

CITY PACIFIC LIMITED – CHAIRMAN’S SPEECH AGM 2006

INTRODUCTION

Good morning ladies and gentlemen and welcome to the sixth annual general meeting of City Pacific Limited since the company listed on the ASX.

The 2006 financial year was a very satisfactory one in which we once again delivered a record profit to shareholders and we can see a clear road ahead into 2007.

Your directors are as pleased as all of you to see that our share price has improved and that our market capitalization reached \$700 million this week compared with less than \$500 million this time last year.

FUNDS UNDER MANAGEMENT AND ADVICE

Our funds under management and advice increased to over \$5 billion during the year, comprising over \$1 billion funds under management in our retail funds, a residential loan book of \$3 billion and commercial mortgage assets under management of approximately \$1 billion.

Our retail funds management business comprised \$1.081 billion at 30 June 2006, an increase of 13% over the previous year.

We are very pleased to confirm that there is a healthy surplus of fresh investments flowing into our various funds from our traditional source through advertising. We expect this source to continue to pick up quite strongly.

However your company is preparing to expand its source of funding from other areas including the financial planning network and also from institutions and financial services companies that provide wholesale funds at comparable rates to existing retail investors. This broadening in the supply of funds is not only prudent but will provide growth and flexibility.

During the year there has been a lot of work put into restructuring the Residential and Commercial Finance division and we expect that this work will start to reap dividends in 2007.

The company’s announced entry into the higher priced lifestyle sector of the retirement market will provide further opportunities for our funds management business and our property division as well.

In summary, our Funds management and financial services business is in very good shape. The point of disagreement with ASIC was resolved satisfactorily and we are

poised to perform strongly in 2007 in a market with more quality investment opportunities than there are funds available to lend.

PROPERTY DIVISION

The company's business model of combining financial services with property services and investment continues to work well allowing us to deliver a record profit of \$62.1 million. During the year financial services provided 75 % of our profits and property 25% a ratio that is likely to be maintained in 2007.

The strong property contribution was driven by the maturing results of our subsidiary, CP1 Limited that posted a 59 % increase in profits to \$30.5 million, and a contribution by our participation in the Breakwater Keys Leisure Project in Townsville

It is now almost five years since City Pacific Ltd formed CP1 as an investment company and during this period City Pacific Limited has managed CP1 under the original agreement and both companies have shared common Directors.

During the past year external consultants were engaged to assist in a review of this arrangement and a number of models to govern the on-going relationship between the two companies are on the table for the consideration of the Board.

Your Directors are confident that as a result of the review there will be a satisfactory outcome for the shareholders of both companies.

STRATEGIC ALLIANCES

For City Pacific, strategic alliances are important in obtaining new sources of funding, in maximizing property opportunities, and to mitigate risks.

- (a) We continue to strengthen our relationships with both banks and non- bank lenders and have commenced co-lending with these parties including some of the big four banks.
- (b) We are in the course of negotiating strategic alliances with a number of financial institutions in order to provide a source of wholesale funds.
- (c) About twelve months ago we took a strategic shareholding in Calibre Financial Services for the purposes of using the expertise of that company to obtain a new source of funds to boost our residential home lending through securitization of mortgages. This will improve our lending margins and promote customer loyalty. We are pleased to announce that funds from this source have begun to flow.

- (d) On the property side we have entered into two joint ventures with Mirvac to develop land at Townsville and at Gainsborough Greens and we expect that this relationship will lead to other opportunities.

- (e) We have entered into a joint venture with New Zealand associated companies Hallmount and Protac to develop and manage 5 or 6 star independent living communities in Australia and New Zealand.

SHARE PRICE

As stated previously your Directors are pleased that we now have forward momentum in our share price and we will be working hard to ensure that this continues and that the share price reflects full value. We will do this by continuing to achieve our financial goals, by better communication and through improved media awareness.

DIVIDEND

A report about six months ago revealed that City Pacific's dividend yield was the fourth highest of the ASX companies. At a share price of \$4.75 the total dividends of 45 cents per share out of profits for 2006 represent a yield of 9.5% that is exceptional value for potential investors in City Pacific. The dividend payout ratio in 2006 has only reduced marginally from the previous year but we aim to further reduce the ratio to our targeted 75% at least maintaining the current dividend level of 45 cents per share fully franked.

MANAGEMENT AND STAFFING

I would like to place on record the appreciation of the Board for the effort of management and staff during the past eighteen months. During this period our team proved that they can be adaptive, flexible and efficient in difficult conditions as well as in the more buoyant times.

We also expanded our workforce and our leadership group during this period and the huge effort required by everyone has galvanised our staff and the Board into a strong and united team.

Steve Mackay has retired from the position of company secretary but remains with the company in a senior executive role and as a director of CPI Limited and Indigo Pacific Capital Limited (thank you Steve for your good work). I would like to welcome on board our new company secretary and corporate counsel James Finucan.

OUTLOOK

Strategically 2006 has been a year of consolidation for your company but we have also put in place some very significant initiatives in our core financial services business that will provide impetus in 2007 and future years.

We remain very comfortable with our market positioning in servicing the construction and development industry, we are well positioned to continue to avail ourselves of opportunities that present themselves in a dynamic property market, we have a breadth and depth of management talent as never before, we are expanding our strategic relationships and we are very bullish about our future.

I can confirm our guidance of a budgeted net profit after tax of \$75 million for 2007.

Ladies and Gentlemen, I will now call on your Managing Director and Chief Executive Officer Phil Sullivan to discuss the operations of your company in detail. At the conclusion of Phil's presentation, I will take questions from shareholders.