

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 2001.

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 16 and Note 17 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 2001 and the state of the Company's and

the Group's affairs at that date are set out on pages 41 to 81 of this annual report.

Dividends

An interim cash dividend of HK\$0.10 per share was paid to shareholders on 19th September 2001. The Directors now recommend a final cash dividend of HK\$0.10 per share making a total cash dividend of HK\$0.20 per share for the year.

Commentary on Annual Results

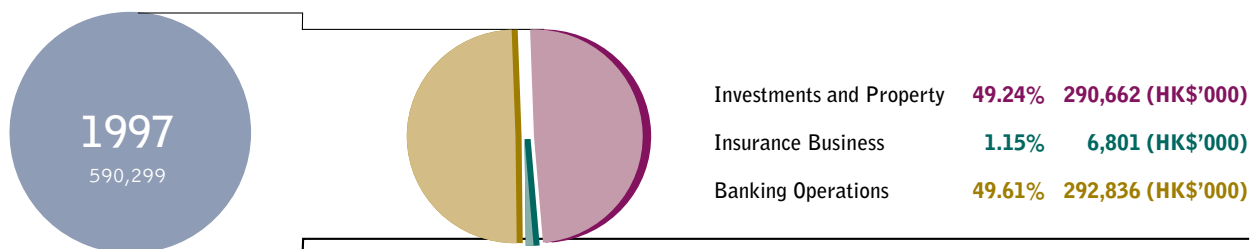
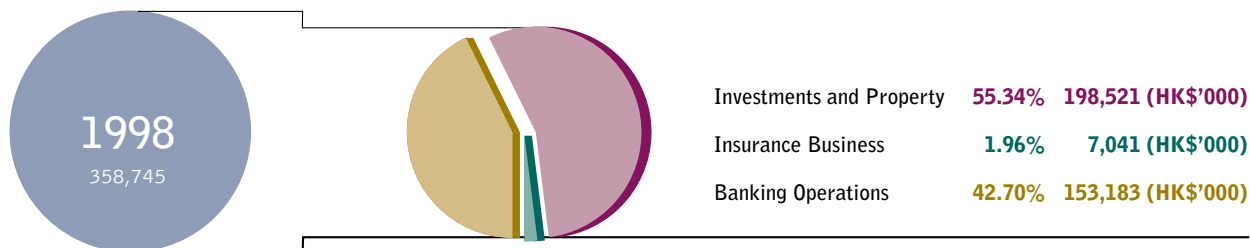
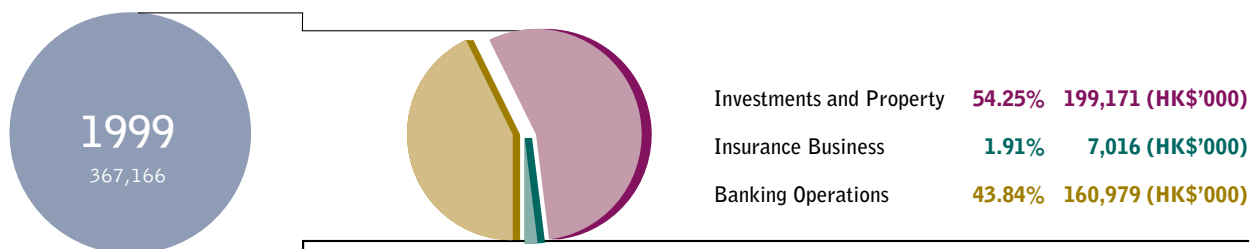
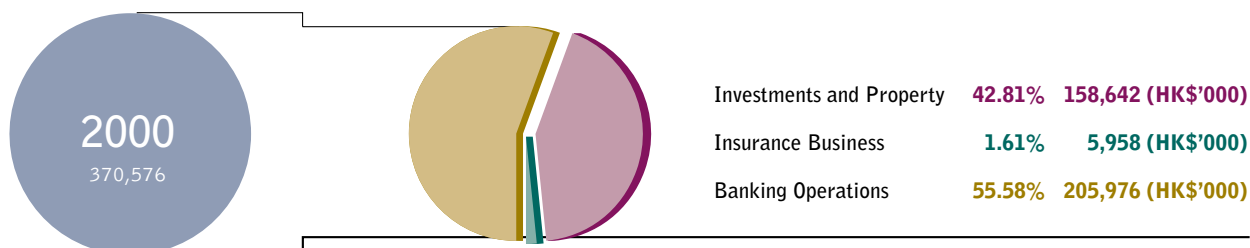
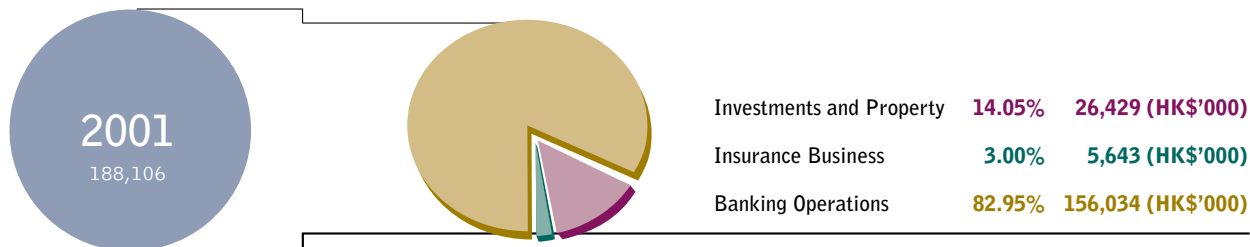
The directors announce that the consolidated net profit for the year of 2001 is HK\$188,106,000 representing a decrease of 49.2% over the previous year.

Set out below is a diagrammatic illustration of the relative weight of the Group's main business activities and the net profit over the past five years.

Year	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit for the year	590,299	358,745	367,166	370,576	188,106

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.

(Amount expressed in HK\$'000)



Banking Operation

For the year 2001, the Group's banking associate, Liu Chong Hing Bank Limited (the "Bank") reported a profit after taxation of HK\$345,887,000, representing a 24% decrease over the previous year.

The decrease in profit reflected Hong Kong's declining economy over the course of 2001. Persistent deflation, poor consumer sentiment, and lower business investment activities all added up to a grim economic picture. On top of all this, lower profit margins resulting from increasing competition and falling interest rates put further pressure on the Bank's profitability.

Looking ahead, 2002 looks like it will be another

challenging year with China in WTO and a U.S. recovery on the way, this should boost sentiment and pave way for a more active business environment. However, the ever increasing competition within the banking industry remains and this will inevitably put a lid on profit margins. We expect the Bank to continue to perform consistently over the next year.

Property Investment and Development

Investment Properties

The year 2001 has been a relatively quiet year for Hong Kong's property market. Both prices and rentals have succumbed to the forces of deflation. Despite this market environment, the Group has managed to maintain a high occupancy rate in its investment properties during the year. Overall rental revenue increased by 2.3% for the year 2001.

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 93% let, rental revenue has increased by 9%.

For our Chong Yip Shopping Centre located in Western District, Hong Kong, rental revenue increased by 1%. This is arguably the best located shopping centre in Western District, with 41,000 sq.ft. of retail and recreational area. The property in year 2001 was 83% let, we expect its occupancy rate can be gradually improved.

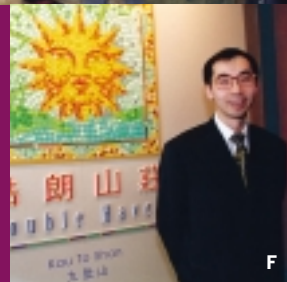




Western Harbour Centre, an office building at No. 181, Connaught Road West, is conveniently located close to the entrance/exit of the Western Harbour Tunnel. This 28-storey building offers 140,000 sq.ft. of office space with stunning harbour view. It has been 98% let, and its rental revenue has decreased by 3% 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 and it has been fully let at present.

Liu Chong Hing Bank Building, which the Group has a 45.11% interest, has been 70% 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. This building is scheduled to be re-developed, the demolition works will be commenced in the winter of 2002.



A. Liu Chong Hing Bank Building;
 B, C & D. Le Palais sales campaign and activities;
 E & F. Double Haven press conference;

B

E

C

F

D

Development Properties

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 now completed which provides 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 over a hundred units have been sold so far.

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. The Group owns 10% of this development.

The Group's redevelopment project, Double Haven in Kau To Shan, Shatin, consists of 14 single and 18 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 hold part of this development for long term rental purpose.

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 2004. The property will provide 476,800 sq.ft. of commercial and office space in a prime business location.

Insurance Business

The Group's insurance business reported a 13% decrease 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 2001 amounted to HK\$6,091 million, representing an increase of HK\$21 million when compared with last year. The increase in shareholders' funds was due to the increase of net profit for the year of HK\$188 million and after deducting revaluation deficits of HK\$50 million and dividend payment of HK\$117 million made during the year.

Finance and Treasury Operations

As at 31st December 2001, the Group's consolidated net debts being bank borrowings less cash and bank deposits, amounted to HK\$2,463.30 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 40% 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 projects namely, Le Palais, The Belcher's and Double Haven.

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 2001, less than one-fifth of total bank borrowings was 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

The Group will continue to act prudently in the year ahead and to look for new and profitable opportunities.

Major Customers and Suppliers

During the year, 64% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 34% 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.

Property, Plant and Equipment and Investment Property

Movements in property, plant and equipment and investment property during the year are set out in Notes 13 and 14 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 25 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

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 10th June 1994 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 9th June 2004. Under the Scheme, the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 5% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$10 per option. Options may be exercised at any time from the date of grant of the share option to the 5th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's shares on the date of grant, or 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

No options have been granted under the above-mentioned scheme since the Scheme was adopted.

Subsidiaries and Associates

Particulars relating to the subsidiaries and associates are set out in Notes 16 and 17 to the financial statements respectively.

Reserves

Movements in reserves during the year are set out in Note 26 to the financial statements.

Directors

The Directors of the Company during the year are shown on page 28 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.

Mr. Liu Lit Chung, Peter Ng Ping Kin, Leo Lee Tung Hai and Cheng Mo Chi, Moses 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 2001, the beneficial interests of the Directors and Chief Executives 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 Chung	–	–	171,600,000 <i>(Note 1)</i>	171,600,000
Mr. Andrew Liu	600,000	–	–	600,000
Mr. Winston Liu Kam Fai	244,607	–	–	244,607

Notes:

- 171,600,000 shares in the Company are beneficially held by Liu's Holdings Limited, of which Mr. Liu Lit Man, Liu Lit Mo, Liu Lit Chi and Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated for each of these directors.
- 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 Chung	173,000	–	236,233,628 <i>(Note 1)</i>	236,406,628
Mr. Andrew Liu	60,000	–	–	60,000

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 Mr. Liu Lit Man, Liu Lit Mo, Liu Lit Chi 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 Mr. Liu Lit Man, Liu Lit Mo, Liu Lit Chi 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. 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.
- 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. 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.
- 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. 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).

Mr. Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Peter Alan Lee Vine, Peter Ng Ping Kin, Liu Lit Chung, Andrew Liu and Winston Liu Kam Fai 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

Substantial Shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that at 31st December 2001, 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 23 to the financial statements.

Interest capitalised to properties under development during the year amounted to HK\$153,698,000 (2000: HK\$171,622,000).

Audit Committee

The members of the Audit Committee are shown on page 28. 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 2001 with 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.

Auditors

The financial statements for the year have been audited by Messrs. 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, 14th March 2002