



Lippo China Resources Limited
力寶華潤有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code:156)

Interim Report
2007



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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

Corporate Information

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

Raiffeisen Zentralbank Österreich AG

Solicitors

Richards Butler

Registrars

Tricor 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

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, 2007.

Condensed Consolidated Profit and Loss Account

	Note	Unaudited six months ended 30th June,	
		2007 HK\$'000	2006 HK\$'000 (restated)
CONTINUING OPERATIONS			
Revenue	3	820,025	810,289
Cost of sales		(638,397)	(611,799)
Gross profit		181,628	198,490
Administrative expenses		(62,452)	(68,006)
Other operating expenses		(47,086)	(70,908)
Fair value gains on investment properties		78,592	84,546
Gain on disposal of available-for-sale financial assets		724	103,970
Gain/(Loss) on disposal of subsidiaries	4	100,434	(255)
Gain/(Loss) on disposal of associates		57,620	(5,575)
Net fair value gain on financial assets at fair value through profit or loss		24,468	8,655
Finance costs		(41,946)	(34,848)
Share of results of associates	5	607,622	3,169
Share of results of jointly controlled entities		(826)	(9,852)
Profit before tax	6	898,778	209,386
Tax	7	43,934	(33,647)
Profit for the period from continuing operations		942,712	175,739
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	8	13,180	6,772
Profit for the period		955,892	182,511
Attributable to:			
Equity holders of the Company	20	676,469	126,904
Minority interests	20	279,423	55,607
		955,892	182,511

Condensed Consolidated Profit and Loss Account (Continued)

	Note	Unaudited six months ended 30th June,	
		2007 HK cents	2006 HK cents
Earnings per share attributable to equity holders of the Company			
Basic	9		
– For profit for the period		7.35	1.38
– For profit from continuing operations		7.25	1.33
Diluted			
– For profit for the period		N/A	N/A
– For profit from continuing operations		N/A	N/A
		HK\$'000	<i>HK\$'000</i>
Interim dividend and distribution	10		
Special interim distribution		2,170,326	–
Interim dividend		18,402	18,402
Special interim dividend		73,609	–
		2,262,337	18,402

Condensed Consolidated Balance Sheet

	Note	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
Non-current assets			
Goodwill		–	57,285
Fixed assets		190,499	244,203
Investment properties		2,951,217	3,971,901
Properties under development		44,541	201,174
Interests in associates	5	916,513	2,775,160
Interests in jointly controlled entities		155,202	205,618
Available-for-sale financial assets	11	387,628	385,618
Held-to-maturity financial assets	12	–	9,582
Loans and advances	14	–	27,066
		4,645,600	7,877,607
Current assets			
Properties held for sale		4,892	23,750
Properties under development		395,845	369,865
Inventories		426	–
Financial assets at fair value through profit or loss	13	58,582	933,831
Loans and advances	14	7,184	281,487
Debtors, prepayments and deposits	15	146,385	224,701
Client trust bank balances		–	582,905
Treasury bills		–	194,970
Cash and bank balances		1,151,138	720,767
		1,764,452	3,332,276
Assets of a disposal group held for distribution	8	6,536,531	–
		8,300,983	3,332,276
Current liabilities			
Bank and other borrowings	16	150,000	374,276
Creditors, accruals and deposits received	17	423,410	1,163,051
Current, fixed, savings and other deposits of customers	18	–	305,521
Tax payable		60,597	67,960
		634,007	1,910,808
Liabilities directly associated with the assets held for distribution	8	2,651,058	–
		3,285,065	1,910,808
Net current assets		5,015,918	1,421,468
Total assets less current liabilities		9,661,518	9,299,075

Condensed Consolidated Balance Sheet (Continued)

	Note	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
Non-current liabilities			
Bank and other borrowings	16	1,304,866	1,850,950
Deferred tax liabilities		422,882	532,065
		1,727,748	2,383,015
Net assets			
		7,933,770	6,916,060
Equity			
Equity attributable to equity holders of the Company			
Share capital	19	920,109	920,109
Reserves	20	5,388,224	4,582,760
		6,308,333	5,502,869
Minority interests	20	1,625,437	1,413,191
		7,933,770	6,916,060

Condensed Consolidated Summary Statement of Changes in Equity

		Unaudited	
		six months ended 30th June,	
	<i>Note</i>	2007	2006
		HK\$'000	HK\$'000
Total equity at 1st January		6,916,060	6,808,487
Changes in equity during the period:			
Exchange differences on translation of foreign operations		32,663	70,038
Release of reserves in respect of disposal of subsidiaries		(11,563)	–
Net fair value gain/(loss) on available-for-sale financial assets		112,117	(8,412)
Deferred tax arising from fair value gain on available-for-sale financial assets		(353)	(4,001)
Derecognition of available-for-sale financial assets		(1,204)	(82,475)
Surplus on revaluation of leasehold land and buildings	20	16,802	–
Deferred tax arising from surplus on revaluation of leasehold land and buildings	20	(2,941)	–
Share of reserves of associates and jointly controlled entities		39,876	10,088
Net income/(expense) recognised directly in equity		185,397	(14,762)
Profit for the period		955,892	182,511
Total recognised income and expense for the period		1,141,289	167,749
Issue of shares by subsidiaries to minority shareholders	20	250	402
Advance from minority shareholders of subsidiaries	20	64,081	39,132
Changes in interests in subsidiaries	20	–	(257)
Disposal of subsidiaries		(132,426)	–
Deconsolidation of subsidiaries		–	(706,850)
2005 final dividend, declared and paid to shareholders of the Company	20	–	(18,402)
2005 final distribution, declared and paid to minority shareholders of subsidiaries	20	–	(11,208)
2006 final dividend, declared to shareholders of the Company	20	(36,804)	–
2006 final distribution, declared to minority shareholders of subsidiaries	20	(18,680)	–
		1,017,710	(529,434)
Total equity at 30th June		7,933,770	6,279,053
Total recognised income and expense for the period attributable to:			
Equity holders of the Company		842,268	104,232
Minority interests		299,021	63,517
		1,141,289	167,749

Condensed Consolidated Cash Flow Statement

	Unaudited	
	six months ended 30th June,	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Net cash from/(used in) operating activities	(602,078)	354,926
Net cash from/(used in) investing activities	388,958	(1,773,538)
Net cash from financing activities	805,137	676,897
Net increase/(decrease) in cash and cash equivalents	592,017	(741,715)
Cash and cash equivalents at 1st January	915,737	1,304,220
Exchange realignments	6,832	19,428
Cash and cash equivalents at 30th June	1,514,586	581,933
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	1,151,138	508,368
Treasury bills	–	75,660
Bank overdrafts	–	(2,095)
Cash and cash equivalents of a disposal group held for distribution	363,448	–
	1,514,586	581,933

Notes to the Interim Financial Statements

1.1 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, 2006, 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, 2007, that are adopted for the first time for the current period’s financial statements:

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
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

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.

1.2 Change in Accounting Estimates

On 16th March, 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “New Corporate Income Tax Law”), which will become effective from 1st January, 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the corporate income tax (the “CIT”) rate for domestic and foreign investment enterprises at a rate of 25 per cent. (31st December, 2006 – 33 per cent.). This change in the CIT rate will directly offset the Group’s effective tax rate prospectively from 2008. According to HKAS 12 “Income taxes”, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the CIT rate has had the following impact on the financial position of the Group for the six months ended 30th June, 2007:

(a) Effect on the condensed consolidated balance sheet as at 30th June, 2007:

	HK\$’000
Decrease in deferred tax liabilities	(79,428)
Increase in minority interests	25,718
Increase in retained profits	53,710
	-

Notes to the Interim Financial Statements (Continued)

1.2 Change in Accounting Estimates (Continued)

(b) Effect on the condensed consolidated profit and loss account for the six months ended 30th June, 2007:

	HK\$'000
Decrease in deferred tax charges	79,428
Increase in minority interests	(25,718)
	53,710

At the date of approval of these condensed consolidated interim financial statements, detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods when more detailed requirements are issued.

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 banking business segment engages in the provision of commercial and retail banking services;
- (f) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services; and
- (g) the "other" segment comprises principally restaurants and catering business, the operating of department stores, the development of computer hardware and software, money lending and the provision of property, project and fund management and investment advisory 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, 2007										
	Continuing operations							Discontinued operation			
	Property investment	Property investment and development	Securities investment	Food businesses	Banking business	Other	Inter-segment elimination	Consolidated	Corporate finance and securities broking	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue											
External	8,735	103,739	612,292	-	15,388	79,871	-	820,025	67,424	-	887,449
Inter-segment	13,938	2,495	-	-	-	882	(17,315)	-	164	(164)	-
Total	22,673	106,234	612,292	-	15,388	80,753	(17,315)	820,025	67,588	(164)	887,449
Segment results	22,454	260,445	33,562	-	4,157	101,044	(17,036)	404,626	13,180	-	417,806
Unallocated corporate expenses								(72,216)			(72,216)
Finance costs								(40,428)			(40,428)
Share of results of associates	-	490,742	-	-	-	116,880	-	607,622	-	-	607,622
Share of results of jointly controlled entities	-	(64)	-	-	-	(762)	-	(826)	-	-	(826)
Profit before tax								898,778			911,958
Tax								43,934			43,934
Profit for the period								942,712			955,892
	Six months ended 30th June, 2006 (restated)										
	Continuing operations							Discontinued operation			
	Property investment	Property investment and development	Securities investment	Food businesses	Banking business	Other	Inter-segment elimination	Consolidated	Corporate finance and securities broking	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue											
External	20,946	125,718	495,207	138,856	14,338	15,224	-	810,289	46,110	-	856,399
Inter-segment	797	2,709	-	-	-	3,494	(7,000)	-	222	(222)	-
Total	21,743	128,427	495,207	138,856	14,338	18,718	(7,000)	810,289	46,332	(222)	856,399
Segment results	20,657	158,265	133,823	400	5,051	2,424	(4,223)	316,397	6,772	-	323,169
Unallocated corporate expenses								(66,005)			(66,005)
Finance costs								(34,323)			(34,323)
Share of results of associates	-	(4,779)	-	-	(4,446)	12,394	-	3,169	-	-	3,169
Share of results of jointly controlled entities	-	(8,406)	-	-	-	(1,446)	-	(9,852)	-	-	(9,852)
Profit before tax								209,386			216,158
Tax								(33,647)			(33,647)
Profit for the period								175,739			182,511

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, gross income from restaurants and catering business, gross rental income from department stores, gross income from property management, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

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

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000 (restated)
Treasury investment	8,735	20,946
Property investment and development	103,739	125,718
Securities investment	612,292	495,207
Food businesses	–	138,856
Banking business	15,388	14,338
Other	79,871	15,224
	820,025	810,289
Attributable to continuing operations		
Corporate finance and securities broking attributable to discontinued operation	67,424	46,110
	887,449	856,399

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. Revenue attributable to banking business is analysed as follows:

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Interest income	12,428	12,064
Commission income	2,132	1,658
Other revenues	828	616
	15,388	14,338

Notes to the Interim Financial Statements (Continued)

4. Gain/(Loss) on Disposal of Subsidiaries

The amount included a gain on disposal of subsidiaries of HK\$101,956,000 from the Group's disposal of its entire interest in a joint venture, which held twenty-two strata lots in a commercial building located at 79 Anson Road in Singapore, in June 2007.

5. Share of Results of Associates/Interests in Associates

Share of results of associates included the Group's share of profit 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\$491 million (2006 – loss of HK\$5 million).

The balance of interests in associates as at 31st December, 2006 included the Group's interest in LAAP of approximately HK\$1,639 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. The balance of which amounted to HK\$2,253 million as at 30th June, 2007 has been included as assets of a disposal group held for distribution.

6. Profit before Tax

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

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Interest income:		
Listed investments	821	3,652
Unlisted investments	324	791
Banking operation	12,428	12,064
Other	9,310	20,946
Dividend income:		
Listed investments	175	817
Unlisted investments	5,648	1,291
Other unlisted investment income	–	702
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	(130)	20,284
Unlisted financial assets at fair value through profit or loss	2,217	20
Listed available-for-sale financial assets	–	103,338
Unlisted available-for-sale financial assets	724	632
Net fair value gain on financial assets at fair value through profit or loss:		
Listed	11,398	1,082
Unlisted	13,070	7,573
Provision for impairment losses on unlisted available-for-sale financial assets	–	(1,142)
Depreciation	(7,155)	(8,875)
Loss on disposal of fixed assets	(9)	(1)
Gain on disposal of properties	–	699
Cost of inventories sold	(2,284)	(101,149)

Note: The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

Notes to the Interim Financial Statements (Continued)

7. Tax

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong:		
Charge for the period	–	1,270
Deferred	8,988	6,304
	8,988	7,574
Overseas:		
Charge for the period	12,674	10,713
Underprovision in prior periods	111	263
Deferred	(65,707)	15,097
	(52,922)	26,073
Total charge/(credit) for the period	(43,934)	33,647

Hong Kong profits tax has been provided for at the rate of 17.5 per cent. (2006 – 17.5 per cent.) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profits for the period at the tax rates prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. Discontinued Operation/Assets and Liabilities of a Disposal Group held for Distribution

On 18th June, 2007, the Company announced a proposal to declare a special interim distribution to be satisfied by way of a distribution in specie (the "Distribution") comprising substantially all the Company's beneficial shareholding of 973,240,440 shares of HK\$1.00 each in Hongkong Chinese Limited ("HKC"), representing approximately 72.26 per cent. of the issued share capital of HKC, held by the Company. On 17th July, 2007, the Company announced the decision of its board of directors to declare the Distribution in the proportion of 1.057745 share of HKC ("HKC share") for every ten shares of the Company held by the Company's shareholders. Following the Distribution, HKC and its subsidiaries (the "HKC Group") ceased to be subsidiaries of the Company and the corporate finance and securities broking business which was solely carried out by the HKC Group would become discontinued operation. Results of the HKC Group will not be accounted for in the consolidated financial statements of the Company. As at 30th June, 2007, final approval for the Distribution was in progress and the HKC Group was classified as a disposal group held for distribution.

8. Discontinued Operation/Assets and Liabilities of a Disposal Group held for Distribution
(Continued)

(a) Profit for the period from corporate finance and securities broking business are presented below:

	Note	Six months ended 30th June, 2007 HK\$'000	2006 HK\$'000
Revenue	3	67,424	46,110
Cost of sales		(23,234)	(17,352)
Gross profit		44,190	28,758
Administrative expenses		(15,760)	(12,837)
Other operating expenses		(5,573)	(3,397)
Finance costs		(9,677)	(5,752)
Profit for the period		13,180	6,772
		HK cents	HK cents
Earnings per share	9		
Basic, from the discontinued operation		0.10	0.05
Diluted, from the discontinued operation		N/A	N/A

(b) The net cash flows incurred by the HKC Group are presented below:

	30th June, 2007 HK\$'000
Operating activities	(737,554)
Investing activities	432,163
Financing activities	105,761
Net cash outflow of the disposal group	(199,630)

8. Discontinued Operation/Assets and Liabilities of a Disposal Group held for Distribution

(Continued)

(c) The major classes of assets and liabilities of the HKC Group held for distribution are as follows:

	30th June, 2007 HK\$'000
Assets	
Goodwill	57,285
Fixed assets	45,899
Investment properties	497,028
Properties under development	169,367
Interests in associates	2,572,876
Interests in jointly controlled entities	151,684
Available-for-sale financial assets	111,444
Financial assets at fair value through profit or loss	378,009
Held-to-maturity financial assets	9,613
Loans and advances	738,451
Property held for sale	19,666
Debtors, prepayments and deposits	858,371
Client trust bank balances	558,517
Treasury bills	13,580
Cash and bank balances	354,741
	6,536,531
Liabilities	
Bank and other borrowings	(1,592,240)
Creditors, accruals and deposits received	(865,588)
Current, fixed, savings and other deposits of customers	(158,678)
Tax payable	(8,963)
Deferred tax liabilities	(25,589)
	(2,651,058)
Liabilities directly associated with the assets held for distribution	(2,651,058)
	3,885,473
Net assets directly associated with the disposal group	3,885,473

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

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the period attributable to equity holders of the Company; and (ii) the weighted average number of 9,201,089,000 ordinary shares (2006 – 9,201,089,000 ordinary shares) in issue during the period.

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Consolidated profit attributable to equity holders of Company:		
From continuing operations	666,945	122,011
From discontinued operation	9,524	4,893
	676,469	126,904

(b) Diluted earnings per share

No diluted earnings per share is presented for the periods ended 30th June, 2007 and 2006 as the share options outstanding during these periods had no dilutive effect on the basic earnings per share for these periods.

10. Interim Dividend and Distribution

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Special interim distribution, declared and paid, of 1.057745 HKC share per ten ordinary shares (Note 8)	2,170,326	–
Interim dividend, declared, of HK0.2 cent (2006 – HK0.2 cent) per ordinary share	18,402	18,402
Special interim dividend, declared, of HK0.8 cent (2006 – Nil) per ordinary share	73,609	–
	2,262,337	18,402

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

Notes to the Interim Financial Statements (Continued)

11. Available-for-sale Financial Assets

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Financial assets stated at fair value:		
Equity securities listed overseas	341,357	240,298
Unlisted debt securities	12,831	12,122
Unlisted investment funds	–	94,442
	354,188	346,862
Financial assets stated at cost:		
Unlisted equity securities	25,612	104,778
Unlisted debt securities	27,557	39,093
Unlisted investment funds	15,461	15,461
	68,630	159,332
Provision for impairment losses	(35,190)	(120,576)
	33,440	38,756
	387,628	385,618

The debt securities have effective interest rates ranging from nil to 8.4 per cent. (31st December, 2006 – 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	366,969	345,076
Debt securities:		
Club debentures	7,810	10,975
Corporate entities	32,578	40,240
	40,388	51,215

12. Held-to-maturity Financial Assets

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Debt securities, at amortised cost:		
Listed overseas	–	9,582
Market value of listed debt securities	–	10,444

As at 31st December, 2006, the debt securities had effective interest rates of 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	–	9,582
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Notes to the Interim Financial Statements (Continued)

13. Financial Assets at Fair Value through Profit or Loss

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	–	56,293
Listed overseas	779	7,345
	779	63,638
Debt securities:		
Listed overseas	–	9,056
Investment funds:		
Listed overseas	–	46,030
Unlisted	57,803	342,923
	57,803	388,953
Other:		
Unlisted	–	5,813
	58,582	467,460
Designated as financial assets at fair value through profit or loss: (Note)		
Unlisted investment funds	–	466,371
	58,582	933,831

Note: The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising the gains or losses on different bases.

As at 31st December, 2006, the debt securities had effective interest rates ranging from 6.5 per cent. to 8 per cent. per annum.

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

Equity securities:		
Corporate entities	779	63,638
Debt securities:		
Corporate entities	–	9,056

Notes to the Interim Financial Statements (Continued)

14. Loans and Advances

The loans and advances to customers of the Group have effective interest rates of 3 per cent. (31st December, 2006 – 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 relating to banking operation during the period are as follows:

	Six months ended 30th June, 2007	2006
	HK\$'000	HK\$'000
Balance at beginning of period	2,996	3,000
Allowance for bad and doubtful debts	326	24
Impairment allowance released	–	(12)
Balance at end of period	3,322	3,012

15. Debtors, Prepayments and Deposits

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

	30th June, 2007	31st December, 2006
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Repayable on demand	–	45,809
Within 30 days	1,333	42,088
Between 31 and 60 days	72	1,166
Between 61 and 90 days	27	279
Between 91 and 180 days	183	155
Over 180 days	54	60
	1,669	89,557

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)

16. Bank and Other Borrowings

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Bank loans:		
Secured (Note (a))	1,454,866	1,967,100
Unsecured	–	10,000
	1,454,866	1,977,100
Other borrowing:		
Unsecured (Note (b))	–	248,126
	1,454,866	2,225,226
Less: Amount classified under current portion	(150,000)	(374,276)
	1,304,866	1,850,950
Bank and other borrowings by currency:		
Hong Kong dollar	1,240,000	1,608,126
Singapore dollar	214,866	550,950
United States dollar	–	66,150
	1,454,866	2,225,226
Bank loans repayable:		
Within one year	150,000	126,150
In the second year	264,866	270,965
In the third to fifth years, inclusive	420,000	959,985
After five years	620,000	620,000
	1,454,866	1,977,100
Other borrowing repayable:		
Within one year	–	248,126

The carrying amounts of the Group's bank and other borrowings are approximate to their fair values and bear interest at floating rates ranging from 4.0 per cent. to 5.6 per cent. (31st December, 2006 – 4.4 per cent. to 7.3 per cent.) per annum.

Notes to the Interim Financial Statements (Continued)

16. Bank and Other Borrowings (Continued)

Note:

- (a) At the balance sheet date, the bank loans were secured by:
- (i) shares in a listed subsidiary of the Group with market value of HK\$1,979,686,000 (31st December, 2006 – HK\$999,453,000); and
 - (ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development with carrying amounts of HK\$1,053,395,000 (31st December, 2006 – HK\$3,641,729,000), HK\$173,776,000 (31st December, 2006 – HK\$188,609,000) and HK\$395,845,000 (31st December, 2006 – HK\$369,865,000), respectively.

The bank loans as at 31st December, 2006 were also secured by certain securities of the Group with carrying amounts of HK\$46,710,000.

- (b) As at 31st December, 2006, the Group's other borrowing was advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company. The balance of which was fully repaid during the period.

17. Creditors, Accruals and Deposits Received

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

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Outstanding balances with ages:		
Repayable on demand	158	637,965
Within 30 days	4,374	114,178
Between 31 and 60 days	106	195
Between 61 and 90 days	42	–
Between 91 and 180 days	–	50
Over 180 days	515	–
	5,195	752,388

The outstanding balances as at 31st December, 2006 that were repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 31st December, 2006, total client trust bank balances amounted to HK\$582,905,000. As at 30th June, 2007, the respective balance of client payables and total client trust bank balances amounted to HK\$558,517,000 has been included as liabilities directly associated with the assets held for distribution.

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.

Notes to the Interim Financial Statements (Continued)

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

As at 31st December, 2006, the current, fixed, savings and other deposits of customers attributable to banking operation had effective interest rates ranging from 2.5 per cent. to 5.2 per cent. per annum. As at 30th June, 2007, the balance of which has been included as liabilities directly associated with the assets held for distribution.

19. Share Capital

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Authorised:		
28,000,000,000 (31st December, 2006 – 28,000,000,000) ordinary shares of HK\$0.10 each	2,800,000	2,800,000
Issued and fully paid:		
9,201,088,716 (31st December, 2006 – 9,201,088,716) ordinary shares of HK\$0.10 each	920,109	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 could be granted under the Share Option Scheme from May 2004. The options could 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 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)

19. Share Capital (Continued)

Share options (Continued)

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

Date of grant	Exercise price per share	Exercise period of share options	Quantity of share options outstanding at 1st January, 2007	Quantity of share options lapsed during the period	Quantity of share options outstanding at 30th June, 2007
23rd June, 1997	HK\$0.883	August 1997 to June 2007	4,300,000	4,300,000	Nil

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 was 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 was subject to adjustment.

During the period, 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 2,800,000 share options were held by directors of the Company's subsidiaries or employees of the Company or its subsidiaries. All the outstanding share options lapsed on 23rd June, 2007.

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

On 7th June, 2007, a new share option scheme of the Company (the "New Share Option Scheme") was adopted and approved by the shareholders of the Company and Lippo Limited ("Lippo"), the holding company of the Company, respectively. Also, on 7th June, 2007, a new share option scheme of HKC, a then subsidiary of the Company, (the "HKC Share Option Scheme") was adopted and approved by the shareholders of HKC, the Company and Lippo respectively. As at the date of this report, HKC ceased to be a subsidiary of the Company.

No options have been granted under the New Share Option Scheme and HKC Share Option Scheme since their adoption and accordingly, there were no options outstanding as at 30th June, 2007.

Notes to the Interim Financial Statements (Continued)

20. Reserves

	Share premium account	Special Capital reserve (Note (a))	Legal reserve (Note (b))	Investment revaluation reserve	Other asset revaluation reserve	Exchange equalisation reserve	Regulatory reserve (Note (c))	Retained profits	Total	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	785,257	2,075,948	2,861	115,030	-	(8,457)	913	1,611,208	4,582,760	1,413,191
Net fair value gain on available-for-sale financial assets	-	-	-	109,204	-	-	-	-	109,204	2,913
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	(255)	-	-	-	-	(255)	(98)
Derecognition of available-for-sale financial assets	-	-	-	(870)	-	-	-	-	(870)	(334)
Surplus on revaluation of leasehold land and buildings	-	-	-	-	16,802	-	-	-	16,802	-
Deferred tax arising from surplus on revaluation of leasehold land and buildings	-	-	-	-	(2,941)	-	-	-	(2,941)	-
Transfer of reserve	-	-	1,019	-	-	-	-	(1,019)	-	-
Share of reserves of associates and jointly controlled entities	-	-	-	19,776	-	8,987	-	-	28,763	11,113
Advances from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	64,081
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	250
Disposal of subsidiaries	-	-	-	-	-	(8,355)	-	-	(8,355)	(135,634)
Exchange realignment	-	-	-	-	-	23,451	-	-	23,451	9,212
Profit for the period	-	-	-	-	-	-	-	676,469	676,469	279,423
2006 final dividend, declared to shareholders of the Company	-	-	-	-	-	-	-	(36,804)	(36,804)	-
2006 final distribution, declared to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(18,680)
At 30th June, 2007	785,257	2,075,948	3,880	242,885	13,861	15,626	913	2,249,854	5,388,224	1,625,437

Notes to the Interim Financial Statements (Continued)

20. Reserves (Continued)

	Share premium account	Special Capital reserve (Note (a))	Legal reserve (Note (b))	Investment revaluation reserve	Exchange equalisation reserve	Regulatory reserve (Note (c))	Retained profits	Total	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 associates and jointly controlled entities	-	-	-	10,112	-	-	-	10,112	(24)
Advances 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)
At 30th June, 2006	785,257	2,075,948	2,861	21,090	(98,337)	845	1,362,953	4,150,617	1,208,327

20. 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.

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.

(b) Legal reserve

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

(c) Regulatory reserve

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

Notes to the Interim Financial Statements (Continued)

21. Maturity Profile of Assets and Liabilities

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

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30th June, 2007							
Assets							
Debt securities:							
Available-for-sale financial assets	-	-	-	-	12,831	27,557	40,388
Loans and advances	-	-	7,184	-	-	-	7,184
Cash and bank balances	350,231	800,907	-	-	-	-	1,151,138
	350,231	800,907	7,184	-	12,831	27,557	1,198,710
Liabilities							
Bank loans	-	100,000	50,000	684,866	620,000	-	1,454,866
	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st December, 2006							
Assets							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,582	-	9,582
Available-for-sale financial assets	-	-	-	8,371	12,122	30,722	51,215
Financial assets at fair value through profit or loss	-	-	-	-	976	8,080	9,056
Loans and advances	110,599	116,151	54,737	10,740	16,326	-	308,553
Client trust bank balances	52,417	530,488	-	-	-	-	582,905
Treasury bills	-	194,970	-	-	-	-	194,970
Cash and bank balances	223,903	496,864	-	-	-	-	720,767
	386,919	1,338,473	54,737	19,111	39,006	38,802	1,877,048
Liabilities							
Bank and other borrowings	-	76,150	298,126	1,230,950	620,000	-	2,225,226
Current, fixed, savings and other deposits of customers	107,747	194,458	3,316	-	-	-	305,521
	107,747	270,608	301,442	1,230,950	620,000	-	2,530,747

Notes to the Interim Financial Statements (Continued)

21. Maturity Profile of Assets and Liabilities (Continued)

An analysis of the maturity profile of assets and liabilities of a disposal group analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30th June, 2007							
Assets							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,613	-	9,613
Available-for-sale financial assets	-	-	8,421	-	-	3,165	11,586
Financial assets at fair value through profit or loss	-	-	-	-	929	7,982	8,911
Loans and advances	209,961	487,823	16,704	12,144	11,819	-	738,451
Client trust bank balances	80,230	478,287	-	-	-	-	558,517
Treasury bills	-	13,580	-	-	-	-	13,580
Cash and bank balances	89,081	265,660	-	-	-	-	354,741
	379,272	1,245,350	25,125	12,144	22,361	11,147	1,695,399
Liabilities							
Bank and other borrowings	4,873	1,064,691	522,676	-	-	-	1,592,240
Current, fixed, savings and other deposits of customers	62,404	91,440	4,834	-	-	-	158,678
	67,277	1,156,131	527,510	-	-	-	1,750,918

22. Contingent Liabilities

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

- (a) As at 30th June, 2007, the Group had guarantees in respect of banking facilities granted to an associate HK\$448,000 (31st December, 2006 – HK\$402,000) and an investee company of HK\$655,000 (31st December, 2006 – HK\$746,000).
- (b) **Details of the off-balance sheet exposures relating to banking operation in respect of a disposal group held for distribution**
As at 30th June, 2007, the Group had contingent liabilities relating to its banking subsidiary of HK\$20,262,000 (31st December, 2006 – HK\$29,564,000), comprising guarantees and other endorsements of HK\$18,340,000 (31st December, 2006 – HK\$17,172,000) and liabilities under letters of credit on behalf of customers of HK\$1,922,000 (31st December, 2006 – HK\$12,392,000).

Notes to the Interim Financial Statements (Continued)

23. Capital Commitments

The Group had the following commitments at the balance sheet date: (Note (a))

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Capital commitments in respect of property, plant and equipment: Contracted, but not provided for	550,615	310,888
Other capital commitments: Contracted, but not provided for (Note (b))	375,209	542,251
	925,824	853,139

Note:

- (a) The balance as at 30th June, 2007 included the Group's capital commitments in respect of a disposal group held for distribution.
- (b) The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in Republic of Singapore and the People's Republic of China of approximately HK\$349 million (31st December, 2006 – HK\$390 million).

24. Related Party Transactions

- (a) As at 30th June, 2007, the Group had amounts due from associates in a total of HK\$59,097,000 (31st December, 2006 – HK\$357,720,000), amounts due to associates in a total of HK\$2,246,000 (31st December, 2006 – HK\$24,401,000) and amounts due from jointly controlled entities in a total of HK\$170,063,000 (31st December, 2006 – HK\$212,177,000).

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment except for the balance of HK\$4,500,000 (31st December, 2006 – HK\$4,500,000) due from Maxipo International Limited which bears interest at HK dollars prime rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited.

The balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment except for the balance of HK\$170,063,000 (31st December, 2006 – HK\$165,445,000) due from Tanglin Residential Pte. Ltd. which bears interest at 4.35 per cent. per annum. As at 31st December, 2006, the balance with the jointly controlled entities included a loan of HK\$3,988,000, which is secured by certain shares of a jointly controlled entity, bears interest at US dollars prime rate plus 2 per cent. per annum and has no fixed terms of repayment.

The carrying amounts of the balances are approximate to their fair values.

- (b) During the period, the Group received rental income from Lippo of HK\$2,251,000 (2006 – HK\$1,489,000). The rental was determined by reference to open market rentals.

24. Related Party Transactions (Continued)

- (c) During the period, ImPac Asset Management (HK) Limited (“ImPac”), a non-wholly owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited (“Lippo ASM”), being an associate of the Group, amounting to HK\$5,649,000 (2006 – HK\$5,638,000). Subsequent to the period ended 30th June, 2007, ImPac and Lippo ASM ceased to be non-wholly owned subsidiary of the Company and associate of the Group respectively.
- (d) During the period, HKC paid finance costs to Lippo of HK\$3,025,000 (2006 – HK\$1,373,000) in respect of the loan advanced to HKC. The balance of which was fully repaid during the period.

25. Financial Risk Management Objectives and Policies

The Group had established policies and procedures for risk management which were reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group’s activities at all times. The risk management function was carried out by individual business units and regularly overseen by the Group’s senior management with all the risk limits approved by the Directors of the Group.

(a) Credit risk

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

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

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

(b) Liquidity risk

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

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

(c) Interest rate risk

Interest rate risk primarily resulted from timing differences in the repricing of interest bearing assets, liabilities and commitments. The Group’s interest rate positions arose mainly from treasury, commercial 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.

25. Financial Risk Management Objectives and Policies (Continued)

(d) Foreign exchange risk

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

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

(e) Market risk

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

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.

26. Post Balance Sheet Events

(a) The Company has declared a special interim distribution on 17th July, 2007 which was satisfied by way of a distribution in specie of the HKC's shares held by the Company. Further details of which are described in Note 8 to the interim financial statements.

(b) Lippo Group International Pte. Limited ("LGI"), a wholly-owned subsidiary of the Company, has a 50 per cent. interest in a joint venture vehicle between LGI and CRL Realty Pte Ltd (the "JV Co") for the purposes of a property development project in Singapore (the "Project"). The JV Co is the legal and beneficial owner, and developer of the Project and in respect of which the JV Co has sold all of the units to buyers under a deferred payment scheme.

On 25th July, 2007, the JV Co entered into an agreement to sell all of its rights, title and interest in the receivables of the Project, in respect of units which have been sold, to Vesta Investment Corporation Limited ("Vesta"). Vesta issued floating rate notes to institutional investors upon the purchase of the receivables (the "Securitisation Exercise"). On the same date, the Company entered into a cost overruns undertaking and a deed of understanding in relation to the Securitisation Exercise which would result in a net maximum exposure of approximately S\$15,882,000 to the Group.

27. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation. The reclassifications had no impact on the Group's earnings for the six months ended 30th June, 2006.

Report on Review of Interim Financial Information



TO THE BOARD OF DIRECTORS OF LIPPO CHINA RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 33 which comprise the condensed consolidated balance sheet of Lippo China Resources Limited as at 30th June, 2007 and the related condensed consolidated profit and loss account, summary statement of changes in equity and cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Hong Kong, 19th September, 2007

Supplementary Financial Information

Disclosure Pursuant of Rule 13.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Set out below is a proforma combined balance sheet of the Group's affiliates as at 30th June, 2007 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	Pro forma combined balance sheet as at 30th June, 2007 HK\$'000	Group's attributable interest as at 30th June, 2007 HK\$'000
Intangible assets	997,104	987,962
Fixed assets	3,054,661	2,896,867
Investment properties	3,266,629	2,737,652
Properties under development	3,396,598	2,303,607
Interests in associates	3,405,895	2,847,978
Available-for-sale financial assets	2,416,029	1,319,328
Financial assets at fair value through profit or loss	130,947	35,577
Loans and advances	2,125,166	581,445
Deposits paid for acquisition of properties	67,789	33,894
Inventories	160,353	81,269
Debtors, prepayments and deposits	307,792	184,424
Cash and bank balances	3,773,449	2,992,602
Bank and other borrowings	(9,410,350)	(6,590,847)
Creditors, accruals and deposits received	(957,874)	(458,186)
Current, fixed, saving and other deposits of customers	(2,839,039)	(776,761)
Tax payable	(119,257)	(110,110)
Shareholders' advance	(1,311,779)	(721,122)
Deferred tax liabilities	(670,899)	(635,600)
Other net assets	156,945	75,782
	7,950,159	7,785,761

The Group's attributable interest in the respective assets and liabilities represents that portion attributable to the Group before minority interests included therein.

Management Discussion and Analysis

Hong Kong economy gathered strong momentum in 2007. The Asia region also sustained healthy economic growth.

The Group achieved encouraging results in the first half of 2007 with good progress on all major core businesses. During the period under review, property investment and development sector performed well and sustained impressive returns to the Group. The Group also took advantage of the positive global and local market conditions and realised a substantial part of its investment portfolio at profit. Meanwhile, the Group continued to strengthen its core businesses and explore overseas investment markets.

On 18th June, 2007, the Company announced the proposal to declare a special interim distribution to be satisfied by way of a distribution in specie (the "Distribution") comprising substantially all the Company's beneficial shareholding of 973,240,440 shares of HK\$1.00 each in Hongkong Chinese Limited ("HKC") held by the Company. Following the Distribution, results of HKC and its subsidiaries (the "HKC Group") will not be accounted for in the consolidated financial statements of the Company. As at 30th June, 2007, the HKC Group was classified as a disposal group held for distribution. The Distribution has resulted in a clearer operational structure of the Group.

Following the Distribution, the Group will primarily focus on its retail business. Recently, the Group has entered into certain lease agreements to commence its retail business in Mainland China. The leased premises would be used to operate shopping centres and department stores carried trade name as "Robbinz" in the strategic locations in Mainland China which included Tianjin and Chengdu, etc. The proposed branch network will also cover other core cities in Mainland China. It is expected that the flagship store in Tianjin with a gross floor area of approximately 98,000 square metres will commence business in early November 2007 after completion of necessary furnishing works. The Group will position itself at the mid-to-high-end of the retail market. By establishing an extensive network of department stores, the Group will capture the growth opportunities in the China economy and the domestic consumption in Mainland China. As at 30th June, 2007, a capital contribution of HK\$143 million has been made by the Group to the retail business in Mainland China.

For the six months ended 30th June, 2007, the Group's profit attributable to shareholders increased to HK\$676 million (2006 – HK\$127 million).

Results for the period

Turnover for the six months ended 30th June, 2007 totalled HK\$820 million, which was higher than the HK\$810 million (restated) which included the turnover of HK\$139 million from food businesses contributed by a former subsidiary in the corresponding period of 2006. Property and treasury and securities investments remained the principal sources of revenue of the Group, contributing 13 per cent. (2006 – 16 per cent., restated) and 76 per cent. (2006 – 64 per cent., restated) of the total turnover.

The Group reported a profit for the period from continuing operations of HK\$943 million (2006 – HK\$176 million). Property investment and development sector was the main contributor.

Property investment and development

Turnover generated from this segment increased to HK\$104 million (2006 – HK\$82 million when the proceeds of HK\$28 million relating to sales of properties and the rental income of HK\$16 million contributed by a former subsidiary were excluded) as a result of the increase in rental income from the leasing of the existing high quality and well-located investment properties.

Rental income generated from properties located in Hong Kong and Mainland China registered an increase of 31 per cent. and 9 per cent., respectively. Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, China continued to achieve high occupancy and renewal rental rates. The investment properties continued to provide stable rental income to the Group during the period. With a positive outlook in both regional and local property markets, the Group recorded a total revaluation gain on investment properties

of HK\$79 million (2006 – HK\$85 million) during the period.

The Group's earnings from property investment and development also benefited from the prosperous property market in Singapore. In June 2007, the Group disposed of its entire interest in a joint venture, which held twenty-two strata lots in a commercial building located at 79 Anson Road in Singapore (the "Anson Road Properties") at a net profit of HK\$102 million. Given the increase in Singapore property values, the disposal enabled the Group to realise the gain from its investment in the Anson Road Properties.

The Group's investment in a property fund (the "Property Fund"), carrying the objective of investing in real estates in the East Asia region, registered remarkable results for the period. The Property Fund's investment in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in hotel operations and property investments, recorded a strong growth for the period as a result of the buoyant property market and booming tourist demand in Singapore. The Group registered a share of profit of HK\$491 million from the investment. Currently, OUE has six prestigious hotels, carries the "Mandarin" and "Meritus" brand, which are strategically located in various famous tourist districts of Singapore, Malaysia and China. OUE also holds a number of prime office buildings in central financial and business districts of Singapore. Meanwhile, OUE has recently participated in certain new property development and investment projects to capture the robust prime office and luxury residential property demand. It is expected that these investments have strong value appreciation potential.

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

Treasury and securities investments

Entering 2007, the Group redeemed its investment in a real estate fund for a net proceed of S\$92 million. The redemption enabled the Group to realise the gain made pursuant to the subscription in the real estate fund, which has been recognised as unrealised gain in the past years. Turnover and profits attributable to treasury and securities investments for the period amounted to HK\$621 million (2006 – HK\$516 million, restated) and HK\$56 million (2006 – HK\$154 million) respectively.

Looking ahead, the investment market would still be challenging and full of uncertainty. Foreseeing the global investment market continued to be volatile, the Group took necessary steps to restructure and refine its composition of investment portfolio in the securities investment segment so as to improve overall asset quality.

Other businesses

During the period, the Group registered a share of profit of HK\$113 million from a listed associate in Singapore, Auric Pacific Group Limited (“APG”). The businesses of APG mainly included food manufacturing, wholesale and distribution, retail and food court operation as well as property and securities investment. The Group also participated in certain property project management in Singapore. Revenue of HK\$40 million was generated in the current period. In May 2007, the Group disposed of its

34.34 per cent. interest in the Convoy Group, which engaged in the provision of independent financial planning services in Hong Kong, at a net profit of HK\$58 million. The disposal is in line with the Group’s policy of focusing on core businesses of the Group.

Financial position

As at 30th June, 2007, the Group’s total assets amounted to HK\$12.9 billion (31st December, 2006 – HK\$11.2 billion). When total assets of HKC Group with an amount of HK\$6.5 billion which were held for distribution were excluded, total assets of the Group was HK\$6.4 billion. Property-related assets decreased to HK\$3.7 billion (31st December, 2006 – HK\$6.7 billion), representing 58 per cent. (31st December, 2006 – 60 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced to HK\$0.4 billion (31st December, 2006 – HK\$1.3 billion), representing 7 per cent. (31st December, 2006 – 12 per cent.) of the Group’s total assets.

During the period, the Group realised certain investments, thus, cash and cash equivalents of the Group increased by HK\$0.3 billion to HK\$1.2 billion (31st December, 2006 – HK\$0.9 billion) which excluded HK\$0.4 billion cash and cash equivalents classified under a disposal group held for distribution. The Group’s financial position remained strong and current ratio (measured as current assets to current liabilities) stood at 2.53 to 1 (31st December, 2006 – 1.74 to 1).

During the period, the Group had fully repaid the loans advanced from Lippo Limited. As at 30th June, 2007, the bank loans of the Group decreased to HK\$1,455 million (31st December, 2006 – HK\$1,977 million) which excluded those liabilities directly associated with the assets held for distribution. All the bank loans were secured (31st December, 2006 – HK\$1,967 million of which were secured and 10 million of which were unsecured) by certain properties, shares in certain subsidiaries and certain securities of the Group. 85 per cent. (31st December, 2006 – 75 per cent.) of the loans were denominated in Hong Kong dollars or United States dollars. All bank loans carried interest at floating rates and 10 per cent. (31st December, 2006 – 6 per cent.) of the bank loans were repayable within one year. At the end of the period, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) was 23.1 per cent. (31st December, 2006 – 35.1 per cent.).

As at 30th June, 2007, total bank loans and overdrafts of the HKC Group amounted to HK\$1,280 million, comprising secured bank loans and overdrafts of HK\$1,260 million and unsecured bank loans of HK\$20 million. The bank loans and overdrafts were secured by first legal mortgages over certain investment properties, certain securities of the Group and certain securities owned by margin clients of the Group.

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, 2006 – 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, 2006 – Nil).

As at 30th June, 2007, the Group had total capital commitment (included capital commitment of HK\$0.7 billion from a disposal group held for distribution) of HK\$0.9 billion (31st December, 2006 – HK\$0.9 billion). The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Staff and remuneration

The Group had approximately 601 employees as at 30th June, 2007 (2006 – 317 employees). The increase was in line with the development of the retail business of the Group. Total staff costs (including directors' emoluments) during the period amounted to HK\$62 million (2006 – HK\$64 million) (included staff costs from discontinued operation). The Group ensures that its employees are offered competitive remuneration packages. Currently, there is no share option granted to its employees.

Outlook

Despite turbulence over the global financial and capital markets triggered off by the sub-prime mortgage problems in the United States, the Group is 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

Overview

The Hong Kong economy continued to perform well in the first half of 2007. Falling unemployment rate, continuing strong domestic consumption and improving market confidence provided sustained momentum for economic growth. The strong growth of the surrounding Asian economies has also helped boost business and investment opportunities. However, the uncertain outlook of the US economy emanating from the sub-prime mortgage problems and the resultant volatility in the international financial markets have a dampening effect on the global economy. In Mainland China, tightening macro-economic measures introduced and in the pipeline may affect the pace of economic growth.

During the period under review, the Group continued to seek new businesses and investments as well as potential acquisition and alliance opportunities compatible with its long-term growth strategy. Strong economic growth, rising disposable income and emergence of the middle class have boosted the retail market in Mainland China. The Group's newly established department store chain "Robbinz" is expected to ride on the growth and seize a share of the retail sector in Mainland China.

Results

The Group performed extremely well during the first half of the year. It achieved a consolidated profit attributable to shareholders of HK\$676 million for the six months ended 30th June, 2007, compared to a profit of HK\$127 million for the six months ended 30th June, 2006.

Hongkong Chinese Limited ("HKC"), a former listed subsidiary of the Company, also delivered an encouraging result during the first half of the year. HKC (together with its subsidiaries, the "HKC Group") achieved a consolidated profit attributable to shareholders of HK\$687 million for the six months ended 30th June, 2007, compared to a profit of HK\$129 million for the last corresponding period. Subsequent to the period under review, HKC ceased to be a subsidiary of the Company.



Robbinz Department Store in Tianjin, China



Robbinz Department Store in Chengdu, China

Retail business

The fast-growing economy in China has created excellent opportunities for the development of the Group's retail business. As previously announced, the Group will focus on retail business. The Group's department store chain "Robbinz" is positioned to serve the fast growing mid-to-high-end consumer segment providing customers with one stop shopping service. In April 2007, the Group entered into a 20-year lease for leasing of a commercial property in Tianjin with a gross floor area of approximately 98,000 square metres (the "Tianjin Store"). Renovation works for the Tianjin Store are in progress. The grand opening of the Tianjin Store is targeted to be held in early November this year. Another new department store in Chengdu (the "Chengdu Store"), with a gross floor area of approximately 28,000 square metres, is also expected to be opened by the end of this year. Both the Tianjin Store and the Chengdu Store are located at prime location in the city centre. According to the business development plan, the Group will open more shopping centres and/or department stores in municipalities and provincial capitals of Mainland China in the near future. Moreover, the Group will explore the opportunities of acquiring suitable existing stores to extend its market share.

Auric Pacific Group Limited (“APG”) (together with its subsidiaries, the “APG Group”), a company listed in Singapore, achieved a profit attributable to shareholders of S\$45.1 million for the six months ended 30th June, 2007, compared with a loss of S\$1.4 million for the last corresponding period. APG is an associated company of the Company. The Group is interested in approximately 49.3 per cent. of the issued share capital of APG.

In August 2007, APG entered into a binding term sheet for the proposed acquisition (the “Proposed Acquisition”) of the holding company of Delifrance Asia Limited, its subsidiaries and associated companies (the “Delifrance Asia Group”). The Delifrance Asia Group operates the Delifrance chain of cafes and bistros with a presence across six countries in Asia. The Proposed Acquisition is subject to further negotiation and the terms of the definitive agreements to be entered into by APG and the vendor.

To diversify its business into the resilient retail sector in the region, the APG Group formed a joint venture to acquire an approximate 29.9 per cent. of the issued share capital of Robinson and Company, Limited (“Robinson”) in 2006. Robinson is a listed company in Singapore and operates well-known retail and departmental stores under the brand names Robinsons,



Robinsons in Singapore



River Island in Singapore



Marks & Spencer in Singapore



John Little in Singapore

Marks & Spencer, John Little, Trucco, Principles, River Island, Coast and Fat Face. Robinson has planned to further expand in Singapore and Malaysia. Other than Robinson, the APG Group also acquired in 2006 an approximate 29.9 per cent. interest in Food Junction Holdings Limited ("Food Junction"), a company listed in Singapore. Food Junction is principally engaged in managing the daily operational requirements of food courts and food stalls. During the period under review, both Robinson and Food Junction made a profit contribution to the APG Group.

Property investment and development

The Group's investment properties continued to enjoy high occupancy during the period under review. Rental provided the Group with stable income. Lippo Plaza at Huaihai Zhong Road in Shanghai maintained almost fully occupancy at satisfactory rental rates.

The market response to the residential development known as The Metropolitan Condominium at Alexandra Road/Tiong Bahru Road in Singapore was very satisfactory. All the units have been pre-sold. The Metropolitan Condominium is a 50:50 joint development of the Group and CapitalLand Limited. It is expected that the development will be completed in late 2009.

The HKC Group participated in a joint venture established for the acquisition and development of the property known as Kim Seng Plaza located at No. 100, Kim Seng Road, Singapore, with a site area of approximately 5,611 square metres (the "Kim Seng Property"). It is currently intended that the Kim Seng Property will be re-developed into a luxury residential complex. At the end of 2006, the HKC Group participated in another joint venture established for the acquisition and development of the property

located at Sentosa Cove, Sentosa Island, Singapore (the "Sentosa Cove Property"). The Sentosa Cove Property comprises two parcels of land with a total site area of about 22,222 square metres and a maximum permissible gross floor area of approximately 26,667 square metres. It is planned that a total of one hundred and twenty-four high-end luxury residential units will be constructed on the Sentosa Cove Property. Pre-sale of the Sentosa Cove Property will be launched by the end of 2007. The HKC Group has a 50 per cent. interest in each of the Kim Seng Property and the Sentosa Cove Property.

In June 2007, the HKC Group won the tender for the acquisition of a site of approximating 3,319 square metres located at 53 Holland Road, Singapore for a consideration of S\$55.5 million. A joint venture, in which the HKC Group has a 50 per cent. interest, was established in September 2007 to undertake this development.

The HKC Group's investment in Lippo ASM Asia Property LP ("LAAP") recorded an encouraging result in the first half of 2007. LAAP, a property fund set up in 2005, of which a wholly-owned subsidiary of HKC 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, China (including Hong Kong and Macau) and Japan. In 2006, LAAP participated in a joint venture to acquire a controlling stake in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investment and hotel operation. OUE has interests in prime office buildings in the Central Business District in Singapore as well as hotels in the Asia region, including Meritus Mandarin at Orchard

Road, a prime shopping district in Singapore. These high quality properties have generated stable recurrent rental income for OUE. Benefiting from the booming property market in Singapore, OUE has produced a remarkable performance in the first half of 2007 which in turn has helped to boost the profitability of LAAP and the HKC Group.

The HKC Group participated in a number of property projects in Mainland China, including Lippo Tower in Chengdu and the development project of a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) (the "BDA Project"). The BDA Project is located in the state-level economic-technological development area in Beijing, approximately seven kilometers away from the downtown area of Beijing. It is currently planned to comprise office buildings, apartments, hotel and shopping mall with a total site area of approximately 50,745 square metres and a gross floor area of not less than 170,000 square metres. A number of Fortune 500 companies and multinational corporations have presence in the neighbourhood and the HKC Group sees significant long term potential for the BDA Project.

Taking advantage of improving market conditions, the HKC Group realised its gain in certain investments during the first half of 2007. At the beginning of the year, the HKC Group realised its gain in investment in Ferrell Real Estate Investment Fund (the "Ferrell Fund"), a property fund, by termination of a discretionary management arrangement with a discretionary investment manager and the redemption of the relevant cell shares in the Ferrell Fund for a net proceed of S\$92 million.

In June 2007, the HKC Group disposed of its entire interest (approximately 80.02 per cent.) in a joint venture company which owned a total of twenty-two strata lots in a commercial building located at 79 Anson Road, Singapore. The disposal gave rise to a profit of approximately HK\$102 million to the HKC Group.

Distribution in specie

As previously announced, the Company, HKC and Lippo Limited (“Lippo”), the holding company of the Company, (collectively, the “Lippo Group”) undertook a realignment to streamline the corporate structure of the Lippo Group. In August 2007, the Company completed the distribution in specie of its approximate 72.26 per cent. shareholding in HKC to its shareholders (the “Distribution”). As a result, the Company ceased to be the holding company of HKC, and Lippo has become the beneficial owner of approximately 51.4 per cent. of the issued share capital of HKC. The Distribution has resulted in a clearer and better defined operational model for the Lippo Group. Following the realignment, HKC will primarily focus on property investment and development while the Company will primarily focus on retail business, rather than property investment and development. The better defined and more focused separate operations of the Company, HKC and Lippo will enable investors to better appraise, assess and distinguish the values, potential and performance of each of the separate listed entities within the Lippo Group. Following the Distribution, the Company may, if opportunities arise, dispose of its property interest to fund its retail business.

Prospects

Economic growth in Hong Kong will maintain good momentum during the second half of the year. The economy will continue to benefit from the improving labour market, a favourable interest rate environment and the strong economic growth in Mainland China. There is also broad optimism about the economic and business prospects in the surrounding Asian countries, including China where the 2008 Olympic Games will take place. Nevertheless, there remains a number of uncertainties in the world economic environment, especially concern of a slowdown in the US economy arising from the US sub-prime mortgage syndrome with its possible flow on effect onto global financial markets.

The overall outlook for the Group is promising. The Group is in an excellent position to benefit from the continuing economic growth in Asia, particularly in China. The Group will continue to explore suitable investment opportunities in the Asia region. However, Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

With proven experience and successful track record of the Management team in the Group’s retail sector and the growth momentum in the retail industry in Mainland China, the Group is optimistic about the prospects of its retail business. Once the retail business in China takes off, it is expected the retail business will become a major driving force for the growth of the Group in the future.

Additional Information

Special Interim Distribution

On 17th July, 2007, the Directors declared a special interim distribution which was satisfied by way of a distribution in specie of shares of HK\$1.00 each in Hongkong Chinese Limited (“HKC Shares”) held by the Company in proportion of 1.057745 HKC Share (the “Distribution Shares”) for every 10 shares of the Company held by the shareholders whose names appear on the Register of Members of the Company on 3rd August, 2007 (the “Distribution”). The Distribution amounted to approximately HK\$2,170 million and was subsequently completed in August 2007. The relevant share certificates of the Distribution Shares were posted to the shareholders by the end of August 2007.

Interim Dividends

The Directors have resolved to declare the payment of an interim dividend of HK0.2 cent per share (2006 – HK0.2 cent per share) and a special interim dividend of HK0.8 cent per share (2006 – Nil) for the six months ended 30th June, 2007. Excluding the special interim distribution declared on 17th July, 2007, the total dividends for the six months ended 30th June, 2007 will be HK1 cent per share (2006 – HK0.2 cent per share) amounting to approximately HK\$92,011,000 (2006 – HK\$18,402,000), which will be paid on Monday, 22nd October, 2007 to shareholders whose names appear on the Register of Members on Friday, 12th October, 2007.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 5th October, 2007 to Friday, 12th October, 2007 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend for the six months ended 30th June, 2007, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 4th October, 2007.

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, 2007, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$0.10 each in the Company					
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
Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")					
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
Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HKC")					
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, 2007, 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 child 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.

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, 2007, 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, 2007, 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 HKC. A special interim distribution (the "Distribution") was declared by the Company on 17th July, 2007 which comprised a distribution in specie of 973,240,440 ordinary shares of HK\$1.00 each in HKC held by the Company. Following the Distribution, the Company ceased to be a substantial shareholder of HKC and Lippo is indirectly interested in an aggregate of 692,262,956 ordinary shares of HK\$1.00 each in, representing approximately 51.4 per cent. of, the issued share capital of HKC.

As at 30th June, 2007, 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 (Note a)	72.45
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 (Note b)	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1 (Note c)	100
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 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
Mancefield Limited (now known as Lippo Strategic Holdings Inc.)	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
Rightstar Limited (now known as Lippo Holdings Inc.)	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings 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
Skyscraper Realty Limited	Ordinary shares	10 <i>(Note d)</i>	100
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

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.

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

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

As at 30th June, 2007, 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, 2007, 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.

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

As at 30th June, 2007, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, 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, 2007, 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, 2007, 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, 2007, 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

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, 2007, 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 Schemes

Details of the share option schemes of the Group are disclosed in Note 19 to the interim financial statements.

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

During the six months ended 30th June, 2007, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Audit Committee

The Company has established an audit committee (the “Committee”). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Ha Kuk Yung (Chairman), Mr. Edwin Neo and Mr. King Fai Tsui and one non-executive Director, Mr. Leon Nim Leung Chan. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the six months ended 30th June, 2007.

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, 2007.

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, 19th September, 2007