The Hong Kong Building and Loan Agency Limited

香 港 建 屋 貸 款 有 限 公 司

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT

For the six months ended 30th June, 2005

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. Ning Gaoning *(Chairman)*
Mr. Leon Nim Leung Chan
Mr. Wai Lam Chan

Executive Directors

Mr. David T. Yeh *(Chief Executive Officer)*
Mr. Jark Pui Lee, O.B.E., J.P.
Mr. Jonathan Miles Foxall
Mr. Tai Chiu Ng

Independent non-executive Directors

Dr. Nai Kong Leung, B.B.S., J.P.
Mr. King Fai Tsui
Mr. Victor Ha Kuk Yung

COMMITTEES

Audit Committee

Mr. Victor Ha Kuk Yung *(Chairman)*
Mr. Leon Nim Leung Chan
Dr. Nai Kong Leung, B.B.S., J.P.
Mr. King Fai Tsui

Nomination Committee

Mr. Leon Nim Leung Chan *(Chairman)*
Mr. Victor Ha Kuk Yung
Dr. Nai Kong Leung, B.B.S., J.P.
Mr. King Fai Tsui

Remuneration Committee

Mr. Leon Nim Leung Chan *(Chairman)*
Mr. Victor Ha Kuk Yung
Dr. Nai Kong Leung, B.B.S., J.P.
Mr. King Fai Tsui

SECRETARY

Ms. Marisa Mun Chung Mak

QUALIFIED ACCOUNTANT

Mr. Alex Shiu Leung Au

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SOLICITORS

Richards Butler

REGISTRARS

Tengis Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

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

STOCK CODE

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WEBSITE

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The Directors of The Hong Kong Building and Loan Agency Limited (the "Company") present the unaudited consolidated interim financial statements of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June, 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30th June,	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**67,999**	177,603
Cost of sales		**(65,010)**	(166,679)
Gross profit		**2,989**	10,924
Other income		**201**	72
Administrative expenses		**(1,365)**	(1,624)
Other operating expenses		**(3,849)**	(983)
Provision for impairment in value for investment securities		**–**	(1,956)
Profit/(Loss) before tax	*5*	**(2,024)**	6,433
Tax	*6*	**–**	(467)
Profit/(Loss) for the period		**(2,024)**	5,966
Attributable to:			
Equity holders of the Company		**(2,024)**	5,966
		HK cents	*HK cents*
Earnings/(Loss) per share	*7*		
Basic		**(0.90)**	2.65
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30th June, 2005** *HK$'000*	31st December, 2004 *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**42**	52
Mortgage loans	*8*	**850**	1,764
Deferred tax asset		**3,396**	3,396
		4,288	5,212
CURRENT ASSETS			
Financial assets at fair value through profit or loss	*9*	**41,553**	–
Other investments in securities	*10*	**–**	45,334
Mortgage loans	*8*	**558**	1,288
Debtors, prepayments and deposits		**322**	741
Cash and cash equivalents		**171,774**	168,144
		214,207	215,507
CURRENT LIABILITIES			
Creditors and accruals		**1,144**	1,344
NET CURRENT ASSETS		**213,063**	214,163
TOTAL ASSETS LESS CURRENT LIABILITIES		**217,351**	219,375
CAPITAL AND RESERVE			
Equity attributable to equity holders of the Company			
Share capital	*11*	**225,000**	225,000
Reserve	*12*	**(7,649)**	(5,625)
		217,351	219,375

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Total equity as at 1st January	**219,375**	211,090
Profit/(Loss) for the period and total recognised income and expense for the period	**(2,024)**	5,966
Total equity as at 30th June	**217,351**	217,056
Total recognised income and expense for the period attributable to:		
Equity holders of the Company	**(2,024)**	5,966

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Net cash from operating activities	**3,632**	51,188
Net cash used in investing activities	**(2)**	(60)
Net increase in cash and cash equivalents	**3,630**	51,128
Cash and cash equivalents at 1st January	**168,144**	107,163
Cash and cash equivalents at 30th June	**171,774**	158,291
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	**171,774**	158,291

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 this condensed consolidated interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31st December, 2004 except that the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", including HKASs and Interpretations) which are effective for accounting periods commencing on or after 1st January, 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 to the interim financial statements.

2. CHANGES IN ACCOUNTING POLICIES

In 2005, the Group adopted the HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	"Presentation of Financial Statements"
HKAS 7	"Cash Flow Statements"
HKAS 8	"Accounting Policies, Changes in Accounting Estimates and Errors"
HKAS 10	"Events after the Balance Sheet Date"
HKAS 12	"Income Taxes"
HKAS 14	"Segment Reporting"
HKAS 16	"Property, Plant and Equipment"
HKAS 17	"Leases"
HKAS 18	"Revenue"
HKAS 19	"Employee Benefits"
HKAS 21	"The Effects of Changes in Foreign Exchange Rates"
HKAS 24	"Related Party Disclosures"
HKAS 27	"Consolidated and Separate Financial Statements"
HKAS 32	"Financial Instruments: Disclosure and Presentation"
HKAS 33	"Earnings Per Share"
HKAS 34	"Interim Financial Reporting"
HKAS 36	"Impairment of Assets"
HKAS 37	"Provisions, Contingent Liabilities and Contingent Assets"
HKAS 39	"Financial Instruments: Recognition and Measurement"
HKFRS 3	"Business Combinations"

The adoption of HKASs 1, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 24, 27, 33, 34, 36, 37 and HKFRS 3 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments which include investments in securities and mortgage loans of the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

Until 31st December, 2004, investments in securities of the Group were classified into investment securities and other investments in securities, which were stated in the balance sheet at cost less any impairment losses and at fair value, respectively. Any impairment losses on investment securities and changes in fair value of other investments in securities were recognised in the profit and loss account for the period in which they arise. Mortgage loans were reported on the balance sheet at the total of principal amount outstanding and accrued interest receivable net of provisions for doubtful debts.

From 1st January, 2005 onwards, the Group classifies its investments into the following categories, taking into account the purpose for which the investments are acquired:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group are financial assets held for trading. Derivatives are also categorised as held for trading unless they are designated as hedges. Purchases and sales of these investments are recognised on trade date. They are carried at fair value by reference to published price quotations in active markets or, for unlisted investment funds, determined on the basis of their last net asset value per unit. Gain or loss arising from a change in fair value shall be recognised in the profit and loss account.

(b) Mortgage loans

Mortgage loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Purchases and sales of these investments are recognised on settlement date. They are recognised initially at fair value and subsequently carried at amortised costs using effective interest method, less any accumulated impairment losses. If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed to the extent that such reversal shall not result in a carrying amount of the mortgage loan that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of such reversal shall be recognised in the profit and loss account.

Impairment provisions for loan advances assessed individually are calculated using a discounted cash flow analysis for the impaired advances. Collective assessment of impairment for individually insignificant items or items where no impairment has been identified on an individual basis is made using formula-based approaches or statistical methods. Impairment provisions for advances will be presented as individually assessed and collectively assessed instead of specific provisions and general provisions. There will be no significant change in the net charge for provisions to profit and loss account.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Purchases and sales of these investments are recognised on trade date. They are carried at fair value except for certain available-for-sale financial assets that do not have a published quoted price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses. The impairment loss is charged to the profit and loss account for the period in which they arise.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) Available-for-sale financial assets *(continued)*

The effect of the changes in accounting policies on these financial statements as a result of the adoption of HKAS 32 and HKAS 39 is summarised as follows:

– all investment securities of the Group as at 31st December, 2004 were redesignated into available-for-sale financial assets on 1st January, 2005. There is no effect on remeasurement as the accounting policy on measurement of the Group's investment securities as at 31st December, 2004 is the same as that for the available-for-sale financial assets; and

– all other investments in securities of the Group as at 31st December, 2004 were redesignated into financial assets at fair value through profit or loss on 1st January, 2005. There is no effect on remeasurement as the accounting policy on measurement of the Group's other investments in securities as at 31st December, 2004 is the same as that for the financial assets at fair value through profit or loss.

In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

3. SEGMENT INFORMATION

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

	Six months ended 30th June, 2005			
	Mortgage finance *HK$'000*	**Treasury investments** *HK$'000*	**Other** *HK$'000*	**Total** *HK$'000*
Revenue	**127**	**67,872**	**–**	**67,999**
Other income	**128**	**73**	**–**	**201**
	255	**67,945**	**–**	**68,200**
Segment results	**196**	**97**	**–**	**293**
Unallocated corporate expenses				**(2,317)**
Loss before tax				**(2,024)**
Tax				**–**
Loss for the period				**(2,024)**

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

3. SEGMENT INFORMATION *(continued)*

	Six months ended 30th June, 2004			
	Mortgage finance *HK$'000*	Treasury investments *HK$'000*	Other *HK$'000*	Total *HK$'000*
Revenue	277	177,326	–	177,603
Other income	72	–	–	72
	349	177,326	–	177,675
Segment results	349	10,073	(1,956)	8,466
Unallocated corporate expenses				(2,033)
Profit before tax				6,433
Tax				(467)
Profit for the period				5,966

During the current and prior periods, there were no inter-segment transactions.

4. REVENUE

All revenue for the period represents turnover generated from the principal activities of the Group, comprising interest income on mortgage loans and gross income on treasury investments which includes sales proceeds from securities trading and interest income on bank deposits.

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

	Six months ended 30th June,	
	2005 ***HK$'000***	2004 *HK$'000*
Mortgage finance:		
Interest on mortgage loans	**127**	277
Treasury investments:		
Interest on bank deposits	**1,557**	376
Sales of other investments in securities	**–**	175,971
Sales of financial assets at fair value through profit or loss	**66,087**	–
Dividend income	**228**	311
Other investment income	**–**	668
	67,999	177,603

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Depreciation	**(12)**	(4)
Dividend income from listed investments	**228**	311
Net realised gain on disposal of financial assets at fair value through profit or loss:		
Listed	**73**	–
Unlisted	**343**	–
Net realised gain on other investments in securities:		
Listed	**–**	13,035
Net unrealised holding gain on financial assets at fair value through profit or loss:		
Listed	**661**	–
Net unrealised holding loss on other investments in securities:		
Listed	**–**	(3,333)
Unlisted	**–**	(204)
Other investment income:		
Listed	**–**	67
Unlisted	**–**	601
Exchange loss, net	**(2,789)**	(574)

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current period. For the six months ended 30th June, 2004, tax charge represents utilisation of deferred tax asset recognised in prior years.

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong		
Deferred tax charge	**–**	467

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share for the period is calculated based on (i) loss attributable to equity holders of the Company of HK$2,024,000 (2004 – profit of HK$5,966,000); and (ii) the weighted average number of 225,000,000 ordinary shares (2004 – 225,000,000 ordinary shares) in issue during the period.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the periods ended 30th June, 2005 and 2004 as there were no dilutive potential ordinary shares.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

8. MORTGAGE LOANS

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Total mortgage loan balances, at amortised costs	**1,583**	3,517
Less: Allowance for loan impairment:		
– Collectively assessed	**(29)**	(62)
– Individually assessed	**(146)**	(403)
	1,408	3,052
Amounts due within one year classified as current assets	**(558)**	(1,288)
Non-current portion	**850**	1,764
Total mortgage loan balances, at fair value	**1,408**	3,052

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Listed equity securities, at market value:		
Hong Kong	**41,553**	–

10. OTHER INVESTMENTS IN SECURITIES

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Listed equity securities, at market value:		
Hong Kong	**–**	6,154
Overseas	**–**	16,652
Unlisted investment funds, at fair value	**–**	22,528
	–	45,334

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

11. SHARE CAPITAL

	30th June, 2005 HK$'000	31st December, 2004 HK$'000
Authorised:		
300,000,000 (31st December, 2004 – 300,000,000) ordinary shares of HK$1.00 each	**300,000**	300,000
Issued and fully paid:		
225,000,000 (31st December, 2004 – 225,000,000) ordinary shares of HK$1.00 each	**225,000**	225,000

12. RESERVE

	Accumulated losses HK$'000
As at 1st January, 2005	(5,625)
Loss for the period	(2,024)
As at 30th June, 2005	**(7,649)**

13. RELATED PARTY TRANSACTION

During the period, the Group paid rental expenses amounting to HK$453,000 (2004 – HK$334,000) to Prime Power Investment Limited, a wholly-owned subsidiary of Lippo China Resources Limited which in turn is the intermediate holding company of the Company. The rental was determined by reference to open market rentals.

14. FINANCIAL RISK MANAGEMENT

The Group's investment policy is to prudently invest all funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets, manage risks while optimising return on investments.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and equity price risk), credit risk, liquidity risk and fair value and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

The investment of funds comprises three main categories: Mortgage loans, listed equity securities and unlisted investment funds.

Senior managers of the Group are dedicated to the day-to-day management and investment of the funds.

Investment and fund management is governed by investment policies and risk management guidelines approved by the Board. Investment restrictions and guidelines form an integral part of risk control. Fund-specific restrictions and guidelines are set according to the investment objectives of each fund. In addition, specific limits are set for each fund to control risks (e.g. permissible asset type, asset allocation, liquidity, credit, counterparty concentration, maturity, foreign exchange, interest rate and market risks) of the investments.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

14. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. When seeking to optimise the returns on its funds available for investment, the Group may invest in non-HKD securities from time to time.

(ii) Equity price risk

The Group is exposed to equity price risk as equities are held as part of the investments. The Group's management regularly reviews and monitors equities dealing activities.

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are made for losses that have been incurred at the balance sheet date. The Group limits its exposure to credit risk by rigorously selecting the counterparties (i.e. mortgage borrowers and issuers) and by diversification. Credit risk may be mitigated by obtaining collateral from the customer or counterparty.

(c) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its current obligation. The Group's management closely monitors the liquidity of the Group on a daily basis to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding needs.

(d) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to fair value interest rate risk is mainly caused by the mortgage loan as the fair value of such loan will fluctuate with the market interest rate. Cash flow interest rate risk is caused by both the mortgage loans and bank deposits of the Group. Interest income will fluctuate because of changes in market interest rates.

DISCUSSION AND ANALYSIS OF INTERIM RESULTS

The Hong Kong economy continued to expand at a brisk pace, with GDP grew distinctly by 6.5 per cent. in real terms for the first half of 2005, following 8.2 per cent. strong growth in 2004. Amid the improving labour market conditions and generally upbeat sentiment, domestic consumption picked up. Nevertheless, the Hong Kong's lending business continued to be affected by intense competition and rising operating costs.

RESULTS FOR THE PERIOD

Mortgage finance and treasury investments (which includes securities investment and other treasury activities) remained principal businesses of the Group, contributing a total revenue of HK$68 million (2004 – HK$178 million) for the six months ended 30th June, 2005. The Group recorded a loss for the period of HK$2 million, as compared to last period's profit of HK$6 million.

The decrease in revenue and the loss for the period were mainly due to decrease in securities trading activities and the profit arising therefrom.

With rising property prices, the quality of the Group's mortgage loan assets improved. Meanwhile, management continued to closely monitor over the portfolio so that loan loss was kept to a minimum. Given the intense competition in the lending market, the loan portfolio of the Group and the income generated from mortgage finance further reduced.

With tightened cost control, the Group's administrative expenses were 16 per cent. lower than that recorded in the last corresponding period. Included in the operating costs was a loss of HK$2.8 million (2004 – HK$0.6 million) arising from the exchange rate movements on the Group's foreign currency assets during the period.

FINANCIAL POSITION

The Group's financial position remained strong and healthy over the period. As at 30th June, 2005, total assets of the Group amounted to HK$218 million (31st December, 2004 – HK$221 million), all of which (31st December, 2004 – 62 per cent.) were denominated in Hong Kong dollars or United States dollars. The exchange rate exposure was considered immaterial.

The Group did not have bank borrowings (31st December, 2004 – Nil) and none of its assets were subject to pledge (31st December, 2004 – Nil). At the balance sheet date, the Group had no material capital commitment or contingent liabilities outstanding (31st December, 2004 – Nil).

Taking into account the loss for the period, net asset value of the Group as at 30th June, 2005 reduced slightly to HK$217 million (31st December, 2004 – HK$219 million). The consolidated net asset value per share stood at HK$0.97 (31st December, 2004 – HK$0.98).

DISCUSSION AND ANALYSIS OF INTERIM RESULTS *(continued)*

CHANGES IN ACCOUNTING POLICIES

The Group has adopted the new and revised Hong Kong Financial Reporting Standards which came into effect for accounting periods commencing on 1st January, 2005. It resulted in changes of the Group's accounting policies with details summarised in Note 2 to the interim financial statements. However, they had no significant impact on the Group's net asset value or results.

STAFF AND REMUNERATION

The Group had 16 (2004 – 13) employees as at 30th June, 2005 and total staff costs incurred during the period amounted to HK$0.7 million (2004 – HK$1.1 million). The Group offers competitive remuneration packages to its employees. Currently, no share option schemes for employees are implemented.

OUTLOOK

The Group expects that the growth pace of the local economy is likely to be moderate, stemming from the impacts of soaring oil prices and rising interest rates. Subject to the disposal of the controlling interest in the Company which is expected to take place on 12th September, 2005 and which will be followed by changes to the Board, the Group will continue its business on a prudent and cautious manner.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

During the first half of 2005, Hong Kong continued to enjoy strong economic growth reflected in robust exports and rising investments. Improving market conditions and investment sentiment strengthened consumer confidence. However, due to the fluctuation of local and regional stock markets, income generated from securities investments decreased against the corresponding period last year.

Although the upturn of price levels and turnover boosted the local property market, mortgage finance business was still challenging with narrow interest margin and keen competition. The loan portfolio of the Group further reduced and income generated from mortgage loans also dropped as compared to the corresponding period last year.

Amidst this, the revenue of the Group for the period under review amounted to HK$68 million and a loss of HK$2 million was recorded. The Group did not have any bank borrowings and maintained a strong liquidity position.

On 18th June, 2005, HKCB Corporation Limited, the immediate holding company of the Company, entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") regarding the disposal of its entire interest in the shares of the Company, representing approximately 74.8 per cent. of the issued share capital of the Company, to Island New Finance Limited ("Island New Finance") for a total consideration of HK$184 million. As all the conditions of the Sale and Purchase Agreement were fulfilled on 7th September, 2005, completion of the Sale and Purchase Agreement is expected to take place on 12th September, 2005. Subsequent to the completion of the Sale and Purchase Agreement, Island New Finance will make an unconditional mandatory cash offer for the issued shares of the Company in accordance with the Hong Kong Code on Takeovers and Mergers.

PROSPECTS

Looking ahead, despite concerns over rising interest rates and unprecedentedly high oil prices, it is expected that the signing of Phase 2 of the Closer Economic Partnership Arrangements with China Mainland and global economic growth will provide further momentum to the continued local economic recovery. The Group is cautiously optimistic about general business prospects. Following the completion of the Sale and Purchase Agreement, the Company will become a subsidiary of Island New Finance. Island New Finance is a wholly-owned subsidiary of United Asia Finance Limited which is principally engaged in money lending business.

ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (2004 – Nil).

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, 2005, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code") were as follows:

1. Interests in shares of the Company's associated corporations

Lippo Limited

	Number of ordinary shares of HK$0.10 each			
Name of Director	**Personal interest (held as beneficial owner)**	**Family interest (interest of spouse)**	**Total interests**	**Approximate percentage of total interests in the issued share capital**
Jark Pui Lee	–	48	48	0.00

Hongkong Chinese Limited

	Number of ordinary shares of HK$1.00 each			
Name of Director	**Personal interest (held as beneficial owner)**	**Family interest (interest of spouse)**	**Total interests**	**Approximate percentage of total interests in the issued share capital**
Jark Pui Lee	350	350	700	0.00
King Fai Tsui	–	50,000	50,000	0.00

As at 30th June, 2005, Mr. Jonathan Miles Foxall, as beneficial owner, was interested in 41,783 shares of US$0.01 each in, representing approximately 5.63 per cent. of, the issued share capital of Goldfix Pacific Ltd., an associated corporation (within the meaning of Part XV of the SFO) of the Company.

ADDITIONAL INFORMATION *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

2. Interests in underlying shares of the Company's associated corporation

Lippo China Resources Limited

Name of Director	Capacity and nature of interest	Number of underlying shares of HK$0.10 each in respect of which options have been granted*	Approximate percentage of the issued share capital
Jonathan Miles Foxall	Personal (held as beneficial owner)	6,000,000	0.06
David T. Yeh	Personal (held as beneficial owner)	9,000,000	0.09

* The options were granted on 23rd June, 1997 at a consideration of HK$1.00 per grantee under the Share Option Scheme for Employees (the "LCR Share Option Scheme") adopted by Lippo China Resources Limited ("LCR"). Such options vested after two months from the date when the options were deemed to be granted and accepted and are exercisable from 23rd August, 1997 to 23rd June, 2007 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares in LCR at an initial exercise price of HK$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six ordinary shares of HK$0.10 each in LCR at an exercise price of HK$0.883 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the six months ended 30th June, 2005 and the quantity of options held by each of the above Directors as at 1st January, 2005 and 30th June, 2005 remained unchanged.

The above interests in the underlying shares of the Company's associated corporation were held pursuant to unlisted physically settled equity derivatives. As at 30th June, 2005, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

ADDITIONAL INFORMATION *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2005, 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, 2005, 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, 2005, 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") as follows:

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

Name	Number of ordinary shares of HK$1.00 each	Approximate percentage of the Company's issued share capital
Substantial shareholders:		
Lippo China Resources Limited ("LCR")	168,313,038	74.80
Lippo Limited ("Lippo")	168,313,038	74.80
Lippo Cayman Limited ("Lippo Cayman")	168,313,038	74.80
Lanius Limited ("Lanius")	168,313,038	74.80
Dr. Mochtar Riady	168,313,038	74.80
Madam Lidya Suryawaty	168,313,038	74.80
Island New Finance Limited ("Island New Finance")	168,313,038	74.80
Onspeed Investments Limited ("Onspeed")	168,313,038	74.80
United Asia Finance Limited ("UA Finance")	168,313,038	74.80
UAF Holdings Limited ("UAF Holdings")	168,313,038	74.80
AG Capital Holding Limited ("AG Capital")	168,313,038	74.80
Allied Group Limited ("AGL")	168,313,038	74.80
Lee and Lee Trust	168,313,038	74.80
Other persons:		
CITIC Ka Wah Bank Limited ("CITIC Ka Wah")	11,250,000	5.00
CITIC International Financial Holdings Limited ("CIFH")	11,250,000	5.00
China International Trust and Investment Corporation ("CITIC") (now known as CITIC Group)	11,250,000	5.00

ADDITIONAL INFORMATION *(continued)*

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

Note:

(i) 168,313,038 ordinary shares of the Company were held by HKCB Corporation Limited ("HKCB Corporation") directly as beneficial owner. On 18th June, 2005, HKCB Corporation entered into a conditional sale and purchase agreement for the disposal of its entire interest in 168,313,038 shares of the Company (the "Disposal") to Island New Finance (the "Sale and Purchase Agreement"). The Disposal is expected to be completed on 12th September, 2005. HKCB Corporation was wholly owned by LCR through its wholly-owned subsidiary, No. 1 Dragon Ltd. LCR was a 71.13 per cent. owned subsidiary of Skyscraper Realty Limited which in turn was a wholly-owned subsidiary of First Tower Corporation ("First Tower"). First Tower was a wholly-owned subsidiary of Lippo. Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited (which owned approximately 50.47 per cent. interest in the issued share capital of Lippo), J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in approximately 57.34 per cent. of the issued share capital of Lippo.

(ii) Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.

(iii) LCR's interests in the ordinary shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty.

(iv) Pursuant to the Sale and Purchase Agreement, Island New Finance agreed to acquire 168,313,038 ordinary shares in the Company directly as beneficial owner. Island New Finance was a wholly-owned subsidiary of Onspeed which in turn was a wholly-owned subsidiary of UA Finance. UA Finance was a 50.91 per cent. owned subsidiary of UAF Holdings. UAF Holdings was a wholly-owned subsidiary of AG Capital which in turn was a wholly-owned subsidiary of AGL. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust, and they together owned approximately 39.25 per cent. interest in AGL.

(v) 11,250,000 ordinary shares of the Company were held by CITIC Ka Wah directly as beneficial owner. CITIC Ka Wah was a wholly-owned subsidiary of CIFH which in turn was a 56 per cent. owned subsidiary of CITIC.

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2005, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than 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.

ADDITIONAL INFORMATION *(continued)*

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

During the six months ended 30th June, 2005, 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") in accordance with rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Mr. Michael Kwok Shung Chan, a non-executive Director and a member of the Committee, retired on 3rd June, 2005. The existing members of the Committee comprise four non-executive Directors, namely Mr. Victor Ha Kuk Yung, Mr. Leon Nim Leung Chan, Dr. Nai Kong Leung and Mr. King Fai Tsui. The Committee meets regularly. 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 interim financial statements for the six months ended 30th June, 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out 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, 2005, except for the code provision C.2 on internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005) and the following deviations from code provisions A.4.1, A.4.2 and E.1.2:

(i) Non-executive Directors (other than the three independent non-executive Directors appointed with a term of two years) were not appointed for a specific term as required by the Code. However, they are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association, save for Mr. Ning Gaoning who is also the Chairman of the Company, was not subject to retirement by rotation and re-election at the Company's last annual general meeting held on 3rd June, 2005 ("2005 AGM").

ADDITIONAL INFORMATION *(continued)*

CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

(ii) In accordance with the Company's Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation at each annual general meeting of the Company, but the Directors were not required to retire by rotation at least once every three years. In addition, according to the Company's Articles of Association, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting, and shall then be eligible for re-election.

(iii) Mr. Ning Gaoning, the Chairman of the Company, was unable to attend the 2005 AGM as he was out of town during that period.

To comply with the Code, discussions will be made with the non-executive Directors about their terms of appointment. The Company's Articles of Association have been amended on 3rd June, 2005 to provide, inter alia, that every director shall be subject to retirement by rotation at least once every three years. It is proposed that relevant amendment will be made to the Company's Articles of Association for approval at the forthcoming general meeting in order that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The Chairman will use his best endeavours to attend the future annual general meetings of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors. 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 view.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Jark Pui Lee
Director

Hong Kong, 9th September, 2005