

Chairman's Statement

I have pleasure to present to the shareholders the annual report of the Company for the year ended 31st December, 2005.

BUSINESS REVIEW

The Hong Kong economy continued to improve during 2005 with the support of strong domestic consumption and rising business and consumer confidence. Unemployment rate fell steadily during the year. The local economy also benefited from the extension of the Mainland Individual Traveler Scheme and the Closer Economic Partnership Arrangements. The local property market maintained its levels during 2005 although the residential housing market softened towards the end of the year under rising interest rates. The continuing strong economic conditions in the nearby Asian Region benefited the local economy. However, rising interest rates and surging oil prices have dampened the global economic outlook. In China, the macro-economic tightening measures are expected to hose down the overheated economy.

Against this economic background, the Group achieved a consolidated profit attributable to shareholders of HK\$112 million for the year ended 31st December, 2005 compared to a loss of HK\$65 million in 2004.

In April 2005, a wholly-owned subsidiary of the Company completed the acquisition of the 3,623 square metre site located at 83 Estrada de Cacilhas in Macau at a purchase price of HK\$238 million for residential redevelopment purpose.

In August 2005, a wholly-owned subsidiary of the Company entered into contract to invest, as a founding limited partner, up to HK\$1.45 billion in Lippo ASM Asia Property LP (the "Property Fund"), a limited partnership, with the investment objective of investing in real estate in the East Asia region, in particular in Singapore, Malaysia, Thailand, Indonesia, China (including Hong Kong and Macau) and Japan. It is intended that the Property Fund will seek long-term capital growth through a well-diversified portfolio of investments in income producing property projects. Other professional investors will be invited to invest, as additional limited partners, in the Property Fund up to its maximum fund size of HK\$3.5 billion. The Directors consider that participation in the Property Fund will provide an effective medium for the Group to exploit investment opportunities in the Asian property markets.

The Macau Chinese Bank Limited ("MCB"), an 85 per cent. subsidiary of the Company, continues to be a net income contributor to the Group. As with Hong Kong, the Macau economy also continued to improve in 2005. This has enabled business turnover at MCB to pick up and its asset quality to further improve. Macau's strategic location will open opportunities for MCB to extend its financial services into Mainland China, especially in the Pearl River Delta region. MCB has moved into its new head office at The Macau Chinese Bank Building at the end of 2005.

The Group has a 34.34 per cent. interest 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 2005.

The local stock market performed well with higher turnover in 2005. This has benefited the securities brokerage business of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries ("LSL Group"), which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. However, due to decreasing profit margin and high operating costs, the securities brokerage business in Hong Kong has become highly competitive. In 2005, the LSL Group has successfully launched the internet trading system which will help its business in the long run.

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WAY FORWARD

The Group has conducted a major review of the Group's operations with the view to pursuing a long term strategy that would capitalize on the Group's strategic and inherent strengths and competencies so as to ensure that the Group will be able to greatly enhance the overall shareholders' value.

Since the disposal of The Hongkong Chinese Bank, Limited in 2002, the Group has strengthened its involvement and expertise in property-related investments. The experience and confidence gained have pointed to property-related investments as the business sector best capable of generating the quality of income and stability of profits needed to enhance the Group's shareholders' value.

In the pursuit of this long term growth strategy, the Group has been moving to acquire quality property interests in Hong Kong and elsewhere in Asia.

The Group has participated in a joint venture to purchase a total of twenty two strata lots at the building located at 79 Anson Road in Singapore (the "Property") for S\$95 million. The building is freehold commercial with a total strata area of approximately 19,415 square metres. The Property which is situated within the Central Business District comprises a total strata area of approximately 10,909 square metres. The rental income from the Property will provide additional recurrent and stable income source for the Group. Completion of the acquisition of the Property took place on 12th April, 2006.

Recently, the Group formed a joint venture for the purpose of acquiring and holding an 86.25 per cent. equity interest in 同仁醫療管理集團有限公司 (Tongren Healthcare Management Group Co., Ltd.) which is principally engaged in, inter alia, investing in, operating, managing and providing consultation services relating to the medical and healthcare related business and organisations; management of healthcare centres, rehabilitation centres and nursing homes; construction and operation of hospitals; and real estate development and investment in China. It is believed that the above transaction will offer the Group an opportunity to tap into the real estate and hospital and healthcare business in China.

The current appreciated market values of the properties acquired to date confirm that the Group is moving in the right direction in term of its long term growth strategy.

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PROSPECTS

Looking ahead, the general outlook for the Hong Kong economy looks promising. The continuing pick up in consumer spending and build up in investor confidence are expected to add momentum to local economic growth. While the general outlook looks good, there are some uncertainties on the global economic front, in particular, the pace of economic growth in the United States, the prospects of high interest rates, high oil prices and the possible slowing down of the Mainland economy but overall, better economic prospects lie ahead.

We maintain an optimistic outlook for the Group's business. 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 look for suitable investment opportunities including in the property markets in the East Asia Region. The Group's long term objective is to become a top and well recognized property based investment Group in the East Asia Region.

APPRECIATION

I would like to 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 in the past year.

Dr. Mochtar Riady

Chairman

19th April, 2006