

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 31 December 2004.



From left to right  
Shanghai Liu Chong  
Hing Financial Centre  
On site construction  
status; Shanghai  
harbour view

#### 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 notes 17 and 18 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 31 December 2004 and the state of the Company's and the Group's affairs at that date are set out on pages 54 to 93 of this annual report.

#### DIVIDENDS

An interim cash dividend of HK\$0.07 per share was paid to shareholders on 21 September 2004. The Directors recommend a final cash dividend of HK\$0.10 per share making a total cash dividend of HK\$0.17 per share for the year.

#### 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 28 to the financial statements.

#### INVESTMENT PROPERTIES

Movements in investment properties during the year are set out in note 14 to the financial statements.

#### PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

#### PROPERTIES UNDER DEVELOPMENT

Movements in properties under development during the year are set out in note 16 to the financial statements.

#### SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the financial statements.

#### SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 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 24 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.



On site construction status



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 17 and 18 to the financial statements respectively.



Property management services



### **GROUP BORROWINGS AND INTEREST CAPITALISED**

Details of bank loans and other borrowings repayable within five years are set out in Note 24 to the financial statements.

Interest capitalised during the year amounted to HK\$19,577,000 (2003: HK\$37,674,000).

### **BOARD OF DIRECTORS**

The Directors of the Company during the year and up to the date of this report are shown on page 38 of this annual report.

The term of office of each director; who has been longest in office, shall retire by rotation in accordance with the Company's Articles of Association.

Mr. Lee Tung Hai, Leo, Mr. Ng Ping Kin, Peter, Mr. Tong Tsin Ka and Mr. Lee Wai Hung shall retire by rotation in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

The biographical details of directors and senior management are set out on pages 40 to 43.

### **CORPORATE GOVERNANCE**

The Company is committed to achieving a high standard of corporate governance practices and has substantially complied with the Code of Best Practice, as required under Appendix 14 of the Listing Rules. Guidelines and the procedures for the corporate governance of the Company are set out on pages 30 to 37.



**Property maintenance services**

**DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 31 December 2004, the interests / short positions of each of the directors and chief executives and their associates in the shares and

underlying shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, are set out below:

**(i) Long position in the shares and underlying shares of the Company and its associated corporations**

**(a) The Company**

Liu Chong Hing Investment Limited

| Name of Director                            | 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) |   |
| Mr. Liu Lit Man,<br><i>Chairman</i>         | 4,991,200                                     | –  | 171,600,000<br><i>(Note 1)</i>                            | 176,591,200<br>46.64%   |
| Mr. Liu Lit Mo,<br><i>Managing Director</i> | 4,580,000                                     | –  | 177,600,000<br><i>(Notes 1 and 2)</i>                     | 182,180,000<br>48.12%   |
| Mr. Liu Lit Chi                             | 141,668                                       | –  | 216,723,064<br><i>(Notes 1 and 3)</i>                     | 216,864,732<br>57.28%   |
| Mr. Peter Alan Lee Vine                     | 24,000  | –  | –   | 24,000<br>0.01%   |
| Mr. Ng Ping Kin, Peter                      | 36,000  | –  | –   | 36,000<br>0.01%   |
| Dr. Liu Lit Chung                           | –   | –  | 171,600,000<br><i>(Note 1)</i>                            | 171,600,000<br>45.33%   |
| Mr. Andrew Liu                              | 600,000                                       | –  | –   | 600,000<br>0.16%  |
| Mr. Liu Kam Fai, Winston                    | 850,000                                       | –  | –   | 850,000<br>0.22%  |

## 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 Dr. 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 6,000,000 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 45,123,064 shares in the Company, and thus is included in the corporate interests of Mr. Liu Lit Chi.

**(b) Associate**

Liu Chong Hing Bank Limited (the "Bank")

| Name of Director   | Number of ordinary shares held                |  |   |                 | Total interests as approximate % of the Total 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,<br><i>Executive Chairman</i>                              | 3,447,928                                     | –  | 237,764,628<br><i>(Note 1)</i>                            | 241,212,556     | 55.45%  |
| Mr. Liu Lit Mo,<br><i>Vice Chairman</i>                                    | 1,009,650                                     | –  | 237,764,628<br><i>(Note 1)</i>                            | 238,774,278     | 54.89%  |
| Mr. Liu Lit Chi,<br><i>Managing Director &amp; Chief Executive Officer</i> | 313,248                                       | –  | 240,027,839<br><i>(Notes 1 and 2)</i>                     | 240,341,087     | 55.25%  |
| Dr. Liu Lit Chung  | –   | –  | 237,764,628<br><i>(Note 1)</i>                            | 237,764,628     | 54.66%  |
| 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 237,764,628 shares are attributed as follows:
  - (i) 197,764,628 shares held by the Company's wholly-owned subsidiary, Liu Chong Hing Estate Company, Limited ("Liu Chong Hing Estate") (holding 196,233,628 Shares) and Liu Chong Hing Insurance Company Limited (holding 1,531,000 Shares), in which each of Mr. Liu Lit Man, Mr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. 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 Dr. 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.



The magnetic product of China magnetic business

**(ii) Short position in the shares and underlying shares of the Company and its associated corporations**

Other than as stated above, as at 31 December 2004, no director, chief executive nor their associates 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).

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2004, the following person (other than the directors or the chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company was as follows:

| Name                                 | No. of ordinary shares held | % of the issued share capital |
|--------------------------------------|-----------------------------|-------------------------------|
| Liu's Holdings Limited <i>(Note)</i> | 171,600,000                 | 45.33%                        |

All interests disclosed above represent long positions in the shares of the Company.

*Note:* Liu's Holdings Limited, a private company incorporated in Hong Kong, is wholly owned by Mr. Liu Lit Man, Mr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung. Such corporate interests are also disclosed in the sub-section under "Directors' interests".

Save as disclosed above, the Company had not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as at 31 December 2004 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### 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).



Insurance customer services



**CONNECTED PARTY TRANSACTIONS**

The connected party transactions between the Group and the Bank and its subsidiaries (the "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 Bank 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.
- E. During the year, the Company acquire from the Bank approximately 47.37% of the issued share capital of Alain Limited ("Alain") and a shareholders' loan advanced by the Bank to Alain together with interest accrued thereon at a consolidation of HK\$132 million.

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

**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.

**PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 2004, the Company and its subsidiaries have not purchased, sold or redeemed any of the Shares in the Company.

**SHAREHOLDINGS INFORMATION****TOP 10 LARGEST SHAREHOLDERS**

As at 31 December 2004, as per register of members of the Company.

|                                      | <b>Number of<br/>Shares held</b> | <b>%</b>     |
|--------------------------------------|----------------------------------|--------------|
| 1. Liu Chong Hing (Nominees) Ltd.    | 135,912,878                      | 35.90        |
| 2. HKSCC Nominees Limited            | 111,996,647                      | 29.58        |
| 3. Bangkok Bank Public Co. Ltd.      | 41,580,000                       | 10.98        |
| 4. Alba Holdings Ltd.                | 35,000,222                       | 9.25         |
| 5. BTM Nominees (HK) Ltd.            | 10,000,000                       | 2.64         |
| 6. Win Ever (Nominees) Ltd.          | 8,000,000                        | 2.11         |
| 7. Lee Lung Poon                     | 2,252,080                        | 0.60         |
| 8. HSBC Nominees (Hong Kong) Limited | 2,023,328                        | 0.54         |
| 9. Chan Shai Yin                     | 1,000,000                        | 0.26         |
| 10. Cheng Kee Man                    | 1,000,000                        | 0.26         |
| <b>Total</b>                         | <b>348,765,155</b>               | <b>92.12</b> |

**LOCATION OF SHAREHOLDERS**

As at 31 December 2004, as per register of members of the Company.

| <b>Location of Shareholders</b> | <b>Number of<br/>shares held</b> | <b>%</b>        |
|---------------------------------|----------------------------------|-----------------|
| Hong Kong                       | 377,655,140                      | 99.7548         |
| U.K.                            | 9,380                            | 0.0025          |
| US and Canada                   | 16,860                           | 0.0045          |
| Singapore                       | 16,400                           | 0.0043          |
| Others                          | 885,660                          | 0.2339          |
| <b>Total</b>                    | <b>378,583,440</b>               | <b>100.0000</b> |

**DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The Companies Ordinance requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the directors are required to select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable; state the reasons for any significant departure from accounting standards; prepare the financial statements on the going concern basis, unless it is not appropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and or taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDIT COMMITTEE**

The members of the Audit Committee are shown on page 38. 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 31 December 2004 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.

**POST BALANCE SHEET EVENT**

Details of a significant post balance sheet event are set out in note 35 to the financial statements.

**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, 3 March 2005