,696,389 ordinary shares of the Company were held by Skyscraper Realty Limited directly as beneficial owner which in turn was a wholly-owned subsidiary of First Tower Corporation ("First Tower"). First Tower was a wholly-owned subsidiary of Lippo. Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited (which owned approximately 50.47 per cent. interest of the issued share capital of Lippo), J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in approximately 57.34 per cent. of the issued share capital of Lippo.
2. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
3. Lippo's interests in the shares of the Company were recorded as the interests of Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady, Messrs. James Riady and Stephen Riady were interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2006, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### SHARE OPTION SCHEME

Details of the share option scheme of the Company are disclosed in Note 18 to the interim financial statements.

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

During the six months ended 30th June, 2006, 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”). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the six months ended 30th June, 2006.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30th June, 2006, except for the following deviations from code provisions A.4.2 and D.1.2:

- (i) Prior to the amendment of the Company’s Articles of Association in the last annual general meeting held on 9th June, 2006, any director appointed to fill a casual vacancy should hold office only until the next following annual general meeting, and should then be eligible for re-election.
- (ii) Prior to 21st April, 2006, the Company had not written out a formalised list of functions reserved to the Board although it had been the long standing practice all these years that all important matters, in particular, those affecting the Group’s overall strategic policies, dividend policy, significant changes in accounting policies, material contracts and major investments, would go through the Board for prior approval.

## **ADDITIONAL INFORMATION** *(Continued)*

### **CODE ON CORPORATE GOVERNANCE PRACTICES** *(Continued)*

The Company's Articles of Association have been amended on 9th June, 2006 to provide, inter alia, that any director appointed to fill a casual vacancy shall hold office only until the next following general meeting after their appointment. The Company formalised the functions reserved to the Board on 21st April, 2006 and will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

By Order of the Board  
**Lippo China Resources Limited**  
**John Luen Wai Lee**  
*Director*

Hong Kong, 22nd September, 2006