



Hongkong Chinese Limited

香港華人有限公司

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 655)



Interim Report  
**2007**



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## Corporate Information

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### Board of Directors

#### Non-executive Directors

Dr. Mochtar Riady (*Chairman*)

Mr. Leon Chan Nim Leung

#### Executive Directors

Mr. Stephen Riady (*Chief Executive Officer*)

Mr. John Lee Luen Wai, J.P.

Mr. Kor Kee Yee

#### Independent non-executive Directors

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

### Committees

#### Audit Committee

Mr. Victor Yung Ha Kuk (*Chairman*)

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

Mr. Tsui King Fai

#### Nomination Committee

Mr. Leon Chan Nim Leung (*Chairman*)

Mr. Stephen Riady

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

#### Remuneration Committee

Mr. Leon Chan Nim Leung (*Chairman*)

Mr. Stephen Riady

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

### Secretary

Mr. Andrew Hau Tat Kwong

### Qualified Accountant

Mr. Ng Tai Chiu

### Auditors

Ernst & Young

### Principal Bankers

CITIC Ka Wah Bank Limited

Fubon Bank (Hong Kong) Limited

Asia Commercial Bank Limited

Wing Hang Bank, Ltd.

Standard Chartered Bank

United Overseas Bank Limited

Bank of China Limited

The Bank of East Asia, Limited

Raiffeisen Zentralbank Österreich AG

### Solicitors

Richards Butler

### Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Hamilton

Bermuda

### Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

### Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

### Principal Place of Business

24th Floor, Tower One

Lippo Centre, 89 Queensway

Hong Kong

### Stock Code

655

### Website

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

The Directors of Hongkong Chinese 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

		<b>Unaudited</b>	
		<b>six months ended 30th June,</b>	
	<i>Note</i>	<b>2007</b>	2006
		<b>HK\$'000</b>	<i>HK\$'000</i>
			<i>(restated)</i>
<b>Revenue</b>	3	<b>708,620</b>	538,850
Cost of sales		<b>(579,861)</b>	(449,227)
<b>Gross profit</b>		<b>128,759</b>	89,623
Administrative expenses		<b>(53,107)</b>	(39,581)
Other operating expenses		<b>(29,628)</b>	(18,054)
Fair value gains on investment properties		<b>3,333</b>	5,468
Gain on disposal of available-for-sale financial assets		<b>724</b>	100,480
Gain/(Loss) on disposal of subsidiaries	4	<b>101,956</b>	(255)
Gain on disposal of associates		<b>57,620</b>	–
Net fair value gain on financial assets at fair value through profit or loss		<b>23,295</b>	6,588
Finance costs		<b>(38,847)</b>	(12,677)
Share of results of associates	5	<b>494,276</b>	2,200
Share of results of jointly controlled entities		<b>(811)</b>	(1,968)
<b>Profit before tax</b>	6	<b>687,570</b>	131,824
Tax	7	<b>895</b>	(3,926)
<b>Profit for the period</b>		<b>688,465</b>	127,898
<b>Attributable to:</b>			
Equity holders of the Company	19	<b>687,082</b>	128,766
Minority interests	19	<b>1,383</b>	(868)
		<b>688,465</b>	127,898
		<b>HK cents</b>	<i>HK cents</i>
<b>Earnings per share attributable to equity holders of the Company</b>	8		
Basic		<b>51.0</b>	9.6
Diluted		<b>N/A</b>	N/A
		<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Interim distribution</b>	9	<b>23,570</b>	20,202

## Condensed Consolidated Balance Sheet

	Note	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
<b>Non-current assets</b>			
Goodwill		57,285	57,285
Fixed assets		45,899	47,443
Investment properties		497,028	1,136,256
Properties under development		138,599	160,115
Interests in associates	5	2,572,876	1,961,964
Interests in jointly controlled entities		151,684	49,299
Available-for-sale financial assets	10	109,522	102,869
Held-to-maturity financial assets	11	9,613	9,582
Loans and advances	13	23,963	27,066
		<b>3,606,469</b>	3,551,879
<b>Current assets</b>			
Properties held for sale		19,666	19,223
Properties under development		30,768	–
Available-for-sale financial assets	10	1,922	–
Financial assets at fair value through profit or loss	12	378,009	821,025
Loans and advances	13	714,488	273,324
Debtors, prepayments and deposits	14	858,371	179,171
Client trust bank balances		558,517	582,905
Treasury bills		13,580	194,970
Cash and bank balances		354,741	363,487
		<b>2,930,062</b>	2,434,105
<b>Current liabilities</b>			
Bank and other borrowings	15	1,592,240	942,205
Creditors, accruals and deposits received	16	865,588	832,729
Current, fixed, savings and other deposits of customers	17	158,678	305,521
Tax payable		8,963	8,265
		<b>2,625,469</b>	2,088,720
<b>Net current assets</b>		<b>304,593</b>	345,385
<b>Total assets less current liabilities</b>		<b>3,911,062</b>	3,897,264

Condensed Consolidated Balance Sheet (Continued)

	Note	<b>30th June, 2007 HK\$'000 (Unaudited)</b>	31st December, 2006 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Bank and other borrowings	15	–	547,368
Deferred tax liabilities		<b>25,589</b>	58,207
		<b>25,589</b>	605,575
<b>Net assets</b>			
		<b>3,885,473</b>	3,291,689
<b>Equity</b>			
Equity attributable to equity holders of the Company			
Share capital	18	<b>1,346,829</b>	1,346,829
Reserves	19	<b>2,504,210</b>	1,845,575
		<b>3,851,039</b>	3,192,404
Minority interests	19	<b>34,434</b>	99,285
		<b>3,885,473</b>	3,291,689

## Condensed Consolidated Summary Statement of Changes in Equity

	Note	Unaudited six months ended 30th June,	
		2007 HK\$'000	2006 HK\$'000
<b>Total equity at 1st January</b>		<b>3,291,689</b>	2,861,095
<b>Changes in equity during the period:</b>			
Exchange differences on translation of foreign operations		<b>7,270</b>	4,116
Release of reserves in respect of disposal of subsidiaries	19	<b>(11,563)</b>	–
Net fair value gain/(loss) on available-for-sale financial assets		<b>10,348</b>	(12,882)
Deferred tax arising from fair value gain on available-for-sale financial assets	19	<b>(353)</b>	(4,001)
Derecognition of available-for-sale financial assets	19	<b>(1,204)</b>	(79,351)
Share of reserves of associates and jointly controlled entities	19	<b>34,867</b>	–
Net income/(expense) recognised directly in equity		<b>39,365</b>	(92,118)
Profit for the period		<b>688,465</b>	127,898
Total recognised income and expense for the period		<b>727,830</b>	35,780
Issue of shares by subsidiaries to minority shareholders	19	–	402
Disposal of subsidiaries	19	<b>(130,786)</b>	–
Advance from minority shareholders of subsidiaries	19	<b>64,081</b>	39,132
Changes in interests in subsidiaries	19	–	(257)
2005 final distribution, declared	19	–	(40,405)
2006 final distribution, declared	19	<b>(67,341)</b>	–
		<b>593,784</b>	34,652
<b>Total equity at 30th June</b>		<b>3,885,473</b>	2,895,747
<b>Total recognised income and expense for the period attributable to:</b>			
Equity holders of the Company		<b>725,976</b>	36,643
Minority interests		<b>1,854</b>	(863)
		<b>727,830</b>	35,780

## Condensed Consolidated Cash Flow Statement

	Unaudited	
	2007	2006
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	<b>(737,554)</b>	286,756
Net cash from/(used in) investing activities	<b>432,163</b>	(1,615,145)
Net cash from financing activities	<b>105,761</b>	1,015,770
Net decrease in cash and cash equivalents	<b>(199,630)</b>	(312,619)
Cash and cash equivalents at 1st January	<b>558,457</b>	637,260
Exchange realignment	<b>4,621</b>	1,017
Cash and cash equivalents at 30th June	<b>363,448</b>	325,658
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>354,741</b>	252,093
Treasury bills	<b>13,580</b>	75,660
Bank overdrafts	<b>(4,873)</b>	(2,095)
	<b>363,448</b>	325,658



# Notes to the Interim Financial Statements

## 1. Principal Accounting Policies

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

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31st December, 2006, except in relation to the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new/revised HKFRSs”), which have become effective for accounting periods beginning on or after 1st January, 2007, that are adopted for the first time for the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)–Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)–Int 8	Scope of HKFRS 2
HK(IFRIC)–Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)–Int 10	Interim Financial Reporting and Impairment

The adoption of the above new/revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

## 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 property investment and development segment includes letting, resale and development of properties;
- (b) the treasury investment segment includes investments in cash and bond markets;
- (c) the securities investment segment includes dealings in securities and disposals of investments;
- (d) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (e) the banking business segment engages in the provision of commercial and retail banking services;
- (f) the project management segment engages in the provision of project management, marketing, sales administrative and other related services; and
- (g) the “other” segment comprises principally the development of computer hardware and software, money lending and the provision of 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 and development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue									
External	19,765	4,284	552,934	67,424	15,388	39,770	9,055	-	708,620
Inter-segment	-	15	-	164	-	167	715	(1,061)	-
Total	19,765	4,299	552,934	67,588	15,388	39,937	9,770	(1,061)	708,620
Segment results	114,050	4,152	28,723	13,180	4,157	34,026	59,239	(618)	256,909
Unallocated corporate expenses									(35,152)
Finance costs									(27,652)
Share of results of associates	490,547	-	-	-	-	-	3,729	-	494,276
Share of results of jointly controlled entities	(49)	-	-	-	-	-	(762)	-	(811)
Profit before tax									687,570
Tax									895
Profit for the period									688,465

## 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)								
	Property investment and development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Project management HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue									
External	21,610	11,801	435,897	46,110	14,338	-	9,094	-	538,850
Inter-segment	-	797	-	222	-	-	3,494	(4,513)	-
<b>Total</b>	<b>21,610</b>	<b>12,598</b>	<b>435,897</b>	<b>46,332</b>	<b>14,338</b>	<b>-</b>	<b>12,588</b>	<b>(4,513)</b>	<b>538,850</b>
Segment results	9,029	11,728	125,342	6,772	5,051	(1,291)	4,919	(3,420)	158,130
Unallocated corporate expenses									(20,138)
Finance costs									(6,400)
Share of results of associates	(4,832)	-	-	-	-	-	7,032	-	2,200
Share of results of jointly controlled entities	(522)	-	-	-	-	-	(1,446)	-	(1,968)
Profit before tax									131,824
Tax									(3,926)
Profit for the period									<b>127,898</b>

### 3. Revenue

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

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

	<b>Six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
		(restated)
Property investment and development	<b>19,765</b>	21,610
Treasury investment	<b>4,284</b>	11,801
Securities investment	<b>552,934</b>	435,897
Corporate finance and securities broking	<b>67,424</b>	46,110
Banking business	<b>15,388</b>	14,338
Project management	<b>39,770</b>	–
Other	<b>9,055</b>	9,094
	<b>708,620</b>	538,850

Revenue attributable to banking business represents revenue generated from The Macao 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:

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

### 4. Gain/(Loss) on Disposal of Subsidiaries

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 disposal resulted in a gain on disposal of subsidiaries of HK\$101,956,000.

## 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.

## 6. Profit before Tax

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

	<b>Six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Interest income:		
Listed investments	<b>821</b>	3,652
Unlisted investments	<b>324</b>	758
Banking operation	<b>12,428</b>	12,064
Other	<b>4,859</b>	11,801
Dividend income:		
Listed investments	<b>136</b>	763
Unlisted investments	<b>4,212</b>	1,291
Other unlisted investment income	<b>–</b>	664
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	<b>(130)</b>	13,649
Unlisted financial assets at fair value through profit or loss	<b>27</b>	267
Listed available-for-sale financial assets	<b>–</b>	103,338
Unlisted available-for-sale financial assets	<b>724</b>	(2,858)
Net fair value gain on financial assets at fair value through profit or loss:		
Listed	<b>11,233</b>	92
Unlisted	<b>12,062</b>	6,496
Provision for impairment losses on unlisted available-for-sale financial assets	<b>–</b>	(970)
Depreciation	<b>(3,861)</b>	(3,364)

## 7. Tax

	<b>Six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Hong Kong:		
Charge for the period	–	1,270
Deferred	<b>578</b>	955
	<b>578</b>	2,225
Overseas:		
Charge for the period	<b>1,943</b>	1,438
Underprovision/(Overprovision) in prior periods	<b>(36)</b>	263
Deferred	<b>(3,380)</b>	–
	<b>(1,473)</b>	1,701
Total charge/(credit) for the period	<b>(895)</b>	3,926

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\$687,082,000 (2006 – HK\$128,766,000); and (ii) the weighted average number of 1,346,829,000 ordinary shares (2006 – 1,346,829,000 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 Distribution

	<b>Six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Interim distribution, declared, of HK1.75 cents (2006 – HK1.5 cents) per ordinary share	<b>23,570</b>	20,202

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

## 10. Available-for-sale Financial Assets

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Financial assets stated at fair value:		
Unlisted investment funds	102,883	94,442
Financial assets stated at cost:		
Unlisted equity securities	79,250	79,166
Unlisted debt securities	11,586	11,536
Provision for impairment losses	(82,275)	(82,275)
	8,561	8,427
	111,444	102,869
Less: Amount classified under current portion	(1,922)	–
Non-current portion	109,522	102,869

The debt securities have effective interest rates ranging from nil to 8 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	79,250	79,166
Debt securities:		
Club debenture	3,165	3,165
Corporate entities	8,421	8,371
	11,586	11,536

## 11. 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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## 12. 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	8,551	6,731
	<b>67,126</b>	63,024
Debt securities:		
Listed overseas	8,911	9,056
Investment funds:		
Listed overseas	58,050	46,030
Unlisted	237,849	230,731
	<b>295,899</b>	276,761
Other:		
Unlisted	6,073	5,813
	<b>378,009</b>	354,654
Designated as financial assets at fair value through profit or loss: (Note)		
Unlisted investment funds	–	466,371
	<b>378,009</b>	821,025

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.

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	52,876	63,024
	<b>67,126</b>	63,024
Debt securities:		
Corporate entities	8,911	9,056



### 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 6 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.

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

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

### 14. Debtors, Prepayments and Deposits

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

	<b>30th June,</b>	31st December,
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Outstanding balances with ages:		
Repayable on demand	<b>75,791</b>	45,809
Within 30 days	<b>693,343</b>	39,602
Between 31 and 60 days	<b>58</b>	969
Between 61 and 90 days	<b>288</b>	184
	<b>769,480</b>	86,564

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.

## 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))	1,254,691	594,078
Unsecured	20,000	10,000
	<b>1,279,564</b>	604,078
Other borrowings:		
Unsecured (Note (b))	312,676	885,495
	<b>1,592,240</b>	1,489,573
Less: Amount classified under current portion	<b>(1,592,240)</b>	(942,205)
	–	547,368
Bank and other borrowings by currency:		
Hong Kong dollar	1,229,166	1,105,495
Singapore dollar	–	337,368
United States dollar	363,074	46,710
	<b>1,592,240</b>	1,489,573
Bank loans and overdrafts repayable:		
Within one year	1,279,564	56,710
In the second year	–	220,965
In the third to fifth years, inclusive	–	326,403
	<b>1,279,564</b>	604,078
Other borrowings repayable:		
Within one year	312,676	885,495

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 4.9 per cent. to 6.4 per cent. (31st December, 2006 – 4.7 per cent. to 6.1 per cent.) per annum.

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.

The bank loans and overdrafts were secured by first legal mortgages over certain investment properties and certain securities of the Group with carrying amounts of HK\$451,550,000 (31st December, 2006 – HK\$1,109,112,000) and HK\$68,559,000 (31st December, 2006 – HK\$46,710,000) respectively and certain securities owned by margin clients of the Group.

- (b) The Group's other borrowings as at 30th June, 2007 comprised of an unsecured loan advanced from a third party of HK\$312,676,000, which would be repayable on 26th June, 2008 and subject to renewal for one additional year on terms mutually agreed with the lender. The Group's other borrowings as at 31st December, 2006 comprised of unsecured loans advanced from Lippo Limited ("Lippo") and Lippo China Resources Limited ("LCR"), intermediate holding companies of the Company, of HK\$248,126,000 and HK\$637,369,000, respectively. The balances of which were fully repaid during the period.

## 16. Creditors, Accruals and Deposits Received

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Outstanding balances with ages:		
Repayable on demand	<b>618,768</b>	637,860
Within 30 days	<b>156,538</b>	108,336
	<b>775,306</b>	746,196

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Authorised:		
2,000,000,000 (31st December, 2006 – 2,000,000,000) ordinary shares of HK\$1.00 each	<b>2,000,000</b>	2,000,000
Issued and fully paid:		
1,346,829,094 (31st December, 2006 – 1,346,829,094) ordinary shares of HK\$1.00 each	<b>1,346,829</b>	1,346,829

### Share options

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, Lippo and LCR.

No options have been granted under the Share Option Scheme since its 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	Capital redemption reserve (Note (c))	Legal reserve (Note (d))	Regulatory reserve (Note (e))	Investment revaluation reserve	Distributable reserves (Note (b))	Exchange equalisation reserve	Total	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	50,988	11,760	3,960	1,264	36,960	1,678,657	61,986	1,845,575	99,285
Net fair value gain on available-for-sale financial assets	-	-	-	-	10,290	-	-	10,290	58
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	-	(353)	-	-	(353)	-
Derecognition of available-for-sale financial assets	-	-	-	-	(1,204)	-	-	(1,204)	-
Share of reserves of associates and jointly controlled entities	-	-	-	-	22,569	-	12,298	34,867	-
Transfer of reserve	-	-	1,410	-	-	(1,410)	-	-	-
Exchange realignment	-	-	-	-	-	-	6,857	6,857	413
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	64,081
Disposal of subsidiaries	-	-	-	-	-	-	(11,563)	(11,563)	(130,786)
Profit for the period	-	-	-	-	-	687,082	-	687,082	1,383
2006 final distribution, declared	-	-	-	-	-	(67,341)	-	(67,341)	-
<b>At 30th June, 2007</b>	<b>50,988</b>	<b>11,760</b>	<b>5,370</b>	<b>1,264</b>	<b>68,262</b>	<b>2,296,988</b>	<b>69,578</b>	<b>2,504,210</b>	<b>34,434</b>
At 1st January, 2006	50,988	11,760	3,034	1,169	81,876	1,348,813	(15,453)	1,482,187	32,079
Net fair value loss on available-for-sale financial assets	-	-	-	-	(12,859)	-	-	(12,859)	(23)
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	-	(4,001)	-	-	(4,001)	-
Derecognition of available-for-sale financial assets	-	-	-	-	(79,351)	-	-	(79,351)	-
Transfer of reserve	-	-	926	-	-	(926)	-	-	-
Exchange realignment	-	-	-	-	-	-	4,088	4,088	28
Issue of shares by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	402
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	39,132
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	(257)
Profit/(Loss) for the period	-	-	-	-	-	128,766	-	128,766	(868)
2005 final distribution, declared and paid	-	-	-	-	-	(40,405)	-	(40,405)	-
At 30th June, 2006	50,988	11,760	3,960	1,169	(14,335)	1,436,248	(11,365)	1,478,425	70,493

**19. Reserves** (Continued)

Note:

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

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

- (b) Distributable reserves of the Group at 30th June, 2007 comprise retained profits of HK\$1,118,271,000 (31st December, 2006 – HK\$432,599,000) and the remaining balance arising from the Cancellation of HK\$1,178,717,000 (31st December, 2006 – HK\$1,246,058,000).

- (c) The capital redemption reserve is not available for distribution to shareholders.

- (d) 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.

- (e) 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
<b>At 30th June, 2007</b>							
<b>Assets</b>							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,613	-	9,613
Available-for-sale financial assets	-	-	8,421	-	-	3,165	11,586
Financial assets at fair value through profit or loss	-	-	-	-	929	7,982	8,911
Loans and advances	209,961	487,823	16,704	12,144	11,819	-	738,451
Client trust bank balances	80,230	478,287	-	-	-	-	558,517
Treasury bills	-	13,580	-	-	-	-	13,580
Cash and bank balances	89,081	265,660	-	-	-	-	354,741
	<b>379,272</b>	<b>1,245,350</b>	<b>25,125</b>	<b>12,144</b>	<b>22,361</b>	<b>11,147</b>	<b>1,695,399</b>
<b>Liabilities</b>							
Bank and other borrowings	4,873	1,064,691	522,676	-	-	-	1,592,240
Current, fixed, savings and other deposits of customers	62,404	91,440	4,834	-	-	-	158,678
	<b>67,277</b>	<b>1,156,131</b>	<b>527,510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,750,918</b>
<b>At 31st December, 2006</b>							
<b>Assets</b>							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,582	-	9,582
Available-for-sale financial assets	-	-	-	8,371	-	3,165	11,536
Financial assets at fair value through profit or loss	-	-	-	-	976	8,080	9,056
Loans and advances	110,599	116,151	46,574	10,740	16,326	-	300,390
Client trust bank balances	52,417	530,488	-	-	-	-	582,905
Treasury bills	-	194,970	-	-	-	-	194,970
Cash and bank balances	126,173	237,314	-	-	-	-	363,487
	<b>289,189</b>	<b>1,078,923</b>	<b>46,574</b>	<b>19,111</b>	<b>26,884</b>	<b>11,245</b>	<b>1,471,926</b>
<b>Liabilities</b>							
Bank and other borrowings	-	56,710	885,495	547,368	-	-	1,489,573
Current, fixed, savings and other deposits of customers	107,747	194,458	3,316	-	-	-	305,521
	<b>107,747</b>	<b>251,168</b>	<b>888,811</b>	<b>547,368</b>	<b>-</b>	<b>-</b>	<b>1,795,094</b>

## Notes to the Interim Financial Statements (Continued)

### 21. Contingent Liabilities

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Guarantees and other endorsements	<b>18,340</b>	17,172
Liabilities under letters of credit on behalf of customers	<b>1,922</b>	12,392
	<b>20,262</b>	29,564

### 22. Capital Commitments

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Capital commitments in respect of property, plant and equipment: Contracted, but not provided for	<b>299,125</b>	41,623
Other capital commitments: Contracted, but not provided for (Note)	<b>366,642</b>	527,024
	<b>665,767</b>	568,647

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in Republic of Singapore and the People's Republic of China of approximately HK\$349 million (31st December, 2006 – HK\$390 million).

### 23. Related Party Transactions

- (a) During the period, Lippo Securities Holdings Limited ("LSHL"), being a wholly-owned subsidiary of the Company, paid rental expenses of HK\$2,245,000 (2006 – HK\$1,582,000) to Prime Power Investment Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by LSHL. The rental was determined by reference to open market rentals.
- (b) During the period, the Company paid rental expenses of HK\$981,000 (2006 – HK\$717,000) to Porbandar Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to open market rentals.
- (c) During the period, ImPac Asset Management (HK) Limited, being a wholly-owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounting to HK\$5,649,000 (2006 – HK\$5,638,000).

**23. Related Party Transactions (Continued)**

- (d) During the period, the Company paid finance costs to Lippo and LCR of HK\$3,025,000 (2006 – HK\$1,373,000) and HK\$13,923,000 (2006 – HK\$1,660,000) respectively, in respect of the loans advanced to the Company. The balances of which were fully repaid during the period.
- (e) As at 30th June, 2007, the Group had amounts due from associates in a total of HK\$388,353,000 (31st December, 2006 – amounts due from associates in a total of HK\$298,624,000 and amounts due to associates in a total of HK\$22,175,000) and amounts due from jointly controlled entities in a total of HK\$149,964,000 (31st December, 2006 – HK\$46,732,000). The balances with the associates are unsecured, interest-free and have no fixed terms of repayment. 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. The carrying amounts of the balances are approximate to their fair values.

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

**(b) Liquidity risk**

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

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



**24. Financial Risk Management Objectives and Policies** (Continued)

**(c) Interest rate risk**

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

**(d) Foreign exchange risk**

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

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

**(e) Market risk**

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

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

## 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.
- (c) On 17th July, 2007, LCR declared a special interim distribution which was satisfied by way of a distribution in specie of the Company's shares held by LCR in the proportion of 1.057745 Company's share for every ten LCR's shares held by the shareholders of LCR. As a result of the distribution, the Company ceased to be a subsidiary of LCR.
- (d) 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

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安永會計師事務所

## TO THE BOARD OF DIRECTORS OF HONGKONG CHINESE LIMITED

*(Incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 3 to 25 which comprise the condensed consolidated balance sheet of Hongkong Chinese Limited as at 30th June, 2007 and the related condensed consolidated profit and loss account, summary statement of changes in equity and cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

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

### Scope of Review

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

### Conclusion

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

### Ernst & Young

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

Hong Kong, 17th September, 2007

## Supplementary Financial Information

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

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

	<b>Pro forma combined balance sheet as at 30th June, 2007 HK\$'000</b>	<b>Group's attributable interest as at 30th June, 2007 HK\$'000</b>
Intangible assets	979,162	979,162
Fixed assets	2,812,184	2,810,648
Investment properties	2,412,825	2,412,825
Properties under development	2,491,548	1,851,277
Interests in associates	2,307,850	2,307,850
Available-for-sale financial assets	805,789	805,789
Deposits paid for acquisition of properties	67,789	33,894
Debtors, prepayments and deposits	73,802	69,738
Cash and bank balances	2,798,973	2,663,623
Bank and other borrowings	(5,694,802)	(5,273,770)
Creditors, accruals and deposits received	(187,569)	(173,176)
Tax payable	(101,279)	(101,279)
Shareholders' advance	(925,955)	(535,764)
Deferred tax liabilities	(601,427)	(601,427)
Other net assets	52,071	49,339
	<b>7,290,961</b>	<b>7,298,729</b>

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

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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. Property investment and development sector, being one of the major business streams of the Group, 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\$687 million (2006 – HK\$129 million).

### Results for the Period

Turnover for the six months ended 30th June, 2007 totalled HK\$709 million, which was 32 per cent. higher than the HK\$539 million (restated) recorded in 2006.

The Group reported a profit for the period of HK\$688 million (2006 – HK\$128 million). Property investment and development was the main contributor.

### Property investment and development

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

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

On the other hand, the investment properties in Hong Kong 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 in Hong Kong of HK\$3 million during the period.

Additionally, the Group has participated in various well-located development projects in Macau, 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 for the period amounted to HK\$557 million (2006 – HK\$448 million, as restated) and HK\$33 million (2006 – HK\$137 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).

#### **Banking business**

Benefiting from the positive economic growth in Macau, the bank sustained stable results in the first half of 2007. Credit quality overall remained sound for the period. Management continued to lend conservatively and strived to improve asset quality. Turnover and profit derived from the banking segment amounted to HK\$15 million (2006 – HK\$14 million) and HK\$4 million (2006 – HK\$5 million) respectively.

#### **Other businesses**

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.

### Financial Position

As at 30th June, 2007, the Group's total assets increased to HK\$6.5 billion (31st December, 2006 – HK\$6.0 billion). Property-related assets remained at HK\$3.3 billion (31st December, 2006 – HK\$3.3 billion), representing 51 per cent. (31st December, 2006 – 55 per cent.) of the total assets. On the other hand, investment portfolio of the Group reduced to HK\$0.5 billion (31st December, 2006 – HK\$0.9 billion), comprising debt and equity securities of HK\$0.1 billion (31st December, 2006 – HK\$0.1 billion) and investment funds of HK\$0.4 billion (31st December, 2006 – HK\$0.8 billion). The investment portfolio represented 8 per cent. (31st December, 2006 – 16 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. Total liabilities remained stable at HK\$2.7 billion (31st December, 2006 – HK\$2.7 billion). Nevertheless, the Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.1 to 1 (31st December, 2006 – 1.2 to 1).

As at 30th June, 2007, the bank and other borrowings of the Group (other than those attributable to banking business) increased slightly to HK\$1.6 billion (31st December, 2006 – HK\$1.5 billion), which was in-line with the expansion of the Group.

As at 30th June, 2007, total bank loans and overdrafts amounted to HK\$1,280 million (31st December, 2006 – HK\$604 million), comprising secured bank loans and overdrafts of HK\$1,260 million (31st December, 2006 – HK\$594 million) and unsecured bank loans of HK\$20 million (31st December, 2006 – HK\$10 million), which were denominated in Hong Kong dollars or United States dollars (31st December, 2006 – denominated in Hong Kong dollars, United States dollars or Singapore dollars). The bank loans and overdrafts were secured by first legal mortgages over certain investment properties, certain securities of the Group and certain securities owned by margin clients of the Group (31st December, 2006 – first legal mortgages over certain investment properties and certain securities of the Group). The bank loans and overdrafts carried interest at floating rates and all of the bank loans and overdrafts (31st December, 2006 – 9 per cent.) were repayable within one year. During the period, the Group received a third party loan of HK\$313 million. Such advance was unsecured, carried interest at floating rate and would be repayable on 26th June, 2008 and subject to renewal for one additional year on terms mutually agreed with the lender. Meanwhile, the Group had fully repaid the loans advanced from Lippo Limited and Lippo China Resources Limited during the period. At the end of the period, gearing ratio (measured as total borrowings, net of minority interests, to shareholders' funds) decreased slightly to 41 per cent. (31st December, 2006 – 45 per cent.).

During the period, the Company declared the 2006 final distribution of HK\$0.05 per share to its shareholders, amounting in a total of HK\$67 million. The net asset value of the Group remained strong and increased to HK\$3.9 billion (31st December, 2006 – HK\$3.2 billion). This was equivalent to HK\$2.9 per share (31st December, 2006 – HK\$2.4 per share).

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's total capital commitment increased to HK\$0.7 billion (31st December, 2006 – HK\$0.6 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 179 employees as at 30th June, 2007 (2006 – 189 employees). Total staff costs (including directors' emoluments) during the period amounted to HK\$39 million (2006 – HK\$27 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

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 continuing momentum for local economic growth. The strong growth of the surrounding Asian economies has also helped boost business and investment opportunities. However, the uncertain outlook on the US economy flowing from the sub-prime mortgage problems and the resultant volatility in the international financial markets have dampened global economic growth. In Mainland China, prospective macro-economic tightening measures may affect the pace of economic growth.

The Group has produced a remarkable performance in the first half of 2007, achieving a consolidated profit attributable to shareholders of HK\$687 million for the six months ended 30th June, 2007, which was a marked increase over the profit of HK\$129 million in the corresponding period of 2006.

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 with its quest to acquire quality property interests in Singapore and elsewhere in Asia.

The Group participated in a joint venture, in which the Group has a 50 per cent. interest, established for the acquisition and development of the property known as Kim Seng Plaza located at No. 100, Kim Seng Road, Singapore (the “Kim Seng Property”). The Kim Seng Property has a site area of approximately 5,611 square metres. It is currently intended that the Kim Seng Property will be re-developed into a luxury residential development.



*Marina Collection, property development project at Sentosa Cove, Sentosa Island, Singapore*



*Kim Seng Plaza, property development project in Singapore*

At the end of 2006, the Group participated in a joint venture, in which the Group has a 50 per cent. interest, 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 total site area of approximately 22,222 square metres and 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. It is expected that pre-sale will be launched by the end of 2007 which will generate additional working capital and income stream for the Group.

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



*Aura Park, property development project in Singapore*

The Group’s investment in Lippo ASM Asia Property LP (“LAAP”) recorded an encouraging result in the first half of 2007. LAAP is a property fund set up in 2005, of which a wholly-owned subsidiary of the Company is the founding limited partner, and 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 investments and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore as well as hotels in the Asia region, including Meritus



*Parisian, an OUE property development project in Singapore*



*Overseas Union House, an OUE property development project in Singapore*



*New Mandarin Gallery, an OUE property project in Singapore*

Mandarin, which is located at Orchard Road, a prime shopping district in Singapore. These high quality properties generate 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 Group.



*Grangeford, an OUE property development project in Singapore*

The Group also participated in a number of property projects in Mainland China, including Lippo Tower in Chengdu and the development project at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) (the “BDA Project”). The economy in China continued to show impressive growth in the first half of 2007. With continuing growth in purchasing power and improvement in living standards, the outlook remains good for the property market in China.

The BDA Project is located in the state-level economic-technological development area in Beijing which is approximately ten miles south east of Beijing city centre. The BDA Project is currently planned to comprise office buildings, apartments, hotels and shopping malls 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 Group sees significant long term potential for the BDA Project.



*Property development project at 北京經濟技術開發區 (Beijing Economic-Technological Development Area), the PRC*

The Macau Chinese Bank Limited (“MCB”), an 85 per cent. subsidiary of the Company, continued to be a net income contributor to the Group. The Macau economy continued to grow firmly in the first half of 2007. MCB achieved steady growth in all aspects of its business. The tourist and gaming sectors continued to do well. A number of additional new large-scale hotels and gaming and entertainment centres have come into stream in 2007. This will further help to improve the banking, financing and property mortgage financing sectors in Macau.

The local stock market continued to perform well in the first half of 2007. The high market turnover has benefited the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services.

Taking advantage of the improving market conditions, the Group realised its gain in certain investments during the first half of 2007. At the beginning of the year, the Group realised its gain



*Lippo Tower in Chengdu, the PRC*

on its investment in Ferrell Real Estate Investment Fund (“Ferrell Fund”), a property fund, by termination of a discretionary management arrangement with the investment manager of the Ferrell Fund and the redemption of the relevant cell shares in the Ferrell Fund for a net proceed of S\$92 million.

In May 2007, the Group disposed of its entire 34.34 per cent interest in the Convoy Group (an independent financial planning services group in Hong Kong) at a net profit of HK\$58 million.

In June 2007, the Group disposed of its entire interest (approximately 80.02 per cent.) in a joint venture which owns 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 Group.

### **Distribution in Specie of the Company's Shares**

As has been announced, Lippo Limited ("Lippo"), Lippo China Resources Limited ("LCR") and the Company (collectively, the "Lippo Group") have been undertaking a corporate re-structuring to streamline the Lippo Group's corporate structure.

In August 2007, LCR completed the distribution in specie of its entire 72.26 per cent. shareholding in the Company to its shareholders (the "Distribution"). As a result, LCR ceased to be the holding company of the Company and Lippo has become the beneficial owner of approximately 51.4 per cent. of the issued share capital of the Company. The Distribution will result in a clearer and better defined operational structure for the Lippo Group. Following the restructuring, the Company will primarily focus on property investment and development and will effectively be the principal property arm of the Lippo Group. Within this broad directional context, financial business will become a smaller business segment

within the Group. The better defined and more focused separate operations of Lippo, LCR and the Company will enable investors to better appraise, assess and distinguish the values, potential and performance of each of the separate entities within the Lippo 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 China. There is also broad optimism about the economic and business prospects in the surrounding Asian countries, including China in which the 2008 Olympic Games will take place. Nevertheless, there remains a number of uncertainties in the external economic environment, especially concerns of a slowdown in the US economy arising from the US sub-prime mortgage crisis and the possible flow on effects onto the 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. The Group will continue to explore suitable investment opportunities, particularly in the property markets in the Asia region. However, Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

## Additional Information

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### Interim Distribution

The Directors have resolved to declare the payment of an interim distribution of HK1.75 cents (2006 – HK1.5 cents) per share, amounting to approximately HK\$23,570,000 for the six months ended 30th June, 2007, which will be paid on Monday, 22nd October, 2007 to the shareholders whose names appear on the Company's 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 transfers of shares will be registered. In order to qualify for the interim distribution 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 Tricor Tengis Limited, the Company's Branch Share Registrars in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 4th October, 2007. Warrants in respect of the interim distribution will be dispatched to the shareholders on or about Monday, 22nd 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, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code") were as follows:

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

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
<b>Number of ordinary shares of HK\$1.00 each in the Company</b>					
Mochtar Riady	-	-	973,240,440 (Note 1)	973,240,440	72.26
Stephen Riady	-	-	973,240,440 (Note 1)	973,240,440	72.26
John Lee Luen Wai	200	200	-	400	0.00
Tsui King Fai	-	50,000	-	50,000	0.00
<b>Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")</b>					
Mochtar Riady	-	-	248,697,776 (Notes 1 & 2)	248,697,776	57.34
Stephen Riady	-	-	248,697,776 (Notes 1 & 2)	248,697,776	57.34
John Lee Luen Wai	825,000	-	-	825,000	0.19
<b>Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")</b>					
Mochtar Riady	-	-	6,544,696,389 (Notes 1, 2 & 3)	6,544,696,389	71.13
Stephen Riady	-	-	6,544,696,389 (Notes 1, 2 & 3)	6,544,696,389	71.13

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

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

Note:

1. 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, was indirectly interested in 973,240,440 ordinary shares of HK\$1.00 each in, representing approximately 72.26 per cent. of, the issued share capital of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. Dr. Mochtar Riady did not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor child of Mr. Stephen Riady. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Riady (together with his minor child) as beneficiaries of the trust were taken to be interested in Lippo Cayman under the SFO.
2. As at 30th June, 2007, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK\$0.10 each in, representing approximately 57.34 per cent. of, the issued share capital of Lippo.
3. As at 30th June, 2007, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.13 per cent. of, the issued share capital of LCR.



## 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, Dr. Mochtar Riady, as founder and beneficiary of the aforesaid discretionary trust, and 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 1 above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788 (Note a)	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
CRC China Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 (Note b)	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1 (Note c)	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandhill Asia Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1 (Note d)	100
HKCL Holdings Limited	Ordinary shares	50,000 (Note e)	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100

**Additional Information (Continued)**

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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Mancefield Limited (now known as Lippo Strategic Holdings Inc.)	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
Rightstar Limited (now known as Lippo Holdings Inc.)	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
		<i>(Note f)</i>	
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	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)

Note:

- a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.
- b. The interests were held by HCB General, a 70 per cent. owned subsidiary of Lippo Cayman.
- c. The interest was held by Lippo, a 57.34 per cent. owned subsidiary of Lippo Cayman.
- d. The interest was held by LCR, a 71.13 per cent. owned subsidiary of Lippo which in turn was a 57.34 per cent. owned subsidiary of Lippo Cayman.
- e. The interests were held through LCR, a 71.13 per cent. owned subsidiary of Lippo which in turn was a 57.34 per cent. owned subsidiary of Lippo Cayman.
- f. The interests were held through Lippo, a 57.34 per cent. owned subsidiary of Lippo Cayman.

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

As at 30th June, 2007, Mr. John Lee Luen Wai, as beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 30th June, 2007, Mr. Kor Kee Yee, through the interest of his spouse, was taken to be interested in 2,444,000 ordinary shares of HK\$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

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

### (b) Interests in underlying shares of the Company 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 persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the “SFO”) as follows:

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

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

*Note:*

1. HKCL Holdings, the immediate holding company of the Company, as beneficial owner, held 806,656,440 ordinary shares in the Company.
2. LCR’s interests in the shares of the Company included the interest of HKCL Holdings which was held by LCR through Greenroot Limited, a wholly-owned subsidiary of LCR. LCR, as beneficial owner, directly held 166,584,000 ordinary shares in, representing approximately 12.37 per cent. of, the issued share capital of the Company.
3. Lippo was an intermediate holding company of LCR which was held by Skyscraper Realty Limited (“Skyscraper”) as to approximately 71.13 per cent., which in turn was wholly owned by First Tower Corporation, a wholly-owned subsidiary of Lippo.
4. Lippo Cayman was the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which was Lippo Capital Limited which controlled an approximate 50.47 per cent. interest in Lippo.
5. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
6. LCR’s interests in the shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 973,240,440 ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady and Mr. Stephen Riady were interested, details of which were disclosed in the above section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations”.
7. On 11th July, 2007, HKCL Holdings transferred its entire direct holding of 806,656,440 ordinary shares in the Company to LCR. As a result, HKCL Holdings ceased to be a substantial shareholder of the Company. On 6th August, 2007, LCR completed the distribution in specie of its entire direct holding of 973,240,440 ordinary shares in the Company to its shareholders. As a result, LCR ceased to be a substantial shareholder of the Company and Skyscraper became the immediate holding company of the Company. Skyscraper, as a substantial shareholder of the Company, directly held 692,261,982 ordinary shares and indirectly held, through its subsidiaries, 974 ordinary shares in, representing in aggregate approximately 51.4 per cent. of, the issued share capital of the Company.

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

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2007, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares 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 Scheme**

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

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

During the six months ended 30th June, 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 Yung Ha Kuk (Chairman), Mr. Albert Saychuan Cheok and Mr. Tsui King Fai and one non-executive Director, Mr. Leon Chan Nim Leung. 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 Company's Board of Directors (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 set out in 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 Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Directors have complied with the required standard as set out in the Model Code throughout the six months ended 30th June, 2007.

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

Hong Kong, 17th September, 2007