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I have the pleasure in presenting to the shareholders the operating results for the year 2001.

Business Results

For the financial year ended 31st December 2001, audited net profit for the year amounted to HK\$188,106,000 (earnings per share: HK\$0.50) representing a 49.2% decrease. Due to external factors, Hong Kong is now experiencing a period of economic adjustment. Consumer and investment sentiments are low, resulting a remarkable shrinkage in overall profit from last fiscal year.

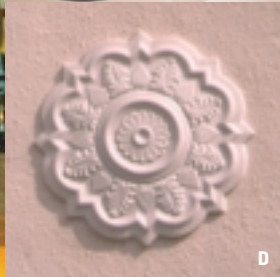
Dividend

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Business Review

Last year the US economy was still sluggish even after frequent interest reductions in the first half. The 911 series of terrorist attack brought further calamity to the country and thus recession sustained. While the European and Japanese economic scene were also stagnant, it hard hit the Hong Kong economy which would depend largely on foreign trades and financial services. In 2001, transit and export trades reduced by 4.6% and 5.8% respectively as compared to a year earlier. Although total number of visitor arrivals grew by 5.1%, this sector alone could hardly build up sufficient momentum to contribute in the doldrums. With increasing unemployment, consumer spending was inevitably





diminishing. The situation worsened when local restaurant and retail business continued to wither, causing further drop in rental income of commercial properties. Pertaining to the property development front, a few new projects wrapped up with attractive package as well as fringe benefits offered by developers, seemed to have great demand from buyers, the average selling price was actually lower than before. On the other hand, secondary market was relatively quiet under pressure of the new developments. The local stock market however, turned unsteady and the year-end Hang Seng Index lost almost 24.5% over the previous year with low turnover. In a move to curb the huge deficit in current financial year, the Government of the Hong Kong Special Administrative Region would adopt a conservation policy with acute reduction in public expenditures. In summarizing last year's economic performance, one could only say that it had been a very disappointing year!



Le Palais – the Group's prestigious residential project in Guangzhou
 A. Furnished showflat;
 B. Luxurious clubhouse entrance;
 C. Beauty salon in clubhouse;
 D. Architectural symbol;
 E. Showflat for penthouse duplex;
 F. Le Palais's night view.

B

F

E

Banking

The consolidated net profit of Liu Chong Hing Bank Limited and its subsidiaries for 2001, after taking provisions for bad and doubtful loans and deducting taxes, amounted to HK\$346,000,000, a decrease of 24.25% over the previous year. Total customers' deposits and certificates of deposit amounted to HK\$32,686,000,000, up 4.99%. Total loans to customers (after provisions for bad and doubtful debts) dropped 1.94% to HK\$18,500,000,000. Total assets stood at HK\$39,463,000,000, an increase of 1.21%. Total shareholders' funds (before final dividend) amounted to HK\$5,796,000,000, an increase of 1.19%.

In the second half of last year, the Bank had restructured its management organisation in order to keep pace with changes in the market. Existing staffs had been given thorough training to upgrade their skills and ample opportunities had been granted for appropriate promotions. In a reinforcement exercise, several banking experts had been recruited to strengthen the Bank's management team.

Property

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

1. Property for lease

*Chong Hing Square, 593 - 601
Nathan Road, Mongkok,
Kowloon.*

Chong Hing Square is a 19-storey retail and entertainment building with 2 basement levels totalling 183,728 sq.ft. in lettable area. Completed in March 1994, it is situated in the heart of Mongkok. As both restaurant and retail business were unsteady in the year 2001, occupancy dropped slightly from 99% to 93%. As basic rental rate had an upward adjustment, total annual rental income increased by 9.15% over the previous year.



2. Property for lease

Western Harbour Centre, 181 - 183 Connaught Road West, Hong Kong.

This is a 28-storey grade one office building with full sea-view. It was completed at the end of 1995 with total lettable area of 140,116 sq.ft. It is located adjacent to the entrance/exit of the Western Harbour Tunnel which links directly to the West Kowloon Expressway to New Territories and the airport, in an area with substantial commercial potentials. Occupancy rate decreased from previous year's 99% to

98% with rental income fell by 3%.

3. Property for lease

Chong Yip Shopping Centre, 402 - 404 Des Voeux Road West, Hong Kong.

This shopping centre, with a lettable area of 41,467 sq. ft., is located in the most densely populated area of the Western District. In view of sustained weak consumer sentiment, small retailers had to struggle for their living as deflation was still persistent. However, the occupancy rate increased from 73% to 83%, while total rental income grew by 1%.



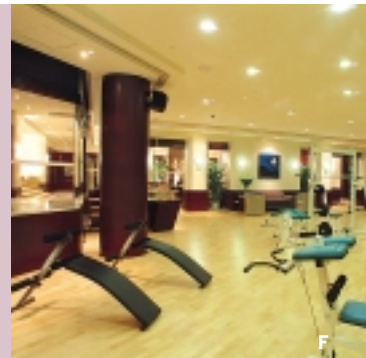
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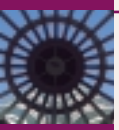
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Le Palais – the Group's prestigious residential project in Guangzhou

- A. High ceiling dining room;
- B. Hotel style main entrance;
- C. Lift lobby;
- D & E. External view;
- F. Well-equipped gym room;
- G. Spacious café lounge.



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. It is situated in a scenic area near the beaches. The Group owns 5 units of this development and all of them have been let.

5. Property under development

Double Haven, 52 Ma Lok Path, Kau To Shan, Shatin, New Territories.

Located in the mid-level luxury residential area of Shatin, Double Haven 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 178,000 sq. ft., this development will provide luxury clubhouse facilities, swimming pool, and beautiful landscapes. Construction will be completed in April this 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 stories, with a total of 2,214 units and a total gross floor area of 2,446,000 sq. ft. In addition, there are residents' clubhouse, swimming pool, tennis court, government centres, senior citizen centre, kindergarten, public park, and a 215,000 sq. ft.

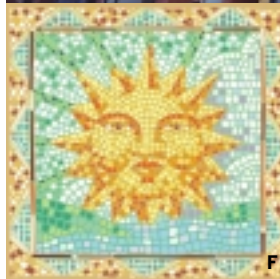


shopping mall. On completion the development will have a 3,000,000 sq. ft. gross floor area. Launched in mid-1999, sales of Phase One has been led by Shun Tak Holdings Limited and coordinated by Sun Hung Kai Properties Limited with excellent response. The record shows 541 units, approximately 80%, have been sold at the Phase One. At present, 597 units, approximately 53%, have been sold at Phase Two since in the mid-year. The Group owns 10% of this project.

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' Municipal Government of Huang Po District, Shanghai.



Double Haven – residential project in Kau To Shan, Shatin
 A & B. Pleasant view of property's environment;
 C, D & E. Mediterranean-style houses and architectural features;
 F. Project logo.



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 47-storey residential building with 844 luxury units, together with residents clubhouse, swimming pool, shopping arcade and car parks at a total gross floor area of 1,500,000 sq. ft. Estimated at a total investment cost of Renminbi 800 million the superstructure has been completed and decorated. It will be one of the highest residential buildings in Guangzhou. The presale has been launched since the end of last year.

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. Due to depressed market situation in last year, both turnover and net profit have reduced by 9% and 13% respectively.

Prospects

In light of the worldwide economic recession in 2001, most multinational corporations announced unfavourable business results reflecting considerable reduction in profitability. Operational down size, employees lay off and salary cut were the common language of most employers. It was at last a piece of



good news that The US Federal Reserve Bureau has finally decided by the end of January this year to hold the current interest rate after some 11 reductions within one year. The decision hinted that low interest period would be drawing close to the end and economy had bottomed out. With revival around the corner in the US, this economic locomotive would be the starter to bring recovery to the world.

Hong Kong economy after experiencing various difficulties, is expected to be stabilized by the second half of the year. With China entering World Trade Organization and Beijing to hold the Olympic Games in 2008, Hong Kong shall be able to restore its liveliness through the conceptual umbrella. Factories shall receive new procurement orders and business will turn around for the better. Unemployment is expected to be off from the peak and gradually back to norm in a few months' time.

The Group shall make good use of this slow growing period to consolidate all existing projects on hand, in the hope to achieve better returns for our shareholders

in coming years.

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

Liu Lit Man
Chairman

Hong Kong, 14th March 2002



B



C



D



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F

- Group's major properties**
- A. Liu Chong Hing Financial Centre, Huang Pu District, Shanghai;
 - B. Chong Yip Shopping Centre;
 - C. Western Harbour Centre;
 - D. Fairview Court;
 - E. The Belcher's;
 - F. Chong Hing Square.