HONGKONG CHINESE LIMITED
香 港 華 人 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock code: 655)

FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2003

FINAL RESULTS

The Directors of Hongkong Chinese Limited (the "Company") are pleased to announce the audited consolidated final results of the Company and its subsidiaries (together, the "Group") for the year ended 31st December, 2003 together with the comparative figures for the corresponding period in 2002 as follows:

	Note	**2003** *HK$'000*	2002 *HK$'000*
Turnover	*3*	**617,246**	260,287
Cost of sales		**(455,777)**	(111,541)
Gross profit		**161,469**	148,746
Other revenue		**4,171**	–
Administrative expenses		**(70,165)**	(85,340)
Other operating expenses		**(34,422)**	(37,247)
Provisions for bad and doubtful debts relating to:			
Banking operations		**(3,753)**	(4,025)
Non-banking operations		**(1,916)**	(19,851)
Provision for impairment losses:			
Investment securities		**(20,000)**	–
Goodwill		**–**	(3,330)
Net unrealised holding gain/(loss) on other investments in securities		**54,926**	(6,448)
Net unrealised gain on transfer of investment securities and held-to-maturity securities to other investments in securities		**20,483**	–
Write-back of provision/(Provision) for loss on guaranteed return arrangement for fund management		**10,868**	(88,290)
Loss on disposal of subsidiaries		**–**	(10,545)
Profit/(Loss) from operating activities	*4*	**121,661**	(106,330)
Finance costs		**(4,700)**	(4,228)
Share of results of associates		**(6,488)**	(133)
Profit/(Loss) before tax		**110,473**	(110,691)
Tax	*5*	**(5,182)**	(427)

Profit/(Loss) before minority interests		**105,291**	(111,118)
Minority interests		**776**	(250)
Net profit/(loss) from ordinary activities attributable to shareholders		**106,067**	(111,368)
		HK cents	*HK cents*
Earnings/(Loss) per share	*6*		
Basic		**7.9**	(8.2)
Diluted		**N/A**	N/A
		HK$'000	*HK$'000*
Distributions			
Interim distribution declared and paid		**20,202**	20,273
Special interim distribution declared and paid		**–**	1,959,729
		20,202	1,980,002
Final distribution, proposed/paid after the balance sheet date		**40,405**	40,405

Note:

1. Principal accounting policies

The accounting policies adopted in the preparation of the final results are consistent with those adopted in the Group's audited financial statements for the year ended 31st December, 2002 except as listed below.

The revised Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the Hong Kong Society of Accountants is effective for the first time for the current year's financial statements.

SSAP 12 (revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). This change in accounting policy has been made retrospectively.

A deferred tax asset has been recognised for tax losses arising in the prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised. The recognition of such deferred tax asset has resulted in an increase in the Group's deferred tax assets and distributable reserves as at 1st January, 2002 by HK$92,000,000, and consequently the release of goodwill previously eliminated against consolidated reserves upon disposal of subsidiaries during the year ended 31st December, 2002 has decreased by HK$92,000,000. There were no principal impact of the revision of this SSAP on the final results.

2. Segment information

Segment information is presented by way of business segment as the primary segment reporting format and geographical segment as the secondary segment reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. In respect of geographical segment reporting, turnover is based on the location of customers. Descriptions of the business segments are as follows:

(a) the treasury investment segment includes investments in cash and bond markets;

(b) the securities investment segment includes dealings in securities and disposals of investments;

(c) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;

(d) the banking businesses segment engages in the provisions of commercial and retail banking;

(e) the insurance business segment engages in the underwriting of general insurance business;

(f) the fund management segment includes the provision of fund management services; and

(g) the "other" segment comprises principally money lending and the letting of properties.

An analysis of the Group's segment revenue and segment results by business segment is set out below:

2003	Treasury investment *HK$'000*	Securities investment *HK$'000*	Corporate finance and securities broking *HK$'000*	Banking businesses *HK$'000*	Insurance business *HK$'000*	Fund management *HK$'000*	Other *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue									
External	**51,461**	**460,092**	**56,828**	**21,434**	**27,997**	**1,492**	**2,113**	**–**	**621,417**
Inter-segment	**706**	**–**	**–**	**–**	**–**	**–**	**–**	**(706)**	**–**
Total	**52,167**	**460,092**	**56,828**	**21,434**	**27,997**	**1,492**	**2,113**	**(706)**	**621,417**
Segment results	**50,097**	**91,310**	**4,784**	**4,808**	**(110)**	**9,538**	**(5,792)**	**706**	**155,341**
Unallocated corporate expenses									**(38,380)**
Share of results of associates	**–**	**–**	**–**	**–**	**–**	**–**	**(6,488)**	**–**	**(6,488)**
Profit before tax									**110,473**
Tax									**(5,182)**
Profit before minority interests									**105,291**
Minority interests									**776**
Net profit from ordinary activities attributable to shareholders									**106,067**

2002	Treasury investment HK$'000	Securities investment HK$'000	Corporate finance and securities broking HK$'000	Banking businesses HK$'000	Insurance business HK$'000	Fund management HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	55,257	59,261	55,020	31,225	48,227	2,783	8,514	–	260,287
Inter-segment	759	–	–	277	–	–	58	(1,094)	–
Total	56,016	59,261	55,020	31,502	48,227	2,783	8,572	(1,094)	260,287
Segment results	55,830	(5,766)	(30,846)	1,244	64	(89,295)	1,308	293	(67,168)
Unallocated corporate expenses									(43,390)
Share of results of associates	–	–	82	–	–	–	(215)	–	(133)
Loss before tax									(110,691)
Tax									(427)
Loss before minority interests									(111,118)
Minority interests									(250)
Net loss from ordinary activities attributable to shareholders									(111,368)

An analysis of the Group's segment revenue by geographical segment is set out below:

2003	**Hong Kong** *HK$'000*	**Singapore** *HK$'000*	**Other** *HK$'000*	**Consolidated** *HK$'000*
Revenue	**323,672**	**234,896**	**62,849**	**621,417**

2002	Hong Kong *HK$'000*	Singapore *HK$'000*	Other *HK$'000*	Consolidated *HK$'000*
Revenue	240,983	141	19,163	260,287

3. Turnover

Turnover represents the aggregate of gross income on treasury investment which includes interest income on bank deposits and held-to-maturity securities, gross proceeds from sales of investments, gross income from underwriting and securities broking, interest and other income from money lending business, gross income from fund management, gross premiums from insurance business, dividend income and net interest income, commissions, dealing income and other revenues from banking subsidiaries.

An analysis of the turnover of the Group by principal activity is as follows:

	2003	2002
	HK$'000	HK$'000
Treasury investment	**51,461**	55,257
Securities investment	**460,092**	59,261
Corporate finance and securities broking	**56,828**	55,020
Banking businesses	**17,263**	31,225
Insurance business	**27,997**	48,227
Fund management	**1,492**	2,783
Other	**2,113**	8,514
	617,246	260,287

Turnover attributable to banking businesses represents turnover generated from The Macau Chinese Bank Limited ("MCB"), a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Turnover attributable to banking businesses for the last corresponding year represents turnover generated from MCB since its acquisition by the Group in May 2002 and that generated from The Hongkong Chinese Bank, Limited up to its disposal by the Group in January 2002. Turnover attributable to banking businesses is analysed as follows:

	2003	2002
	HK$'000	HK$'000
Interest income	**12,442**	40,718
Interest expenses	**(2,023)**	(14,918)
Commission income	**5,400**	3,847
Commission expenses	**–**	(274)
Net dealing income and other revenues	**1,444**	1,852
	17,263	31,225

4. Profit/(Loss) from operating activities

Profit/(Loss) from operating activities is arrived at after crediting/(charging):

	2003	2002
	HK$'000	HK$'000
Interest income – *Note (a)*:		
Listed investments	**22,301**	9,579
Unlisted investments	**10,163**	2,353
Other	**18,997**	43,399
Dividend income from listed investments	**4,745**	181
Provision for impairment losses on unlisted held-to-maturity securities	**–**	(273)
Net realised and unrealised holding gains/(losses) on other investments in securities – *Note (b)*:		
Listed	**80,649**	(3,771)
Unlisted	**16,582**	911
Depreciation:		
Banking operations	**(820)**	(2,146)
Other	**(1,610)**	(2,479)
Amortisation of goodwill arising from acquisition of subsidiaries – *Note (c)*	**(3,618)**	(2,094)
Net unrealised gain on transfer of investment securities and held-to-maturity securities to other investments in securities:		
Listed	**12,946**	–
Unlisted	**7,537**	–

Note:

(a) The amounts exclude the income relating to banking operations of the Group.

(b) The amounts in prior year included net unrealised holding loss of HK$6,448,000 which was previously grouped under "Cost of sales" and is now separately disclosed on the face of the consolidated profit and loss account. The separate disclosure was deemed appropriate to conform with the current year's presentation.

(c) The amortisation of goodwill recognised in the profit and loss account for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

5. Tax

	2003	2002
	HK$'000	HK$'000
Hong Kong:		
Charge for the year	**–**	203
Underprovision in prior years	**3,464**	219
	3,464	422
Overseas:		
Charge for the year	**1,329**	5
Share of tax attributable to an associate	**389**	–
Tax charge for the year	**5,182**	427

Hong Kong profits tax has been provided for at the rate of 17.5 per cent. (2002 – 16 per cent.) on the estimated assessable profits arising in Hong Kong for the year. Overseas taxes have been calculated on the estimated assessable profits for the year at the tax rates prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

6. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the net profit from ordinary activities attributable to shareholders of HK$106,067,000 (2002 – loss of HK$111,368,000); and (ii) the weighted average number of 1,347,972,000 shares (2002 – the number of 1,351,537,000 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the years ended 31st December, 2003 and 2002 as there were no dilutive potential ordinary shares during these years.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2003, the Group achieved a net profit attributable to shareholders of HK$106 million in contrast to a loss of HK$111 million for last year. The significant improvement of the results showed that the restructuring of the businesses which was started by the Group some years ago is starting to bear fruit. During the year, the Group continued to focus on enhancing asset quality and cost control. All major business segments of the Group contributed to the favourable results despite the extremely difficult operating environment in the first half of the year which fortunately recovered strongly in the second half.

Results for the year

Turnover for the year 2003 totalled HK$617 million which was 137 per cent. higher than the HK$260 million recorded in 2002. Of this, 83 per cent. (2002 – 44 per cent.) was attributable to treasury and securities investments, 9 per cent. (2002 – 21 per cent.) to corporate finance and securities broking businesses and 3 per cent. (2002 – 13 per cent.) to banking businesses and fund management.

Treasury and securities investments

During the year, the Group responded to declining deposit rates and diversified into higher yielding bonds and equity investments. Total investment portfolio at the end of 2003 stood at HK$1.2 billion (2002 – HK$0.65 billion). Turnover from treasury and securities investments increased 347 per cent. to HK$512 million (2002 – HK$115 million). The resultant operating profit of HK$141 million represented a significant improvement of 182 per cent. when compared to the HK$50 million recorded in 2002.

The Group remained cautious on the composition of its investment portfolio with a continuing focus on improving overall asset quality. The performance of the investment portfolio improved significantly and realised and unrealised gains rose to HK$97 million (2002 – loss of HK$3 million). Taking advantage of the market conditions, the Group reclassified certain held-to-maturity securities and investment funds into other investments in securities, under which securities are marked to market or fair value, to reflect the intention to sell in response to market changes. As a result, an unrealised gain of HK$20 million (2002 – Nil) was recognised. Interest earned from the bonds continued to represent a stable source of income to the Group. The bond portfolio of the Group earned an average return of 7 per cent. per annum and interest income for the year, including interest on bank deposits, totalled HK$51 million (2002 – HK$55 million). However, a provision for impairment in value of HK$20 million (2002 – Nil) was made against long-term investment securities.

Corporate finance and securities broking businesses

With the cessation of SARS, business confidence has picked up with the return of foreign and local investors. The local stock market rebounded strongly in the second half of the year, which benefited the Group's corporate finance and securities broking businesses. Although turnover for 2003 of HK$57 million (2002 – HK$55 million) remained at a similar level to the previous year, improving trading opportunities have allowed this business segment to register a profit of HK$4.8 million in contrast to the loss of HK$31 million in 2002.

Banking businesses

Banks in Hong Kong continued to face narrowing interest margin and sluggish loan demand which constrained revenue growth. In hindsight, the disposal of The Hongkong Chinese Bank, Limited by the Group in early 2002 was a timely withdrawal from the Hong Kong banking sector. Within the Group now, banking turnover for the year comes solely from The Macau Chinese Bank Limited ("MCB"), an 85 per cent. owned subsidiary acquired by the Group in May 2002. The Group's banking segment recorded an increased profit of HK$4.8 million (2002 – HK$1.2 million) which also reflected a consolidation of full year results of MCB in 2003.

Fund management

Notwithstanding the difficult market conditions in the first half of the year, the Group was able to obtain for the improved results in its fund management activities. In relation to the early termination by the Group of a guaranteed return arrangement with a fund managed by it, the Group made a write-back of HK$11 million for overprovision made in previous years.

Cost control

In the face of the challenging operating conditions, the Group continued to strengthen its efforts on improving cost efficiency. The success of the cost control efforts was reflected in an 18 per cent. reduction in administrative expenses to HK$70 million (2002 – HK$85 million) and an 8 per cent. reduction in other operating expenses to HK$34 million (2002 – HK$37 million).

Financial position

As at 31st December, 2003, the net asset value of the Group slightly increased to HK$2.82 billion (2002 – HK$2.78 billion), notwithstanding the interim and final distributions made to the shareholders. During the year, the Company repurchased 4.7 million shares at a discount of HK$1.7 million, which further enhanced the net asset value per share of the Group. The consolidated net asset value per share increased slightly from HK$2.06 to HK$2.09 in 2003. Assets held by the Group were mostly denominated in Hong Kong dollars and United States dollars. The Group's exposure to exchange rate risk was not material. The Group will remain alert to the changing global conditions which might affect the exchange rate exposure. When appropriate, hedging instruments including forward contracts, swaps and currency loans will be used.

The Group continued to maintain a prudent and strong financial balance sheet in 2003. Liquidity ratio measured as current assets to current liabilities remained high at approximately 3.9 to 1. At the balance sheet date, the Group is relatively debt free with gearing ratio standing at 0.3 per cent. (2002 – 0.8 per cent.) The borrowing of the Group comprised an unsecured bank loan of HK$10 million (2002 – HK$21 million). The bank loan was denominated in Hong Kong dollars, repayable within one year and carried interest at floating rates.

At the end of the year, there were no charges on the Group's assets (2002 – Nil). Other than those relating to the banking operations, the Group had no material contingent liabilities outstanding (2002 – Nil).

Change in accounting policy

In the current year, the Group adopted the revised accounting standard issued by the Hong Kong Society of Accountants relating to income tax, the relevant accounting policy of the Group was changed and prior period adjustments were made with details as set out in Note 1 to the final results. However, these have no material impact on the results or the net asset value of the Group.

Staff and remuneration

The Group had 142 (2002 – 115) employees as at 31st December, 2003. Total staff costs totalled HK$58 million which was 14 per cent. lower than the HK$68 million recorded in 2002. The Group offers competitive remuneration packages to its employees. Currently, there is no share option scheme for employees.

Outlook

In view of recent continuing improvement of the economic and market conditions, the Group is cautiously optimistic about the global and regional economic prospects in 2004. It will continue to leverage its strong financial position to capture various investment opportunities with attractive returns in its desire to achieve fuller value for its resources. As the Group seeks to expand its businesses, it will continue to adopt a cautious and prudent approach in assessing new investment opportunities.

BUSINESS REVIEW

2003 was a challenging turnaround year for Hong Kong. The first half was a difficult period as the Hong Kong economy weathered the fall out from the war in Iraq and SARS. This was reflected in continued deflation, marked by deterioration in property and stock markets, rising unemployment and negative economic growth. Tourist and retail businesses were particularly affected. Fortunately, the economy recovered strongly in the second half, with the successful containment of SARS and as Hong Kong began to enjoy some spillover from the buoyant economy in the Mainland. The Closer Economic Partnership Agreement ("CEPA") was a welcomed development. As economic conditions improved, business activities rebounded strongly, bringing confidence and buoyancy back to the stock and property markets. The economic turnaround in the second half of 2003 has enabled many businesses in Hong Kong to become profitable again.

Against this background, the Group achieved a consolidated profit attributable to shareholders of HK$106,067,000 for the year ended 31st December, 2003, as compared to a loss of HK$111,368,000 in 2002. Earnings per share were HK7.9 cents.

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 the Company, 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 thankfully market conditions and the investment climate recovered strongly in the second half of the year to bring a welcomed boost to the securities business of the Group.

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

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

On 30th January, 2003, the Group acquired a 20 per cent. 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 Lippo Group and in that way strengthen its position in the independent financial planning industry. The Group's interest in the Convoy Group was subsequently increased to approximately 23 per cent..

PROSPECTS

Looking forward to 2004, with economic recovery gathering momentum, business activities and investment climate in Hong Kong should improve in 2004. CEPA will lend support to the economic recovery process. However, continuing high unemployment rate and cautious consumer spending may affect the pace of economic recovery.

Overall, we maintain an optimistic outlook for the Group's business in the coming year. With its strong and healthy financial position, the Group is in an excellent position to benefit from any further pick up in business activities and economic growth in the Pearl River Delta region. The Group will continue to explore suitable investment opportunities, especially in the financial and investment sectors. Management will continue to adopt a cautious and prudent approach when assessing new investment opportunities.

DISTRIBUTIONS

The Directors have recommended the payment of a final distribution of HK3 cents (2002 – HK3 cents) per share for the year ended 31st December, 2003, which will be paid on Monday, 28th June, 2004 to the shareholders whose names appear on the Company's Register of Members on Friday, 18th June, 2004. Together with the interim distribution of HK1.5 cents (2002 – interim distribution of HK1.5 cents and special interim distribution of HK$1.45) paid, total distribution for the year ended 31st December, 2003 will amount to HK4.5 cents (2002 – HK$1.495) per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 11th June, 2004 to Friday, 18th June, 2004 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the final distribution for the year ended 31st December, 2003, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tengis Limited, the Company's Branch Registrars in Hong Kong, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10th June, 2004. Warrants in respect of the final distribution will be dispatched to the shareholders on or about Monday, 28th June, 2004.

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

During the year ended 31st December, 2003, the Company had repurchased a total of 4,708,000 shares of HK$1.00 each in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which were subsequently cancelled. Particulars of the aforesaid repurchases were as follows:

Month	Number of shares of HK$1.00 each repurchased	Price per share or highest price paid per share *HK$*	Lowest price paid per share *HK$*	Total price paid before expenses *HK$*
January	1,570,000	0.62	0.60	946,000
February	100,000	0.63	N/A	63,000
April	876,000	0.60	0.59	521,340
May	2,162,000	0.68	0.63	1,415,340

Save as disclosed herein, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the year, except that non-executive Directors are not appointed for a specific term as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Bye-law 87 of the Company's Bye-laws.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Company for the year ended 31st December, 2003 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules on the Stock Exchange will be published on the Stock Exchange's website in due course.

DIRECTORS OF THE COMPANY AS AT THE DATE OF THIS ANNOUNCEMENT

Executive Directors:
Mr. Stephen Riady
Mr. John Lee Luen Wai
Mr. Jesse Leung Nai Chau
Mr. Kor Kee Yee

Non-executive Director:
Dr. Mochtar Riady

Independent non-executive Directors:
Mr. Leon Chan Nim Leung
Mr. Albert Saychuan Cheok

By Order of the Board
Hongkong Chinese Limited
John Lee Luen Wai
Director

Hong Kong, 20th April, 2004

* *For identification purpose only*

"Please also refer to the published version of this announcement in The Standard".