



Lippo Limited 力寶有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 226)

Interim Report 2007



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Corporate Information

Honorary Chairman*

Dr. Mochtar Riady

Board of Directors

Executive Directors

Mr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee, J.P.

(*Managing Director and Chief Executive Officer*)

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

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

Committees

Audit Committee

Mr. Victor Ha Kuk Yung (*Chairman*)

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

Mr. King Fai Tsui

Remuneration Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Riady

Nomination Committee

Mr. Leon Nim Leung Chan (*Chairman*)

Mr. Victor Ha Kuk Yung

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Stephen Riady

Secretary

Mr. Davy Kwok Fai Lee

Qualified Accountant

Mr. Tai Chiu Ng

Auditors

Ernst & Young

Principal Bankers

Fubon Bank (Hong Kong) Limited

CITIC Ka Wah Bank Limited

Chong Hing Bank Limited

United Overseas Bank Limited

Bank of China Limited

Raiffeisen Zentralbank Österreich AG

Solicitors

Richards Butler

Registrars

Tricor Progressive Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Registered Office

24th Floor, Tower One

Lippo Centre

89 Queensway

Hong Kong

Stock Code

226

Website

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* *non-officer position*

The Directors of Lippo Limited (the “Company”) are pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2007.

Condensed Consolidated Profit and Loss Account

		Unaudited	
		six months ended 30th June,	
	<i>Note</i>	2007	2006
		HK\$'000	HK\$'000
			<i>(restated)</i>
Revenue	3	910,030	855,060
Cost of sales		(677,505)	(629,151)
Gross profit		232,525	225,909
Administrative expenses		(80,087)	(82,052)
Other operating expenses		(57,039)	(76,436)
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		24,433	8,217
Finance costs		(57,624)	(42,576)
Share of results of associates	5	605,628	3,169
Share of results of jointly controlled entities		(826)	(9,852)
Profit before tax	6	904,380	209,065
Tax	7	44,146	(33,627)
Profit for the period		948,526	175,438
Attributable to:			
Equity holders of the Company	19	473,743	83,188
Minority interests	19	474,783	92,250
		948,526	175,438
		HK cents	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic	8	109	19
Diluted		N/A	N/A
		HK\$'000	<i>HK\$'000</i>
Interim dividend	9	8,675	–

Condensed Consolidated Balance Sheet

	Note	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
Non-current assets			
Goodwill		57,285	57,285
Fixed assets		236,476	244,278
Investment properties		3,448,245	3,971,901
Properties under development		201,609	217,547
Interests in associates	5	3,779,783	2,775,195
Interests in jointly controlled entities		306,886	205,618
Available-for-sale financial assets	10	498,350	386,818
Held-to-maturity financial assets	12	9,613	9,582
Loans and advances	13	23,963	27,066
		8,562,210	7,895,290
Current assets			
Properties held for sale		25,423	24,615
Properties under development		426,613	369,865
Inventories		426	–
Available-for-sale financial assets	10	1,922	–
Financial assets at fair value through profit or loss	11	437,436	934,740
Loans and advances	13	721,672	281,487
Debtors, prepayments and deposits	14	1,007,322	227,250
Client trust bank balances		558,517	582,905
Treasury bills		13,580	194,970
Cash and bank balances		1,517,461	731,078
		4,710,372	3,346,910
Current liabilities			
Bank and other borrowings	15	2,110,240	454,150
Creditors, accruals and deposits received	16	1,287,553	1,165,414
Current, fixed, savings and other deposits of customers	17	158,678	305,521
Tax payable		69,560	67,960
		3,626,031	1,993,045
Net current assets		1,084,341	1,353,865
Total assets less current liabilities		9,646,551	9,249,155

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	15	1,304,866	1,850,950
Deferred tax liabilities		448,992	532,798
		1,753,858	2,383,748
Net assets			
		7,892,693	6,865,407
Equity			
Equity attributable to equity holders of the Company			
Share capital	18	43,373	43,373
Reserves	19	4,279,496	3,697,058
		4,322,869	3,740,431
Minority interests	19	3,569,824	3,124,976
		7,892,693	6,865,407

Condensed Consolidated Summary Statement of Changes in Equity

	Note	Unaudited six months ended 30th June,	
		2007 HK\$'000	2006 HK\$'000
Total equity at 1st January		6,865,407	6,756,312
Changes in equity during the period:			
Exchange differences on translation of foreign operations		40,775	70,811
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		16,802	–
Deferred tax arising from surplus on revaluation of leasehold land and buildings		(2,941)	–
Share of reserves of associates and jointly controlled entities		39,876	10,088
Net income/(expense) recognised directly in equity		193,509	(13,989)
Profit for the period		948,526	175,438
Total recognised income and expense for the period		1,142,035	161,449
Issue of shares by subsidiaries to minority shareholders	19	250	402
Advance from minority shareholders of subsidiaries	19	64,081	39,132
Changes in interests in subsidiaries	19	–	(257)
Disposal of subsidiaries		(132,426)	–
Deconsolidation of subsidiaries		–	(706,850)
2005 final dividend, declared and paid to shareholders of the Company	19	–	(8,675)
2005 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	19	–	(16,521)
2006 final dividend, declared to shareholders of the Company	19	(17,349)	–
2006 final dividend and distribution, declared to minority shareholders of subsidiaries	19	(29,305)	–
		1,027,286	(531,320)
Total equity at 30th June		7,892,693	6,224,992
Total recognised income and expense for the period attributable to:			
Equity holders of the Company		599,787	67,834
Minority interests		542,248	93,615
		1,142,035	161,449

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	(581,825)	348,529
Net cash from/(used in) investing activities	102,369	(1,773,538)
Net cash from financing activities	1,072,744	679,972
Net increase/(decrease) in cash and cash equivalents	593,288	(745,037)
Cash and cash equivalents at 1st January	926,048	1,318,365
Exchange realignment	6,832	19,428
Cash and cash equivalents at 30th June	1,526,168	592,756
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	1,517,461	519,191
Treasury bills	13,580	75,660
Bank overdrafts	(4,873)	(2,095)
	1,526,168	592,756

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 20	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	41,224
Increase in retained profits	38,204
	—

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:

	<i>HK\$'000</i>
Decrease in deferred tax charges	79,428
Increase in minority interests	(41,224)
	38,204

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 corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services; and
- (g) the "other" segment comprises principally 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									
	Property investment		Securities investment	Food businesses	Corporate finance and securities		Banking business	Other	Inter-segment elimination	Consolidated
	Treasury investment	and development			broking					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Revenue										
External	9,112	101,507	636,721	-	67,424	15,388	79,878	-	910,030	
Inter-segment	16,963	4,746	-	-	164	-	882	(22,755)	-	
Total	26,075	106,253	636,721	-	67,588	15,388	80,760	(22,755)	910,030	
Segment results	22,577	260,249	42,117	-	13,180	4,157	101,050	(19,287)	424,043	
Unallocated corporate expenses									(78,036)	
Finance costs									(46,429)	
Share of results of associates	-	488,748	-	-	-	-	116,880	-	605,628	
Share of results of jointly controlled entities	-	(64)	-	-	-	-	(762)	-	(826)	
Profit before tax									904,380	
Tax									44,146	
Profit for the period									948,526	

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: (Continued)

	Six months ended 30th June, 2006 (restated)								Consolidated HK\$'000
	Treasury investment	Property investment and development	Securities investment	Food businesses	Corporate finance and securities broking	Banking business	Other	Inter- segment elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue									
External	21,095	124,230	495,207	138,856	46,110	14,338	15,224	-	855,060
Inter-segment	797	4,214	-	-	222	-	3,494	(8,727)	-
Total	21,892	128,444	495,207	138,856	46,332	14,338	18,718	(8,727)	855,060
Segment results	20,682	158,119	133,417	400	6,772	5,051	2,424	(5,728)	321,137
Unallocated corporate expenses									(69,100)
Finance costs									(36,289)
Share of results of associates	-	(4,779)	-	-	-	(4,446)	12,394	-	3,169
Share of results of jointly controlled entities	-	(8,406)	-	-	-	-	(1,446)	-	(9,852)
Profit before tax									209,065
Tax									(33,627)
Profit for the period									175,438

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.

Notes to the Interim Financial Statements (Continued)

3. Revenue (Continued)

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

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000 (restated)
Treasury investment	9,112	21,095
Property investment and development	101,507	124,230
Securities investment	636,721	495,207
Food businesses	–	138,856
Corporate finance and securities broking	67,424	46,110
Banking business	15,388	14,338
Other	79,878	15,224
	910,030	855,060

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

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

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).

Interests in associates included the Group’s interest in LAAP of approximately HK\$2,253 million (31st December, 2006 – 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.

Notes to the Interim Financial Statements (Continued)

6. Profit before Tax

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

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Interest income:		
Listed investments	821	3,652
Unlisted investments	324	791
Banking operation	12,428	12,064
Other	9,687	21,095
Dividend income:		
Listed investments	175	817
Unlisted investments	5,648	1,291
Other unlisted investment income	–	702
Gain on disposal of:		
Listed financial assets at fair value through profit or loss	8,425	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	11,363	644
Unlisted	13,070	7,573
Provision for impairment losses on unlisted available-for-sale financial assets	–	(1,142)
Depreciation	(7,156)	(8,876)
Loss on disposal of fixed assets	(9)	(1)
Gain on disposal of properties	–	699
Cost of inventories sold	(2,284)	(101,149)

7. Tax

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Hong Kong:		
Charge for the period	–	1,270
Deferred	8,776	6,284
	8,776	7,554
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	(44,146)	33,627

7. Tax (Continued)

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. 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 of HK\$473,743,000 (2006 – HK\$83,188,000); and (ii) the weighted average number of 433,735,000 ordinary shares (2006 – 433,735,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share is presented for the periods ended 30th June, 2007 and 2006 as there were no dilutive potential ordinary shares during these periods.

9. Interim Dividend

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Interim dividend, declared, of HK2 cents (2006 – nil) per ordinary share	8,675	–

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

Notes to the Interim Financial Statements (Continued)

10. Available-for-sale Financial Assets

	30th June, 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	102,883	94,442
	457,071	346,862
Financial assets stated at cost:		
Unlisted equity securities	113,782	113,698
Unlisted debt securities	40,343	40,293
Unlisted investment funds	15,461	15,461
	169,586	169,452
Provision for impairment losses	(126,385)	(129,496)
	43,201	39,956
	500,272	386,818
Less: Amount classified under current portion	(1,922)	–
Non-current portion	498,350	386,818

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	455,139	353,996
Debt securities:		
Club debentures	12,175	12,175
Corporate entities	40,999	40,240
	53,174	52,415

11. 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	58,575	56,293
Listed overseas	10,175	8,254
	68,750	64,547
Debt securities:		
Listed overseas	8,911	9,056
Investment funds:		
Listed overseas	58,050	46,030
Unlisted	295,652	342,923
	353,702	388,953
Other:		
Unlisted	6,073	5,813
	437,436	468,369
Designated as financial assets at fair value through profit or loss: (Note)		
Unlisted investment funds	–	466,371
	437,436	934,740

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.

The debt securities have effective interest rates ranging from 6.5 per cent. to 8 per cent. (31st December, 2006 – 6.5 per cent. to 8 per cent.) per annum.

11. Financial Assets at Fair Value through Profit or Loss (Continued)

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
An analysis of the issuers of financial assets at fair value through profit or loss is as follows:		
Equity securities:		
Banks and other financial institutions	14,250	–
Corporate entities	54,500	64,547
	68,750	64,547
Debt securities:		
Corporate entities	8,911	9,056

12. Held-to-maturity Financial Assets

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Debt securities, at amortised cost:		
Listed overseas	9,613	9,582
Market value of listed debt securities	10,502	10,444

The debt securities have effective interest rates of 9 per cent. (31st December, 2006 – 9 per cent.) per annum.

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

Banks and other financial institutions	9,613	9,582
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13. Loans and Advances

The balance mainly comprised of loans and advances to customers of the Group in respect of securities broking business of HK\$563,543,000 (31st December, 2006 – HK\$108,332,000).

The loans and advances to customers of the Group have effective interest rates ranging from 3 per cent. to 14 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.

Notes to the Interim Financial Statements (Continued)

13. Loans and Advances (Continued)

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

14. 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	75,791	45,809
Within 30 days	694,676	42,088
Between 31 and 60 days	130	1,166
Between 61 and 90 days	315	279
Between 91 and 180 days	183	155
Over 180 days	54	60
	771,149	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.

The balance mainly comprised of receivables from customers and securities brokers of the Group in respect of securities broking business of HK\$752,712,000 (31st December, 2006 – HK\$84,385,000). Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are non-interest-bearing. The carrying amounts of debtors and deposits are approximate to their fair values.

Notes to the Interim Financial Statements (Continued)

15. Bank and Other Borrowings

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Bank overdrafts:		
Secured (Note (a))	4,873	–
Bank loans:		
Secured (Note (a))	3,037,557	2,295,100
Unsecured	20,000	10,000
	3,062,430	2,305,100
Other borrowings:		
Unsecured (Note (b))	352,676	–
	3,415,106	2,305,100
Less: Amount classified under current portion	(2,110,240)	(454,150)
Non-current portion	1,304,866	1,850,950
Bank and other borrowings by currency:		
Hong Kong dollar	2,837,166	1,688,000
Singapore dollar	214,866	550,950
United States dollar	363,074	66,150
	3,415,106	2,305,100
Bank loans and overdrafts repayable:		
Within one year	1,757,564	454,150
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
	3,062,430	2,305,100
Other borrowings repayable:		
Within one year	352,676	–

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 6.4 per cent. (31st December, 2006 – 4.4 per cent. to 7.3 per cent.) per annum.

15. Bank and Other Borrowings (Continued)

Note:

- (a) The Group's secured bank loans and overdrafts included bank loans drawn down by the Group of HK\$984,293,000 (31st December, 2006 – nil) for lending to its margin clients in respect of the initial public offerings. All such bank loans were fully repaid subsequent to the period ended 30th June, 2007.

At the balance sheet date, the bank loans and overdrafts were secured by:

- (i) shares in certain listed subsidiaries of the Group with market value of HK\$5,219,686,000 (31st December, 2006 – HK\$2,169,453,000);
- (ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development with carrying amounts of HK\$1,504,945,000 (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);
- (iii) certain securities of the Group with carrying amounts of HK\$68,559,000 (31st December, 2006 – HK\$46,710,000); and
- (iv) certain securities owned by margin clients of the Group, respectively.
- (b) The Group's other borrowings as at 30th June, 2007 comprised of unsecured loans advanced from a third party of HK\$40,000,000 and HK\$312,676,000, which would be repayable on 26th March, 2008 and 26th June, 2008 respectively and subject to renewal for one additional year on terms mutually agreed with the lender.

16. 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	618,926	637,965
Within 30 days	160,912	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	–
	780,501	752,388

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 30th June, 2007, total client trust bank balances amounted to HK\$558,517,000 (31st December, 2006 – HK\$582,905,000).

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

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

The current, fixed, savings and other deposits of customers attributable to banking operation have effective interest rates ranging from 2.2 per cent. to 5.0 per cent. (31st December, 2006 – 2.5 per cent. to 5.2 per cent.) per annum.

18. Share Capital

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Authorised:		
30,000,000,000 (31st December, 2006 – 30,000,000,000) ordinary shares of HK\$0.10 each	3,000,000	3,000,000
Issued and fully paid:		
433,735,010 (31st December, 2006 – 433,735,010) ordinary shares of HK\$0.10 each	43,373	43,373

Share options

Pursuant to the Share Option Scheme for Employees (the “LCR Share Option Scheme”) of Lippo China Resources Limited (“LCR”), a listed subsidiary of the Company, approved and adopted by the shareholders of LCR on 2nd May, 1994 (the “LCR Adoption Date”), the directors of LCR might, at their discretion, grant to any employees (including directors) of LCR and its subsidiaries options to subscribe for shares in LCR. The purpose of the adoption of the LCR Share Option Scheme was to provide an incentive scheme to the employees of LCR and its subsidiaries. Under the rules of the LCR Share Option Scheme, no more options could be granted from the tenth anniversary of the LCR Adoption Date. Accordingly, no more options could be granted under the LCR Share Option Scheme since 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 LCR Share Option Scheme should not exceed 10 per cent. of the number of issued shares of LCR from time to time, excluding the aggregate number of shares issued on exercise of options, and the maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme in any one financial year should not exceed 5 per cent. of the total number of issued shares of LCR from time to time. In addition, the maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme to any grantee should not exceed 25 per cent. of the number of shares subject to the LCR Share Option Scheme at the time of grant. The exercise price for the shares under the LCR Share Option Scheme would be determined by the directors of LCR at their absolute discretion but in any event should not be less than 80 per cent. of the average of the closing price of the shares of LCR as stated on daily quotation sheets of The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares of LCR, whichever was the greater. The consideration for the grant was HK\$1.00 per grantee which must be paid on acceptance to LCR by the grantee within 28 days after the date of offer of the option.

18. Share Capital (Continued)

Share options (Continued)

The following is a summary of movement in share options of LCR 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 LCR 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 of LCR, none of the Directors, chief executive or substantial shareholders of the Company or their respective associates had an interest in any options to subscribe for shares of LCR. The remaining 2,800,000 share options were held by directors of LCR's subsidiaries or employees of LCR or its subsidiaries. All the outstanding share options lapsed on 23rd June, 2007.

Since no share options were granted under the LCR 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 "Share Option Scheme") was adopted and approved by the shareholders of the Company. On the same date, a new share option scheme of LCR (the "New LCR Share Option Scheme") was adopted and approved by the shareholders of LCR and the Company respectively. Also, on 7th June, 2007, a new share option scheme of Hongkong Chinese Limited ("HKC"), a then subsidiary of LCR, (the "HKC Share Option Scheme") was adopted and approved by the shareholders of HKC, LCR and the Company respectively. As at the date of this report, HKC ceased to be a subsidiary of LCR.

No options have been granted under the Share Option Scheme, New LCR 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)

19. Reserves

	Share premium account	Special capital reserve (Note (a))	Capital redemption reserve	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	HK\$'000
At 1st January, 2007	517,794	1,709,202	17,861	2,007	81,821	-	20,720	649	1,347,004	3,697,058	3,124,976
Net fair value gain on available-for-sale financial assets	-	-	-	-	77,677	-	-	-	-	77,677	34,440
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	-	(181)	-	-	-	-	(181)	(172)
Derecognition of available-for-sale financial assets	-	-	-	-	(619)	-	-	-	-	(619)	(585)
Surplus on revaluation of leasehold land and buildings	-	-	-	-	-	11,951	-	-	-	11,951	4,851
Deferred tax arising from surplus on revaluation of leasehold land and buildings	-	-	-	-	-	(2,092)	-	-	-	(2,092)	(849)
Transfer of reserve	-	-	-	725	-	-	-	-	(725)	-	-
Share of reserves of associates and jointly controlled entities	-	-	-	-	14,067	-	6,392	-	-	20,459	19,417
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	64,081
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	-	250
Disposal of subsidiaries	-	-	-	-	-	-	(5,943)	-	-	(5,943)	(138,046)
Exchange realignment	-	-	-	-	-	-	24,792	-	-	24,792	15,983
Profit for the period	-	-	-	-	-	-	-	-	473,743	473,743	474,783
2006 final dividend, declared to shareholders of the Company	-	-	-	-	-	-	-	-	(17,349)	(17,349)	-
2006 final dividend and distribution, declared to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(29,305)
At 30th June, 2007	517,794	1,709,202	17,861	2,732	172,765	9,859	45,961	649	1,802,673	4,279,496	3,569,824

Notes to the Interim Financial Statements (Continued)

19. Reserves (Continued)

	Share premium account	Special capital reserve (Note (a))	Capital redemption reserve	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	HK\$'000
At 1st January, 2006	517,794	1,709,202	17,861	1,530	56,302	(71,911)	601	1,094,790	3,326,169	3,386,770
Net fair value loss on available-for-sale financial assets	-	-	-	-	(3,430)	-	-	-	(3,430)	(4,982)
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	-	(2,056)	-	-	-	(2,056)	(1,945)
Derecognition of available-for-sale financial assets	-	-	-	-	(43,008)	-	-	-	(43,008)	(39,467)
Transfer of reserve	-	-	-	477	-	-	-	(477)	-	-
Share of reserves of associates and jointly controlled entities	-	-	-	-	7,193	-	-	-	7,193	2,895
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	39,132
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	(257)
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	402
Deconsolidation of subsidiaries	-	-	-	-	-	911	-	-	911	(707,761)
Exchange realignment	-	-	-	-	-	25,947	-	-	25,947	44,864
Profit for the period	-	-	-	-	-	-	-	83,188	83,188	92,250
2005 final dividend, declared and paid to shareholders of the Company	-	-	-	-	-	-	-	(8,675)	(8,675)	-
2005 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(16,521)
At 30th June, 2006	517,794	1,709,202	17,861	2,007	15,001	(45,053)	601	1,168,826	3,386,239	2,795,380

Note:

(a) Special capital reserve

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

20. 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:							
Held-to-maturity financial assets	-	-	-	-	9,613	-	9,613
Available-for-sale financial assets	-	-	8,421	-	12,831	31,922	53,174
Financial assets at fair value through profit or loss	-	-	-	-	929	7,982	8,911
Loans and advances	209,961	487,823	23,888	12,144	11,819	-	745,635
Client trust bank balances	80,230	478,287	-	-	-	-	558,517
Treasury bills	-	13,580	-	-	-	-	13,580
Cash and bank balances	441,091	1,076,370	-	-	-	-	1,517,461
	731,282	2,056,060	32,309	12,144	35,192	39,904	2,906,891
Liabilities							
Bank and other borrowings	4,873	1,492,691	612,676	684,866	620,000	-	3,415,106
Current, fixed, savings and other deposits of customers	62,404	91,440	4,834	-	-	-	158,678
	67,277	1,584,131	617,510	684,866	620,000	-	3,573,784

Notes to the Interim Financial Statements (Continued)

20. Maturity Profile of Assets and Liabilities (Continued)

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: (Continued)

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st December, 2006							
Assets							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,582	-	9,582
Available-for-sale financial assets	-	-	-	8,371	12,122	31,922	52,415
Financial assets at fair value through profit or loss	-	-	-	-	976	8,080	9,056
Loan 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	225,767	505,311	-	-	-	-	731,078
	388,783	1,346,920	54,737	19,111	39,006	40,002	1,888,559
Liabilities							
Bank and other borrowings	-	76,150	378,000	1,230,950	620,000	-	2,305,100
Current, fixed, savings and other deposits of customers	107,747	194,458	3,316	-	-	-	305,521
	107,747	270,608	381,316	1,230,950	620,000	-	2,610,621

21. Contingent Liabilities

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

- As at 30th June, 2007, the Group had guarantees in respect of banking facilities granted to an associate of HK\$448,000 (31st December, 2006 – HK\$402,000) and an investee company of HK\$655,000 (31st December, 2006 – HK\$746,000).
- Details of the off-balance sheet exposures relating to banking operation

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).

22. Capital Commitments

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

	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)	375,209	829,835
	925,824	1,140,723

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in the Republic of Singapore and the People's Republic of China of approximately HK\$349 million (31st December, 2006 – HK\$402 million).

The balance as at 31st December, 2006 included the Group's capital commitment in a joint venture project in Korea of approximately HK\$287 million, which had been paid during the period.

23. Related Party Transactions

- (a) As at 30th June, 2007, the Group had amounts due from associates in a total of HK\$447,450,000 (31st December, 2006 – HK\$357,755,000), 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\$320,027,000 (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 included a loan of HK\$4,009,000 (31st December, 2006 – HK\$3,988,000), which is secured by certain shares of a jointly controlled entity, bears interest at US dollar prime rate plus 2 per cent. per annum and has no fixed terms of repayment. The remaining 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.

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

- (b) During the period, ImPac Asset Management (HK) Limited, a wholly-owned subsidiary of HKC which in turn is a non-wholly owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounted to HK\$5,649,000 (2006 – HK\$5,638,000).

24. 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 issuers; etc. All relevant departments within the Group were involved to ensure that appropriate processes, systems and controls were set in place before and after the investments were acquired.

(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.

24. 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, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign exchange risk was managed and monitored on an on-going basis by senior managers of the Group.

(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.

25. Post Balance Sheet Events

- (a) On 12th July, 2007, the Group entered into a framework agreement (the "Framework Agreement") with 鳳凰醫院管理(北京)有限公司 (Phoenix Hospital Management (Beijing) Company Limited) ("Phoenix Hospital Management") and 中信信託投資有限責任公司 (CITIC Trust & Investment Company Limited) in respect of the establishment of a thirty-year sino-foreign equity joint venture (the "Sino-foreign Equity Joint Venture"). Pursuant to the Framework Agreement, the Group will enter into an equity transfer agreement and a capital increase agreement with Phoenix Hospital Management regarding the acquisition from Phoenix Hospital Management of approximately 32.54 per cent. interest in 鳳凰聯盟醫院管理(北京)有限公司 (Phoenix United Hospital Management (Beijing) Company Limited) ("Phoenix United") in an amount of approximately HK\$25,279,000 and the increase in capital contribution to Phoenix United by an amount of approximately HK\$63,674,000, representing approximately 46.08 per cent. equity interest in the Sino-foreign Equity Joint Venture. Phoenix United and its subsidiaries are mainly engaged in hospital property investment and hospital management. The Group's capital commitment in the Sino-foreign Equity Joint Venture will be approximately HK\$88,953,000. The completion of the transaction will be subject to the fulfilment of certain conditions precedent as stipulated in the Framework Agreement.
- (b) On 17th July, 2007, the Group entered into a conditional sale and purchase agreement with a vendor for an acquisition of 15 per cent. interest in MCB for a consideration of approximately HK\$45,784,000. The completion of the acquisition will be subject to the fulfilment of certain conditions precedent as stipulated in the agreement.

25. Post Balance Sheet Events (Continued)

- (c) On 17th July, 2007, LCR declared a special interim distribution which was satisfied by way of a distribution in specie of HKC's shares held by LCR in the proportion of 1.057745 HKC's share for every ten LCR's shares held by the shareholders of LCR. The Group's structure would be changed subsequent to the distribution but there would be no material impact to the consolidated financial statements of the Group.
- (d) Lippo Group International Pte. Limited ("LGI"), a wholly-owned subsidiary of LCR, 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, LCR 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.

- (e) On 3rd September, 2007, the Group entered into a shareholders' agreement in respect of the investment in and formation of a joint venture (the "Joint Venture") in respect of a property project located at 53 Holland Road, Singapore (the "Aura Park Project"). As a result of the formation of the Joint Venture, the Group's interest in the Aura Park Project would be reduced to 50 per cent. The Group's capital commitment in the Joint Venture will be approximately HK\$71,628,000.

26. 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



安永會計師事務所

TO THE BOARD OF DIRECTORS OF LIPPO LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 30, which comprise the condensed consolidated balance sheet of Lippo Limited as of 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 to 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	3,057,719	2,898,331
Investment properties	3,266,629	2,737,652
Properties under development	5,958,047	3,530,542
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	311,485	186,193
Cash and bank balances	4,374,339	3,280,428
Bank and other borrowings	(11,971,472)	(7,817,624)
Creditors, accruals and deposits received	(959,583)	(459,005)
Current, fixed savings 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
	8,556,418	8,076,159

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's 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. Corporate finance and securities broking business also recorded a substantial growth on the back of the robust local investment market. The Group 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.

For the six months ended 30th June, 2007, the Group's profit attributable to shareholders increased sharply to HK\$474 million (2006 – HK\$83 million).

Results for the period

Turnover for the six months ended 30th June, 2007 totalled HK\$910 million, which was 6 per cent. higher than the HK\$855 million (restated) recorded in the corresponding period of 2006. The increase was mainly attributable to the disposal of investment securities mentioned above.

The Group reported a profit for the period of HK\$949 million (2006 – HK\$175 million). Property investment and development sector was the main contributor.

Property investment and development

Turnover generated from this segment increased to HK\$102 million (2006 – HK\$80 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 30 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, carried 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.

In March 2007, the Group injected HK\$287 million to a joint venture which engaged in a property development project in Incheon, Korea (the "Woonbook Project"). The Group has 47.9 per cent. interest in the Woonbook Project. The Woonbook Project mainly involves the development of a self-contained community with residential properties, shopping mall, hospital, schools, hotels and a business town in Korea. It is expected that the Woonbook Project will enhance the quality of the Group's assets in Asia region and provide a good opportunity for business development in Korea.

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

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 amounted to HK\$646 million (2006 – HK\$516 million, as restated) and HK\$65 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.

Corporate finance and securities broking

Hong Kong capital markets remained buoyant in 2007, boosting the volume of local stock market to record high. The corporate finance and securities broking business has benefited from this favourable environment, registering a remarkable increase in turnover to HK\$67 million (2006 – HK\$46 million) although challenges of varying degrees in terms of increasing competition, mounting volatility of the global investment market and uncertainty in interest rate movement were also experienced. Profit derived from this segment improved substantially to HK\$13 million (2006 – HK\$7 million).

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.

With the Singapore property market performed well, the Group’s income base has further been widening by participating 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 strategy of focusing on core businesses of the Group.

The Group has also 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.

Financial position

As at 30th June, 2007, the Group’s total assets increased by HK\$2.1 billion to HK\$13.3 billion (31st December, 2006 – HK\$11.2 billion), of which non-current assets and current assets increased by HK\$0.7 billion and HK\$1.4 billion respectively. Property-related assets increased to HK\$7.4 billion (31st December, 2006 – HK\$6.7 billion), representing 55 per cent. (31st December, 2006 – 60 per cent.) of the Group’s total assets. On the other hand, investment portfolio of the Group reduced to HK\$0.9 billion (31st December, 2006 – HK\$1.3 billion), representing 7 per cent. (31st December, 2006 – 12 per cent.) of the Group’s total assets.

Various new property projects have been financed by proceeds derived from sales of certain investments, new bank loans and other borrowings, which was in-line with the expansion of the Group. Nevertheless, the Group’s financial position remained healthy and current ratio (measured as current assets to current liabilities) slightly decreases to 1.3 to 1 (31st December, 2006 – 1.7 to 1).

As at 30th June, 2007, total bank loans and overdrafts amounted to HK\$3,062 million (31st December, 2006 – HK\$2,305 million), comprising secured bank loans and overdrafts of HK\$3,042 million (31st December, 2006 – HK\$2,295 million) and unsecured bank loans of HK\$20 million (31st December, 2006 – HK\$10 million), which were denominated in Hong Kong dollars, United States dollars or Singapore dollars. The bank loans and overdrafts were secured by certain properties, shares in certain subsidiaries, certain securities of the Group and certain securities owned by margin clients of the Group. The bank loans and overdrafts carried interest at floating rates and 57 per cent. of the bank loans and overdrafts (31st December, 2006 – 20 per cent.) were repayable within one year. During the period, the Group received third party loans with a total of HK\$353 million. Such advances were unsecured, carried interest at floating rates and would be repayable within one year and subject to renewal for another additional year on terms mutually agreed with the lender. At the end of the period, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) slightly increased to 51.4 per cent. (31st December, 2006 – 42.1 per cent.).

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

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 of HK\$0.9 billion (31st December, 2006 – HK\$1.1 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 629 employees as at 30th June, 2007 (2006 – 336 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\$63 million (2006 – HK\$65 million). The Group ensures that its employees are offered competitive remuneration packages. Currently, no share option is 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 which are compatible with its long-term growth strategy. To enhance its asset portfolio, the Group continued its quest for quality property interests in Asia, particularly in Singapore. 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\$474 million for the six months ended 30th June, 2007, compared to a profit of HK\$83 million for the six months ended 30th June, 2006.

Lippo China Resources Limited ("LCR") and Hongkong Chinese Limited ("HKC"), the two principal listed subsidiaries, also delivered encouraging results during the first half of the year. LCR (together with its subsidiaries, the "LCR Group"), a 71.1 per cent. subsidiary of the Company, 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 last corresponding period. HKC (together with its subsidiaries, the "HKC Group"), a 51.4 per cent. subsidiary of the Company, 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.



Proposed master plan of the Woonbook Project in Korea

Property investment and development

During the period under review, Lippo Incheon Development Co., Ltd (“Lippo Incheon”), the joint venture company in which the Group is interested in approximately 47.9 per cent., was set up for the acquisition of a tract of land located at 326 Woonbook-dong, Jung-gu, Incheon, Korea with an area of approximately 1,040,734 square metres (the “Woonbook Project”). In March 2007, the Group fully subscribed for its shares in Lippo Incheon. Lippo Incheon has commenced architectural and engineering planning works on the site. The master plan for the Woonbook Project is now being finalized and will be submitted to the relevant government authorities for final approval later this year. The Woonbook Project involves the development, construction and management of a residential, leisure and business complex. It will be completed in phases, and is intended to be a self-contained community with residential properties, shopping mall, hospital, schools, hotels

and a business town including anchor facilities, designed to support the growing population with the development of the Incheon Free Economic Zone of Korea. Incheon, a major seaport on the west coast of Korea, has been targeted for development and has been named to host the 2014 Asian Games. Important infrastructural developments for the area has been taking place. It is believed that Incheon Free Economic Zone will become an important logistics, leisure, tourism and business centre in Northeast Asia. Korea is the third largest economy in Asia and its economy is showing solid growth on the back of robust exports and resilient consumer spending. Through the joint venture in the Woonbook Project with other renowned Korean business partners and the establishment of a liaison office in Korea, it is believed that the Group will be able to identify first hand opportunities for direct investment and trade among Korea, China and Southeast Asian countries.

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 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, which will generate additional working capital and income stream for the HKC Group. The HKC Group has a 50 per cent. interest in each of the Kim Seng Property and the Sentosa Cove Property.



Lippo Plaza in Shanghai, China



Kim Seng Plaza, property development in Singapore



Overseas Union House, an OUE property development project in Singapore



New Mandarin Gallery, an OUE property project in Singapore

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 had 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 economy in China continued to show impressive growth in the first half of 2007. With growing purchasing power and improved living standards, the outlook remains good for the property market. The HKC Group participated in a number of property projects in Mainland China, including Lippo Tower in Chengdu and the development 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.

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 LCR Group and CapitaLand Limited. It is expected that the development will be completed in late 2009.



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, LCR will primarily focus on retail business and will become the retail arm of the Group. LCR'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 LCR 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 LCR Group will open more shopping centres and/or department stores in municipalities and provincial capitals of Mainland China in the near future. Moreover, it 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 LCR 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.

Distribution in specie

As previously announced, the Company, LCR and HKC undertook a realignment to streamline the Group's corporate structure. In August 2007, LCR completed the distribution in specie of its approximate 72.26 per cent. shareholding in HKC to its shareholders (the "Distribution"). As a result, LCR ceased to be the holding company of HKC, and the Company 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 Group. Following the realignment, HKC will primarily focus on property investment and development as the principal property arm of the Group while LCR will primarily focus on retail business as the retail arm of the Group. The better defined and more focused separate operations of the Company, LCR and HKC will enable investors to better appraise, assess and distinguish the values, potential and performance of each of the separate listed entities within the Group.

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, as it is a well recognized name for quality property investment and development in Asia. It will continue to explore suitable investment opportunities, particularly in the property markets, in the 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 that retail business will become one of the major driving forces for the growth of the Group in the future.

Additional Information

Interim Dividend

The Directors have resolved to declare the payment of an interim dividend of HK2 cents per share (2006 – Nil) amounting to approximately HK\$8,675,000 for the six months ended 30th June, 2007 (2006 – Nil), which will be paid on Thursday, 25th 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 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 Progressive 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					
Stephen Riady	-	-	248,697,776 <i>Note (j)</i>	248,697,776	57.34
Jark Pui Lee	-	48	-	48	0.00
John Luen Wai Lee	825,000	-	-	825,000	0.19

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

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")					
Stephen Riady	-	-	6,544,696,389 <i>Notes (i) and (ii)</i>	6,544,696,389	71.13
Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HKC")					
Stephen Riady	-	-	973,240,440 <i>Notes (i), (ii) and (iii)</i>	973,240,440	72.26
Jark Pui Lee	350	350	-	700	0.00
John Luen Wai Lee	200	200	-	400	0.00
King Fai Tsui	-	50,000	-	50,000	0.00

Note:

- (i) As at 30th June, 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 the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included, inter alia, Mr. Stephen Riady and his minor child. Mr. Stephen Riady together with his minor child, as beneficiaries of the trust, were taken to be interested in Lippo Cayman under the SFO.
- (ii) As at 30th June, 2007, the Company was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.13 per cent. of, the issued share capital of LCR.
- (iii) As at 30th June, 2007, LCR was directly and indirectly interested in an aggregate of 973,240,440 ordinary shares of HK\$1.00 each in, representing approximately 72.26 per cent. of, the issued share capital of HKC. A special interim distribution (the "Distribution") was declared by LCR 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 LCR. Following the Distribution, LCR ceased to be a substantial shareholder of HKC and the Company 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.

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

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

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Holding 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
The HCB General Investment (Singapore) Pte Ltd.	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

As at 30th June, 2007, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady, father of Mr. Stephen Riady, is the founder and the beneficiaries of the trust included, inter alia, Mr. Stephen Riady and his minor child.

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, 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).

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

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

Name	Number of ordinary shares of HK\$0.10 each	Approximate percentage of the issued share capital
<i>Substantial shareholders:</i>		
Lippo Capital Limited ("Lippo Capital")	218,900,000	50.47
Lippo Cayman Limited ("Lippo Cayman")	248,697,776	57.34
Lanius Limited ("Lanius")	248,697,776	57.34
Dr. Mochtar Riady	248,697,776	57.34
Madam Lidya Suryawaty	248,697,776	57.34
<i>Other persons:</i>		
ASM Asia Recovery (Master) Fund ("ASM")	24,212,000	5.58
Argyle Street Management Limited ("Argyle")	30,110,000	6.94
Argyle Street Management Holdings Limited ("ASM Holdings")	30,110,000	6.94
Mr. Kin Chan	30,110,000	6.94
Mercury Real Estate Advisors, LLC ("Mercury Real Estate")	21,781,000	5.02
Mr. David R. Jarvis	21,781,000	5.02
Mr. Malcolm F. Maclean	21,781,000	5.02

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

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

Note:

1. 218,900,000 ordinary shares of the Company were owned by Lippo Capital directly as beneficial owner. Lippo Cayman, through its wholly-owned subsidiaries, Lippo Capital, J & S Company Limited and Huge Returns Limited, was indirectly interested in 237,335,144 ordinary shares of the Company. Together with 11,362,632 ordinary shares of the Company owned by Lippo Cayman directly as beneficial owner, Lippo Cayman was interested in an aggregate of 248,697,776 ordinary shares in, representing approximately 57.34 per cent. of, the issued share capital of the Company.
2. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
3. Lippo Cayman's interests in the ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 248,697,776 ordinary shares in the Company related to the same block of shares that Mr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".
4. 24,212,000 ordinary shares of the Company were held by ASM directly as beneficial owner. Argyle, as investment manager, through its managed funds, ASM and ASM Hudson River Fund, was indirectly interested in an aggregate of 30,110,000 ordinary shares of the Company. Argyle was a wholly-owned subsidiary of ASM Holdings. Mr. Kin Chan was interested in approximately 44 per cent. of ASM Holdings.
5. 21,781,000 ordinary shares of the Company were held by Mercury Real Estate directly as investment manager. Messrs. David R. Jarvis and Malcolm F. Maclean were directly interested in 57.50 per cent. and 42.50 per cent. of Mercury Real Estate respectively.

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2007, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Schemes

Details of the share option schemes of the Group are disclosed in Note 18 to the interim financial statements.

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

During the six months ended 30th June, 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 Limited

John Luen Wai Lee

Managing Director and Chief Executive Officer

Hong Kong, 19th September, 2007