

The Directors of Liu Chong Hing Investment Limited (the "Directors") have pleasure in presenting to the Shareholders their annual report together with the audited financial statements for the year ended 31st December, 2000.

Principal Activities

The principal activities of the Company are property investment and investment holding. The principal activities of the subsidiaries and associates are shown in Note 15 and Note 16 to the financial statements respectively. There was no significant change in the principal activities of the Company and the Group during the year.

Results and State of Affairs

The results of the Group for the year ended 31st December, 2000 and the state of the Company's and the Group's affairs at that date are set out on pages 35 to 72 of this annual report.

Dividends

An interim cash dividend of HK\$0.14 per share was paid to shareholders on 20th September, 2000. The Directors now recommend a final cash dividend of HK\$0.21 per share making a total cash dividend of HK\$0.35 per share for the year.

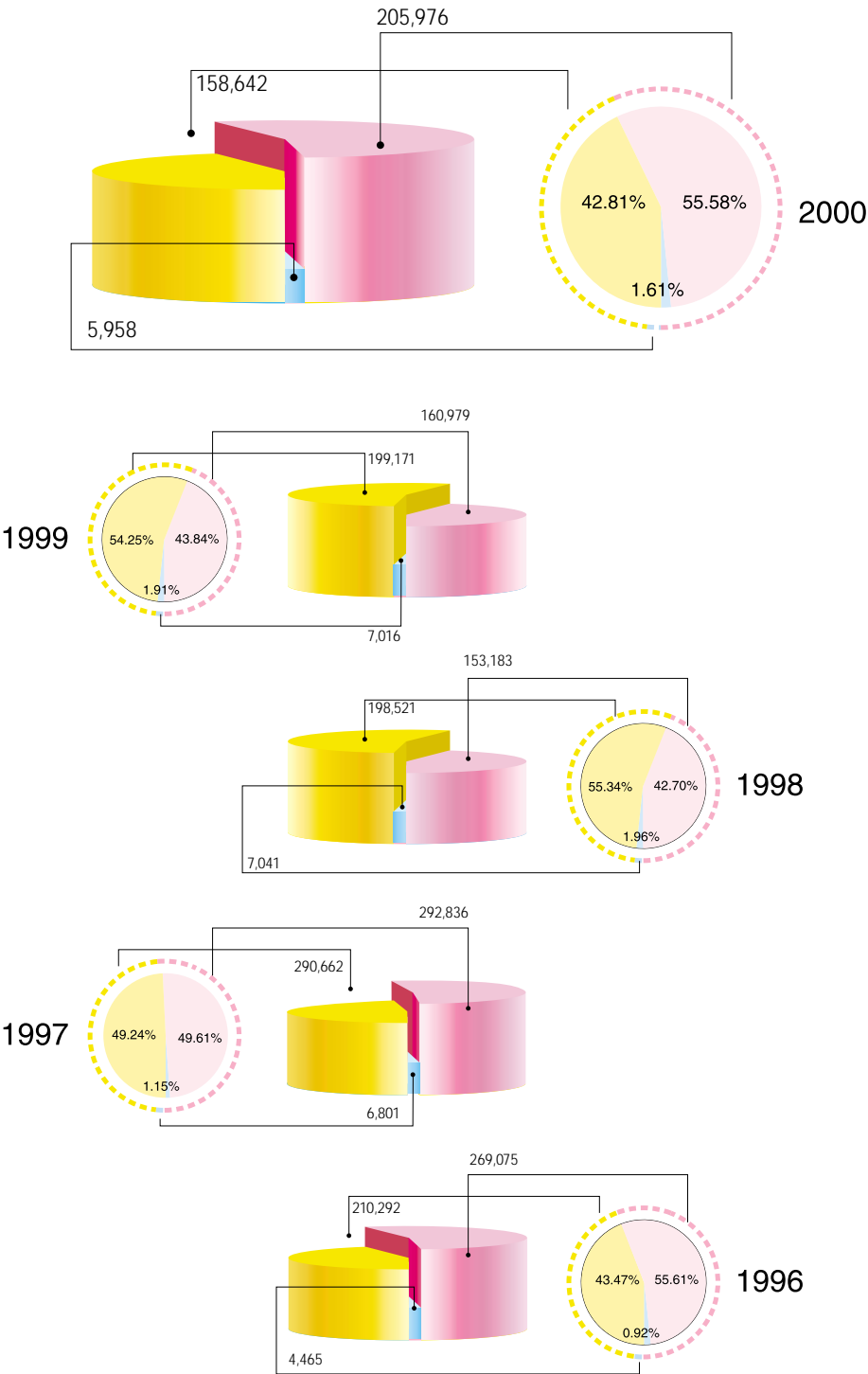
Commentary on Annual Results

The directors announce that the consolidated profit attributable to shareholders for the year of 2000 is HK\$370,576,000 representing an increase of 0.9% over the previous year.

Set out below is a diagrammatic illustration of the relative weight of the Group's main business activities and their contribution towards profit attributable to shareholders over the past five years.

Year	1996	1997	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to shareholders	483,832	590,299	358,745	367,166	370,576

Further details of the results and the assets and liabilities of the Group for the past five years are set out on pages 2 and 3 of this annual report.



Investments and Property
By Value (HK\$'000)

Insurance Business

Banking Operations

Investments and Property
By Percentage

Insurance Business

Banking Operations

Banking Operation

For the year 2000, the Group's banking associate, Liu Chong Hing Bank Limited (the "Bank") reported a profit after taxation of HK\$456,598,000, representing a 28% increase over the previous year.

This increase in profit stemmed partly from a better business environment over much of the year 2000 as Hong Kong scrambled to capitalize on technology and e-commerce. The associated new business enterprises that sprang up, both large and small, required and hence resulted in increased banking activities. Secondly, better profit performance is also due to lower provision for bad loans. Thirdly, cost cutting measures and more efficient use of capital and labour also brought about higher profitability.

Going forward, the bursting of the tech-stock bubble has induced a global slow down in consumption and investment. While valuations of technology businesses are returning to more realistic levels, business have also shifted back to more real world perspectives on value and profitability. In light of all this, the year 2001 looks like it will pose a more challenging business environment. However, with prudence and continual enhancement of products and services, both existing and new, we expect the Bank to continue to perform well over the next year.

Property Investment and Development

Investment Properties

The year 2000 saw mixed performance in Hong Kong's property market. While the surge of numbers of IT companies on the scene sparked a brief up-trend in the office and residential sectors, the retail and industrial sectors remained relatively sluggish

amid cautious investor sentiment. Thus while overall office and residential rentals have picked up slightly, retail and industrial rentals have stayed put or fallen in most cases. Despite this market environment, the Group has managed to maintain a high occupancy rate in its investment properties during the year. Overall rental revenue fell 6%, largely a result of the fall in rental income from our two retail properties.

Chong Hing Square, a popular ginza-type retail development situated in the heart of Mongkok, Kowloon, offers 184,000 sq.ft. of retail and recreational space. This 20-storey building has been 99% let, but rental revenue has decreased 10%, a net result of the difficult retail environment.

Likewise, for our Chong Yip Shopping Center located in Western District, Hong Kong, rental revenue decreased by 3%. This is arguably the best located shopping center in Western District, with 41,000 sq.ft. of retail and recreational area. Renovation is presently being carried out to upgrade this property. Currently 72% let, we expect its occupancy rate to gradually improve once this process is completed during 2001.

Western Harbour Center, a commercial building at No. 181, Connaught Road West, is conveniently located close to the entrance of the Western Harbour Tunnel. This 28-storey building offers 140,000 sq.ft. of office space with stunning harbour view. It has been 98% let, and its rental revenue has increased 6% over the previous year.

The Group also received rental income from Fairview Court, a 6-unit luxury low-rise apartment building at No. 94 Repulse Bay Road. Renovations to the external facade is being carried out, and we expect it will be fully let after this process is completed.

Liu Chong Hing Bank Building, which the Group has a 45.11% interest, has been 92% let and contributed further rental income. Situated in the heart of Central on 24, Des Voeux Road Central, Hong Kong, this is the flagship property of the Group. Studies are currently being made to review the possibility of re-developing this property.

Development Properties

Regarding sale of development properties, the Group disposed of its residential project in Chaozhou, PRC during the year. This sale recorded a profit of approximately HK\$53 million.

The Group's other PRC development project is Le Palais, a 1,500,000 sq.ft. gross floor area residential complex located on Donghu Road in the scenic Dongshan District of Guangzhou. This project is under construction and upon completion will provide 844 luxury apartments plus 300 car parks and full clubhouse recreational facilities. Pre-sale of selected units from this prestigious development has already begun and 49 units have been sold so far. We expect sales to improve upon the project's completion scheduled in the third quarter of 2001.

The Belcher's, the Group's joint venture project with Shun Tak Holdings Ltd, Sun Hung Kai Properties Ltd, and New World Development Company Ltd, continued to be sold with Phase II of the development released for sale during the second half of 2000.

The Group is also re-developing its Fairview Villa in Kau To Shan, Shatin. This development consists of 10 single and 22 semi-detached luxury houses with clubhouse and swimming pool facilities. It is due for completion by the middle of 2002, and the Group intends to part sale and part lease out this development, depending upon prevailing market conditions.

The Group's development of a grade-A commercial office building in Nanjing Xilu, Shanghai, has finished foundation works. The project is expected to be completed by 2003. The property will provide 594,000 sq.ft. of commercial and office space in a prime business location.

Insurance Business

The Group's insurance business reported a 13% increase in profit over the previous year. Despite increasing competition within the industry, we expect it will make steady progress in the year ahead.

Capital Structure

The Group's shareholders' funds at 31st December, 2000 amounted to HK\$5,990 million, representing an increase of HK\$347 million when compared with last year. The increase in shareholders' funds represents the increase of retained earnings of HK\$238 million for the year as well as the valuation of Group's investment properties of HK\$89 million.

Finance and Treasury Operations

As at 31st December, 2000, the Group's consolidated net debts being bank borrowings less cash and bank deposits, amounted to HK\$2,065.30 million. The increase of total bank borrowings was applied to the construction cost of various development projects. However, the Group continued to maintain a low debt-to-equity ratio of 35% as of the balance sheet date.

The management believed that the total bank borrowings will be substantially reduced following the completion and sale of the three properties under development including Le Palais, The Belcher's and Fairview Villa.

On the other hand, almost all of the Group's borrowings are in Hong Kong dollars and the interest rates are set on floating rate basis. As at 31st December, 2000, less than one-third of total bank borrowings are entered into interest hedging instrument so as to avoid interest volatility and uncertainty. Given the above arrangement, the Group's management are confident about the management of currency and interest rate risks.

Liquidity and Funding

The Group has maintained a prudent policy in regard to liquidity and funding. The Directors are confident that the Group will maintain flexible and adequate sources of funding to support all the Group's investment and development projects.

Looking Ahead

Even though Hong Kong has recovered a great deal from the Asian Crisis of the late 1990's the economy is still plagued by weak business and consumer sentiment. This has been largely the result of depressed property prices and the violent gyrations in the stock market that we have witnessed. However, Hong Kong's role as a financial center and an established gateway to business in China is still solid, and its future holds bright promise in the long run. With China's ascension into the World Trade Organization now within close proximity, we believe this will help to provide new business incentives.

As technology and e-commerce immerse into all aspects of our lives, banking services and the demand for residence and work space will always remain as key components in running any business. Thus looking forward, while the Group will explore to diversify into other areas prudently, it will

continue to focus its strengths primarily on its two main operations, that of banking and property.

Major Customers and Suppliers

During the year, 53% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 40% of the Group's purchases and the Group's turnover attributable to the Group's five largest customers was less than 30%. None of the directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers.

Fixed Assets

Movements in fixed assets during the year are set out in Notes 12 and 13 to the financial statements.

Purchase, Sale or Redemption of Shares in the Company

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited, details of which are set out in Note 24 to the financial statements. The Directors considered that the repurchases would increase the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Share Option Scheme

Details of the Company's share option scheme are set out in Note 30 to the financial statements.

Subsidiaries and Associates

Particulars relating to the subsidiaries and associates are set out in Notes 15 and 16 to the financial statements respectively.

Reserves

Movements in reserves during the year are set out in Note 25 to the financial statements.

Directors

The Directors of the Company during the year are shown on page 24 of this annual report.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

Messrs. Liu Lit Man, Liu Lit Chi, Andrew Liu and Lee Wai Hung shall retire by rotation in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' Interests in Share Capital of the Company and Its Associated Corporations

At 31st December, 2000, the beneficial interests of the Directors and Chief Executive of the Company and of their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(a) The Company

Name of Director	Personal interests	Family interests	Corporate interests	Total interests
	Number of ordinary shares held			
Mr. Liu Lit Man, <i>Chairman</i>	4,991,200	–	171,600,000 <i>(Note 1)</i>	176,591,200
Mr. Liu Lit Mo, <i>Managing Director</i>	11,518,000	–	171,600,000 <i>(Note 1)</i>	183,118,000
Mr. Liu Lit Chi	141,668	–	216,864,222 <i>(Notes 1 and 2)</i>	217,005,890
Mr. Peter Alan Lee Vine	24,000	–	–	24,000
Mr. Peter Ng Ping Kin	36,000	–	–	36,000
Mr. Liu Lit To	2,500,800	1,554,800	171,600,000 <i>(Note 1)</i>	175,655,600
Mr. Liu Lit Chung	–	5,417,352	171,600,000 <i>(Note 1)</i>	177,017,352
Mr. Andrew Liu	600,000	600,000	–	1,200,000
Mr. Christopher Liu Kwun Shing <i>(Alternate Director to Mr. Liu Lit Chung)</i>	16,000	–	–	16,000

Notes:

1. 171,600,000 shares in the Company are beneficially held by Liu's Holdings Limited, of which Messrs. Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Liu Lit To and Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated for each of these directors.

2. Alba Holdings Limited, of which Mr. Liu Lit Chi and his associates are shareholders, beneficially holds 45,264,222 shares in the Company, and thus is included in the corporate interests of Mr. Liu Lit Chi.

(b) Associates**Liu Chong Hing Bank Limited**

Name of Director	Personal interests	Family interests	Corporate interests	Total interests
	Number of ordinary shares held			
Mr. Liu Lit Man, <i>Chairman and Managing Director</i>	3,447,928	–	236,233,628 <i>(Note 1)</i>	239,681,556
Mr. Liu Lit Mo, <i>Vice Chairman</i>	1,009,650	–	236,233,628 <i>(Note 1)</i>	237,243,278
Mr. Liu Lit Chi	313,248	–	238,496,839 <i>(Notes 1 and 2)</i>	238,810,087
Mr. Peter Alan Lee Vine	1,200	–	–	1,200
Mr. Liu Lit To	730,540	82,740	236,233,628 <i>(Note 1)</i>	237,046,908
Mr. Liu Lit Chung	173,000	451,367	236,233,628 <i>(Note 1)</i>	236,857,995
Mr. Andrew Liu	60,000	–	–	60,000
Mr. Christopher Liu Kwun Shing <i>(Alternate Director to Mr. Liu Lit Chung)</i>	20,000	–	–	20,000

Notes:

1. The corporate interests in 236,233,628 shares are attributed as follows:
 - (i) 196,233,628 shares held by the Company's wholly-owned subsidiary, Liu Chong Hing Estate Company, Limited ("Liu Chong Hing Estate"), in which each of Messrs. Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Liu Lit To and Liu Lit Chung is deemed under the SDI Ordinance to be interested through Liu's Holdings Limited, a private company holding approximately 45% of the Company's issued and fully-paid share capital; and
 - (ii) 40,000,000 shares held by The Bank of Tokyo-Mitsubishi, Limited ("Bank of Tokyo-Mitsubishi"). Pursuant to an agreement in 1994, Bank of Tokyo-Mitsubishi has granted an option to Liu Chong Hing Estate exercisable at any time during the term of that agreement to purchase all such shares and Bank of Tokyo-Mitsubishi is required to offer to sell all such shares to Liu Chong Hing Estate in certain circumstances. By virtue of the interests of Messrs. Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Liu Lit To and Liu Lit Chung in Liu Chong Hing Estate through Liu's Holdings Limited, each of them is deemed under the SDI Ordinance to be interested in such shares.
2. 2,263,211 shares are held by Alba Holdings Limited, shareholders of which include Mr. Liu Lit Chi and his associates. Accordingly, Mr. Liu Lit Chi is deemed under the SDI Ordinance to be interested in such shares.

Connected Party Transactions

The connected party transactions between the Group and the Liu Chong Hing Bank Group during the year are described as follows:

- A. The Bank handled routine banking transactions for the Group. Services provided by the Bank are cheque clearing, current, savings and deposit accounts, remittances, and other banking facilities.
- B. Members of the Bank Group provided securities and futures brokerage, nominee and data processing services to members of the Group.
- C. The Company leased the 5th floor and a portion of the 14th floor of the Liu Chong Hing Bank Building from the Bank. On the other hand, the Bank and its subsidiaries leased several floors of Western Harbour Centre from the Company.
- D. The Company through its wholly-owned subsidiary, Liu Chong Hing Insurance Company Limited, provided insurance agency and underwriting services to members of the Group. In addition, the Company's another wholly-owned subsidiary, Liu Chong Hing Property Management and Agency Limited, has provided property management, property consultant and property maintenance services to the Bank Group.

Messrs. Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Peter Alan Lee Vine, Peter Ng Ping Kin, Liu Lit To, Liu Lit Chung and Andrew Liu are interested, directly or indirectly, in the respective share capitals of the Company and/or the Bank.

In the opinion of the Directors who do not have any interest, whether directly or indirectly, in the above transactions, the transactions were conducted in the ordinary course of business of the Group on normal commercial terms.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business, to which the Company or any of the Company's subsidiaries was a party and in which a Director of the Company had, whether directly or indirectly, a material interest, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or any of the Company's subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation (other than statutory compensation).

Substantial Shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that at 31st December, 2000, the Company had not been notified of interest, being ten per cent or more of the issued share capital of the Company, save and except as disclosed under Directors' interests in share capital of the Company and its associated corporations.

Group Borrowings and Interest Capitalised

Details of bank loans, overdrafts and other borrowings repayable within five years are set out in Note 22 to the financial statements.

Interest capitalised to properties under development during the year amounted to HK\$171,622,000 (1999: HK\$119,754,000).

Audit Committee

The members of the Audit Committee are shown on page 24. The principal duties of the Audit Committee are reviewing the internal controls and the financial reporting requirements of the Group. The Committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

Code of Best Practice

The Company has complied throughout the year ended 31st December, 2000 with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with which it is required to report compliance.

Auditors

The financial statements for the year have been audited by Deloitte Touche Tohmatsu who have expressed their willingness to continue in office. Accordingly, a resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Liu Lit Mo

Managing Director

Hong Kong, 15th March, 2001