

CHAIRMAN'S STATEMENT

I have pleasure in presenting to the shareholders the annual report of the Company for the year ended 31st December, 2003.

BUSINESS REVIEW

2003 was a challenging year for Hong Kong. The first half of the year was an extremely difficult period as the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS") in March seriously affected Hong Kong and other Asian economies. The stock and property markets remained stagnant in the first half of the year. Fortunately, the sustained weakening of the SARS epidemic from the middle of the year and the introduction of a series of policies to stimulate the growth of the local economy, including the signing of the Closer Economic Partnership Arrangement ("CEPA") and China Mainland's lifting of restrictions on individual visits to Hong Kong, have together dramatically boosted local confidence and investment sentiment. As economic conditions improved, business activities rebounded strongly in the second half of the year.

Against this background, the Group achieved a consolidated profit attributable to shareholders of HK\$167 million for the year ended 31st December, 2003, against a loss of HK\$102 million, restated, for last year. Most of the principal subsidiaries of the Group also achieved satisfactory results for the year.

Lippo China Resources Limited ("LCR"), a principal listed subsidiary of the Company, and its subsidiaries (the "LCR Group") achieved a consolidated profit attributable to its shareholders of HK\$203 million for the year ended 31st December, 2003, against a loss of HK\$252 million, restated, for last year.

Market sentiment in the local property market showed considerable improvement in the second half of the year. Rental incomes stabilised whilst prices of residential and retail properties in particular, quickly bottomed out and began to move up steadily. The LCR Group's local investment properties maintained a very high level of occupancy and its rental income remained steady during the year. Lippo Plaza, a grade A office and retail complex situated at Huaihai Zhong Road, Shanghai, the People's Republic of China ("China") continued to achieve almost full occupancy at satisfactory rental rates during the year. The LCR Group reaped the benefits of a strong property market in Shanghai through the disposal of four office floors and a retail unit at Lippo Plaza at attractive prices. The LCR Group has a 66.5 per cent. effective interest in this investment.

In Hong Kong, the LCR Group successfully entered into a sale and purchase agreement for the disposal of all the retail properties within World Trade Plaza, Chungking Mansion in March 2004 for an aggregate consideration of HK\$110 million. The LCR Group has a 37 per cent. effective interest in this investment.

The overall performance of the 724 megawatt (net) coal-fired Meizhou Wan power plant project in Putian City, Fujian Province, China, in which the LCR Group has a 25 per cent. interest, was satisfactory during the year due to strong electricity demand in Fujian Province. In December 2003, a supplementary agreement was entered into between the project company and the local power company regarding the electricity tariff, the formal commercial operation period and other terms. During the first quarter of 2004, the project company entered into refinancing arrangements with certain domestic banks in China which are subject to conditions precedent to be satisfied as soon as possible.

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The outbreak of SARS and the war in Iraq also affected Singapore and its neighbouring economies during the first half of the year. However, economic conditions picked up strongly in the second half of the year to enable Auric Pacific Group Limited ("Auric"), a listed subsidiary of LCR in Singapore, to return to profitability. Auric achieved a consolidated profit attributable to its shareholders of S\$7.2 million for the year, compared to a loss of S\$17.3 million in 2002. In December 2003, subsidiaries of Auric completed the acquisition of a 70 per cent. interest in both Auric Chun Yip Sdn Bhd and Auric Pacific Food Processing Sdn Bhd in Malaysia and a 75 per cent. interest in Chunex Pte Ltd in Singapore. The newly acquired companies will complement Auric's existing food business and add to its regional wholesale and distribution network.

Hongkong Chinese Limited ("HKCL"), a listed subsidiary of LCR, and its subsidiaries ("HKCL Group"), achieved a consolidated profit attributable to its shareholders of HK\$106 million for the year ended 31st December, 2003, as compared to a loss of HK\$111 million in 2002.

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 HKCL, 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 market conditions and the investment climate recovered strongly in the second half of the year to bring a welcome boost to the HKCL Group's securities business.

The Macau Chinese Bank Limited ("MCB"), an 85 per cent. subsidiary of HKCL, continues to be a regular income earner for the HKCL 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 a strong recovery in the number of tourists and in the property market. With the economic recovery, business turnover picked up, the quality of MCB's loan book was improving, and MCB was able to achieve better overall operating results for 2003. The signing of CEPA and the convenient location of Macau will open up opportunities for MCB to extend its financial services into the market in China, especially in the Greater Pearl River Delta region.

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

In January 2003, the HKCL Group acquired an 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 Group and in that way strengthen its position in the independent financial planning industry. The HKCL Group's interest in the Convoy Group was subsequently increased to approximately 23 per cent.

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PROSPECTS

Looking ahead, as the economic recovery gathers momentum, business activities and the investment climate in Hong Kong should improve in 2004. The property market especially for luxury residential properties has rebounded strongly since the beginning of 2004. CEPA will lend support to the economic recovery process and provide many investment opportunities for Hong Kong.

Overall, we maintain an optimistic outlook for the Group's business in the coming year. With its strong and healthy financial situation, the Group is in an excellent position to benefit from any further pick up in business activities and the continuing robust economic growth of China. The Group will continue to adopt a cautious and prudent approach to explore suitable investment opportunities to enhance its asset value.

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.

Stephen Riady

Chairman

Hong Kong, 23rd April, 2004