

I have the pleasure in presenting to the shareholders the operating results for the year 2000.

Business Results

For the financial year ended 31st December 2000, audited profit attributable to shareholders amounted to HK\$370,576,000 (earnings per share HK\$0.98). Compared to the previous year's figure of HK\$367,166,000 (earnings per share: HK\$0.97), this represents a 0.93% increase. Over the previous year, Hong Kong's economic recovery had been only partial, with consumer spending and general investment sentiment still sluggish. This environment had a negative impact on both the Group's rental revenue and its income from property investment. However, the Group's banking associate and insurance business performed well with increased profitability. Thus the Group was able to achieve a slight overall increase in profit.

Dividend

The Board of Directors has proposed to recommend at the forthcoming Annual General Meeting to be held on 26th April 2001 the payment of final dividend of HK\$0.21 per share. Together with the interim dividend of HK\$0.14 per share paid on 20th September 2000, the total dividend for the whole year of 2000 amounts to HK\$0.35 per share.

Business Review

During the previous year, Hong Kong's economy had rebounded commensurably. While the whole year Gross Domestic Product grew by 10.5%, total exports increased 17.1% over the previous year. Total tangible and intangible trade surplus amounted to HK\$60 billion, consisting of 9.4% income growth from visitor arrivals. However, the economic recovery did not encompass all sectors of the economy and the majority of the general public had not directly experienced the benefits of this recovery. With deflation still persistent, people remained reluctant to spend. Consequently, most business had to struggle for slim profitability and landlords responded by lowering rents to accommodate this situation. As for the stock market, the euphoria behind technology stocks and that of mergers and acquisitions drove the local index to an unsustainable level, drawing high turnover which reflected participation by many investors. As the stock market fell precipitously after the subsequent bursting of this bubble, many investors suffered tragic losses. As for the property market, because prices continued to adjust downward, many people still suffered from negative equity situation. Since the government had made frequent changes in housing policies, confidence of potential home buyers remained low. The supplies of private housing both present and future are abundant, thus the property market may need more time to fully make a turnaround.



Syndicated Loan Signing Ceremony

Western
Harbour Centre



Banking

The consolidated net profit of Liu Chong Hing Bank Limited and its subsidiaries for 2000, after taking provisions for bad and doubtful loans and deducting taxes, amounted to HK\$457,000,000, an increase of 27.95% over the previous year. Total customers' deposits and certificates of deposit amounted to HK\$31,132,000,000, up 9.81%. Total loans and advances to customers stood at HK\$18,152,000,000, a decrease of 3.48%. Total assets stood at HK\$38,992,000,000, an increase of 8.87%. Total shareholders' funds (before final dividend) amounted to HK\$5,728,000,000, an increase of 8.64%.

As the remaining deposit interest rate rules will be deregulated in July 2001, competition will be more intense within the banking industry. Thus, the bank has planned to strength and diversify its non-interest income related operations. After participating in J P Morgan Equity Asia Partners, LP, the Bank formed several joint ventures with other banks, namely: Card Alliance Company Limited – providing good quality credit card services to customers; Net Alliance Company Limited – upgrading internet banking services; Hong Kong Life Insurance Limited – providing life insurance protection to customers; and BC Reinsurance Limited – handling general reinsurance business.

Property

Highlights of the Company's property portfolio are as follows:-

- Property for lease**
Chong Hing Square, 593–601 Nathan Road, Mongkok, Kowloon.
 Chong Hing Square is a 19-storey high retail and entertainment building with 2 basement levels, with total lettable area of 183,728 sq. ft.. Completed in March 1994, it is situated in the heart of Mongkok. As both restaurant and retail business had a slight up-pick in the year 2000, occupancy had risen from 89.5% to 99.6%. But since rentals were still adjusting downward, total annual rental income fell by 10.6% over the previous year.
- Property for lease**
Western Harbour Centre, 181 – 183 Connaught Road West, Hong Kong.
 This is a 28-storey grade A office building with full sea-view, with total lettable area of 140,116 sq. ft. completed at the end of 1995. It is located adjacent to the entrance of the Western Harbour Tunnel which links directly to the West Kowloon Expressway, in an area with substantial commercial potential. Occupancy rate thus increased considerably from previous year's 85.7% to 98.1% with rental income grew by 6.5%.



Chong Hing Square Lunar New Year Promotion

Chong Hing Square



3. **Property for lease**

**Chong Yip Shopping Centre 402-404
Des Voeux Road Western Hong Kong.**

This shopping centre, with a lettable area of 41,071 sq. ft., is located in the most density populated area of the Western District. Because consumer sentiment remained weak, small retailers were adversely affected, and as a result the occupancy rate fell from 87.8% to 72.5%, while total rental income decreased by 3.5%.

4. **Property for lease**

**Fairview Court, 94 Repulse Bay Road,
Hong Kong.**

This 3-storey luxury apartment building, with a site area of 30,000 sq. ft. comprises of 6 units, with a total gross floor area of 20,755 sq. ft. and a garden area of 3,300 sq. ft. The Group owns 5 units of this development. It is situated in a scenic area near the beaches and 4 units have been let.

5. **Property under development**

**Fairview Villa, 52 Ma Lok Path, Kau
To Shan, Shatin, New Territories.**

Located in the mid-level luxury residential area of Shatin, Fairview Villa with a site area of 141,700 sq. ft. will have 32 duplex garden

houses built, each with 2 underground car parks. With a total gross floor area of 85,000 sq. ft., this development will provide luxury clubhouse facilities, swimming pool, and beautiful landscapes. Construction is due to be completed in early next year. This development is wholly-owned by the Group.

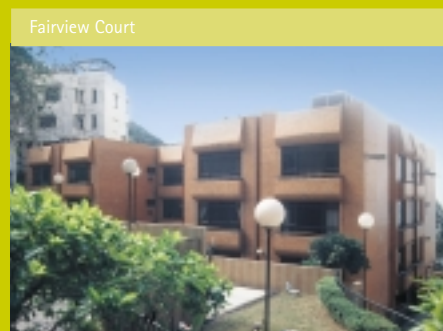
6. **Property under development**

The Belcher's, Pokfulam, Hong Kong.

This site is located at Pokfulam Road in the Western mid-level district, with a site area of 324,000 sq. ft.. This re-development includes 6 blocks of residential / commercial buildings, ranging from 43 to 47 storeys, with a total of 2,136 units and a total gross floor area of 2,446,400 sq. ft.. In addition, there are residents' clubhouse, swimming pool, tennis court, government centers, senior citizen centre, kindergarten, public park, and a 215,200 sq. ft. shopping mall. On completion, the development will have a 3,000,000 sq. ft. gross floor area. Launched in mid-1999, sales of Phase One has been led by Shun Tak Holdings Limited and coordinated by Sun Hung Kai Properties Limited with excellent response. At present, Phase Two has already initiated sales. The Group owns 10% of this project.



Chong Yip Shopping Centre



Fairview Court

China Operation

1. Shanghai

This prime site is located in the district of Nanjing Xilu with a site area of 55,000 sq. ft.. A 38-storey modern commercial building with a gross floor area of 600,000 sq. ft. will be built at a total investment of Renminbi 800 million. The foundation has been completed and it is in the tendering process for the superstructure, which should commence soon. The Group owns 95% of this project, with the remaining 5% owned by Cun Xin Jiang Enterprise Company, Head Office, a wholly-owned subsidiary of the Peoples' Government of Huang Po District, Shanghai.

2. Guangzhou

"Le Palais" is located at No. 1 Yong Sheng Shang Sha, Donghu Road in the prestigious residential area of Dongshan District in Guangzhou City. With a site area of 139,000 sq.ft., it comprises 4 blocks of highrise residential building with 844 luxury units, together with residents clubhouse, swimming pool, arcade and car parks at a total gross floor area of 1,571,500 sq.ft.. Estimated at a total investment cost of Renminbi 800 million,

it will be one of the highest residential buildings in Guangzhou upon completion. The superstructure is close to completion and pre-sale has been launched since the end of last year. At present, about 6% of the development has been sold.

3. Chaozhou

"Queenford Garden" is located in the busy part of Chaozhou city, with a site area of 600,000 sq. ft.. The first phase of 84 residential units and 29 shops have been completed. The entire project has been sold off in late 2000.

Insurance

The Group's wholly-owned subsidiary, Liu Chong Hing Insurance Company Limited was established in 1960. With its over 40 years history, the company has always acted prudently. It underwrites fire, marine, theft, accident, motor car, workers' compensation, contractor's all risk, and shipment for import and export cargoes. It is also an agent for life insurance and staff retirement provident fund insurance. For the year 2000, profit has increased by 13.02 % over the previous year.



Guangzhou
Le Palais Press
Conference

Le Palais Topping Ceremony in December 1999



Guangzhou Le Palais



Prospects

Hong Kong's economic recovery gained momentum in the year 2000, and naturally it should continue to do so this year. However, the recent US showdown, Japan's continual stagnation, and falling domestic demands of some South-East Asian countries could altogether compound to affect Hong Kong's economic performance adversely. Having said this, Hong Kong should benefit from Europe's gradual but solid progress and China's focus on economic development. Especially in light of China's forthcoming entry into the World Trade Organization, Hong Kong's prospect is very bright indeed.

As Hong Kong's economy turns for the better, all business should revive with employment rising and wage level picking up, which in turn will stimulate domestic consumption and investment appetite. Meanwhile, the US being the global economic front engine, has slowed down after a historically long period of expansion. As the second half of this year may see a rebound, we anticipate a sharply better performance in global stock markets. As for the property market, Hong Kong's Government has already introduced measures to stabilize the market. On top of this, the recent and coming interest rate cuts will add to improve investment sentiment. As the funding needs of large business enterprises are still growing, this together with the lower interest rates environment should bode well for the banking industry.

Going forward, the Group will continue to focus in the areas of property and banking as well as technology to seek profitable investments and partnerships, in order to achieve better returns for our shareholders.

Lastly, on behalf of the Board of Directors, I thank all our shareholders for your trust and support, and all our employees for their most diligent work.

Liu Lit Man

Chairman

Hong Kong, 15th March, 2001



The Belcher's



Fairview Villa