

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

2003 was a challenging turnaround year for Hong Kong. The first half was a difficult period as the Hong Kong economy weathered the fall out from the war in Iraq and SARS. This was reflected in continued deflation, marked by deterioration in property and stock markets, rising unemployment and negative economic growth. Tourist and retail businesses were particularly affected. Fortunately, the economy recovered strongly in the second half, with the successful containment of SARS and as Hong Kong began to enjoy some spillover from the buoyant economy in the Mainland. The Closer Economic Partnership Arrangement ("CEPA") was a welcomed development. As economic conditions improved, business activities rebounded strongly, bringing confidence and buoyancy back to the stock and property markets. The economic turnaround in the second half of 2003 has enabled many businesses in Hong Kong to become profitable again.

Against this background, the Group achieved a consolidated profit attributable to shareholders of HK\$106 million for the year ended 31st December, 2003, as compared to a loss of HK\$111 million in 2002. Earnings per share were HK7.9 cents.

The improved performance of the Hong Kong economy was also mirrored in the business and performance of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. Business was sluggish in the first half of the year but thankfully market conditions and the investment climate recovered strongly in the second half of the year to bring a welcomed boost to the securities business of the Group.

The Macau Chinese Bank Limited ("MCB"), an 85 per cent. subsidiary of the Company, continues to be a regular income earner for the Group. As in Hong Kong, the Macau economy experienced a difficult first half in 2003, with SARS affecting visibly the local tourism economy. However, the economic turnaround in the second half of 2003 saw the Macau economy picking up with strong recovery in the tourist arrivals and the property market. With economic recovery, business turnover picked up and the quality of MCB's loan book was improving. As a result, MCB was able to achieve a better overall operating results for 2003. The recent signing of CEPA and the convenient location of Macau will open up opportunities for MCB to extend its financial services into the Chinese market, especially in the Pearl River Delta region.

Despite the challenging business environment, the Group continued to explore new market opportunities and income sources and seek potential acquisition and alliance opportunities which are in line with its long term growth strategy.

On 30th January, 2003, the Group acquired a 20 per cent. interest in the Convoy Group, one of the largest independent financial planning service groups in Hong Kong. This alliance will enable the Convoy Group to leverage on the diversified financial services and extensive business network of the Lippo Group and in that way strengthen its position in the independent financial planning industry. The Group's interest in the Convoy Group was subsequently increased to approximately 23 per cent..

PROSPECTS

Looking forward to 2004, with economic recovery gathering momentum, business activities and investment climate in Hong Kong should improve in 2004. CEPA will lend support to the economic recovery process. However, continuing high unemployment rate and cautious consumer spending may affect the pace of economic recovery.

Overall, we maintain an optimistic outlook for the Group's business in the coming year. With its strong and healthy financial position, the Group is in an excellent position to benefit from any further pick up in business activities and economic growth in the Pearl River Delta region. The Group will continue to explore suitable investment opportunities, especially in the financial and investment sectors. Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

I take this opportunity to thank the shareholders for their continued support and my fellow directors and all the staff for their dedication and hard work during the year.

Dr. Mochtar Riady

Chairman

20th April, 2004