

CHAIRMAN'S STATEMENT

I hereby present to the shareholders the annual report of the Company for the year ended 31st December, 2004.

BUSINESS REVIEW

The Hong Kong economy grew at an impressive rate of 8.1 per cent. in 2004, the highest rate in four years, providing firm indication that the local economy is well on an upward track following the temperate performance in the previous few years. The external trade in 2004 remained buoyant while private consumption and consumer spending increased significantly amidst improving market sentiment. Property values rebounded strongly, resulting in a drastic fall in the number of homeowners with negative equity. With economic recovery, the local unemployment rate fell steadily during the year. Closer economic ties with Mainland China also provided momentum for local economic recovery and in particular, the local economy benefited much from the Mainland Individual Traveller Scheme and the Closer Economic Partnership Arrangements ("CEPA"). However, expectations of rising interest rates and high oil prices have induced uncertainties to the global economic outlook. In China, the macro-economic tightening measure is expected to have a cooling down effect on an overheated economy.

Against this background, the Group recorded a consolidated loss attributable to shareholders of HK\$64.9 million for the year ended 31st December, 2004, as compared to a profit of HK\$106 million in 2003. The loss was mainly caused by the provisions made for the unrealised holding loss on other investments in securities totalling HK\$61.3 million.

The performance of the Hong Kong economy directly affects the business turnover and performance of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (the "LS Group"), which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services in Hong Kong. The performance of the LS Group benefited from the active local stock market during the year.

The Macau Chinese Bank Limited ("MCB"), an 85 per cent. subsidiary of the Company, continues to be a net income contributor to the Group. The Macau economy experienced a strong recovery in 2004, and this was reflected in the booming tourist arrivals and rising property prices. Reflecting the improving economy, business turnover picked up and the quality of MCB's loan book further improved. The convenient location of Macau will open up opportunities for MCB to extend its financial services into Mainland China, especially in the Pearl River Delta region. To prepare for the expansion, MCB has purchased a commercial building at Avenida da Praia Grande No. 101, Macau (now renamed as "The Macau Chinese Bank Building") for use as its headquarter.

During the year, the Group increased its interests in the Convoy Group which is one of the largest independent financial planning service groups in Hong Kong. The improving local economy has helped to improve the business performance and profitability of the Convoy Group in 2004.

The Group continues to explore new market opportunities and income sources and seek potential acquisition and alliance opportunities that are in line with its long term growth strategy.

A wholly-owned subsidiary of the Company entered into an agreement with 北京經濟技術投資開發總公司 (Beijing Economic & Technological Investment Development Corp.) and 中國技術創新有限公司 (China Technology Innovation Corporation) to invest US\$19.2 million to jointly develop a site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) with a total area of approximately 50,745 square metres (the "Project"). The Project is located in the only state-level economic-technological development area in Beijing and approximately ten miles south east of Beijing city center. A number of the Fortune 500 companies and multinational corporations have presence in the neighbourhood and the Group sees significant long term potential of the Project especially in the run up to the 2008 Olympics which will be held in Beijing.

To enhance its asset portfolio, the Group has been exploring the opportunity of acquiring quality property interests in Hong Kong and elsewhere in Asia. In December 2004, the Group completed the purchase of the entire 7th Floor of Tower One, Lippo Centre, 89 Queensway, Hong Kong for a purchase price of HK\$68.3 million.

In January 2005, a wholly-owned subsidiary of the Company entered into contract to acquire the land located at 83 Estrada de Cacilhas, Macau for redevelopment purpose for a purchase price of HK\$238 million. The total site area is approximately 3,623 square metres and can be used for residential and/or commercial purpose.

In February 2005, a wholly-owned subsidiary of the Company entered into contract to acquire the property in Singapore known as Newton Heights for redevelopment purpose for an aggregate purchase price of S\$43.6 million. The property, which comprises 30 apartment units, is with a site area of approximately 3,213 square metres.

PROSPECTS

Looking ahead, the general prospects for the Hong Kong economy for the coming year look promising with an official forecast of a 4 per cent. GDP growth in 2005. The extension of the Individual Traveller Scheme and signing of Phase 2 of the CEPA with Mainland China will provide further momentum to local economic growth. While the general prospects look good, there are some uncertainties on the global economic front, reflecting concerns over the pace of economic growth in the United States, increasing interest rate, high oil prices and slowing down of the Mainland economy.

Overall, we maintain an optimistic outlook for the Group's business in the future. With its strong and healthy financial position, the Group is in an excellent position to benefit from the economic growth in Asia. The Group will continue to explore suitable investment opportunities, especially in the financial and investment sectors, and look into properties markets in the Asian Region. 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 all my fellow directors and all staff for their dedication and hard work during the year.

Dr. Mochtar Riady
Chairman

20th April, 2005