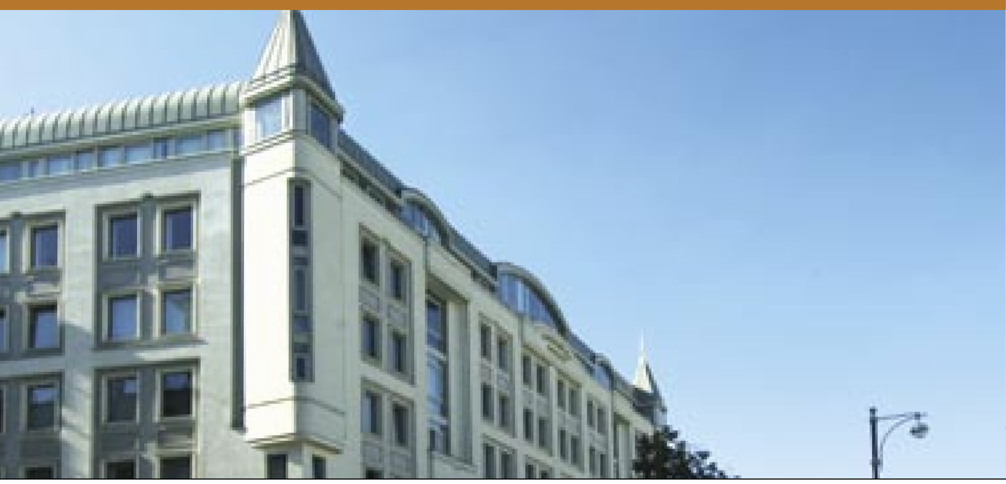
EPH EASTERN PROPERTY HOLDINGS

Semi-annual Review
2005



Contents


МОСМАРТ
ИПЕРМАРКЕТ

Statement of the Board of Directors

Dear Shareholders,

The first half of 2005 has been an eventful period for Eastern Property Holdings. Not only has the company almost doubled in size from a capital increase completed in May, but a major shopping center project has been announced with a new partner, Swiss real estate and retail concern Jelmoli.

Through the efforts of Switzerland's OZ Bankers, and Russian investment bank Renaissance Capital, we sold 715,000 new shares to existing and new shareholders at $77 in April, and one month later sold an additional 102,250 shares at the same price through the Greenshoe option. With this additional capital we will continue to build our portfolio of properties and development projects in Russia and the CIS, a region we still see as representing the most attractive property opportunities available. With a market capitalization on June 30 of almost $130 million, we have also become a potential holding for a much larger universe of institutional portfolios.

Hypercenter Investment SA is our new joint venture with Switzerland's Jelmoli, and the founders of Russian hypermarket chain Mosmart. Over the next three years we intend to build over 240,000 square meters of retail shopping center space in ten shopping centers anchored by Mosmart hypermarkets. Sites have been selected in Moscow, St. Petersburg, and four regional Russian cities. Eastern Property Holdings owns 26% of the joint venture.

Berlin House, our retail and office building in central Moscow welcomes Citibank as a large new retail tenant. As a reflection of Berlin House's prime location, Citibank has chosen to make this branch the first Citibank Gold office in Moscow, and will serve only a select high net worth clientele. In front of Berlin House, work is proceeding on the expansion of TsUM, the Soviet era Central Universal Store, which has been reborn as a prestigious department store. Completion of this project will further enhance the attractiveness of Berlin House and its immediate surroundings as a shopping destination, and some of the city's most desirable retailing space. It is our intention to participate in further development of this area of the city.

In the first six months of this year we have also broken ground on two new Mosmart-anchored shopping centers, one on Borovskoye Shosse near Moscow's MKAD beltway, and the other our first regional center in Nizhny Novgorod. These centers are being developed within the Sarnatus joint venture, through which we also own 10% of the successful Mosmart hypermarket operator.

We look forward to the challenge of matching our successful first half of 2005 with an equally productive second six months.

The Board of Directors

July 2005

Developments in the First Half of 2005

In the first six months of this year Eastern Property Holdings successfully completed a capital increase which almost doubled the size of the company, started construction on two new shopping centers in our MosMart joint venture, and announced a new joint venture which will build over 240,000 square meters of shopping center space in six Russian cities. To summarize the year to date:

April – Share capital increased by 82%

969,030 common shares were listed on the SWX Swiss exchange on 25 April, 2005. Shareholders of record were given pre-emptive rights to acquire the new shares at US$ 77, after which remaining shares were sold via a public offering in Switzerland, and private placement in Europe. At the same time, our non-voting preferred shares, all of which were held by ENR Russia Invest SA as a result of a July 2004 capital injection, were converted to common shares. Hence we now have only one class of share outstanding.

May – Share capital increased by an additional 6.4% via exercise of Greenshoe option

102,250 common shares were listed on the SWX Swiss exchange on 25 May, 2005 thru exercise of the Greenshoe option connected to the capital increase completed a month earlier. The entire block was bought by a listed European property company mandated to invest in emerging Europe.

May – Announcement of Hypercenter Investment SA joint venture

Eastern Property Holdings purchased a 26% stake in Hypercenter Investment SA, Luxembourg, a newly created real estate development company which will continue the development of Mosmart Hypercenters. Hypercenter Investment SA is owned 49% by Jelmoli Holding AG, a leading Swiss retail and real estate holding company listed on the SWX Swiss exchange, 26% by EPH, and 25% plus one share by the majority owners of MosMart. The capital of Hypercenter Investment will be US$150 million, with the investment of EPH amounting to US$39 million to be disbursed in three tranches over a period of 18 months.

June – Official groundbreaking of MosMart-anchored hypercenter at Borovskoye Shosse

Construction started on the fourth, and by far the largest, MosMart hypercenter at Borovskoye Shosse in Moscow. This center, totaling over 80,000 square meters will not only house a MosMart hypermarket and over 50 retail tenants, but also includes office space to serve as MosMart's corporate headquarters.

Market Overview

Though not matching last year's pace, Russia is on track to once again be one of the world's three fastest growing major economies with 2005 GDP growth expected to come in close to, or above 6%. Retail turnover is up 11% year on year in the first half of the 2005, and Foreign Direct Investment is up over 107% from 2004.

Notable announcements from the first half of the year include Toyota's construction of a plant in St. Petersburg that in the initial stage will cost US$200 million, and could in total reach US$1 billion. LG Electronics has announced its intention to build a US$100 million manufacturing plant. And most impressive of all, IKEA has announced plans for future investment of US$2.5 to 3 billion in regional retailing.

New office space in categories A and B is not coming to market as quickly as predicted at the end of last year. While local property consultants expected roughly 1 million square meters of new space to be completed in 2005 - an addition of 25% to the existing 4 million square meters at the end of last year - Noble Gibbons, the local associate of CB Richard Ellis, estimates that 350,000 square meters were delivered in the first six months, and an additional 400,000 square meters can be expected by year end. Pre-leases, half of which were for occupancy in nine to twelve months, accounted for almost 40% of all leases signed. According to Colliers International, the average vacancy rate for Class A space is now at 2.1%, and Class B at 7.3%. Rental rates have risen by an additional 5-7% and 3-4.5% for Class A and B respectively. Class A Prime office space is now being offered at US$675 per meter per year, including expenses, but not VAT. Russian companies were responsible for 70% of this year's transactions.

In the retail market, Noble Gibbons identified 200,000 square meters in five projects which were completed in the first half of this year, adding 16% to the total modern retail stock. Rents rose by 4-5% since January. Notable announcements from foreign retailers include Finnish Stockmann's intention to expand to St. Petersburg and other regional cities, British Home Stores' return to Moscow, the opening of the first C&A and Starbuck's, autumn openings for Marks & Spencer's first store and Real's first two Moscow hypermarkets, and H&M and Debenham's plans to open stores in Moscow. In addition, METRO Cash & Carry plans to add 8 more stores, mostly regional, to their current 14, and to open Real hypermarkets in Togliatti and Kazan.

Of the five identifiable investment transactions in the first half of this year, three were taken by local buyers, who out-bid foreign investors.

Management Committee member Alexander Nikolaev with MosMart founder Andrey Shelukhin breaking ground for the fourth MosMart hypercenter at Borovskoye Shosse, Moscow

Portfolio Review

Berlin House

Our first investment property, Berlin House, is a Class A mixed retail and office property that we regard as an ideal flagship holding. Berlin House combines a distinctive architectural design with modern engineering systems and state of the art support facilities. Situated in the heart of Moscow at 5 Petrovka Street, it occupies a prime location at the intersection of two pedestrian shopping streets neighboring the Bolshoi Theatre and the TsUM department store. Its central location, proximity to metro stations, and car parking access make this property attractive for both office and retail occupancy.

We believe that this combination of qualities, as well as the limited number of alternative Class A buildings in this particular district of Moscow, has contributed to the strong demand for space in Berlin House from prominent Western and Russian tenants alike. Commitments to lease most of the space in the building were received prior to its commissioning in June 2002, and, indeed, in the current market climate we believe that the departure of tenants would not result in extended vacancies, but rather would create an opportunity to fill the space at increased rental rates per square meter.

Berlin House was constructed by Hochtief AG, a multinational construction services company. The building's 7,775 square meters of total rentable space is divided between 5,840 square meters of office space and 1,935 square meters of retail space. Of the eight above-ground floors, six are devoted to office space and two are devoted to retail space. One of the three underground levels contains retail, and the remaining two contain 62 parking spaces.

The high quality of our tenants reflects the premium class of our property. Prominent office tenants include multi-national corporations Reuters and Alcatel. Our retail tenants include an Escada shop, a Lomonosov porcelain shop, and a number of upmarket jewelry and fashion boutiques.

Berlin House has also added Citibank as a large new retail tenant. As a reflection of Berlin House's prime location, Citibank has chosen to make this branch the first Citibank Gold office in Moscow, and will serve only a select high net worth clientele.

Berlin House, Summer 2005

Portfolio Review

Mosmart

MosMart is the first and only independent Russian-controlled chain of hypermarket stores, and is designed to compete with foreign-owned hypermarkets in Russia, such as the French chain Auchan.

We hold an investment in the MosMart hypermarkets and real estate operations through the holding company Sarnatus. MosMart's co-founders, and its management team, have a successful track record in the retail sector in both Russia and Europe. The co-founders continue to actively participate in the management of the group.

The first of MosMart's three operational shopping complexes opened in June 2003 on Yaroslavskoye Shosse near Moscow's MKAD beltway. The next two centers, at Dmitrovskoye Shosse, and MKAD 71, opened in September and October of 2004. Each complex is anchored by a MosMart hypermarket, which shelves approximately 50,000 food and non-food items from over 500 producers. In addition, the Yaroslavskoye Shosse and Dmitrovskoye Shosse complexes are retail centers which rent space to retailers, banks, restaurants, and other service providers. The MKAD 71 store has its own small trade gallery within the much larger Waypark retail center.

MosMart is in the early stages of an ambitious expansion program to open an additional ten shopping complexes and hypermarkets over the next three years. Construction is currently underway on the fourth and fifth hypercenters at Borovskoye Shosse in Moscow, and in Nizhny Novgorod, with both centers planned for opening in the fourth quarter of next year.

MosMart management estimates that retail operations for 2005 should reach gross revenues of US$190 million, compared to US$ 95 million in 2004. The increase can be attributed to the fact that three stores will be in operation for the full year, while in 2004 only one store was open until almost the fourth quarter, but it is also worth noting that sales and profitability of the first store, at Yaroslavskoye Shosse – to date the only center for which year on year comparisons can be made – continue to improve as the business matures.

Hypercenter Investment SA

Hypercenter Investment SA is a new joint venture which will be the exclusive development partner for new MosMart-anchored shopping centers. Switzerland's Jelmoli Holding AG, a leading retail and real estate holding company listed on the SWX Swiss exchange, owns 49% of the new company, EPH owns 26% and 25% plus one share is owned by the founders of MosMart.

We believe that adding Jelmoli's Western shopping center and retail experience to the proven capabilities of the Hypercenter development team will result in well planned and well executed shopping centers that will not only perform well in today's underdeveloped market, but will continue to be successful in the more mature and competitive environment we expect in years to come.

The total project size for the construction of the next 10 hypercenters, of which four will be in Moscow, two in St. Petersburg and one each in Ryazan, Samara, Volgograd and Krasnodar, is US$450 million, of which the equity component will be US$150 million. EPH's share will be US$39 million, which we will contribute in three tranches by early 2007.

Registering leases and securing all required permits for construction should be completed in time to start construction on two to four of the centers in conjunction with completion of the Nizhny Novgorod and Borovskoye projects now being built by our Sarnatus joint venture.

Financial Highlights

As no events or circumstances, most notably transparent sales or offers of similar assets to ours, have taken place since year end, our investments remain at year end fair values. Changes in our Net Asset Value are largely attributable to payment of a $1.30 dividend in March, the dilutive effect of a large capital increase in April and May, rental income from Berlin House, and the costs of operating the company.

In accordance with IFRS, our accounts are kept in Russian rubles, though our reporting currency is the US dollar. As a result, currency fluctuations can create gains or losses, or require accounting adjustments, such as the Cumulative translation adjustment under Shareholder's equity on the balance sheet for this period. In the first half of 2005 the Russian ruble has depreciated by roughly 3% against the US dollar.

The cash & cash equivalents shown on our balance sheet are in fiduciary deposits denominated in US dollars until employed in the business, and as of the end of the period were earning 2.9% interest.

Mosmart Hypercenter at Dmitrovskoye Shosse, Moscow

Financial statements

Consolidated balance sheet as of June 30, 2005 (unaudited)

(with comparative figures as of December 31, 2004)

	Note	30.6.2005 USD	31.12.2004 USD
Assets			
Non-current Assets			
Investment property	2	46'000'000	46'000'000
Financial participations	3	22'203'000	22'203'000
Held-to-maturity investments	4	4'495'052	4'205'995
Furniture and equipment - net		24'807	35'465
Total Non-current Assets		**72'722'859**	**72'444'460**
Current assets			
Account receivable		325'177	233'290
Advance payment		567'297	223'777
Short-term loan		600'000	-
Other current assets		-	126'998
Prepaid taxes		209'939	401'214
Cash & cash equivalents		63'678'067	5'551'349
Total Current Assets		65'380'480	6'536'628
Total Assets		**138'103'339**	**78'981'088**
Shareholders'equity			
Share Capital	5	198'848'659	139'238'343
Retained Earnings	5	(72'537'731)	(72'967'054)
Net profit for the period	5	2'622'753	1'568'159
Cumulative translation adjustment	5	981'596	2'697'654
Total Shareholders' Equity		**129'915'277**	**70'537'102**
Liabilities			
Non-current Liabilities			
Long term liabilities		933'053	1'020'571
Provisions for liabilities and charges	7	1'446'806	1'492'850
Deferred purchase price liability		4'449'134	4'205'995
Total Non-current Liabilities		**6'828'993**	**6'719'416**
Current Liabilities			
Account payable and accrued expenses		664'681	1'234'931
Provisions for liabilities and charges	7	273'614	226'398
Property tax		249'103	257'454
Bank overdraft		171'671	5'787
Total Current Liabilities		**1'359'069**	**1'724'570**
Total Liabilities and Shareholders' Equity		**138'103'339**	**78'981'088**
Number of shares outstanding		1'690'377	872'837
Net asset value per Share		76.86	80.81

Consolidated income statement for the half year ended June 30, 2005 (unaudited)

(with comparative figures of the half year ended June 30, 2004)

	30.6.2005 USD	30.06.2004 USD
Operating income		
Rent Income	3'028'155	-
Dividend / Interest income	500'978	89'556
Other incomes	8'936	6'264
Total operating income	**3'538'069**	**95'820**
Operating expenses		
Management fees	(670'210)	(414'068)
Professional fees	(156'512)	(36'500)
Repair and maintenance costs	(59'795)	-
Other direct property expenses	(420'227)	-
Salaries and social charges	(39'110)	-
Bank charges and interest expenses	(400'624)	(21'423)
Administrative expenses	(258'787)	(1'891)
Other operating expenses	(62'590)	-
Depreciation	(14'915)	-
Non-income taxes	(525'139)	-
Total operating expenses	**(2'607'909)**	**(473'882)**
Net operating profit / (loss)	**930'160**	**(378'062)**
Investment income		
Net gain / (loss) from foreign currency translation	1'692'593	(707'477)
Total investment income / (loss)	**1'692'593**	**(707'477)**
Net income / (loss) for the period	**2'622'753**	**(1'085'539)**
Weighted average number of outstanding shares	978'200	432'160
Earnings per share		
Basic	**2.68**	**(2.51)**
Diluted	**2.66**	**(2.49)**

Financial statements

Consolidated cash flow statement for the half year ended June 30, 2005 (unaudited)

(with comparative figures of the half year ended June 30, 2004)

	30.6.2005 USD	30.6.2004 USD
Cash flow from operating activities		
Operating profit / (loss)	930'160	(378'062)
Net loss / gain from foreign currency transactions	(1'692'593)	-
Depreciation	14'975	-
Interest income accrued	(500'978)	(89'556)
Net cash flow before changes in working capital	**(1'248'436)**	**(467'618)**
Increase in payables and other liabilities	(664'947)	(4'785)
Decrease in receivables and other current assets	(717'134)	(4'197)
Cash generated from / (used in) operations	**(2'630'517)**	**(476'600)**
Dividend / Interest income received	500'978	89'556
Net cash generated from / (used in) operating activities	**(2'129'539)**	**(387'044)**
Cash flow from investing activities		
Purchase of subsidiary, net of cash acquired	-	-
Purchase of available-for-sale investments	-	-
Purchase of furniture and equipment	(5'350)	-
Advance payment for real estate investment	-	(56'068'806)
Net cash used in / (generated from) investing activities	**(5'350)**	**(56'068'806)**
Cash flow from financing activities		
Loan convertible into shares	-	23'152'260
Proceeds from issue of ordinary shares	60'363'712	-
Proceeds from issue of preferred shares	-	-
Proceeds from sale of treasury shares	-	5'912'873
Purchase of treasury shares	(836'783)	-
Dividend on treasury shares	377	
Proceeds from sale of warrants	117'032	1'900
Purchase of warrants	(34'022)	-
Net cash generated from / (used in) financing activities	**59'610'316**	**29'067'033**
Net change in cash and cash equivalents	**57'475'427**	**(27'388'817)**
Cash and cash equivalents at the beginning of the year	4'765'160	32'861'454
Net gain / (loss) from foreign currency translation	1'265'809	(707'477)
Cash and cash equivalents at the end of the period	**63'506'396**	**4'765'160**

Architectural details inside Berlin House

EPH EASTERN PROPERTY HOLDINGS

Financial statements

Consolidated statement of changes in equity for the period ended 30 June, 2005 (unaudited)

	ordinary share capital	preferred share capital	treasury shares
	USD	USD	USD
Balance 31.12.2003	**43'242'207**	**-**	**(12'668'393)**
Transactions in own shares/warrants	-	-	5'600'273
Balance as at June 30, 2004	**43'242'207**	**-**	**(7'068'120)**
Correction of prior year error	-	-	2'679'779
Transactions in own shares/warrants	-	-	4'367'440
Issuance during the year	4'269'276	18'874'980	-
Net income for the year	-	-	-
Cumulative translation adjustment	-	-	-
Balance as at December 31, 2004	**47'511'483**	**18'874'980**	**(20'901)**
Correction of prior year error	-	-	620
Transactions in own shares/warrants	-	-	(753'773)
Issuance during the year	79'238'692	(18'874'980)	-
Dividend	-	-	377
Net income for the year	-	-	-
Cumulative translation adjustment	-	-	-
Balance as at June 30, 2005	**126'750'175**	**-**	**(773'677)**

share premium	currency translation adjustment	accumulated deficit	cumulative translation adjustment	shareholders' equity
USD	USD	USD	USD	USD
76'801'908	**(1'789'838)**	**(72'967'054)**	**-**	**32'618'830**
314'500	-	-	-	5'914'773
77'116'408	**(1'789'838)**	**(72'967'054)**	**-**	**38'533'603**
(2'679'779)	-	-	-	-
225'990	-	-	-	4'593'430
-	-	-	-	23'144'256
-	-	1'568'159	-	1'568'159
-	-	-	2'697'654	2'697'654
74'662'619	**(1'789'838)**	**(71'398'895)**	**2'697'654**	**70'537'102**
(620)	-	(3'771)	3'771	-
-	-	-	-	(753'773)
-	-	-	-	60'363'712
-	-	(1'135'065)	-	(1'134'688)
-	-	2'622'753	-	2'622'753
-	-	-	(1'719'829)	(1'719'829)
74'661'999	**(1'789'838)**	**(69'914'978)**	**981'596**	**129'915'277**

Financial statements

Notes to the consolidated financial statement as of June 30, 2005 (Currency – US Dollars) – unaudited

1. Accounting principles

These consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with IAS 34 and the additional rules for listing of real estate companies on the SWX Swiss Exchange using the same accounting policies and methods of computation, valuation and consolidation as used in the consolidated financial statements for the year ended December 31, 2004.

2. Investment property

	30.06.2005 USD	31.12.2004 USD
Beginning of the period	46'000'000	-
Addition "Berlin House"	-	46'000'000
End of period	**46'000'000**	**46'000'000**

Berlin House is a 13,348 square meter commercial property constructed by Hochtief AG, a multinational construction services company, and commissioned in June 2002. The building's 7,775 square meters of total rentable space is divided between 5,840 square meters of office space and 1,935 square meters of retail space. Of the eight above-ground floors, six are devoted to office space and two are devoted to retail space. One of the three underground levels contains retail space, and the remaining two contain 62 parking spaces.

The following table indicates the exposure to non-renewals of existing leases over the periods indicated:

Remaining lease term	Percentage of space rented		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Less than one year	0.0%	3.1%	0.0%	5.2%
One to five years	36.9%	16.8%	36.8%	20.7%
More than five years	63.1%	80.1%	63.2%	74.1%

As of 30 June, 2005, the top five tenants in the building, by net rent paid are Reuters, Alcatel, Yakhont Centre, MFK Jamilco and Elikon ZAO. These top five tenants account for approximately 83% of our annual net rent. Total rent income for the 6 months period was US$ 3.0 million.

Second Mosmart Hypermarket, Dmitrovskoye Shosse Moscow

3. Financial participations

The company's investment in Sarnatus Trading Limited consists of a loan and a 10% equity stake, the aggregate value of which is stated at its fair value of US$ 22,203,000 as of 30 June 2005 (US$ 22,203,000 as of 31 December 2004). Additional capital contributions amounting to US$ 4,449,134 remain payable as of 30 June 2005 (US$ 4,205,995 as of 31 December 2004) and have been recognized as a deferred purchase price liability. According to IFRS accounting principles the investment is classified as available-for-sale.

4. Held-to-maturity investments

The fair value of the company's loan to Sarnatus Trading Limited is calculated discounting future cash flows at a rate of 12% and amounts to US$ 4,495,092 at 30 June 2005 (US$ 4,205,995 as of 31 December 2004). The loan expires on 31 December 2006, at which point the Company will receive one ordinary share in Sarnatus Trading Limited.

5. Share Capital

On 22 April 2005, the Company increased its ordinary share capital by 969,030 shares, including 715,000 new ordinary shares sold in a public offering and 254,030 ordinary shares from the conversion of outstanding preferred shares on a 1:1 basis. In May 2005, the company sold an additional number of 102,250 ordinary shares pursuant to a greenshoe option.

Financial statements

Notes to the consolidated financial statement as of June 30, 2005 (Currency – US Dollars) – unaudited

Authorized capital

	30.06.2005 Number of ordinary shares	31.12.2004 Number of ordinary shares	30.06.2005 Number of series A preferred shares	31.12.2004 Number of series A preferred shares
Opening balance	1'443'720	1'500'000	745'970	-
Increase	1'000'000	-	-	1'000'000
Capital increase and conversion	-1'071'280	-56'280	254'030	-254'030
Closing balance	1'372'440	1'443'720	1'000'000	745'970

Issued share capital

	30.06.2005 Number of ordinary shares	31.12.2004 Number of ordinary shares	30.06.2005 Number of series A preferred shares	31.12.2004 Number of series A preferred shares
Opening balance	619'097	600'000	254'030	-
Adjustment of previous year	-	-37'183	-	-
Capital increase and conversion	1'071'280	56'280	-254'030	254'030
Closing balance	1'690'377	619'097	-	254'030

Treasury shares

	30.06.2005 Number of shares	31.12.2004 Number of shares
Opening balance	290	175'779
Adjustment of previous year	-	-37'183
Purchase	11'113	9'717
Sales	-	-148'023
Closing balance	11'403	290

Treasury shares do not participate in profits of the company and do not carry any voting rights. All outstanding shares rank equally as to dividends and all other pecuniary rights associated with share ownership. Common shares are entitled to on vote each. Preferred A shares are not entitled to vote.

Warrants

	30.06.2005 Number of warrants	31.12.2004 Number of warrants
Opening balance	843'724	842'724
Purchase	-23'142	-34
Sales	79'500	1'034
Total warrants outstanding at the end of the period	900'082	843'724
Exercise price	USD 73.08	USD 73.08
Exercice ratio	10 warrants per one ordinary share	10 warrants per one ordinary share
Expiry date	11.10.2006	11.10.2006

Transactions in treasury shares during the period

Month	# of shares purchased	Currency	Average Price	Amount purchased
April	113	USD	77.91	8'804
May	11'000	USD	75.27	827'979

6. Dividend payment

On 10 March 2005, the Company paid out a dividend of US$ 1.30 per ordinary and preferred share.

7. Provisions for liabilities and charges

	Performance fee	Tax risks	Others	Total
At 1 January 2005	**309'980**	**1'182'870**	**226'398**	**1'719'248**
Currency exchange difference	-9'561	-36'484	-6'983	**-53'027**
Additional provisions	-	-	130'429	**130'429**
Dissolution	-	-	-76'230	**-76'230**
At 30 June 2005	**300'419**	**1'146'386**	**273'614**	**1'720'419**

	Non-Current	Current	Total
Analysis of total provisions	1'446'806	273'614	**1'720'419**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Tax risks and other provisions relate to potential exposures identified in the acquired business of Connecta KG.

Performance fees are to be paid to Eastern Property Management Ltd. if there is a cash event involving a holding which has appreciated in value.

8. Commitments

During the first half year 2005 the Company has not commited to further investments other than described in note 9.

9. Subsequent events

On 1 August 2005, the Company has made an initial investment of US$ 5,180,000 in Hypercenter Investment SA, a newly created real estate development company, which has been set up with the objective to continue the development of Mosmart Hypercenters. Eastern Property Holdings' equity stake in Hypercenter Investment SA amounts to 26%, and a further 49% is owned by Jelmoli Holding AG, a leading Swiss retail and real estate development company also listed on the SWX Swiss exchange. Subject to certain development progress to be reached by Hypercenter Investment SA, the Company has committed to follow-on investments totaling US$ 34 million.

EPH EASTERN PROPERTY HOLDINGS

Eastern Property Holdings Limited

Board of Directors

Gustav Stenbolt
Serge de Pahlen
Kay Reddy
Philipp LeibundGut

Mangement Committee

Gustav Stenbolt
Philipp LeibundGut
Jan Eckert
Mark Stiles
Terry Olin
Volker Hemprich
Alexander Nikolaev

Domicile

Eastern Property Holdings Limited
P.O. Box 3161
Road Town, Tortola
British Virgin Islands

Auditors

Pricewaterhouse Coopers SA
Avenue Giuseppe-Motta 50
1211 Genève
(since March 2004)

Real estate manager

Eastern Property Management Limited
P.O. Box 3161
Road Town, Tortola
British Virgin Islands
(since September 15th, 2003)

Security numbers

1673866 (shares)
1677540 (warrants)

ISIN numbers

VGG290991014 (shares)
VGG290991196 (warrants)

Ticker symbol

EPH (shares)
EPHO (warrants)

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