CHAIRMAN'S STATEMENT

I have pleasure in presenting 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 ("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 in the global economy and securities markets. In China, the macro-economic tightening measures are expected to have slowed down an overheated economy.

The Group's property and food businesses continued to perform well. However, the Group's performance was affected by volatile investment markets during the year. Against this background, the Group recorded a consolidated profit attributable to shareholders of HK$46 million for the year ended 31st December, 2004, compared to a consolidated profit attributable to shareholders of HK$163 million for the last year when non-recurrent negative goodwill recognised as income of HK$40 million was excluded.

The local property market experienced a strong recovery in the second half of the year with significant increases in price levels and turnover. The values of the Group's local properties also increased substantially during the year. The Group's investment properties continued to achieve high occupancy throughout the year and rental incomes continued to provide a solid recurrent earnings base. Lippo Plaza, a grade A office and retail complex situated at Huaihai Zhong Road, Shanghai, China continued to achieve almost full occupancy at satisfactory rental rates. The Group has a 66.5 per cent. effective interest in this investment.

During the year, the Group successfully disposed of its retail properties within World Trade Plaza, Chungking Mansion, Tsimshatsui for an aggregate consideration of HK$110 million. The Group has a 37 per cent. effective interest in this investment.

Due to the strong electricity demand in Fujian Province, the overall performance of the 724 megawatt (net) coal-fired Meizhou Wan power plant project in Putian City, Fujian Province, China, in which the Group has a 26.3 per cent. interest, was satisfactory during the year. During the year, the project company successfully amended the power purchase agreement with the local power company and completed refinancing arrangement with certain domestic banks in China, which has solidified its operations and future performance.

The economies of Singapore and its neighbouring countries continued to improve during the year. Following a mild 1.1 per cent. growth in 2003, the Singapore economy grew 8.4 per cent. in 2004 on a manufacturing led recovery. Auric Pacific Group Limited ("APG"), a listed subsidiary of the Company in Singapore, and its subsidiaries (the "APG Group") registered a 48 per cent. increase in turnover to S$228.3 million in 2004. Despite increased turnover, operating profit before taxation and minority interests in 2004 dropped by 42 per cent. to S$5.9 million from S$10.2 million in 2003. The profit of the APG Group was largely tempered by the costs of business expansion into China, which is key to the APG Group's strategy to becoming a major integrated food manufacturer and distributor in the Asian region. Nevertheless, the APG Group's core businesses continued to perform well during the year. The APG Group recorded a net profit of S$3.4 million for the year ended 31st December, 2004 which was 53 per cent. down from the previous year.

During the year, the APG Group acquired a 75 per cent. interest in 佛山澳純乳業有限公司 (Foshan Ausoon Dairy Co., Ltd.) ("Ausoon"), a Chinese-foreign equity joint venture enterprise established in China. Ausoon is engaged in dairy production business procuring raw fresh milk from crow breeders and processing it into milk and yogurt beverages. These processed products are then packaged and sold in China through various channels, including supermarkets, specialist kiosks, distributors, schools, hotels and corporations. Ausoon complements the APG Group's existing regional food manufacturing and distribution as well as allow the APG Group to establish a presence in the growing China market.

In February 2005, the APG Group entered into agreements to acquire the construction-in-progress of a pig abattoir on a parcel of land situated at 上海奉賢現代農業園區 (Shanghai Fengxian Modern Agricultural Park), Shanghai, China for the construction of a pig abattoir and certain other assets. The above acquisition is in line with the APG's overall mission of increasing its regional presence in the food industry.

Hongkong Chinese Limited ("HCL"), a listed subsidiary of the Company, and its subsidiaries (the "HCL 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 HCL, and its subsidiaries (the "LS Group"), which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. 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 HCL, continues to be a net income contributor to the HCL 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 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 HCL Group increased its 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 2004.

The HCL 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.

During the year, a wholly-owned subsidiary of HCL 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 HCL 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 HCL Group has been exploring the opportunity of acquiring quality property interests in Hong Kong and elsewhere in Asia. In December 2004, the HCL 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 HCL entered into a 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 HCL entered into contracts to acquire the property situated at 1 Newton Road 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.

During the year, the turnover of The Hong Kong Building and Loan Agency Limited ("HKBLA"), a listed subsidiary of the Company, increased substantially. HKBLA invested in higher yield securities which brought satisfactory return and achieved a net profit attributable to shareholders of HK$8.3 million, being 65 per cent. higher than HK$5 million recorded in last year. However, with narrow interest margin and increased competition, the loan portfolio of HKBLA and income generated from mortgage finance dropped.

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 rates, 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.

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

22nd April, 2005