

CHAIRMAN'S STATEMENT



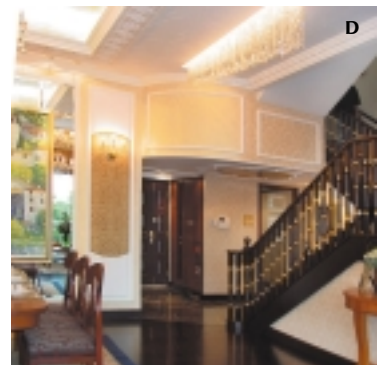
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THE BOARD OF DIRECTORS HAS PROPOSED TO RECOMMEND AT THE FORTHCOMING ANNUAL GENERAL MEETING TO BE HELD ON 23RD APRIL, 2003 THE PAYMENT OF FINAL CASH DIVIDEND OF HK\$0.06 PER SHARE. TOGETHER WITH THE INTERIM CASH DIVIDEND OF HK\$0.10 PER SHARE PAID ON 18TH SEPTEMBER, 2002, THE TOTAL DIVIDEND FOR THE YEAR OF 2002 AMOUNTS TO HK\$0.16 PER SHARE.

I have the pleasure in presenting to the shareholders the operating results for the year 2002.

BUSINESS RESULTS

For the financial year ended 31st December, 2002, audited net profit attributable to shareholders amounted to HK\$80,362,000 (earnings per share: HK\$0.21), representing a 57.3% decrease. One of the main reasons was due to weak economy prevailing in Hong Kong, coupled with economic and political uncertainties around the world. Both investment sentiments and consumer spending continued to shrink, further affecting the withering property market.

DIVIDEND

The Board of Directors has proposed to recommend at the forthcoming Annual General Meeting to be held on 23rd April, 2003 the payment of final cash dividend of HK\$0.06 per share. Together with the interim cash dividend of HK\$0.10 per share paid on 18th September, 2002, the total cash dividend for the year of 2002 amounts to HK\$0.16 per share.

BUSINESS REVIEW

BANKING

The Hong Kong economy remained stagnant in last year as influenced by both worldwide economic recession and the anti-terrorism war. While our deflationary scene was still serious, statistics for bankruptcy and unemployment continued to climb. Thanks to the weakening United States dollars, the export trades in the fourth quarter of the year 2002 saw a mild revival, resulting a turnaround of the local economy. Total gross domestic product

recorded a heartened increase of 2.3%. On the other hand, total number of visitor arrivals grew vigorously due to the slackened policy adopted by immigration authority in China permitting large number of nationals travelling abroad. The occasional influx of tourists through several long vacations could only help to maintain shortlived business rendezvous but not the general consumer market. On the stock-market front, slow trading phenomenon prevailed due to lack of investment sentiments. This was inevitably given unfavourable market conditions all over the world. The local property market however, experienced ideal sales demand for both luxurious estates of \$10 million up and those economical units of under \$1.5 million. For the in-between or more notably the medium-range properties, demand had been weak with average price gradually dropping. Although the Government introduced some nine measures late last year intending to stimulate the market, it evidently confined to help revitalizing the first hand new developments. The re-sale activities in secondary market, however, remained flagging. Pertaining to the banking industry in last year, no sign of breakthrough could be seen with ever fierce competitions. Loan demand continued to diminish and interest spread narrowing. The surging bad debts added further impact to the Bank's results.

The consolidated net profit of Liu Chong Hing Bank Limited and its subsidiaries for 2002, after taking provisions for bad and doubtful loans and deducting taxes, amounted to HK\$309,494,000, a decrease of 10.52% over the previous year. Total customers' deposits and certificates of deposit amounted to HK\$32,492,000,000, slightly down 0.59%. Total



Double Haven
A. Deluxe living room
B. External view of single house
C. Dinning room
D. Inner view of single house

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loans to customers (after provisions for bad and doubtful debts) was HK\$19,155,000,000, up 3.54%. Total assets stood at HK\$39,189,000,000, a marginal decrease of 0.69%. Total shareholders' funds (before final dividend) amounted to HK\$5,726,000,000, an increase of 1.06%.

The Bank had completed its management organization restructure last year through unceasing improvements. In a reinforcement exercise, several banking experts had been recruited to strengthen the Bank's management team in order to render a more competitive position.

PROPERTY

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

PROPERTY FOR LEASE

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

Chong Hing Square is a 20-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. Although both restaurant and retail business operations were still difficult in the year 2002, occupancy increased slightly from 97% to 99%.

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 had been maintained at 90%.

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 still persistent. The occupancy rate was increased from 78% to 86% after renovation and improvement work.

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 are fully let.

PROPERTY INVESTMENT AND FOR SALE

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., contains 14 single and 18 semi-detached houses, each with 2 underground car parks. With a total gross floor area of 178,000 sq. ft., this development provides luxury clubhouse facilities, swimming pool, and beautiful landscapes.



Construction has been completed in April 2002. Sales commenced in the later part of last year and so far, 25 houses have been sold, cashing in \$383,600,000.

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 centres, senior

citizen centre, kindergarten, public park, and a 215,200 sq. ft. shopping mall. On completion the development will have over 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 Sun Hung Kai Properties Limited with excellent response. Record shows 609 units have been sold for Phase One, representing 89%. Completed in April 2002, 693 units in Phase Two have been sold upto present, equivalent to 62%. As of the end of December last year, the Joint Venture yielded a total sales proceeds of \$9,238,800,000. The Group owns 10% of this project.



Double Haven
 A. Furnished bed room
 B. External view
 C. Luxurious SPA
 D. Swimming pool



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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 piling work has been completed and construction of the superstructure has scheduled to commence. 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. At a total investment cost of Renminbi 800 million, it is one of the highest

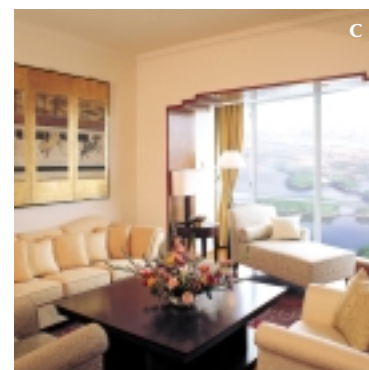
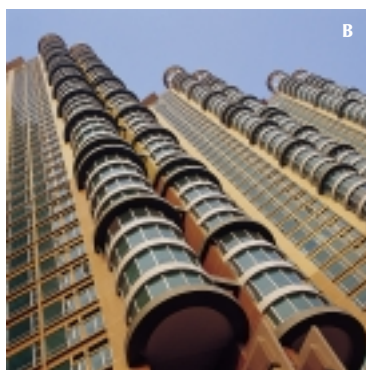
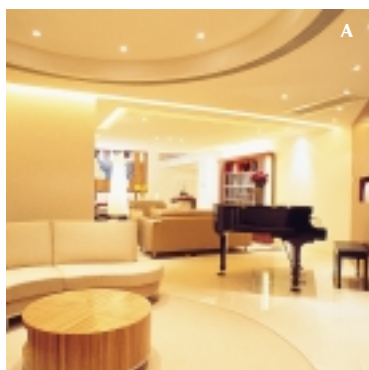
residential buildings in Guangzhou. The superstructure has been completed and decorated. Sales campaign has been launched and as at 31st December, 2002, 198 units have been sold fetching \$183,000,000 cash proceeds and 39 units has been let.

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 sustained business failures and high unemployment rate throughout the whole of last year, turnover has reduced by 8.8%.

PROPERTY MANAGEMENT

Established in 1976, Liu Chong Hing Property Management and Agency Limited, our wholly owned subsidiary, was responsible for managing commercial/industrial and residential properties





- Le Palais
 A. Duplex penthouse
 B. External view
 C. Furnished living room
 D. High ceiling dining room

developed by our Group. In recent years, it began to provide property management services to other properties as well with remarkable results. Through a recent application process for ISO 9001: 2000 quality management certificate, the Company was awarded the honour within six months by one single attempt. This should prove that the Company's property management quality would be in full compliance with international standard.

REDEVELOPMENT OF BANK HEAD OFFICE BUILDING

Situated in Central District for over 40 years, the Liu Chong Hing Bank Building is scheduled to be demolished for redevelopment in mid this year. The new building shall contain 27 storeys with gross floor area of some 110,000 sq. ft. Redevelopment cost is estimated at \$200 million and takes about three years to complete. When ready in mid 2006, the new building shall remain housing Liu Chong Hing Bank as its Head Office.

PROSPECTS

In the wake of the possible military confrontation in the Middle East, world economy has almost been held standstill. Hong Kong's superiority in economic development has placed the city among Asia's four little dragons. Nevertheless, it is gradually losing its lustre when merchants in the Mainland begin to deal directly with foreign enterprises. Though the Government has been unceasingly promoting the economic transformation, Hong Kong has yet succeeded in nurturing a pillar industry. As such, investment appetite fades out causing outflow of capital. In response to prevailing economic globalization model, Hong Kong perhaps finds a



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better way out by merging with the Pearl River Delta. With the formation of a much larger economy, comprising Guangdong, Hong Kong and Macau, we should aim at the leading role as pivot by capitalizing on the better geographical attributes, laissez-faire monetary policies, widely-developed international business network as well as abundant strengths in shipping and communications facilities. In addition, Pearl River Delta cities renowned for manufacturing capacities and ample supplies of basic materials, coupled with Macau's existing tourist and entertainment amenities, would make the tripartite alliance a winning proposition. The three places should work well together since their merits are complementary without unnecessary competition on each other. The proposed alliance shall create new business opportunities to Hong Kong and neighbouring areas in order for Hong

Kong to stand a chance of maintaining its leading role in the region.

The fiscal deficit issue in Hong Kong is becoming a serious problem. Financial officials of the Government have been striving to lay down appropriate objectives in the implementation of cost-cutting measures in reducing public expenditure and streamlining government structure. It is expected that the fiscal budget shall be balanced in a few years' time and our currency shall be kept stable. In light of this critical moment, the Government should exert best efforts to curb expenses while the general public should be more cooperative with one mind to hope for a gradually improving economic environment.

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, 13th March, 2003

Group's major properties

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

