



Lippo Limited

力寶有限公司

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

Interim Report 08



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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, 2008.

Condensed Consolidated Profit and Loss Account

		Unaudited	
		six months ended 30th June,	
	<i>Note</i>	2008	2007
		HK\$'000	HK\$'000
			(restated)
Revenue	3	247,263	290,919
Cost of sales		(111,680)	(58,394)
Gross profit		135,583	232,525
Administrative expenses		(107,647)	(80,087)
Other operating expenses		(73,185)	(57,039)
Fair value gains on investment properties		342,990	78,592
Gain on disposal of subsidiaries		7,417	100,434
Gain on disposal of associates		–	57,620
Gain on disposal of available-for-sale financial assets		–	724
Net fair value gain/(loss) on financial assets at fair value through profit or loss		(5,659)	24,433
Write-back of provision for impairment loss on an associate		18,000	–
Excess over the cost of business combination	4	13,175	–
Finance costs		(43,992)	(57,624)
Share of results of associates	5	17,056	605,628
Share of results of jointly controlled entities		(606)	(826)
Profit before tax	6	303,132	904,380
Tax	7	(44,195)	44,146
Profit for the period		258,937	948,526

Condensed Consolidated Profit and Loss Account (Continued)

		Unaudited	
		six months ended 30th June,	
	<i>Note</i>	2008	2007
		HK\$'000	<i>HK\$'000</i>
			<i>(restated)</i>
Attributable to:			
Equity holders of the Company	20	156,871	473,743
Minority interests	20	102,066	474,783
		258,937	948,526
		HK cents	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic	8	35	105
Diluted		35	N/A
		HK\$'000	<i>HK\$'000</i>
Interim dividend	9	10,843	8,675

Condensed Consolidated Balance Sheet

	Note	30th June, 2008 HK\$'000 (Unaudited)	31st December, 2007 HK\$'000 (Audited)
Non-current assets			
Goodwill		94,856	94,856
Fixed assets		541,245	419,487
Investment properties		4,079,931	3,763,825
Properties under development		156,021	202,873
Interests in associates	5	4,882,481	4,626,972
Interests in jointly controlled entities		267,980	186,677
Available-for-sale financial assets	10	571,197	539,215
Held-to-maturity financial assets	11	9,553	9,572
Loans and advances	12	38,353	27,884
Deposit paid for long term investments		123,245	–
		10,764,862	9,871,361
Current assets			
Properties held for sale		16,269	15,674
Properties under development		581,264	509,404
Inventories		1,196	1,092
Available-for-sale financial assets	10	–	2,454
Financial assets at fair value through profit or loss	13	397,508	462,805
Loans and advances	12	210,501	242,777
Debtors, prepayments and deposits	14	400,113	383,517
Client trust bank balances		612,522	730,995
Treasury bills		18,430	34,920
Cash and bank balances	15	1,552,316	748,483
		3,790,119	3,132,121
Current liabilities			
Bank and other borrowings	16	1,059,023	931,953
Amount due to a jointly controlled entity		50,630	46,968
Creditors, accruals and deposits received	17	1,741,401	1,557,264
Current, fixed, savings and other deposits of customers	18	140,197	165,223
Tax payable		64,719	83,058
		3,055,970	2,784,466
Net current assets		734,149	347,655
Total assets less current liabilities		11,499,011	10,219,016

Condensed Consolidated Balance Sheet (Continued)

	Note	30th June, 2008 HK\$'000 (Unaudited)	31st December, 2007 HK\$'000 (Audited)
Non-current liabilities			
Bank and other borrowings	16	1,339,462	1,332,337
Deferred tax liabilities		566,735	507,913
		1,906,197	1,840,250
Net assets			
		9,592,814	8,378,766
Equity			
Equity attributable to equity holders of the Company			
Share capital	19	54,217	43,373
Reserves	20	5,474,601	4,746,684
		5,528,818	4,790,057
Minority interests	20	4,063,996	3,588,709
		9,592,814	8,378,766

Condensed Consolidated Summary Statement of Changes in Equity

	Note	Unaudited six months ended 30th June, 2008 HK\$'000	2007 HK\$'000
Total equity at 1st January		8,378,766	6,865,407
Changes in equity during the period:			
Exchange differences on translation of foreign operations		145,655	40,775
Net fair value gain on available-for-sale financial assets		25,762	112,117
Deferred tax arising from fair value loss/(gain) on available-for-sale financial assets		1,637	(353)
Derecognition of available-for-sale financial assets		(261)	(1,204)
Surplus on revaluation of leasehold land and buildings		–	16,802
Deferred tax arising from surplus on revaluation of leasehold land and buildings		–	(2,941)
Release of reserves in respect of deconsolidation of subsidiaries		(1,252)	–
Release of reserves in respect of disposal of subsidiaries		–	(11,563)
Share of reserves of associates and jointly controlled entities		193,145	39,876
Net income recognised directly in equity		364,686	193,509
Profit for the period		258,937	948,526
Total recognised income and expense for the period		623,623	1,142,035
Rights issues		616,642	–
Issue of shares by subsidiaries to minority shareholders	20	–	250
Advance from minority shareholders of subsidiaries	20	16,662	64,081
Repayment to minority shareholders of subsidiaries	20	(240)	–
Changes in interests in subsidiaries	20	3,493	–
Deconsolidation of subsidiaries		(272)	–
Disposal of subsidiaries		–	(132,426)
2006 final dividend, declared to shareholders of the Company	20	–	(17,349)
2006 final dividend and distribution, declared to minority shareholders of subsidiaries	20	–	(29,305)
2007 final dividend, declared to shareholders of the Company	20	(17,349)	–
2007 final dividend and special final dividend, declared and paid to minority shareholders of subsidiaries	20	(28,511)	–
		1,214,048	1,027,286
Total equity at 30th June		9,592,814	7,892,693
Total recognised income and expense for the period attributable to:			
Equity holders of the Company		348,565	599,787
Minority interests		275,058	542,248
		623,623	1,142,035

Condensed Consolidated Cash Flow Statement

	<i>Note</i>	Unaudited	
		2008	2007
		HK\$'000	HK\$'000
Net cash from/(used in) operating activities		17,937	(581,825)
Net cash from/(used in) investing activities		(161,256)	102,369
Net cash from financing activities		675,435	1,072,744
Net increase in cash and cash equivalents		532,116	593,288
Cash and cash equivalents at 1st January		783,403	926,048
Exchange realignments		12,739	6,832
Cash and cash equivalents at 30th June	21	1,328,258	1,526,168

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, 2007, except that in the current period, the Group has changed the presentation of revenue and has adopted certain new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new/revised HKFRSs”), as detailed in Note (a) and (b) below:

(a) *Change in the presentation of revenue*

In prior years, revenue included the proceeds from sales of securities investment, while the related costs of sales of securities investment were presented as “cost of sales”.

In the current period, the Group has revised the presentation of revenue in order to provide more relevant information in respect of the Group’s operations and to conform with market practices. The proceeds from sales of securities investment are offset against the cost of sales of securities investment and are presented as gain/(loss) on sales of securities investment in the consolidated profit and loss account within revenue.

The effects of the change in the presentation of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	Six months ended 30th June,	
	2008	2007
	HK\$’000	HK\$’000
Decrease in revenue	(117,429)	(619,111)
Decrease in cost of sales	117,429	619,111

The change does not have any impact on the results of the Group in respect of current period and prior year.

(b) *New/revised HKFRSs*

The following new/revised HKFRSs are adopted for the first time for the current period’s financial statements, which have become effective for accounting periods beginning on or after 1st January, 2008:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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:

- the treasury investment segment includes investments in cash and bond markets;
- the property investment and development segment includes letting, resale and development of properties;
- the securities investment segment includes dealings in securities and disposals of investments;
- the retail business segment engages in operating of department stores;
- the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- the banking business segment engages in the provision of commercial and retail banking services; and
- the "other" segment comprises principally restaurants and catering business, food manufacturing, wholesale distribution of food and allied fast-moving consumer goods, the development of computer hardware and software, money lending and the provision of property, project and fund management and investment advisory services.

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

	Six months ended 30th June, 2008								
	Treasury investment HK\$'000	Property investment and development HK\$'000	Securities investment HK\$'000	Retail business HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue									
External	6,406	94,087	(5,583)	54,186	41,235	9,498	47,434	-	247,263
Inter-segment	-	7,497	-	-	11	-	8,153	(15,661)	-
Total	6,406	101,584	(5,583)	54,186	41,246	9,498	55,587	(15,661)	247,263
Segment results	6,021	430,172	(20,139)	(67,652)	10,714	1,584	46,614	(13,264)	394,050
		(Note)							
Unallocated corporate expenses									(65,508)
Finance costs									(41,860)
Share of results of associates	-	6,673	-	-	-	-	10,383	-	17,056
Share of results of jointly controlled entities	-	(78)	-	-	-	-	(528)	-	(606)
Profit before tax									303,132
Tax									(44,195)
Profit for the period									258,937

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, 2007 (restated)								
	Treasury investment	Property investment and development	Securities investment	Retail business	Corporate finance and securities broking	Banking business	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	9,112	101,507	17,610	13,710	67,424	15,388	66,168	-	290,919
Inter-segment	16,963	4,746	-	-	164	-	882	(22,755)	-
Total	26,075	106,253	17,610	13,710	67,588	15,388	67,050	(22,755)	290,919
Segment results	22,577	260,249	42,117	5,943	13,180	4,157	95,107	(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

Note: The amount included fair value gains on investment properties of HK\$342,990,000.

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, income from securities investment which includes gain/(loss) on sales of securities investments, dividend income and related interest income, gross income from underwriting and securities broking, gross income from restaurants and catering business, gross rental income from department stores, gross income from property and 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.

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,	
	2008 HK\$'000	2007 HK\$'000 (restated)
Treasury investment	6,406	9,112
Property investment and development	94,087	101,507
Securities investment	(5,583)	17,610
Retail business	54,186	13,710
Corporate finance and securities broking	41,235	67,424
Banking business	9,498	15,388
Other	47,434	66,168
	247,263	290,919

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

	Six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Interest income	6,040	12,428
Commission income	2,823	2,132
Other revenues	635	828
	9,498	15,388

4. Excess over the Cost of Business Combination

The amount represented the excess of the Group's additional share of interest in Hongkong Chinese Limited ("HKC"), a listed subsidiary of the Company, and its subsidiaries over the cost, resulted from the excess application of rights issue of HKC (the "HKC Rights Issue", details of which are set out in Note 19 to the interim financial statements).

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 has participated in a joint venture to invest in Overseas Union Enterprise Limited ("OUE"), a listed company in Republic of Singapore principally engaged in property investment and development and hotel operations, of approximately HK\$12,975,000 (2007 – HK\$490,824,000). Amount in 2007 was mainly derived from the revaluation gain on the various investment properties held under LAAP. No such revaluation was carried out by OUE during the period.

Interests in associates included the Group's interest in LAAP of approximately HK\$3,334,507,000 (31st December, 2007 – HK\$3,114,963,000).

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,	
	2008	2007
	HK\$'000	HK\$'000
Interest income:		
Listed financial assets at fair value through profit or loss	543	393
Unlisted financial assets at fair value through profit or loss	1,310	324
Listed held-to-maturity financial assets	427	428
Loans and receivables	1,685	575
Banking operation	6,040	12,428
Other	6,406	9,112
Dividend income:		
Listed investments	412	175
Unlisted investments	1,128	5,648
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	(9,274)	8,425
Unlisted financial assets at fair value through profit or loss	(255)	2,217
Unlisted available-for-sale financial assets	126	724
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	(11,497)	11,363
Unlisted	5,838	13,070
Depreciation	(13,909)	(7,156)
Loss on disposal of properties	(510)	–
Loss on disposal of fixed assets	(2)	(9)
Cost of inventories sold	(5,447)	(2,284)

7. Tax

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong:		
Charge for the period	1,560	–
Underprovision in prior periods	482	–
Deferred	9,286	8,776
	11,328	8,776
Overseas:		
Charge for the period	7,606	12,674
Underprovision in prior periods	826	111
Deferred	24,435	(65,707)
	32,867	(52,922)
Total charge/(credit) for the period	44,195	(44,146)

Hong Kong profits tax has been provided for at the rate of 16.5 per cent. (2007 – 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\$156,871,000 (2007 – HK\$473,743,000); and (ii) the weighted average number of 453,948,000 ordinary shares (2007 – 451,966,000 ordinary shares after adjusting for the rights issue which has completed in June 2008) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is calculated based on (i) the consolidated profit for the period attributable to equity holders of the Company of HK\$156,871,000; and (ii) the weighted average number of 454,031,000 ordinary shares, calculated as follows:

	Six months ended 30th June, 2008 '000
Weighted average number of ordinary shares in issue used for the purpose of basic earnings per share calculation	453,948
Effect of dilution – weighted average number of ordinary shares that assumed to have been issued: (Note)	
Warrants	83
Weighted average number of ordinary shares for the purpose of diluted earnings per share	454,031

Note: All the share options outstanding during the period had no dilutive effect on the basic earnings per share.

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

9. Interim Dividend

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Interim dividend, declared, of HK2 cents (2007 – HK2 cents) per ordinary share	10,843	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, 2008 HK\$'000	31st December, 2007 HK\$'000
Financial assets stated at fair value:		
Equity securities listed overseas	405,089	373,883
Unlisted debt securities	15,510	14,250
Unlisted investment funds	107,691	119,967
	528,290	508,100
Financial assets stated at cost:		
Unlisted equity securities	139,234	117,393
Unlisted debt securities	31,922	40,875
Unlisted investment funds	15,461	15,461
	186,617	173,729
Provision for impairment losses	(143,710)	(140,160)
	42,907	33,569
	571,197	541,669
Less: Amount classified under current portion	–	(2,454)
Non-current portion	571,197	539,215

The debt securities have effective interest rates ranging from nil to 10.0 per cent. (31st December, 2007 – nil to 8.0 per cent.) per annum.

An analysis of the issuers of available-for-sale financial assets is as follows:

Equity securities:		
Corporate entities	544,323	491,276
Debt securities:		
Club debentures	12,175	12,175
Corporate entities	35,257	42,950
	47,432	55,125

11. Held-to-maturity Financial Assets

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Debt securities, at amortised cost:		
Listed overseas	9,553	9,572
Market value of listed debt securities	9,732	10,555

The debt securities have effective interest rates of 9.0 per cent. (31st December, 2007 – 9.0 per cent.) per annum.

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

Banks and other financial institutions	9,553	9,572
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12. Loans and Advances

The balance mainly comprised of loans and advances to customers of the Group in respect of securities broking and banking operation businesses of HK\$227,996,000 (31st December, 2007 – HK\$250,183,000).

The loans and advances to customers of the Group have effective interest rates ranging from 3.3 per cent. to 9.0 per cent. (31st December, 2007 – 3.0 per cent. to 18.0 per cent.) per annum. The carrying amounts of loans and advances are approximate to their fair values.

As at the balance sheet date, the overdue or impaired balances are related to banking operation. Movements of allowance for bad and doubtful debts during the period are as follows:

	Six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Balance at beginning of period	2,868	2,996
Allowance for bad and doubtful debts	–	326
Balance at end of period	2,868	3,322

Except for the above, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default.

13. Financial Assets at Fair Value through Profit or Loss

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	21,256	66,080
Listed overseas	5,963	8,066
	27,219	74,146
Debt securities:		
Listed overseas	17,436	8,733
Investment funds:		
Listed overseas	–	31,498
Unlisted	337,294	342,129
	337,294	373,627
Other:		
Unlisted	15,559	6,299
	397,508	462,805

The debt securities have effective interest rates ranging from 6.5 per cent. to 8.2 per cent. (31st December, 2007 – 6.5 per cent. to 8.0 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	–	7,270
Corporate entities	27,219	66,876
	27,219	74,146
Debt securities:		
Banks and other financial institutions	9,179	–
Corporate entities	8,257	8,733
	17,436	8,733

Notes to the Interim Financial Statements (Continued)

14. Debtors, Prepayments and Deposits

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

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Outstanding balances with ages:		
Repayable on demand	37,333	44,416
Within 30 days	39,155	63,793
Between 31 and 60 days	2,987	411
Between 61 and 90 days	567	54
Between 91 and 180 days	810	132
Over 180 days	140	–
	80,992	108,806

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.

As at balance sheet date, receivables are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

The balance mainly comprised of receivables from customers and securities brokers of the Group in respect of securities broking business of HK\$68,744,000 (31st December, 2007 – HK\$79,774,000). 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. Cash and Bank Balances

The balance included over-subscription of the rights issue of the Company, details of which are set out in Note 19 to the interim financial statements, and HKC Rights Issue of HK\$242,488,000 (31st December, 2007 – Nil), which was refunded to the applicants in July 2008.

Notes to the Interim Financial Statements (Continued)

16. Bank and Other Borrowings

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Bank loans:		
Secured (Note (a))	2,073,997	1,890,523
Unsecured	12,512	21,747
	2,086,509	1,912,270
Other borrowings:		
Unsecured (Note (b))	311,976	352,020
	2,398,485	2,264,290
Less: Amount classified under current portion	(1,059,023)	(931,953)
Non-current portion	1,339,462	1,332,337
Bank and other borrowings by currency:		
Hong Kong dollar	1,368,000	1,358,000
Renminbi	443,585	315,343
United States dollar	362,239	367,934
Singapore dollar	224,661	223,013
	2,398,485	2,264,290
Bank loans repayable:		
Within one year	747,047	579,933
In the second year	118,010	332,138
In the third to fifth years, inclusive	536,493	558,153
After five years	684,959	442,046
	2,086,509	1,912,270
Other borrowings repayable:		
Within one year	311,976	352,020

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 2.4 per cent. to 7.5 per cent. (31st December, 2007 – 3.9 per cent. to 7.5 per cent.) per annum.

16. Bank and Other Borrowings (Continued)

Note:

- (a) At the balance sheet date, the bank loans were secured by
- (i) shares in certain listed subsidiaries of the Group with market value of HK\$1,883,843,000 (31st December, 2007 – HK\$2,617,877,000);
 - (ii) first legal mortgages over certain investment properties, leasehold land and buildings and properties under development with carrying amounts of HK\$3,680,593,000 (31st December, 2007 – HK\$3,398,265,000), HK\$169,493,000 (31st December, 2007 – HK\$171,634,000) and HK\$514,241,000 (31st December, 2007 – HK\$461,679,000); and
 - (iii) certain securities of the Group with carrying amounts of HK\$50,263,000 (31st December, 2007 – HK\$55,914,000), respectively.
- (b) The Group's other borrowing as at 30th June, 2008 comprised of unsecured loan advanced from a third party of HK\$311,976,000 (31st December, 2007 – HK\$352,020,000), which was renewed for one additional year on terms mutually agreed with the lender and is repayable on or before 26th June, 2009.

17. Creditors, Accruals and Deposits Received

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

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Outstanding balances with ages:		
Repayable on demand	642,776	767,208
Within 30 days	67,392	84,226
Between 31 and 60 days	3,338	7,361
Between 61 and 90 days	1,051	–
Between 91 and 180 days	1,930	–
Over 180 days	316	–
	716,803	858,795

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, 2008, total client trust bank balances amounted to HK\$612,522,000 (31st December, 2007 – HK\$730,995,000).

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.

18. 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 0.01 per cent. to 3.9 per cent. (31st December, 2007 – 1.2 per cent. to 5.3 per cent.) per annum.

19. Share Capital Shares

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Authorised:		
30,000,000,000 (31st December, 2007 – 30,000,000,000) ordinary shares of HK\$0.10 each	3,000,000	3,000,000
Issued and fully paid:		
542,168,762 (31st December, 2007 – 433,735,010) ordinary shares of HK\$0.10 each	54,217	43,373

During the period, a rights issue of new shares of the Company in the proportion of one rights share for every four shares held on 5th June, 2008 (the "Rights Issue") was made at an issue price of HK\$3.80 per rights share, resulting in the issue of 108,433,752 shares of HK\$0.10 each on 27th June, 2008 for a total cash consideration, before expenses, of approximately HK\$412,048,000.

A summary of the transaction during the period with reference to the above movement in the Company's issued share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1st January, 2008	433,735,010	43,373	515,637	559,010
Rights Issue	108,433,752	10,844	401,204	412,048
Share issue expenses	–	–	(4,503)	(4,503)
At 30th June, 2008	542,168,762	54,217	912,338	966,555

19. Share Capital (Continued)

Share Option Schemes

Details of the share option schemes of the Company and its subsidiaries are as follows:

(a) *Share Option Scheme of the Company adopted on 7th June, 2007*

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company on 7th June, 2007 (the "Adoption Date"), the board of the Directors (the "Board") may, at its discretion, offer to grant to any eligible employee (including director, officer and/or employee of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Person") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which date shall not be later than the day last preceding the tenth anniversary of the date of grant. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an option. No grantee of option is required to pay for the grant of the relevant option.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed 1 per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of the closing price of the shares of the Company on the date of grant of the option or the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited; or the nominal value of the shares of the Company on the date of grant of the option.

As at 1st January, 2008, there were outstanding options granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors of the Company and employees of the Group to subscribe for a total of 4,337,000 ordinary shares of HK\$0.10 each in the Company (the "Option Shares") at an initial exercise price of HK\$6.98 per share (subject to adjustment). Due to the Rights Issue, adjustments were made to the number of Option Shares and the exercise price, which was adjusted to HK\$5.58 per share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

19. Share Capital (Continued)**Share Option Schemes (Continued)****(a) Share Option Scheme of the Company adopted on 7th June, 2007 (Continued)**

The movements in Option Shares granted under the Share Option Scheme during the period are summarised as follows:

Participants	Date of grant	Exercise price per share* HK\$	Number of Option Shares		
			Balance as at 1st January, 2008	Adjustment during the period* Balance as at 30th June, 2008	
Directors:					
John Luen Wai Lee	17th December, 2007	5.58	900,000	225,000	1,125,000
Leon Nim Leung Chan	17th December, 2007	5.58	155,000	38,750	193,750
Jark Pui Lee	17th December, 2007	5.58	130,000	32,500	162,500
Edwin Neo	17th December, 2007	5.58	130,000	32,500	162,500
King Fai Tsui	17th December, 2007	5.58	130,000	32,500	162,500
Victor Ha Kuk Yung	17th December, 2007	5.58	130,000	32,500	162,500
Employees (Note)	17th December, 2007	5.58	2,682,000	670,500	3,352,500
Others	17th December, 2007	5.58	80,000	20,000	100,000
Total			4,337,000	1,084,250	5,421,250

* adjustments due to the Rights Issue

Note: Employees refer to the employees of the Group as at 30th June, 2008 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

The exercise price of the Option Shares and exercise period of the options of the Company outstanding as at 30th June, 2008 are as follows:

Number of Option Shares	Exercise price per share (Note) HK\$	Exercise period
5,421,250	5.58	17th June, 2008 to 16th December, 2012

Note: The exercise price of the Option Shares is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital. Pursuant to the Rights Issue, the exercise price of the Option Shares was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008.

Save for the above adjustments due to the Rights Issue, no option of the Company was granted, exercised, cancelled or lapsed during the period.

19. Share Capital (Continued)**Share Option Schemes (Continued)****(b) Share Option Scheme of Lippo China Resources Limited adopted on 7th June, 2007**

The principal terms of the rules of the share option scheme of Lippo China Resources Limited ("LCR"), a listed subsidiary of the Company, adopted and approved by the shareholders of LCR and the Company on 7th June, 2007 (the "LCR Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above.

As at 1st January, 2008, there were outstanding options granted under the LCR Share Option Scheme without consideration to eligible persons of the LCR Share Option Scheme including, inter alia, certain directors of LCR and employees of LCR and its subsidiaries to subscribe for a total of 92,010,000 ordinary shares of HK\$0.10 each in LCR (the "LCR Option Shares") at an exercise price of HK\$0.267 per share (subject to adjustment). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

Details of LCR Option Shares granted under the LCR Share Option Scheme are summarised as follows:

Participants	Date of grant	Exercise price per share HK\$	Number of LCR Option Shares
			Balance as at 1st January, 2008 and 30th June, 2008
Directors:			
John Luen Wai Lee	17th December, 2007	0.267	22,000,000
Leon Nim Leung Chan	17th December, 2007	0.267	3,000,000
Edwin Neo	17th December, 2007	0.267	2,300,000
King Fai Tsui	17th December, 2007	0.267	2,300,000
Victor Ha Kuk Yung	17th December, 2007	0.267	2,300,000
Employees (Note)	17th December, 2007	0.267	32,760,000
Others	17th December, 2007	0.267	27,350,000
Total			92,010,000

Note: Employees refer to the employees of LCR and its subsidiaries as at 30th June, 2008 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

19. Share Capital (Continued)

Share Option Schemes (Continued)

(b) Share Option Scheme of Lippo China Resources Limited adopted on 7th June, 2007 (Continued)

The exercise price of the LCR Option Shares and exercise period of the options of LCR outstanding as at 30th June, 2008 are as follows:

Number of LCR Option Shares	Exercise price per share (Note) HK\$	Exercise period
92,010,000	0.267	17th June, 2008 to 16th December, 2012

Note: The exercise price of the LCR Option Shares is subject to adjustment in case of rights or bonus issues, or other similar changes in LCR's share capital.

No option of LCR was granted, exercised, cancelled or lapsed during the period.

(c) Share Option Scheme of Hongkong Chinese Limited adopted on 7th June, 2007

The principal terms of the rules of the share option scheme of HKC, a listed subsidiary of the Company, adopted and approved by the shareholders of HKC, LCR and the Company on 7th June, 2007 (the "HKC Share Option Scheme") are substantially the same as the terms of the Share Option Scheme as mentioned above.

As at 1st January, 2008, there were outstanding options granted under the HKC Share Option Scheme without consideration to eligible persons of HKC Share Option Scheme including, inter alia, certain directors of HKC and employees of HKC and its subsidiaries to subscribe for a total of 13,468,000 ordinary shares of HK\$1.00 each in HKC (the "HKC Option Shares") at an initial exercise price of HK\$1.68 per share (subject to adjustment). Due to the rights issue of new shares of HKC in June 2008 (the "HKC Rights Issue") in the proportion of seven rights shares for every twenty shares held, adjustments were made to the number of HKC Option Shares and the exercise price, which was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment), with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

19. Share Capital (Continued)**Share Option Schemes (Continued)****(c) Share Option Scheme of Hongkong Chinese Limited adopted on 7th June, 2007 (Continued)**

The movements in HKC Option Shares granted under the HKC Share Option Scheme during the period are summarised as follows:

Participants	Date of grant	Exercise price per share* HK\$	Number of HKC Option Shares		
			Balance as at 1st January, 2008	Adjustment during the period* Balance as at 30th June, 2008	
Directors:					
John Luen Wai Lee	17th December, 2007	1.24	3,400,000	1,190,000	4,590,000
Leon Nim Leung Chan	17th December, 2007	1.24	600,000	210,000	810,000
King Fai Tsui	17th December, 2007	1.24	450,000	157,500	607,500
Victor Ha Kuk Yung	17th December, 2007	1.24	450,000	157,500	607,500
Other directors of HKC	17th December, 2007	1.24	900,000	315,000	1,215,000
Employees (Note)	17th December, 2007	1.24	5,568,000	1,948,800	7,516,800
Others	17th December, 2007	1.24	2,100,000	735,000	2,835,000
Total			13,468,000	4,713,800	18,181,800

* adjustments due to the HKC Rights Issue

Note: Employees refer to the employees of HKC and its subsidiaries as at 30th June, 2008 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

The exercise price of the HKC Option Shares and exercise period of the options of HKC outstanding as at 30th June, 2008 are as follows:

Number of HKC Option Shares	Exercise price per share (Note) HK\$	Exercise period
18,181,800	1.24	17th June, 2008 to 16th December, 2012

Note: The exercise price of the HKC Option Shares is subject to adjustment in case of rights or bonus issues, or other similar changes in HKC's share capital. Pursuant to the HKC Rights Issue, the exercise price of the HKC Option Shares was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008.

Save for the above adjustments due to the HKC Rights Issue, no option of HKC was granted, exercised, cancelled or lapsed during the period.

Notes to the Interim Financial Statements (Continued)

19. Share Capital (Continued)

Warrants

During the period, a bonus issue of warrants of the Company (the "Warrants") was made on the basis of one Warrant for every two rights shares taken up pursuant to the Rights Issue, resulting in the issue of 54,216,876 units of Warrants with an aggregate subscription value of approximately HK\$254,819,000 on 27th June, 2008. Each Warrant entitles the holder thereof to subscribe in cash for one ordinary share of HK\$0.10 in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive). No Warrant was exercised during the period.

20. Reserves

	Share premium account	Share option reserve	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	HK\$'000
At 1st January, 2008	517,794	22,308	1,709,202	17,861	2,732	222,643	9,859	224,454	458	2,019,373	4,746,684	3,588,709
Rights issues	396,701	-	-	-	-	-	-	-	-	-	396,701	209,097
Net fair value gain on available-for-sale financial assets	-	-	-	-	-	19,647	-	-	-	-	19,647	6,115
Deferred tax arising from fair value loss on available-for-sale financial assets	-	-	-	-	-	841	-	-	-	-	841	796
Derecognition of available-for-sale financial assets	-	-	-	-	-	(134)	-	-	-	-	(134)	(127)
Share of reserves of associates and jointly controlled entities	-	-	-	-	-	7,973	-	92,784	-	-	100,757	92,388
Transfer of reserve	-	-	-	-	733	-	-	-	-	(733)	-	-
Advance from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	16,662
Repayment to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(240)
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	3,493
Deconsolidation of subsidiaries	-	-	-	-	-	-	-	(644)	-	-	(644)	(880)
Exchange realignment	-	-	-	-	-	-	-	71,227	-	-	71,227	74,428
Profit for the period	-	-	-	-	-	-	-	-	-	156,871	156,871	102,066
2007 final dividend, declared to shareholders of the Company	-	-	-	-	-	-	-	-	-	(17,349)	(17,349)	-
2007 final dividend and special final dividend, declared and paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(28,511)
At 30th June, 2008	914,495	22,308	1,709,202	17,861	3,465	250,970	9,859	387,821	458	2,158,162	5,474,601	4,063,996

Notes to the Interim Financial Statements (Continued)

20. Reserves (Continued)

	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

20. Reserves (Continued)

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. A summary of the terms of the undertaking given by the Company (the "Undertaking") in respect of the application of the special capital reserve is set out below:

- (1) The reserve shall not be treated as realised profits; and
- (2) The reserve shall be treated as an undistributable reserve for so long as there shall remain any outstanding debts or claims which was in existence on the date of the Cancellation provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking.

As at 30th June, 2008, no special capital reserve remained subject to the Undertaking (30th June, 2007 – Nil).

(b) *Legal reserve*

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

(c) *Regulatory reserve*

The regulatory reserve 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.

21. Notes to the Condensed Consolidated Cash Flow Statement

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	1,552,316	1,517,461
Treasury bills	18,430	13,580
Bank overdrafts	–	(4,873)
	1,570,746	1,526,168
Less: Restricted cash and bank balances (Note 15)	(242,488)	–
	1,328,258	1,526,168

22. Contingent Liabilities

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

- (a) As at 30th June, 2008, the Group had guarantees in respect of banking facilities granted to an associate of HK\$437,000 (31st December, 2007 – HK\$460,000) and an investee company of HK\$920,000 (31st December, 2007 – HK\$920,000).
- (b) As at 30th June, 2008, the Group had contingent liabilities relating to its banking subsidiary of HK\$24,561,000 (31st December, 2007 – HK\$27,478,000), comprising guarantees and other endorsements of HK\$19,184,000 (31st December, 2007 – HK\$17,881,000) and liabilities under letters of credit on behalf of customers of HK\$5,377,000 (31st December, 2007 – HK\$9,597,000).
- (c) On 25th July, 2007, a jointly controlled entity of the Group entered into an agreement to sell all of the rights, title and interest in the receivables of a property development project in Republic of Singapore, in respect of units which have been sold, to Vesta Investment Corporation Limited (“Vesta”) and Vesta issued floating rate notes in an aggregate principal amount of US\$346,000,000 to institutional investors upon the purchase of the receivables (the “Securitisation Exercise”). On the same date, the Group entered into a cost overruns undertaking and a deed of understanding in relation to the Securitisation Exercise. As at 30th June, 2008, the net maximum exposure to the Group is approximately HK\$19,434,000 (31st December, 2007 – HK\$86,177,000).

23. Capital Commitments

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

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Capital commitments in respect of property, plant and equipment: Contracted, but not provided for	339,447	290,318
Other capital commitments: Contracted, but not provided for (Note)	90,524	500,361
	429,971	790,679

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 (31st December, 2007 – Republic of Singapore and the People's Republic of China (the “PRC”)) of approximately HK\$74 million (31st December, 2007 – HK\$371 million).

24. Related Party Transactions

- (a) As at 30th June, 2008, the Group had amounts due from associates in a total of HK\$552,013,000 (31st December, 2007 – HK\$505,643,000), amounts due to associates in a total of HK\$1,975,000 (31st December, 2007 – HK\$1,975,000), amounts due from jointly controlled entities in a total of HK\$200,413,000 (31st December, 2007 – HK\$158,695,000) and amount due to a jointly controlled entity of HK\$50,630,000 (31st December, 2007 – HK\$46,968,000).

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, 2007 – HK\$4,500,000) due from Maxipo International Limited which bears interest at Hong Kong dollar prime rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited.

The balance due to a jointly controlled entity is unsecured, bears interest at a fixed rate of 3.61 per cent. per annum and has no fixed terms of repayment. The balance with the jointly controlled entities included a loan of HK\$4,000,000 (31st December, 2007 – HK\$4,000,000), which is secured by certain shares of a jointly controlled entity, bears interest at United States 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.

- (b) During the period, ImPac Asset Management (HK) Limited, being 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, amounting to HK\$5,649,000 (2007 – HK\$5,649,000).
- (c) During the period, Lippo Realty (Singapore) Pte. Limited, being a wholly-owned subsidiary of HKC which in turn is a non-wholly owned subsidiary of the Company, received project management income of HK\$14,216,000 (2007 – Nil) and HK\$348,000 (2007 – Nil) from associates and jointly controlled entities of the Group respectively.

25. Financial Risk Management Objectives and Policies

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

- (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.

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

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 <i>HK\$'000</i>	3 months or less <i>HK\$'000</i>	1 year or less but over 3 months <i>HK\$'000</i>	5 years or less but over 1 year <i>HK\$'000</i>	After 5 years <i>HK\$'000</i>	Undated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30th June, 2008							
Assets							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,553	-	9,553
Available-for-sale financial assets	-	-	-	-	15,510	31,922	47,432
Financial assets at fair value through profit or loss	-	-	-	-	833	16,603	17,436
Loans and advances	142,792	50,556	17,153	16,356	21,997	-	248,854
Debtors and deposits	59,436	47,696	48,828	21,789	-	96,781	274,530
Client trust bank balances	66,794	545,728	-	-	-	-	612,522
Treasury bills	-	18,430	-	-	-	-	18,430
Cash and bank balances	251,534	1,300,782	-	-	-	-	1,552,316
	520,556	1,963,192	65,981	38,145	47,893	145,306	2,781,073
Liabilities							
Bank and other borrowings	-	80,263	978,760	654,503	684,959	-	2,398,485
Creditors, accruals and deposit received	643,585	324,031	62,826	405,418	-	305,541	1,741,401
Current, fixed, savings and other deposits of customers	62,116	72,686	5,395	-	-	-	140,197
	705,701	476,980	1,046,981	1,059,921	684,959	305,541	4,280,083

25. Financial Risk Management Objectives and Policies (Continued)*(b) Liquidity risk (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, 2007							
Assets							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,572	-	9,572
Available-for-sale financial assets	-	-	8,953	-	14,250	31,922	55,125
Financial assets at fair value through profit or loss	-	-	-	-	880	7,853	8,733
Loans and advances	182,266	43,540	16,971	13,134	14,750	-	270,661
Debtors and deposits	46,864	129,045	22,443	21,772	-	91,094	311,218
Client trust bank balances	92,151	638,844	-	-	-	-	730,995
Treasury bills	-	34,920	-	-	-	-	34,920
Cash and bank balances	316,754	431,729	-	-	-	-	748,483
	638,035	1,278,078	48,367	34,906	39,452	130,869	2,169,707
Liabilities							
Bank and other borrowings	-	305,914	626,039	890,291	442,046	-	2,264,290
Creditors, accruals and deposit received	767,560	159,498	10,568	296,931	-	322,707	1,557,264
Current, fixed, savings and other deposits of customers	142,299	18,121	4,803	-	-	-	165,223
	909,859	483,533	641,410	1,187,222	442,046	322,707	3,986,777

(c) Interest rate risk

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

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

25. Financial Risk Management Objectives and Policies (Continued)

(d) *Foreign currency risk*

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

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

(e) *Equity price risk*

Equity price risk is the risk that the fair value of financial assets decrease as a result of changes in the levels of equity indices and the value of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 10) and financial assets at fair value through profit or loss (Note 13) as at the balance sheet date. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore and Indonesia stock exchanges and are valued at quoted market prices at the balance sheet date.

The Group use Value at Risk (the "VaR") model to assess possible changes in the market value of the investment portfolio based on historical data. The VaR figure are regularly reviewed by senior management of the Group to ensure the loss arising from the changes in the market value of the investment portfolios are capped within an acceptable range.

26. Post Balance Sheet Events

- (a) In April 2008, the Group entered into an agreement with a third party for the disposal of a leasehold land and building for a consideration of HK\$250,000,000. The transaction was subsequently completed in August 2008.
- (b) In December 2007, the Group entered into an agreement with 廣東省拱北中旅集團有限公司 (Guangdong Gongbei CTS Group Co., Ltd.) (the "Transferor") pursuant to which the Transferor agreed to transfer to the Group all rights of the Transferor in relation to a development project known as "力寶中旅廣場 (Lippo CTS Plaza)" located at 中國廣東省珠海市拱北水灣路4號 (4 Shuiwan Road, Gongbei, Zhuhai, Guangdong Province, the PRC) for an aggregate consideration of RMB110,000,000 (equivalent to approximately HK\$116,765,000). The transaction was subsequently completed in September 2008.
- (c) In August 2008, the Group entered into a subscription agreement with Asia Now Resources Corp. ("Asia Now") to subscribe for approximately 19.99% of the then issued and outstanding share capital of Asia Now for an aggregate consideration of approximately \$5,733,000 Canadian dollars (equivalent to approximately HK\$44,334,000).

Asia Now is a corporation whose shares are listed on the TSX Venture Exchange of Canada and is primarily engaged in the business of exploration of mineral deposits in the PRC.

27. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation. The reclassifications had no impact on the Group's earnings for the six months ended 30th June, 2007.

Management Discussion and Analysis

Hong Kong's economy became challenging in 2008. The global economy is in turbulence in wake of the ballooning sub-prime mortgages loss in US.

The Group's performance was affected by various unfavourable factors in the market. Facing the volatile and gloomy stock market, securities investment and corporate finance and securities broking businesses recorded a substantial decrease of returns during the first half of 2008. Despite the difficult operating environment in the first half of 2008, property investment and development business, being one of the major business streams of the Group, performed well and contributed significant returns to the Group. Meanwhile, the Group continued to strengthen its core businesses and explore investments in overseas markets.

For the six months ended 30th June, 2008, the Group's profit attributable to shareholders decreased to HK\$157 million (2007 – HK\$474 million). The higher profit in 2007 was mainly derived from the share of profit of an associate which benefited from the revaluation gain on the investment properties held by this associate.

Results for the Period

Turnover for the six months ended 30th June, 2008 totalled HK\$247 million, which was 15 per cent. lower than the HK\$291 million (restated) recorded in corresponding period of 2007.

The Group reported a profit for the period of HK\$259 million (2007 – HK\$949 million). Property investment and development sector remained as the main contributor.

Property investment and development

The leasing market for Grade A offices stayed active, with rental increases in core districts driven by strong demand. Turnover generated from this segment increased to HK\$94 million (2007 – HK\$87 million when the rental income of HK\$15 million contributed by former subsidiaries was excluded) as a result of the increase in rental income from the leasing of the existing high quality and well-located investment properties.

Lippo Centre in Hong Kong and Lippo Plaza in Shanghai, being the landmark of the Group in Hong Kong and in Mainland China, continued to achieve high occupancy and increased renewal rental rates. The rental income of these properties registered an increase of 17 per cent. and 14 per cent. respectively. Property letting business continued to provide stable and recurrent revenue to the Group. With a positive outlook in the property market of Hong Kong and Macau, the Group recorded a total revaluation gain on investment properties of HK\$343 million (2007 – HK\$79 million) during the period. The Group cautiously looks for opportunities to lock up the profit from increase in property values. In January 2008, the Group disposed of its entire interest in a wholly-owned subsidiary, which held the 7th floor of Tower One, Lippo Centre in Hong Kong at a net profit of HK\$7 million. 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 at a net profit of HK\$102 million. Segment result derived from this business amounted to HK\$430 million (2007 – HK\$260 million).

The Group has invested in a property fund, which has interests in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore principally engaged in hotel operations and property investment and development. The hotels managed by OUE 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, which include the redevelopment projects at Collyer Quay, Angullia Park and Leonie Hill Road, Singapore. The Group registered a share of profit of HK\$13 million (2007 – HK\$491 million) from the investment. The drop was mainly attributable to the lower rental income from the vacancy of certain properties for the redevelopment projects mentioned above and the absence of revaluation on investment properties in 2008.

The joint venture in Woonbook, Incheon, Korea (the “Woonbook Project”), in which the Group is interested in approximately 47.9 per cent., has obtained the approval of the master plan from the relevant government authorities. The Woonbook Project involves the development, construction and management of a residential, leisure and business complex with an approved total gross area of approximately 3 million square metres. It will be completed in phases, and is intended to be a self-contained community with residential properties, shopping malls, hospital, schools, hotels and a business town, designed to support the growing population with the development of the Inchoen Free Economic Zone of 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 various well-located property development projects in Singapore, Thailand, Japan and Mainland China.

Treasury and securities investments

Entering 2008, problems brought on by sub-prime mortgage spread over the global market. The Group responded to the uncertain outlook and took a prudent stance by reducing equity exposure further and raised cash in portfolios. Treasury and securities investments business registered a loss of HK\$14 million (2007 – gain of HK\$65 million) during the period.

Foreseeing the current macroeconomic factors would continue to cast a cloudy outlook over the general economic and business conditions for an extended period, the Group remained cautious on the composition of its investment portfolio with continuing focus on improving overall asset quality.

Corporate finance and securities broking

Hong Kong capital market was affected by the global market slowdown in 2008 and initial public offerings activities in local stock market almost came to a halt. The corporate finance and securities broking business was undermined by the continuous downfall of the markets, its results were under severe pressure, registering a decrease in turnover of HK\$26 million to HK\$41 million (2007 – HK\$67 million). Profit derived from this segment reduced to HK\$11 million (2007 – HK\$13 million).

Retail business

Although the challenges of macro economic control in Mainland China, weakness in the economies of United States, and a significant rise in price of raw materials affected the economic growth of China and also domestic sales in Mainland China, China still registered a GDP growth of over 10 per cent.

In late 2007, the Group opened two department stores carried trade name "Robbinz", with total gross floor area of approximately 126,000 square metres, in Tianjin and Chengdu. Robbinz positions itself at the mid-to-upper-end of the retail market. With full operation of the two stores during the period, turnover generated from this segment increased significantly to HK\$54 million (2007 – HK\$14 million). Turnover comprised of net proceeds received from concessionaire sales and gross rental income. The Group will continue to explore opportunities which can consolidate its position in the market.

Other businesses

During the period, the Group registered a share of profit of HK\$7 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 remained a steady growth, the Group registered income by participating in certain property projects management in Singapore. Revenue of HK\$16 million (2007 – HK\$40 million) was generated in the current period.

Financial Position

During the period, the Company successfully completed a rights issue in June 2008. This fund raising exercise generated approximately HK\$407 million of net proceeds after expenses, which helped to strengthen the Group's financial position and to provide necessary capital to enhance its competitiveness. The Group applied HK\$249 million for subscription of rights shares in Hongkong Chinese Limited ("HKC"). As a result, the Group's interest in HKC has increased from 51.4 per cent. to 51.8 per cent.

As at 30th June, 2008, the Group's total assets increased by HK\$1.6 billion to HK\$14.6 billion (31st December, 2007 – HK\$13.0 billion). Property-related assets increased to HK\$9.2 billion (31st December, 2007 – HK\$8.6 billion), representing 63 per cent. (31st December, 2007 – 66 per cent.) of the Group's total assets. On the other hand, investment portfolio of the Group slightly decreased to HK\$978 million (31st December, 2007 – HK\$1,014 million), representing 7 per cent. (31st December, 2007 – 8 per cent.) of the Group's total assets.

Various property projects have been financed by proceeds derived from sales of certain investments, and bank loans and other borrowings. Nevertheless, the Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) slightly increases to 1.2 to 1 (31st December, 2007 – 1.1 to 1).

As at 30th June, 2008, the bank and other borrowings of the Group (other than those attributable to banking business) amounted to HK\$2,398 million (31st December, 2007 – HK\$2,264 million), comprising secured bank loans of HK\$2,073 million (31st December, 2007 – HK\$1,890 million) and unsecured bank loan of HK\$13 million (31st December, 2007 – HK\$22 million), which were denominated in Hong Kong dollars, United States dollars, Singapore dollars or Renminbi (31st December, 2007 – denominated in Hong Kong dollars, United States dollars, Singapore dollars or Renminbi). The bank loans were secured by certain properties, shares in certain subsidiaries and certain securities of the Group. The bank loans carried interest at floating rates and 36 per cent. of the bank loans (31st December, 2007 – 30 per cent.) were repayable within one year. As at 30th June, 2008, a loan of HK\$312 million (31st December, 2007 – HK\$352 million) was advanced by a third party. Such advance was unsecured, carried interest at floating rate and is repayable on or before 26th June, 2009. At the end of the period, gearing ratio (measured as total bank and other borrowings, net of minority interests, to shareholders' funds) dropped to 31.2 per cent. (31st December, 2007 – 35.3 per cent.).

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency 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, 2007 – Nil). On 25th July, 2007, a jointly controlled entity of the Group entered into an agreement to sell all of the rights, title and interest in the receivables in respect of its residential project to Vesta Investment Corporation Limited ("Vesta") and Vesta issued floating rate notes in an aggregate principal amount of US\$346 million to institutional investors upon the purchase of the receivables (the "Securitisation Exercise"). On the same date, Lippo China Resources Limited, a listed subsidiary of the Company, entered into a cost overruns undertaking and a deed of understanding in relation to the Securitisation Exercise. As at 30th June, 2008, the net maximum exposure to the Group was approximately HK\$19 million (31st December, 2007 – HK\$86 million). Save as aforesaid and aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (31st December, 2007 – Nil).

As at 30th June, 2008, the total capital commitment of the Group decreased to HK\$0.4 billion (31st December, 2007 – HK\$0.8 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 1,142 employees as at 30th June, 2008 (2007 – 629 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\$84 million (2007 – HK\$63 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share option schemes of the Company and its listed subsidiaries.

Outlook

The global credit market conditions continued to deteriorate in the first six months of 2008. The business environment was affected by the adverse impact of the sub-prime crisis. Global inflation posed a particular challenge. Global economic growth is slowing. Nevertheless, the Group is cautiously optimistic about the regional economic prospects in long run and will continue to focus on developments in Asia Pacific region. Amid the tentative and fragile operating environment, the Group will continue to improve internal operational efficiencies and seek new investment opportunities with long-term growth potential. Given its own strong financial position, the Group is well positioned to take advantage of any good business opportunities to enhance its shareholders value.

Business Review and Prospects

Business Review

Overview

During the period under review, the global economic environment deteriorated steadily. Following the slowdown in the US economy triggered by its sub-prime mortgage crisis and the growing inflationary pressures arising from the surge in food, energy and commodity prices, world major economies are experiencing a general slowdown in economic activity which has begun to affect the regional Asian economy. The various natural disasters in China in the first half of the year and the weak stock markets in Hong Kong and China further affected the economic environment and dampened market confidence. The property markets in Hong Kong, China and the neighbouring South East Asian countries, which saw surging prices in 2007, faltered onto a softer note during the first half of 2008.

Results

Despite this increasingly challenging and volatile market environment, the Group remained profitable for the first half of the year though overall performance was not as remarkable as that achieved in 2007. The Group recorded a profit attributable to shareholders of HK\$157 million for the six months ended 30th June, 2008, compared with a profit of HK\$474 million for the last corresponding period. The principal subsidiaries produced stable results for the first half of the year. Hongkong Chinese Limited (“HKC”, together with its subsidiaries, the “HKC Group”), a 51.8 per cent. listed subsidiary of the Company, recorded an unaudited consolidated profit attributable to shareholders of approximately HK\$104 million for the six months ended 30th June, 2008, compared to a profit of

HK\$687 million for the same period in 2007. Lippo China Resources Limited (together with its subsidiaries, the “LCR Group”), a 71.1 per cent. listed subsidiary of the Company, also recorded an unaudited consolidated profit attributable to shareholders of HK\$236 million for the period under review, compared to a profit of HK\$676 million for the same period in 2007. It should be noted that higher interim profit in 2007 was mainly attributable to the profit of an associate which benefited from the revaluation gain of various investment properties held.

Property investment and development

The Group’s investment properties continued to enjoy high occupancy during the period. Rental provided the Group with stable income. Lippo Plaza at Huaihai Zhong Road, Shanghai maintained high occupancy at satisfactory rental rates.

The master plan for the development project at 326 Woonbook-dong, Jung-gu, Incheon, Korea (the “Woonbook Project”), in which the Group is interested in approximately 47.9 per cent., was approved by the relevant government authorities in mid year and the ground-breaking ceremony is expected to be held in October



**Woonbook Project in
Incheon Free Economic Zone, Korea**

2008. The Woonbook Project involves the development, construction and management of a residential, leisure and business complex with an approved total gross floor area of approximately three million square metres. It will be completed in phases, and is intended to be a self-contained community with residential properties, shopping malls, hospital, schools, hotels and a business town, designed to support the growing population with the development of the Incheon Free Economic Zone of Korea.

Though there are signs that the property market in Singapore has consolidated and softened in the last few months, the Group is optimistic that various property projects in which it has been participating in the last two years in Singapore will yield good returns in the coming years.

The HKC Group participated in a joint venture which acquired and will develop the site located at 53 Holland Road, Singapore (the "Holland Road Property", formerly referred to as the "Aura Park Property") with a site area of approximately 36,339 square feet. The plan is to develop the Holland Road Property, to be named as "The Holland Collection", into a luxury residential development with completion expected to be in the first quarter of 2011. As at 30th June, 2008, the HKC Group has an approximate 27.5 per cent. effective interest in the joint venture.

The HKC Group has a 50 per cent. interest in a joint venture established to acquire and develop 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 approximately 239,200 square

feet. A total of one hundred and twenty four high-end luxury residential units now known as "Marina Collection", with a total saleable area of approximately 320,860 square feet, will be developed with completion expected to be in the fourth quarter of 2011. The pre-sale of the "Marina Collection" was launched before the end of 2007 and the response has been encouraging.

The HKC Group also has a 50 per cent. interest in a joint venture which acquired and will develop the property located at No. 100, Kim Seng Road, Singapore (the "Kim Seng Property"). The Kim Seng Property with a site



The Holland Collection,
property development project in Singapore



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



area of approximately 60,393 square feet will be re-developed into a luxury residential development (to be named as "Centennia Suites"), and completion is expected to be in the fourth quarter of 2012.

Lippo ASM Asia Property LP ("LAAP") of which a wholly-owned subsidiary of HKC is the founding limited partner, is a property fund set up in 2005 with the investment objective of investing in real estate in the East Asia region. LAAP has an indirect ownership interest in Golden Concord Asia Limited which is the

majority shareholder of a joint venture which in turn is a majority shareholder of Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in property investments and development 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 Mandarin in Singapore. These high quality properties generate good, stable and recurring rental income for OUE. The strong pick-up in the tourism sector and the spin-offs from the award of casino licences are expected to generate substantial demand for quality office, retail, hotel and residential properties in Singapore.

In addition, the HKC Group participated in a number of property projects in China, including Lippo Tower in Chengdu and the development project (the "BDA Project") at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in which the HKC Group has about 85.7 per cent interest.





Robbinz Department Store, China



Robbinz Department Store, 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, and is the only state-level economic technological development in the capital of China. A number of Fortune 500 companies and multinational corporations have presence in the neighbourhood. The BDA Project is in the planning approval stage and construction is expected to commence in the first half of next year. With a total site area of approximately 51,209 square metres, it is currently planned to comprise office buildings, apartments and shopping malls, with a total gross floor area of about 270,000 square metres including basement and about 170,000 square metres above ground. It is the intention of the HKC Group to acquire the remaining 14.3 per cent. interest in the BDA Project. With continuing growth in purchasing power and improvement in living standards, the Group is optimistic about the long term prospects of the property market in China.

In August 2008, the LCR Group completed the disposal of the entire 23rd Floor of Tower One, Lippo Centre, Hong Kong for a consideration

of HK\$250 million. It resulted in a gain of approximately HK\$200 million for the Group.

Retail business

The LCR Group's department store chain "Robbinz" was established in China in 2007. Robbinz now operates a department store in Tianjin and Chengdu respectively with a total gross floor area of approximately 126,000 square metres.

The Tianjin and Chengdu stores were in full operation during the first half of the year. The Tianjin store, located at a prime location in the city centre, provides a quality choice for sophisticated consumers. Sales and promotional campaigns have been launched from time to time to attract the shopper traffic and promote the brand "Robbinz".

The unfortunate earthquake at Sichuan Province in May 2008 has affected Robbinz's operation in Chengdu. The store was closed for two days as a result. Due to the earthquake, the overall consumer sentiment was adversely affected and the sales of the store dropped in May and June. Since July, sales have picked up to the level before the earthquake.



DéliFrance

Both the Tianjin store and the Chengdu store are in their fledgling stages. The management of Robbinz is committed to constantly reviewing and updating its customers' changing needs and continuing to improve the merchandise mix and brand selection.

Robbinz is optimistic about the long term prospects of the retail business in China. However, the economy in China and the operating environment of the retail sector may be subject to a certain degree of uncertainty in the near future. Robbinz will closely monitor the performance of the existing operations and maximize the operational efficiency of both stores.

Auric Pacific Group Limited ("APG", together with its subsidiaries, the "APG Group"), in which the LCR Group is interested in approximately 49.3 per cent. of its issued share capital and the shares of which are listed on the Main Board of SGX-ST, recorded a profit attributable to shareholders of approximately S\$2.4 million for the first half of the year, compared to a profit of S\$45.1 million for the last corresponding period. Soaring energy and commodity prices



a food court operated by Food Junction

have impinged on the profitability of the APG Group, especially in the second quarter of the year. The APG Group will place greater focus on cost-cutting and will continue to seek to achieve synergy among its existing businesses. It is expected that the impact of these efforts can only be realized in the medium and long term.

In order to focus its resources on its existing and newly acquired core businesses, the APG Group disposed of its entire interest in One Phillip Street in Singapore for a cash consideration of approximately S\$99 million. The disposal was completed in April 2008 and gave rise to a net gain of approximately S\$14 million to the APG Group in the first half of the year. Fair valuation gain of approximately S\$46 million has been taken up as profits in the past financial periods.

The operating environment of Robinson and Company, Limited ("Robinson"), in which the APG Group was interested approximately 29.99 per cent., changed significantly since the APG Group's acquisition in 2006. The general economic environment has affected consumer sentiment and spending in the markets where Robinson operates. Rising rental and staff costs

also affect the profitability of Robinson. As the prospects for Robinson would be subject to greater uncertainty, the APG Group accepted the cash offer for Robinson (the "Robinson Offer") at a price of S\$7.20 per share in April 2008 which was a timely opportunity for the APG Group to divest its investment in Robinson at an attractive price. The aggregate consideration received by the APG Group under the Robinson Offer amounted to approximately S\$185.6 million.

In order to enhance its presence in food industries, the APG Group has recently acquired additional interest in Food Junction Holdings Limited ("Food Junction"), whose shares are listed on the Catalist (formerly known as SGX Sesdaq), by way of a partial offer for shares in Food Junction at a price of S\$0.55 each (the "Partial Offer"). Food Junction is a regional food court operation and management specialist and its food courts spread over Singapore, Malaysia, Indonesia and China. Upon the completion of the Partial Offer, Food Junction has become a subsidiary of APG and the APG Group's interest in Food Junction has been increased from 29.9 per cent. to 54.4 per cent.

Rights Issues

In June 2008, the Company and HKC successfully launched the rights issues of new shares. HKC raised net proceeds of approximately HK\$464 million by issuing 471,390,178 new shares (with bonus warrants on the basis of three warrants for every seven rights shares taken up) in the proportion of seven rights shares for every twenty shares held at HK\$1.00 each (the "HKC Rights Issue"). The Company also raised net proceeds of approximately HK\$407 million by issuing 108,433,752 new shares (with bonus warrants

on the basis of one warrant for every two rights shares taken up) in the proportion of one rights share for every four shares held at HK\$3.80 each (the "Lippo Rights Issue"). The HKC Rights Issue and Lippo Rights Issue, which were oversubscribed by approximately 38.4 per cent. and 22 per cent. respectively, have strengthened the Group's capital base. The rights shares and bonus warrants of each of HKC and the Company were listed on The Stock Exchange of Hong Kong Limited on 4th July, 2008.

Prospects

Looking ahead, the international operating environment will become very challenging. The recent upheaval in the US financial system has shocked the global stock markets. The global economy will be overshadowed by the US financial crisis and growing inflationary pressures arising from the surge in food, energy and commodity prices. This will dim the economic and business prospects for Hong Kong and the surrounding Asian countries. However, statistics suggest that China is still broadly on track in maintaining solid economic growth. Backed by this, and assisted by the relatively low interest and unemployment environment, the Hong Kong economy is expected to be relatively less affected.

Management remains optimistic about the overall outlook of the Group. The Group is in a strong and stable financial position which makes it well placed to meet the challenges ahead. The Group will continue to adopt a cautious and prudent approach to identify and pursue suitable investment opportunities which will contribute to the growth momentum and maximise shareholders return.

Additional Information

Rights Issue

On 27th June, 2008, the Company allotted and issued 108,433,752 new ordinary shares of HK\$0.10 each and 54,216,876 warrants of the Company with an aggregate subscription value of HK\$254,819,317.20 (the "Warrants") by way of rights issue (the "Rights Issue") on the basis of one rights share for every four shares held (with bonus warrants on the basis of one warrant for every two rights shares taken up) at HK\$3.80 per rights share to the qualifying shareholders whose names appear on the Register of Members of the Company on 5th June, 2008. The holders of the Warrants are entitled to subscribe for up to 54,216,876 ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) upon exercise of the Warrants. The net proceeds from the Rights Issue of approximately HK\$407 million was applied for taking up assured entitlements and excess application in the rights issue of Hongkong Chinese Limited, a listed subsidiary of the Company, in June 2008 and for general working capital of the Group.

Interim Dividend

The Directors have resolved to declare the payment of an interim dividend of HK2 cents per share (2007 – HK2 cents per share) amounting to approximately HK\$10,843,000 for the six months ended 30th June, 2008 (2007 – HK\$8,675,000), which will be paid on or about Friday, 24th October, 2008 to shareholders whose names appear on the Register of Members on Friday, 10th October, 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 8th October, 2008 to Friday, 10th October, 2008 (both dates inclusive) during which period no transfer of share will be registered and no share which will fall to be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30th June, 2008, (i) all transfers of shares accompanied by the relevant share certificates and transfer forms and (ii) all subscription forms accompanied by the relevant warrant certificates and subscription monies relating to the exercise of outstanding warrants of the Company in respect of which holders of such warrants wish to exercise their rights so as to qualify for the interim dividend 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 Monday, 6th October, 2008.

Additional Information (Continued)

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

As at 30th June, 2008, 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:

Interests in shares and underlying shares of the Company and associated corporations

(a) The Company

Name of Director	Number of ordinary shares of HK\$0.10 each in the Company			Number of underlying ordinary shares of HK\$0.10 each in the Company				Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Options*	Warrants@	Warrants@	Warrants@		
Stephen Riady	-	-	319,322,219 <i>Note (i)</i>	-	-	-	35,312,240 <i>Note (i)</i>	354,634,459	65.41
Jark Pui Lee	-	60	-	162,500	-	6	-	162,566	0.03
John Luen Wai Lee	1,031,250	-	-	1,125,000	103,125	-	-	2,259,375	0.42
Leon Nim Leung Chan	-	-	-	193,750	-	-	-	193,750	0.04
Edwin Neo	-	-	-	162,500	-	-	-	162,500	0.03
King Fai Tsui	-	-	-	162,500	-	-	-	162,500	0.03
Victor Ha Kuk Yung	-	-	-	162,500	-	-	-	162,500	0.03

* The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an initial exercise price of HK\$6.98 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of one rights share for every four shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the period. Further details of the interests of Directors in the options are disclosed in Note 19 to the interim financial statements.

@ The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

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)

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

(c) Hongkong Chinese Limited ("HKC")

Name of Director	Number of ordinary shares of HK\$1.00 each in HKC			Number of underlying ordinary shares of HK\$1.00 each in HKC				Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests		
				Options [^]	Warrants ⁺	Warrants ⁺	Warrants ⁺		
Stephen Riady	-	-	941,380,978	-	-	-	106,765,641	1,048,146,619	57.65
			Notes (i) and (iii)				Notes (i) and (iii)		
Jark Pui Lee	469	469	-	-	51	51	-	1,040	0.00
John Luen Wai Lee	270	270	-	4,590,000	30	30	-	4,590,600	0.25
King Fai Tsui	-	67,500	-	607,500	-	7,500	-	682,500	0.04
Leon Nim Leung Chan	-	-	-	810,000	-	-	-	810,000	0.04
Victor Ha Kuk Yung	-	-	-	607,500	-	-	-	607,500	0.03

[^] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by HKC (the "HKC Share Option Scheme"). Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the HKC Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in HKC at an initial exercise price of HK\$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of HKC in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the period. Further details of the interests of Directors in the options are disclosed in Note 19 to the interim financial statements.

⁺ The holders of the warrants of HKC are entitled to subscribe for ordinary shares of HK\$1.00 each in HKC at a subscription price of HK\$1.25 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

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

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

Note:

- (i) As at 30th June, 2008, 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, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 65.41 per cent. of the issued share capital of, the Company. Lippo Securities is a wholly-owned subsidiary of HKC which in turn is a 51.77 per cent. subsidiary of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is 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 is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust include, inter alia, Mr. Stephen Riady and his minor child. Mr. Stephen Riady together with his minor child, as beneficiaries of the trust, are taken to be interested in Lippo Cayman under the SFO.
- (ii) As at 30th June, 2008, 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, 2008, the Company, through its wholly-owned subsidiary and Lippo Securities, was indirectly interested in an aggregate of 941,380,978 ordinary shares and HK\$133,457,051.25 warrants giving rise to an interest in 106,765,641 underlying ordinary shares of HKC, totalling 1,048,146,619 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 57.65 per cent. of the issued share capital of, HKC.
- (iv) The percentages of the issued share capital stated in this section were arrived based on the issued share capital of each of the Company, LCR and HKC (as the case may be) as at 30th June, 2008.

The above interests in the underlying shares of the Company and its associated corporations in respect of options were held pursuant to unlisted physically settled equity derivatives.

The above interests in the underlying shares of the Company and its associated corporations in respect of warrants were held pursuant to listed physically settled equity derivatives.

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

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

As at 30th June, 2008, 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
Grandform Limited	Ordinary shares	1	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

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)

Interests in shares and underlying 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 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 Holdings Inc.	Ordinary shares	1	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Lippo World Holdings Limited	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
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
Times Grand Limited	Ordinary shares	1	100
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)*

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

As at 30th June, 2008, 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 is 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 is 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 include, inter alia, Mr. Stephen Riady and his minor child.

As at 30th June, 2008, 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.

As at 30th June, 2008, save as disclosed herein, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2008, 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, 2008, 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).

Additional Information (Continued)

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

As at 30th June, 2008, 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 and underlying shares of the Company

Name	Number of ordinary shares of HK\$0.10 each	Number of underlying ordinary shares of HK\$0.10 each	Total interests	Approximate percentage of total interests in the issued share capital
		Warrants (Note 7)		
<i>Substantial shareholders:</i>				
Lippo Capital Limited ("Lippo Capital")	273,625,000	27,362,519	300,987,519	55.52
Lippo Cayman Limited ("Lippo Cayman")	319,322,219	35,312,240	354,634,459	65.41
Lanius Limited ("Lanius")	319,322,219	35,312,240	354,634,459	65.41
Dr. Mochtar Riady	319,322,219	35,312,240	354,634,459	65.41
Madam Lidya Suryawaty	319,322,219	35,312,240	354,634,459	65.41
<i>Other persons:</i>				
ASM Asia Recovery (Master) Fund ("ASM")	30,265,000	3,026,500	33,291,500	6.14
Argyle Street Management Limited ("Argyle")	37,637,500	3,763,750	41,401,250	7.64
Argyle Street Management Holdings Limited ("ASM Holdings")	37,637,500	3,763,750	41,401,250	7.64
Mr. Kin Chan	37,637,500	3,763,750	41,401,250	7.64
Mercury Real Estate Advisors, LLC ("Mercury Real Estate")	29,406,000	–	29,406,000	5.42
Mr. David R. Jarvis	29,406,000	–	29,406,000	5.42
Mr. Malcolm F. Maclean	29,406,000	–	29,406,000	5.42

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 and underlying shares of the Company (Continued)

Note:

1. 273,625,000 ordinary shares and HK\$128,603,750 warrants giving rise to an interest in 27,362,500 underlying 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, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was indirectly interested in 305,118,929 ordinary shares and HK\$159,291,981.70 warrants giving rise to an interest in 33,891,911 underlying ordinary shares of the Company. Lippo Securities is a wholly-owned subsidiary of Hongkong Chinese Limited which in turn is a 51.77 per cent. subsidiary of the Company. Together with 14,203,290 ordinary shares and HK\$6,675,546.30 warrants giving rise to an interest in 1,420,329 underlying ordinary shares of the Company owned by Lippo Cayman directly as beneficial owner, Lippo Cayman was interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of the Company, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 65.41 per cent. of the issued share capital of, the Company.
2. Lanius is the registered shareholder of the entire issued share capital of Lippo Cayman and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is 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 is not the registered holder of any shares in the issued share capital of Lanius.
3. Lippo Cayman's interests in the ordinary shares and underlying ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 354,634,459 ordinary shares and underlying ordinary shares of the Company related to the same block of shares and underlying 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. 30,265,000 ordinary shares and warrants giving rise to an interest in 3,026,500 underlying 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 37,637,500 ordinary shares and warrants giving rise to an interest in 3,763,750 underlying ordinary shares of the Company, totalling 41,401,250 ordinary shares and underlying ordinary shares of HK\$0.10 each in the Company. Argyle was a wholly-owned subsidiary of ASM Holdings. Mr. Kin Chan was interested in approximately 44 per cent. of ASM Holdings.

Additional Information *(Continued)*

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 and underlying shares of the Company *(Continued)*

Note: (Continued)

5. 29,406,000 ordinary shares of HK\$0.10 each in 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.
6. The percentages of the issued share capital stated in this section were arrived based on 542,168,762 ordinary shares of HK\$0.10 each in issue of the Company as at 30th June, 2008.
7. The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).
8. The above interests in the underlying shares of the Company in respect of warrants were held pursuant to listed physically settled equity derivatives.

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2008, 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 19 to the interim financial statements.

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

During the six months ended 30th June, 2008, 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, 2008.

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, 2008.

Additional Information *(Continued)*

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, 2008

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

* *non-officer position*

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

Agricultural Bank of China, Shanghai Branch

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

Warrant Code

744

Website

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