

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment and development, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31st December, 2005 and the state of affairs of the Group and the Company as at 31st December, 2005 are set out in the financial statements on pages 34 to 127.

An interim distribution of HK1.5 cents (2004 – HK1.5 cents) per share for the year ended 31st December, 2005 was paid on 21st October, 2005.

The Directors recommend a final distribution of HK3 cents (2004 – HK3 cents) per share for the year ended 31st December, 2005, totalling HK\$40.4 million (2004 – HK\$40.4 million). Together with the interim distribution paid, total distribution for the year ended 31st December, 2005 will amount to HK4.5 cents (2004 – HK4.5 cents) per share, totalling HK\$60.6 million (2004 – HK\$60.6 million).

SUMMARY OF GROUP FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2005 is set out on page 130.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 34 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves are set out in Note 35 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the year are set out in Note 18 to the financial statements.

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INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in Note 19 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations of HK\$7,002,000 (2004 – HK\$4,116,000).

DIRECTORS

The Directors of the Company during the year were as follows:

Non-executive Directors

Dr. Mochtar Riady (*Chairman*)

Mr. Leon Chan Nim Leung

Executive Directors

Mr. Stephen Riady (*Chief Executive Officer*)

Mr. John Lee Luen Wai, J.P.

Mr. Kor Kee Yee

Mr. Jesse Leung Nai Chau (*retired on 31st May, 2005*)

Independent Non-executive Directors

Mr. Albert Saychuan Cheok

Mr. Victor Yung Ha Kuk

Mr. Tsui King Fai

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Mochtar Riady and Mr. Kor Kee Yee will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Company considers such Directors to be independent.

Report of the Directors

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Mochtar Riady (also known as Dr. Lee Man Tjin), aged 76, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the father of Mr. Stephen Riady. Dr. Riady has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and the United States of America. He was appointed a Director in 1992 and is the Chairman of the Company. He is also the Honorary Chairman of Lippo China Resources Limited ("LCR") and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital").

Mr. Stephen Riady, aged 45, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. Mr. Riady is a son of Dr. Mochtar Riady. He is also the Chairman of Lippo Limited ("Lippo") and the Deputy Chairman and Managing Director of LCR, the Group Managing Director of Auric Pacific Group Limited and a director of Lanius Limited, Lippo Cayman, Lippo Capital, First Tower Corporation ("First Tower"), Skyscraper Realty Limited and HKCL Holdings Limited ("HKCL Holdings"). He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region.

Mr. John Lee Luen Wai, J.P., aged 57, was appointed a Director of the Company in 1992. Mr. Lee is also the Managing Director of Lippo and a director of LCR, First Tower, Greenroot Limited and HKCL Holdings. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited. Mr. Lee is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital markets. Mr. Lee serves as a member on a number of Hong Kong Government Boards and Committees including the Hospital Authority, Council of the City University of Hong Kong and Solicitors Disciplinary Tribunal Panel.

Mr. Leon Chan Nim Leung, aged 50, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co.. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also a non-executive director of Lippo and LCR.

Mr. Albert Saychuan Cheok, aged 55, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a banker with 30 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Thailand and Malaysia. Mr. Cheok is also an independent non-executive director of AcrossAsia Limited.

Mr. Kor Kee Yee, aged 57, was appointed a Director of the Company in 2002. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

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BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Mr. Victor Yung Ha Kuk, aged 52, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and has served in management positions in various multinational companies in Hong Kong, Mainland China, Taiwan and Singapore. He has also sat on the boards of several listed companies in Hong Kong and Singapore as their independent director and member of the audit committees. He was appointed a member of the listings sub-committee of the Stock Exchange of Singapore from 1998 to 1999. Mr. Yung is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Certified Public Accountants of Singapore and the Association of Chartered Certified Accountants of the United Kingdom. He is also an independent non-executive director of Lippo and LCR.

Mr. Tsui King Fai, aged 56, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is the managing director of a financial services company in Hong Kong. He has extensive experience in finance, management and investment management, particularly in investments in Mainland China. He worked for two leading audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accounting degree and a Bachelor of Business Administration degree with first class honours. Mr. Tsui is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He is also a member of the finance committee of the Construction Industry Training Authority in Hong Kong. Mr. Tsui is also an independent non-executive director of Lippo and LCR.

BRIEF BIOGRAPHICAL DETAILS OF OTHER OFFICERS

Mr. Ng Tai Chiu, was appointed the qualified accountant of the Company in March 2006. He holds a master's degree in Business (Electronic Commerce) from Curtin University of Technology in Australia, a master's degree in International Banking and Financial Studies from the Heriot-Watt University in the United Kingdom and a doctor's degree in Business Administration from the University of Hull in the United Kingdom. Mr. Ng is a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Ng has over 20 years' experience in the accounting and corporate finance field in Hong Kong.

Mr. Hau Tat Kwong, was appointed the company secretary of the Company in January 1994. He holds a master's degree in Business Administration from the University of Warwick in the United Kingdom. Mr. Hau is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Hau has over 20 years' experience in the company secretarial field.

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DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the Directors' emoluments and of the five highest paid employees' emoluments in the Group are set out in Notes 9 and 10 to the financial statements, respectively.

The emoluments of the Directors are determined by reference to the market terms and their duties and responsibilities within the Group.

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

As at 31st December, 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:

(a) Interests in shares of the Company and associated corporations

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$1.00 each in the Company					
Mochtar Riady	–	–	973,240,440 (Note 1)	973,240,440	72.26
Stephen Riady	–	–	973,240,440 (Note 1)	973,240,440	72.26
John Lee Luen Wai	200	200	–	400	0.00
Tsui King Fai	–	50,000	–	50,000	0.00
Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")					
Mochtar Riady	–	–	248,697,776 (Notes 1 & 2)	248,697,776	57.34
Stephen Riady	–	–	248,697,776 (Notes 1 & 2)	248,697,776	57.34
John Lee Luen Wai	825,000	–	–	825,000	0.19

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

(a) Interests in shares of the Company and associated corporations *(Continued)*

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")					
Mochtar Riady	–	–	6,544,696,389 <i>(Notes 1, 2 & 3)</i>	6,544,696,389	71.13
Stephen Riady	–	–	6,544,696,389 <i>(Notes 1, 2 & 3)</i>	6,544,696,389	71.13

Note:

- As at 31st December, 2005, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 973,240,440 ordinary shares of HK\$1.00 each in, representing approximately 72.26 per cent. of, the issued share capital of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. Dr. Mochtar Riady did not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor children of Mr. Stephen Riady. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Riady (together with his minor children) as beneficiaries of the trust were taken to be interested in Lippo Cayman under the SFO.
- As at 31st December, 2005, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK\$0.10 each in, representing approximately 57.34 per cent. of, the issued share capital of Lippo.
- As at 31st December, 2005, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.13 per cent. of, the issued share capital of LCR.

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

(a) Interests in shares of the Company and associated corporations *(Continued)*

As at 31st December, 2005, Dr. Mochtar Riady, as founder and beneficiary of the aforesaid discretionary trust, and Mr. Stephen Riady (together with his minor children), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note 1 above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788 <i>(Note a)</i>	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
CRC China Limited	Ordinary shares	1	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 <i>(Note b)</i>	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1 <i>(Note c)</i>	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Greenroot Limited	Ordinary shares	1 <i>(Note d)</i>	100
HKCL Holdings Limited	Ordinary shares	50,000 <i>(Note e)</i>	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Global Assets Limited	Ordinary shares	1	100
Lippo Holding America Inc.	Ordinary shares	1	100

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

(a) Interests in shares of the Company and associated corporations *(Continued)*

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Leisure Holdings Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
		<i>(Note f)</i>	
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100

Note:

- a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.
- b. The interests were held by HCB General, a 70 per cent. owned subsidiary of Lippo Cayman.
- c. The interest was held by Lippo, a 57.34 per cent. owned subsidiary of Lippo Cayman.
- d. The interest was held by LCR, a 71.13 per cent. owned subsidiary of Lippo which in turn was a 57.34 per cent. owned subsidiary of Lippo Cayman.
- e. The interests were held through LCR, a 71.13 per cent. owned subsidiary of Lippo which in turn was a 57.34 per cent. owned subsidiary of Lippo Cayman.
- f. The interests were held through Lippo, a 57.34 per cent. owned subsidiary of Lippo Cayman.

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

(a) Interests in shares of the Company and associated corporations *(Continued)*

As at 31st December, 2005, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and beneficiary. The beneficiaries of the trust also include, inter alia, Mr. Stephen Riady and his minor children. Dr. Mochtar Riady did not have any interests in the share capital of Lanius but the shareholders of Lanius were accustomed to act in accordance with his instructions.

As at 31st December, 2005, Mr. John Lee Luen Wai, as beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st December, 2005, Mr. Kor Kee Yee, through the interest of his spouse, was taken to be interested in 2,244,000 ordinary shares of HK\$1.00 each in, representing 8.67 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

(b) Interests in underlying shares of the Company's associated corporation

As at 31st December, 2005, Mr. John Lee Luen Wai, as beneficial owner, held 1,500,000 options granted to him on 23rd June, 1997 at a consideration of HK\$1.00 under the Share Option Scheme for Employees adopted by LCR (the "LCR Share Option Scheme"). 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). Accordingly, Mr. John Lee Luen Wai is entitled to subscribe for 9,000,000 ordinary shares in, representing approximately 0.09 per cent. of, the issued share capital of LCR. None of the options were exercised by Mr. John Lee Luen Wai since they were granted and the quantity of options held by him as at 31st December, 2005 remained unchanged.

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

(b) Interests in underlying shares of the Company's associated corporation *(Continued)*

The above interest in the underlying shares of LCR was held pursuant to unlisted physically settled equity derivatives. As at 31st December, 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).

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 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 31st December, 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).

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31st December, 2005, so far as is known to the Directors of the Company, the following 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 ("SFO") as follows:

Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of the issued share capital
HKCL Holdings Limited ("HKCL Holdings")	806,656,440	59.89
Lippo China Resources Limited ("LCR")	973,240,440	72.26
Lippo Limited ("Lippo")	973,240,440	72.26
Lippo Cayman Limited ("Lippo Cayman")	973,240,440	72.26
Lanius Limited ("Lanius")	973,240,440	72.26
Madam Lidya Suryawaty	973,240,440	72.26

Note:

1. HKCL Holdings, the immediate holding company of the Company, as beneficial owner, held 806,656,440 ordinary shares in the Company.
2. LCR's interests in the shares of the Company included the interest of HKCL Holdings which was held by LCR through Greenroot Limited, a wholly-owned subsidiary of LCR. LCR, as beneficial owner, directly held 166,584,000 ordinary shares in, representing approximately 12.37 per cent. of, the issued share capital of the Company.
3. Lippo was an intermediate holding company of LCR which was held by Skyscraper Realty Limited as to approximately 71.13 per cent., which in turn was wholly owned by First Tower Corporation, a wholly-owned subsidiary of Lippo.
4. Lippo Cayman was the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which was Lippo Capital Limited which controlled an approximate 50.47 per cent. interest in Lippo.
5. 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 and in accordance with whose instructions Lanius was accustomed to act. The beneficiaries of the trust include 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.
6. LCR's interests in the shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 973,240,440 ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady and Mr. Stephen Riady were interested, details of which were disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

Report of the Directors

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

Interests of substantial shareholders in shares of the Company *(Continued)*

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2005, none of the substantial shareholders or other persons (other than the 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors of the Company was considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Connected transactions and/or continuing connected transactions disclosed in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are as follows:

- (a) On 16th December, 2002, a tenancy agreement was entered into between Lippo Securities Holdings Limited ("LSHL"), a wholly-owned subsidiary of the Company, and Prime Power Investment Limited ("Prime Power"), a fellow subsidiary of the Company, pursuant to which Prime Power agreed to let to LSHL of Rooms 2302-2306, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 12,038 square feet for a term of two years from 18th January, 2003 to 17th January, 2005, both days inclusive, at a monthly rental of HK\$192,608, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals.

Pursuant to the waiver granted by the Stock Exchange in February 2003, the independent non-executive Directors have confirmed that (i) the above tenancy was entered into in accordance with the terms of the above tenancy agreement by the relevant parties in the ordinary and usual course of their business; (ii) the above tenancy was undertaken on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and (iii) the rentals paid in respect of the above tenancy agreement for each financial year did not exceed the cap amount as stated in the above waiver. The auditors of the Company have also confirmed that (i) the above tenancy agreement has received the approval of the Board of Directors of the Company; (ii) the above tenancy agreement is in accordance with the pricing policies stated in the financial statements of the Company; (iii) the above tenancy was entered into in accordance with the terms of the above tenancy agreement; and (iv) the rentals paid did not exceed the rentals as agreed in the above tenancy agreement.

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DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

- (b) (i) On 16th September, 2004, a tenancy agreement was entered into between the Company and Porbandar Limited ("Porbandar"), a fellow subsidiary of the Company, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,879 square feet for a term of two years from 16th September, 2004 to 15th September, 2006, both days inclusive, at a monthly rental of HK\$119,500, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals; and
- (ii) on 10th January, 2005, a tenancy agreement was entered into between LSHL and Prime Power pursuant to which Prime Power agreed to let to LSHL of Rooms 2302-2306, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 12,038 square feet for a term of two years from 18th January, 2005 to 17th January, 2007, both days inclusive, at a monthly rental of HK\$263,600, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals.

Pursuant to the Listing Rules, the independent non-executive Directors have confirmed that the above tenancies have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above tenancy agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above tenancy agreements have received the approval of the Board of Directors of the Company; and (ii) the above tenancies were entered into in accordance with the terms of the above tenancy agreements.

Further details of the above tenancies are disclosed in Note 42(a) to the financial statements.

- (c) On 16th March, 2005, standard trading accounts agreements were entered into between each of Lippo Securities Limited ("Lippo Securities") and Lippo Futures Limited ("Lippo Futures"), both are wholly-owned subsidiaries of the Company, and:
- (1) Lippo Cayman Limited ("Lippo Cayman") for itself and its subsidiaries (other than Lippo Limited ("Lippo"), Lippo China Resources Limited ("LCR"), the Company, The Hong Kong Building and Loan Agency Limited ("HKBLA") and their respective subsidiaries);
 - (2) Lippo for itself and its subsidiaries (other than LCR, the Company, HKBLA and their respective subsidiaries);
 - (3) LCR for itself and its subsidiaries (other than the Company, HKBLA and their respective subsidiaries); and
 - (4) HKBLA for itself and its subsidiaries.

Report of the Directors

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

(c) *(Continued)*

All of Lippo Cayman, Lippo and LCR are indirect controlling shareholders of the Company while HKBLA was a former fellow subsidiary of the Company.

Pursuant to the above trading accounts agreements, Lippo Cayman, Lippo, LCR and HKBLA and/or their respective subsidiaries would make securities and/or futures investments through trading accounts operated by Lippo Securities and/or Lippo Futures for a term commencing from 31st March, 2004 to 31st December, 2006 with trading commissions paid and payable to Lippo Securities and/or Lippo Futures in respect of trading of securities and/or futures based on the relevant market rates at the time of each transaction.

Further details of the above trading accounts agreements are disclosed in Note 42(b) to the financial statements.

The independent non-executive Directors have confirmed that the said securities and futures transactions (if any) have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the above trading accounts agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that (i) the above trading accounts agreements have received the approval of the Board of Directors of the Company; (ii) the above trading accounts agreements are in accordance with the pricing policies of the Company; (iii) the said securities transactions were entered into in accordance with the terms of the respective trading accounts agreements relating to trading of securities; and (iv) the aggregate commissions paid and payable under the above trading accounts agreements did not exceed the respective caps as disclosed in the Company's announcement dated 16th March, 2005. No transactions pertaining to the above trading accounts agreements entered with Lippo Futures relating to trading of futures were executed during the year.

- (d) (i) On 17th June, 2005, a sale and purchase agreement (the "S&P Agreement") was entered into between HKCL Investments Limited ("HKCL Investments"), a wholly-owned subsidiary of the Company, as vendor and Timemore Limited ("Timemore"), a fellow subsidiary of the Company, as purchaser pursuant to which HKCL Investments had agreed to sell and Timemore had agreed to purchase an aggregate of 1,000,000 ordinary shares of S\$1.00 each (the "Sale Shares") in, representing the entire issued share capital of, HKCL Investments Pte. Ltd. ("HKCL Pte") and, by way of assignment, the related shareholder's loan in the aggregate amount of S\$1,404,549.11 (equivalent to approximately HK\$6,495,000) owing by HKCL Pte to HKCL Investments (the "Shareholder's Loan") for a total consideration of S\$2,400,000 (equivalent to approximately HK\$11,098,000); and
- (ii) on 17th June, 2005, a deed of novation (the "Deed") was entered into amongst HKCL Investments, Timemore and Auric Property Pte. Ltd. ("Auric Property"), a then fellow subsidiary of the Company, pursuant to which HKCL Investments had agreed to novate in favour of Timemore all its rights, benefits and liabilities as vendor under the conditional sale and purchase agreement dated 20th May, 2005 between HKCL Investments as vendor and Auric Property as purchaser in relation to the sale and purchase of the Sale Shares and the assignment of the Shareholder's Loan.

Report of the Directors

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

(d) *(Continued)*

Completion of the S&P Agreement and the Deed took place simultaneously on 17th June, 2005.

Save as disclosed herein and in Note 42 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined were less than 30 per cent. of the Group's aggregate purchases and sales, respectively.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group and the employer's retirement benefits costs charged to the consolidated profit and loss account for the year are set out in Note 11 to the financial statements.

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in Note 43 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in compliance with rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The members of the Committee comprise four non-executive Directors, namely Mr. Leon Chan Nim Leung, Mr. Albert Saychuan Cheok, Mr. Victor Yung Ha Kuk and Mr. Tsui King Fai. 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 audited financial statements for the year ended 31st December, 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 of the Company during the year. Having made specific enquiry of all Directors, the Directors have complied with the required standard as set out in the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Report of the Directors

AUDITORS

The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Stephen Riady

Director and Chief Executive Officer

Hong Kong, 19th April, 2006