

I hereby present to the shareholders the annual report of the Company for the year ended 31st December, 2000.

### BUSINESS REVIEW

Though the Hong Kong economy had shown signs of improvement, the operating environment remained challenging in year 2000. Private consumption was weak and unemployment rate still maintained at around 5 per cent. The stock market was dull and the property markets remained stagnant, especially the residential property market. Amid these fragile economic conditions, the overall operating performance of the Group's banking businesses was impressive during the year. However, given the continued decrease in the property prices and the continued drop in market values of certain investments, the Group decided to make further provisions of HK\$525 million for the diminutions in values of certain properties and investment portfolio in its accounts for the year ended 31st December, 2000, of which HK\$445 million was related to property-related projects. As a result, the Group recorded a loss of HK\$426 million for the year. The shareholders' funds of the Group amounted to HK\$3 billion as at 31st December, 2000.



Lippo China Resources Limited ("LCR"), a principal listed subsidiary of the Company, and its subsidiaries ("LCR Group") recorded a loss of HK\$636 million for the year which included further provisions made against the diminutions in values of certain properties and its investment portfolio. The LCR Group's investment properties have maintained a very high level of occupancy throughout the year providing a stable recurrent income base for the LCR Group.

Certificate of compliance for the residential development known as "Regent on the Hill" situated at Hammer Hill Road, Diamond Hill, Kowloon was issued during the year and a substantial portion of the property has been sold. Construction for the mixed residential and retail development situated at 49 Village Road, Happy Valley, Hong Kong known as "Le Village" is on schedule. Superstructure works will be completed shortly and the pre-sale of the property is expected to commence in mid of this year. The LCR Group has a 50 per cent. interest in each of the above two projects. Construction of the superstructure of the first four high rise blocks of Tung Chung Station Development Package Two is over 50 per cent. completed whilst the foundation works for the remaining two high rise blocks are well underway. Work on the general site infrastructure, for example, linkbridges, basement carparks, club house, is also proceeding.

“Lippo Plaza”, a grade A office and retail complex situated at Huaihai Zhong Road, Shanghai, the People's Republic of China (the “PRC”), has achieved full occupancy during the year under review. The LCR Group has a 66.5 per cent. interest in this project. Unit 1 of the 724 megawatt (net) coal-fired Meizhou Wan power plant project in Putian City, Fujian Province, the PRC, in which the LCR Group has a 25 per cent. interest, has been completed and become operational and Unit 2 is expected to become operational around June 2001.

Auric Pacific Group Limited (“Auric”), a listed subsidiary of LCR in Singapore, recorded a profit attributable to shareholders of S\$14.7 million for the year under review. In July 2000, Auric had completed the disposal of a total of 154 strata shop units in Sim Lim Square, Singapore for a total consideration of S\$70.5 million.

In September 2000, LCR announced a proposal to raise HK\$491 million before expenses by issuing 3,067,029,572 new shares by way of rights on the basis of one rights share for every two shares held at a price of HK\$0.16 per rights share (the “Rights Issue”). The Rights Issue, which was completed in November 2000, has strengthened LCR's capital base and reduced the LCR Group's borrowings. Upon the completion of the Rights Issue, the interest of the Company in LCR has been increased from 54.3 per cent. to 66.7 per cent. Gearing ratio (total borrowings to shareholders' equity) of the LCR Group as at year end reduced from 34 per cent. in 1999 to 26 per cent. in 2000.

The HKCB Bank Holding Company Limited (“HKCB Holding”), a listed subsidiary of LCR, and its subsidiaries (“HKCB Holding Group”), achieved impressive performance in 2000, with a record profit of HK\$362 million, representing an eight-fold increase over the results in 1999. While a portion of this growth was attributable to the non-recurring gains arising from the disposals of its 50 per cent. interest in CRC Protective Life Insurance Company Limited and its listed shares in Hong Kong Exchanges and Clearing Limited, the core profit of HKCB Holding Group, when excluding such non-recurring gains, still reflected a respectable year-on-year growth. In June 2000, HKCB Holding Group completed the acquisition of Newcourt Credit Hong Kong Limited (now known as Hong Kong Housing Loan Limited), a consumer finance company with 15 branches in Hong Kong and a loan portfolio of approximately HK\$1.2 billion, to broaden its revenue base.

The Hongkong Chinese Bank, Limited (“HKCB”), one of the principal operating subsidiaries of HKCB Holding, launched three pronged (that is, i-merchant, e-Stock and e-Chinese Banking) e-commerce initiatives during the year. “e-Chinese Banking” is the first internet banking service in Hong Kong which employs the Public Key Infrastructure as its security protocol.

In May 2000, agreements were entered into pursuant to which a wholly-owned subsidiary of HKCB acquired certain mortgages with an aggregate principal amount of HK\$945 million (net of provisions) from The Hong Kong Building and Loan Agency Limited (“HKBLA”) and LCR, through its wholly-owned subsidiary, acquired the entire issued share capital of HKCB Corporation Limited (“HKCB Corporation”) from HKCB. HKCB Corporation was interested in shares representing approximately 58.6 per cent. of the issued share capital of HKBLA immediately following the completion of the above agreements in August 2000.

Subsequent to the completion of the above acquisition, HKCB Corporation made an unconditional cash offer for the issued shares of HKBLA (the "Offer") in accordance with the Hong Kong Code on Takeovers and Mergers. After the Offer and the subsequent disposals of shares in HKBLA, HKCB Corporation, a wholly-owned subsidiary of LCR, is now interested in shares representing approximately 70 per cent. of the issued share capital of HKBLA.

HKBLA, a listed subsidiary of LCR, achieved a net profit for the year of HK\$18 million before accounting for the loss arising from the aforesaid disposal of mortgage loan assets of HK\$42 million and recorded a net loss of HK\$24 million when such loss was included. The proceeds from the disposal of the aforesaid mortgages were substantially used by HKBLA to repay its bank loan. HKBLA is in a very strong financial position and is totally debt-free.

### PROSPECTS

The recent successive interest rate reductions may improve the sentiment in the property market which traditionally plays an important role in the economic activity in Hong Kong. The outlook of the Group's investment properties, which mainly consist of prime office spaces, remains positive.

Keen competition in the banking industry is expected to prevail. This may also be amplified by the forthcoming full deregulation of interest rates on bank deposits, the proposed deposit insurance scheme, the rising customer expectations and the increasing importance of alternative delivery channels. The Group is confident of facing the challenges ahead as challenges may be considered as new opportunities.

The perceived slowdown in the U.S. economy and volatile global stock markets may affect the economic growth of the Asian economies including Hong Kong. The operating environment will still be challenging in the near future. The Group will continue to adopt a prudent and cautious business approach in formulating its policies and investment strategy.

### APPRECIATION

Lastly, I would like to extend my sincere gratitude to our business partners for their continuing support and my fellow Directors and all staff of the Group for their hard work and valuable contributions during the year.

**Dr. Mochtar Riady**  
*Honorary Chairman*

10th April, 2001