

The Board of Directors of Liu Chong Hing Investment Limited (the “Directors”) has pleasure in presenting to the Shareholders their annual report together with the audited financial statements for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding. The principal activities of the principal 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, 2003 and the state of the Company’s and the Group’s affairs at that date are set out on pages 46 to 87 of this annual report.

DIVIDENDS

An interim cash dividend of HK\$0.06 per share was paid to shareholders on 18th September, 2003. The Directors now recommend a final cash dividend of HK\$0.10 per share making a total cash dividend of HK\$0.16 per share for the year.

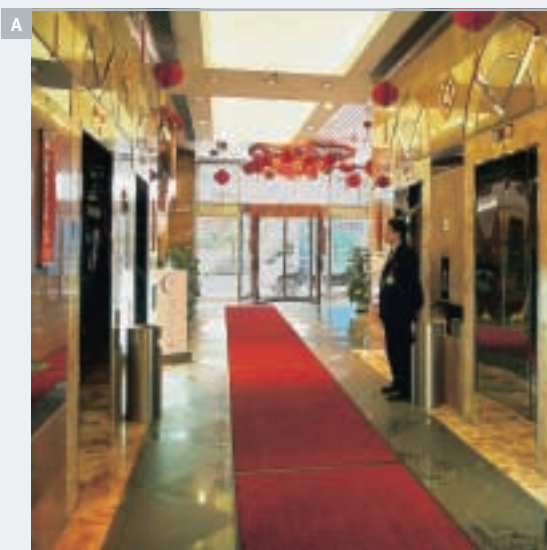
COMMENTARY ON ANNUAL RESULTS

The directors announce that the consolidated net profit for the year of 2003 is HK\$103,780,000 representing an increase of 33.7% over the previous year.

BANKING OPERATION

For the year 2003 the Group’s banking associate, Liu Chong Hing Bank Limited (the “Bank”) reported a profit after taxation of HK\$311.4 million.

Hong Kong’s economy was volatile during 2003, particularly during the first half of the year with the Severe Acute Respiratory Syndrome (“SARS”) outbreak. Although improved consumer and business sentiment coupled with better performance in the stock market in the second half of the year contributed to a more encouraging economic picture, lower profit margins from increasing competition and lower lending activity puts a lid on the Bank’s profitability.



B

A, B. Western Harbour Centre





A

Looking ahead, we believe 2004 will see Hong Kong's economic recovery continue steadily. The continuous growth of China is likely to remain sound. The influx of mainland Chinese tourist is also likely to continue to grow. All these beneficial factors will bolster Hong Kong's recovery, against a backdrop of an improving global economy. However, a few minor risk do remain, such as an overly rapid rise in local property prices, threats of terror attacks in the West, and the possible resurgence of disease pandemics. In addition, 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 2003 has been a see-saw year for Hong Kong's property market. Both prices and rentals have declined in the first half of the year. The second half of the year, in particular during the final quarter, has seen the market recovering. Despite this volatile market environment, the Group has managed to maintain a high occupancy rate in its investment properties during the year. However, this has been achieved at the expense

B



of rental reduction given to tenants, particularly over the period of the SARS outbreak. Overall rental revenue decreased by 12.6% compared with the previous year.

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 96% let, and its rental revenue has decreased by 22.5% when compared with last year.

For our Chong Yip Shopping Centre located in Western District, Hong Kong, rental revenue has decreased by 15.7%. 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 2003 was 88% let, we expect to maintain the present occupancy rate.

Western Harbour Centre, an office building at No. 181, Connaught Road West, Hong Kong, 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 96% let, and its rental revenue has decreased by 4.4% 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, Hong Kong and 4 out of 5 of units owned by the Group have been let at present.

Liu Chong Hing Bank Building, which the Group has a 45.11% interests, has completed demolition and construction will begin in the first half of 2004. Situated in the heart of Central on 24, Des Voeux Road Central, Hong Kong, this is the flagship property of the Group.

DEVELOPMENT PROPERTIES

The Group's PRC development project is Le Palais, an over 1,500,000 sq. ft. gross floor area residential complex located at Donghu Road in the scenic Dongshan District of Guangzhou. This project has now completed which provides 844 luxury apartments plus 320 car parks and full clubhouse recreational facilities. Sale of this



prestigious development has already begun and 330 units have been sold to date, with another 76 units leased out.

The Belcher's, the Group's joint venture project with Shun Tak Holdings Limited, Sun Hung Kai Properties Limited and New World Development Company Limited, continued to be sold and 94.7% of all units has been sold up to date. The Group owns 10% of this development.

The Group's redevelopment project, Double Haven in Kau To Shan, Shatin, provides 14 single and 18 semi-detached luxury houses with clubhouse and swimming pool facilities. All houses has been sold, fetching total cash proceeds of over HK\$502 million.

A, B. Liu Chong Hing Bank Building prospective view
 C, D. Chong Yip Shopping Centre



The Group's development of a grade-A commercial office building in Nanjing Xilu, Shanghai, has finished piling works and basement work has been commenced in October 2003. The project is expected to be completed by 2006. The property will provide over 750,000 sq. ft. of commercial and office space in a prime business location.

INSURANCE BUSINESS

The Group's insurance business reported a 16% increase in turnover over the previous year, while operating profits has dropped by 28%. Despite increasing competition within the industry, we expect it will make steady progress in the year ahead.

ISO 9001: 2000 CERTIFICATE ACHIEVEMENT

Liu Chong Hing Property Management and Agency Limited, a wholly-owned subsidiary of the Company,

has successfully been awarded ISO 9001: 2000 Certificate in 2003. This management and agency company has always been the objective of providing quality property management services to our client with the main theme of "Professional Management Quality Services, Enterprise and Customers' Satisfaction".

REDEVELOPMENT OF LIU CHONG HING BANK BUILDING

Liu Chong Hing Bank Building located at 24, Des Voeux Road Central, Hong Kong, owned by the Bank, had commenced the redevelopment in 2003. The operations of the Group together with the Bank had moved to New World Tower in Central until the new building has been completed.

The construction cost of the redevelopment is estimated approximately HK\$200 million. The proposed building is a 28-storey commercial building with a gross floor

area of 110,000 sq. ft.. The whole project is scheduled to complete in 2006.

CAPITAL STRUCTURE

The Group's shareholders' funds as at 31st December, 2003 amounted to HK\$5,809 million, representing an increase of HK\$188 million when compared with last year. The increase in shareholders' funds was due to the increase in net profit for the year of HK\$104 million, properties revaluation surplus of HK\$101 million, investment revaluation surplus of HK\$29 million and less the dividend of HK\$46 million paid during the year.

FINANCE AND TREASURY OPERATIONS

As at 31st December, 2003, the Group's consolidated net debts being the bank borrowings less cash and bank deposits had decreased by HK\$409 million, from HK\$2,243 million to HK\$1,834 million. The decrease was due to the repayment of bank borrowings.

The improvement of cash flow was mainly due to the net cash inflow from the sale of Double Haven, Le Palais and the repayment of shareholders' loan from The Belcher's. The total cash proceeds from the sale of Double Haven and Le Palais for the year was about HK\$244.2 million and HK\$99.3 million respectively. A total of HK\$157.2 million being the repayment of shareholders' loan was returned from the investment in The Belcher's project.

The management believed that the Group's total bank debts could be further reduced by the cash proceeds receiving from the two developments, The Belcher's and Guangzhou's residential project.

FINANCIAL LEVERAGE AND LIQUIDITY

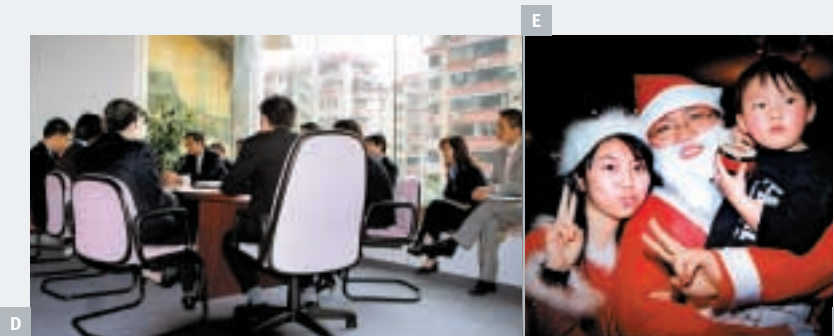
It is the Group's financial management policy to maintain low leverage and high liquidity. As at 31st December, 2003, the Group's debt to equity ratio was reduced from 48% to 40%.

The management is well aware that a higher gearing level will not only undermine the Company's long-term stability but also will restrict its flexibility for any new business venture, the management had determined to closely monitoring the gearing so as to maintain a low debt-to-equity ratio.

The Group's undrawn banking facilities together with bank deposits as at 31st December, 2003 amounted to HK\$900 million, which comprised HK\$405 million bank deposits and HK\$495 million committed banking facilities.

During the year, the management had taken advantage of the excessive cash liquidity in the money market by entering into several new or renew unsecured banking facilities with certain key relationship banks. Having done that the Group's interest payment was substantially reduced and its debt maturity profile was lengthen accordingly.

A, B, C, D, E, F
Le Palais sales activities



EXPOSURE TO FOREIGN EXCHANGE RISK

Almost all of the Group's borrowings are denominated in Hong Kong dollars and the interest rates are set on floating rate basis. For this reason, the Company's interest expenses will be flatten in line with the global low interest rate environment. As at 31st December, 2003, about one-sixth of total bank borrowings are entered into interest hedging instrument so as to avoid interest rate volatility and uncertainty. Given the above arrangement, the Group's management is confident about the management of currency and interest rate risk.

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, the Group's purchases attributable to the Group's five largest suppliers and the Group's turnover attributable to the Group's five largest customers were less than 30% respectively. 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 or customers.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Movements in investment properties and property, plant and equipment during the year are set out in Notes 12 and 13 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2003, the Company and its subsidiaries have not purchased, sold or redeemed any of the Shares in the Company.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25th April, 2002, which replace the previous share option scheme, for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24th April, 2012. 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. Additionally, the Company may, from time to time, grant share options to outside eligible third parties at the discretion of the Board of Directors.

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 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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 share on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, or the closing price of the shares on 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 15 and 16 to the financial statements respectively.

RESERVES

Movements in reserves of the Group during the year are set out in Consolidated Statement of changes in equity and the movements in reserves of the Company 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 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 Man, Mr. Liu Lit Chi, Mr. Andrew Liu and Mr. Liu Kwun Shing, Christopher 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

As at 31 December, 2003, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO).

(a) The Company

Liu Chong Hing Investment Limited

Name of Directors	Number of ordinary shares held				Total interests as approximate % of the relevant issued share capital
	Personal interests (held as beneficial owner)	Family interests (Interests of spouse or child under 18)	Corporate interests (Interests of controlled corporation)	Total interests	
Mr. Liu Lit Man, <i>Chairman</i>	4,991,200	–	171,600,000 <i>(Note 1)</i>	176,591,200	46.64%
Mr. Liu Lit Mo, <i>Managing Director</i>	7,580,000	–	174,600,000 <i>(Notes 1 and 2)</i>	182,180,000	48.12%
Mr. Liu Lit Chi	141,668	–	216,864,222 <i>(Notes 1 and 3)</i>	217,005,890	57.32%
Mr. Peter Alan Lee Vine	24,000	–	–	24,000	0.01%
Mr. Peter Ng Ping Kin	36,000	–	–	36,000	0.01%
Mr. Liu Lit Chung	–	–	171,600,000 <i>(Note 1)</i>	171,600,000	45.33%
Mr. Andrew Liu	600,000	–	–	600,000	0.16%
Mr. Winston Liu Kam Fai	1,000,000	–	–	1,000,000	0.26%

Notes:

1. 171,600,000 shares in the Company are beneficially held by Liu's Holdings Limited, of which Mr. Liu Lit Man, Mr. Liu Lit Mo, Mr. Liu Lit Chi and Mr. Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated under the corporate interests for each of these directors.
2. Eternal Wealth Ltd., of which Mr. Liu Lit Mo and his associates are shareholders, beneficially holds 3,000,000 shares in the Company, and thus is included in the corporate interests of Mr. Liu Lit Mo.
3. 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) Associate

Liu Chong Hing Bank Limited

Name of Directors	Number of ordinary shares held				Total interests as approximate % of the relevant issued share capital
	Personal interests (held as beneficial owner)	Family interests (Interests of spouse or child under 18)	Corporate interests (Interests of controlled corporation)	Total interests	
Mr. Liu Lit Man, <i>Executive Chairman</i>	3,447,928	–	236,233,628 <i>(Note 1)</i>	239,681,556	55.10%
Mr. Liu Lit Mo, <i>Vice Chairman</i>	1,009,650	–	236,233,628 <i>(Note 1)</i>	237,243,278	54.54%
Mr. Liu Lit Chi, <i>Managing Director & Chief Executive Officer</i>	313,248	–	238,496,839 <i>(Notes 1 and 2)</i>	238,810,087	54.90%
Mr. Liu Lit Chung	–	–	236,233,628 <i>(Note 1)</i>	236,233,628	54.31%
Mr. Peter Alan Lee Vine	1,200	–	–	1,200	n/a
Mr. Andrew Liu	60,000	–	–	60,000	0.01%

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, Mr. Liu Lit Mo, Mr. Liu Lit Chi and Mr. Liu Lit Chung is deemed under the SFO 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, Mr. Liu Lit Mo, Mr. Liu Lit Chi and Mr. Liu Lit Chung in Liu Chong Hing Estate through Liu's Holdings Limited, each of them is deemed under the SFO 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 SFO to be interested in such shares.

Other than as stated above, as at 31st December, 2003, no Director or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or the underlying shares of equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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 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.

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31st December, 2003, the Directors were not aware of any person (other than Directors or chief executive of the Company), who had an interest or short position in the shares or underlying shares of equity derivatives of the Company as recorded in the registers required to be kept under Section 336 of the SFO.

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\$37,674,000 (2002: HK\$69,789,000).

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 audit committee meeting will normally hold twice of each financial year immediate before the board of directors meeting for approving the interim and final results. 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, 2003 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, 10th March, 2004