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I am pleased to report to the shareholders the operating results of the Group for the year 2003.

BUSINESS RESULTS

For the accounting year ended 31st December, 2003, the audited profits attributable to shareholders amounted to HK\$103,780,000, equivalent to an earnings per share of HK\$0.27, representing an impressive rise of 33.7% over the previous year. Following six years of volatile and dramatic changes, the economy began to recover in the second half of 2003, prompted by such favorable factors as global economic recovery, measures designed by the central government to revitalise the local economy and huge amount of capital inflows.

DIVIDEND

The Board of Directors has proposed to recommend at the forthcoming Annual General Meeting to be held on 28th April, 2004, the payment of final cash dividend of HK\$0.10 per share. Together with the interim cash dividend of HK\$0.06 per share paid on 18th September, 2003, the total cash dividend for the year of 2003 amounts to HK\$0.16 per share.

BUSINESS REVIEW

BANKING

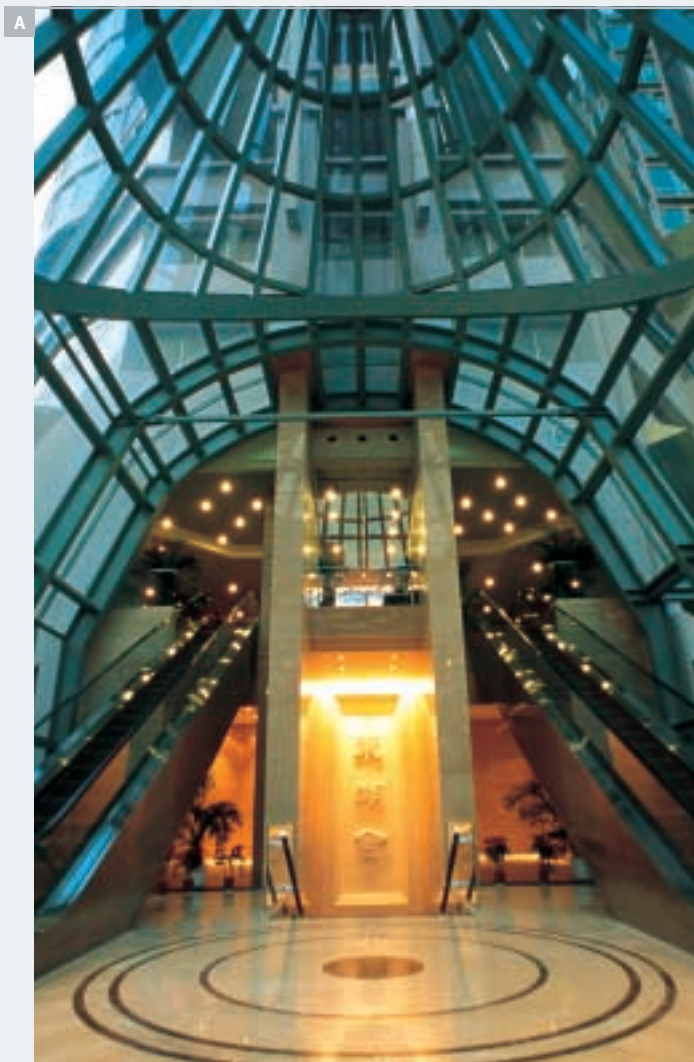
2003 was a roller coaster year for the Hong Kong economy. The economy began in the first quarter to rise from the rock bottom a year ago when the bubble

for technology stocks burst. Unfortunately, the recovery did not last for long. The war in Iraq launched by the United States of America, coupled with the outbreak of the previously unknown disease called Severe Acute Respiratory Syndrome in the community causing a rising death toll, resulted in a drastic economic slump. Business activities almost came to a halt. Tourism, hotel, catering and entertainment industries took the hardest hit, with business volume shrinking by more than half. The spillover effect was also felt by other sectors. It is inevitable that the banking industry also suffered, dampening the already declining loan demand. The rising unemployment rate and the sky rocketing individual bankruptcy cases also led to significant surges in loan defaults and bad debt losses. Things changed in the mid year when the World Health Organization lifted the travel warning to Hong Kong in light of the relentless efforts committed by the medical practitioners and the whole community that successfully eliminated the epidemic. Much to the benefit of Hong Kong, the central government sealed the Closer Economic Partnership Arrangement with Hong Kong and permitted the "individual visit" of mainlanders to Hong Kong in the second half of the year, restoring the local businesses to normal. The economy quickened its pace of recovery in August and September as the capital influx pushed up the stock market both in terms of prices and trading volumes, which in turn revitalized capital raising activities and lead to a surge of investment



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A. Le Palais deluxe dining room



appetite among the general public. On the other hand, the Government of Hong Kong Special Administrative Region introduced the Capital Investment Entrant Scheme for the purpose of attracting foreign capital to the bond market and property market. This, coupled with the effective promotional activities embarked by property developers, effectively released the pent up demand and in consequence, property prices surged 20% from its low in the following three months and a few luxurious properties were even transacted at more than HK\$10,000 per sq.ft., approximating the peak level in 1997. The buying spree underpinned the rising transaction volume of the primary and secondary property market and also benefited the banking industry through the increase in mortgage loans. In addition to the above, the Group's banking operation saw a significant improvement in treasury and finance business and recorded higher non-interest incomes. As a result, the drop of income experienced in the first half year was more than compensated, contributing to a moderate improvement in operating results for the whole year.

The consolidated net profit of Liu Chong Hing Bank Limited and its subsidiaries for the year, after taking provisions for bad and doubtful loans and deducting tax, amounted to HK\$311,475,000, a slight increase of 0.02% over the previous year. The total customers' deposits amounted to HK\$32,592,000,000, representing a slight increase of 0.31%. Total loans to customers after provisions for bad and doubtful debts and together with interests receivables and accrued interests amounted to HK\$19,736,000,000, rising 3.03%. Total assets stood at HK\$39,941,000,000, an increase of 1.92%. Consolidated shareholders' equity amounted to HK\$5,944,000,000, up 2.52%. Given the uncertainty in Hong Kong's economy in recent years, the Bank persevered in the strategy of development with prudence and managed to reform its operation and management structure. It is believed that once the economic situation



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improves, the Bank can take advantage of the strategy to pursue business expansion in order to gain better operating results in the future.

PROPERTY

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

PROPERTY FOR LEASE

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

Situated in the heart of Mongkok, this new style commercial building has 20 storeys with two basement levels, providing a total of 183,728 sq. ft. of lettable area. It was first delivered for occupation in March of 1994 and has maintained a high occupancy rate. Though both the catering and retail sectors experienced serious set-backs in last year, the building could still maintain a 96% occupancy rate.

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

This 28-storey grade one office building with full sea-view was completed at the end of 1995 with total lettable area of 140,116 sq. ft.. As 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 with transportation convenience and business potential, its occupancy rate had reached a sharp increase to 96% by the end of 2003, when comparing with 90% occupancy in previous year.



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

This shopping centre is located in the most densely populated area of the Western District with a lettable area of 41,467 sq.ft.. The shopping centre remerged with a brand new image after the completion of decoration and improvement work. It was 88% let last year, slightly higher than the 86% of the preceding year.

Fairview Court, 94 Repulse Bay Road, Hong Kong

This 3-storey luxury apartment building with a site of area of 30,000 sq.ft. comprises 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 five apartments of this development and four of them have been let.

Le Palais

- A. Entrance of clubhouse
- B. Cafe in clubhouse
- C. Night scene of Dong Hu in Guangzhou
- D. Furnished master bedroom



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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 occupies a site area of 141,700 sq. ft. and comprises of 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 was completed in 2002 and sales commenced later in the year. All houses have been sold out, cashing in HK\$502,000,000.

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 redevelopment 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 668 units have been sold for Phase One, representing approximately 98%. Phase two completed in April 2002 and 944 units or approximately



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84% have been sold. At the end of December last year, the joint venture yielded a total sales proceeds of approximately HK\$11,120,000,000 in cash. The Group owns 10% of this project.

REDEVELOPMENT OF BANK HEAD OFFICE BUILDING

The demolition and land leveling of the project of the Liu Chong Hing Bank Building situated at 24 Des Voeux Road Central, Central District, has been completed and piling construction will begin soon. With a site area of approximately 8,000 sq. ft., the site will be redeveloped into a 28-storey commercial building with redevelopment cost of over HK\$200,000,000. The construction of the building with a gross floor area of 110,000 sq.ft. is expected to be completed in 2006.

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 over 750,000 sq.ft. will be built at a total investment of RMB1,000,000,000. The piling work has been completed and construction of basement has commenced. 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 People’s 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., this development comprises 4 blocks of 45-47-storey residential building with 844 luxury units, together with residents clubhouse, swimming pool, commercial arcade and car parks at a total gross floor area of 1,571,500 sq.ft.. At a total investment cost of RMB800,000,000, it is one of the most palatial residential buildings in Guangzhou. The project has been completed and decorated. The result



Shanghai Liu Chong Hing Financial Centre
 A. Prospective view
 B. Construction site status
 The Belchers’
 C. Entrance of shopping arcade
 D. Inner view of shopping arcade



of sales campaign was excellent. Up to the end of 2003, 279 units have been sold out, cashing in HK\$250,000,000. In addition, 73 units were leased out, generating total rental income of RMB6,600,000 per year for the Group.

INSURANCE

The Group's wholly owned subsidiary, Liu Chong Hing Insurance Company has been in the business for over 40 years and always keep a prudent rote in its operations. It underwrites insurance policies on 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 the slight improvement in operating environment last year, its business transaction volume increased 16.1% to HK\$33,640,000.

PROPERTY MANAGEMENT

Established in 1976, Liu Chong Hing Property Management and Agency Limited, our wholly owned subsidiary, was mainly responsible for property management of the commercial, industrial and residential properties developed by the Group. In recent years, it began to provide property management services for other properties not owned by the Group as well with remarkable results. The company has gained ISO 9001:2000 quality management system certification, attesting that its property management has reached an internationally recognized high standard.

PROSPECTS

As the global economy tended to stabilize at the end of last year, activities in the European and U.S. markets gradually began to pick up and the economic recovery in Asia gathered pace particularly in Thailand, Korea and Japan. The PRC has been able to keep its fast

growing track which helped to bring Hong Kong out of years of economic recession.

For the past few months, remarkable turnaround was achieved across a wide array of industries including tourism, hotel, catering and retail sectors. In the financial market, liquidity has been on the rise and a long queue of large enterprises from the mainland applying to be listed in Hong Kong adds fuel to the investment and consumption bustle of the general public. Efforts made by the Hong Kong Government have attracted capital inflow and industrial investments through the Capital Investment Entrant Scheme and the Closer Economic Partnership Arrangement signed with the central government. The alliance to be formed between the Governments of Guangdong, Hong Kong and Macau is expected to bring in a lot of long term opportunities. Should the Government take advantage of all these favorable developments to eliminate deflation and promote domestic demand so as to cut down the high unemployment rate and curb budget deficit, then harmony within our community can be achieved, and the economic prosperity can also be enhanced.

As to the banking industry, the high liquidity and low interest rates are beneficial to capital raising activities for business enterprises and the investment and consumer financing business. We foresee that the stock market will continue its bull run given its recent strong performance. On the other hand, property market prices have climbed up significantly from bottom level in recent months, that the driven largely by enhanced interest of potential buyers entering the market. Most economists remain optimistic about its current property boom can be sustained, though speculative activities are seen in some cases. Personal Renminbi deposits, remittance and exchange business have been commenced in Hong Kong and Renminbi credit card business will be introduced shortly. All these, coupled with an increasingly frequent economic interaction between cities in the Pearl River Delta, offer vast opportunities and contribute to a prosperous future to the banking industry.

The Group will closely monitor changes in the market place so as to capitalise on any favorable opportunities that may arise, plus complimenting our goal to pursue business expansion and maximum return for shareholders. Lastly, on behalf of the Board of Directors, I would like to express my heartfelt thank to all our shareholders and members of the community for their trust and support, and to our staff for their dedication and diligence.

LIU LIT MAN

Chairman

Hong Kong, 10th March, 2004



A, B. Fairview Court
C, D. Chong Hing Square

