PRINCIPAL ACTIVITIES
The Bank is engaged in the provision of banking and related financial services. The activities of its subsidiaries and an associate are set out respectively in notes 14 and 15 to the financial statements.

BUSINESS
The Group’s total operating income (net of interest expenses) is analysed and reported by significant business classes as follows:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate and retail banking</td>
<td>641,975</td>
<td>531,250</td>
</tr>
<tr>
<td>Foreign exchange and treasury services</td>
<td>306,108</td>
<td>289,890</td>
</tr>
<tr>
<td>Other activities</td>
<td>169,166</td>
<td>152,642</td>
</tr>
<tr>
<td></td>
<td>1,117,249</td>
<td>973,782</td>
</tr>
</tbody>
</table>

The corporate and retail banking services provided by the Group are principally lending facilities, trade finance, chequing facilities and the provision of fixed deposits and savings accounts. The Group also provides fully automated telephone banking services and other banking services to its customers.

The Group’s income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts. The treasury business mainly comprises inter-bank transactions.

Other business activities of the Group include investment holding, securities trading, stockbroking, commodities and futures broking, property investment and equity underwriting.

SUBSIDIARIES AND AN ASSOCIATE
Details of the Bank’s subsidiaries and an associate at 31 December 2000 are set out respectively in notes 14 and 15 to the financial statements.

MAJOR CUSTOMERS
The directors believe that the five largest customers of the Group accounted for less than 30% of the total of interest income and other operating income of the Group for the year.
DIRECTORS’ REPORT

RESULTS AND STATE OF AFFAIRS
The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 37.

The state of affairs of the Group and the Bank as at 31 December 2000 are set out in the balance sheets on pages 38 and 39 respectively.

DIVIDENDS
An interim dividend of HK$0.18 per share amounting to HK$78,300,000 was paid to the shareholders during the year. The directors now recommend the payment of the final dividend for 2000 of HK$0.35 per share amounting to HK$152,250,000 to the shareholders on the Register of Members on 20 April 2001 and the retention of the remaining profit for the year.

SHARE CAPITAL
Details of the Bank's share capital are set out in note 19 to the financial statements. There was no movement in the Bank's share capital during the year.

RESERVES
Movements in the reserves of the Group and the Bank during the year are set out in note 20 to the financial statements.

INVESTMENT PROPERTIES
The Group's investment properties were revalued at 31 December 2000. There were no surplus or deficit arising on the revaluation of the Group's investment properties during the year. Details of the investment properties of the Group and the Bank are set out in note 16 to the financial statements.

PROPERTY AND EQUIPMENT
The Group's land and buildings were revalued at 31 December 2000. The net surplus arising on the revaluation of the Group's land and buildings, which has been credited to the land and buildings revaluation reserve, amounted to approximately HK$24 million.

Details of these and other movements in the property and equipment of the Group and the Bank are set out in note 17 to the financial statements.

SHARE OPTION SCHEME
Details of the share option scheme are set out in note 21 to the financial statements.

BORROWINGS
Other than the liability secured by assets referred to in note 17 to the financial statements, the Group does not have borrowings other than deposits taken from customers and banks in the normal course of its banking business.
DIRECTORS’ REPORT

DIRECTORS
The directors of the Bank at the date of this report are:

Executive Directors
Mr LIU Lit Man, JP, FIBA (Chairman & Managing Director)
Mr LIU Lit Mo, MBE, JP (Vice Chairman)
Mr LIU Lit Chi (Deputy Managing Director)
Mr Dominic Bing Hoi LAM
Mr NAM Lee Yick
Mr Don Tit Shing LIU
Mr Wilfred Chun Ning LIU

Non-executive Directors
Dr Robin Yau Hing CHAN, GBS, LLD, JP, EOE
Mr LIU Guoyuan
Mr Ryoichi KATO
Dr LIU Lit Chung, MB, BS (London), MRCP (UK)
Mr Andrew LIU
Mr SHI Qin
Mr Nobuyoshi IIJIMA
Mr Christopher Kwun Shing LIU
(Alternate director to Dr LIU Lit Chung)

Independent Non-executive Directors
Mr Peter Alan Lee VINE, OBE, VRD, LLD, JP
Mr Timothy George FRESHWATER
Mr CHANG Ying Kuang
Mr Wanchai CHIRANAKHORN

Mr Christopher Kwun Shing Liu (who was appointed alternate director to Dr Liu Lit Chung on 18 July 2000) and Mr Liu Guoyuan (who was appointed a non-executive director on 27 December 2000) shall retire and offer themselves for re-election at the forthcoming annual general meeting in accordance with Article 85 of the Bank's Articles of Association. Non-executive director Dong Jiufeng resigned on 1 November 2000. Non-executive director Liu Lit To passed away on 21 February 2001.

Article 101 of the Bank's Articles of Association stipulates that, among other things, one-third of the directors for the time being, who have been longest in office since their last election, shall be subject to retirement by rotation and re-election at each annual general meeting. Accordingly, Dr Robin Yau Hing Chan, Dr Liu Lit Chung, Mr Andrew Liu, Mr Chang Ying Kuang, Mr Dominic Bing Hoi Lam and Mr Don Tit Shing Liu shall retire and offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Bank within one year without payment of compensation, other than statutory compensation.
DIRECTORS’ REPORT

DIRECTORS’ INTERESTS IN SECURITIES

As at 31 December 2000, the interests of the directors in the securities of the Bank and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), as recorded in the register maintained by the Bank pursuant to Section 29 of the SDI Ordinance, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Personal Interests</th>
<th>Family Interests</th>
<th>Corporate Interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liu Lit Man</td>
<td>3,447,928</td>
<td>—</td>
<td>236,233,628</td>
<td>239,681,556</td>
</tr>
<tr>
<td>Liu Lit Mo</td>
<td>1,009,650</td>
<td>—</td>
<td>236,233,628</td>
<td>237,243,278</td>
</tr>
<tr>
<td>Liu Lit Chi</td>
<td>313,248</td>
<td>—</td>
<td>238,496,839</td>
<td>238,810,087</td>
</tr>
<tr>
<td>Peter Alan Lee Vine</td>
<td>1,200</td>
<td>—</td>
<td>—</td>
<td>1,200</td>
</tr>
<tr>
<td>Robin Yau Hing Chan</td>
<td>48,400</td>
<td>—</td>
<td>1,018,000</td>
<td>1,066,400</td>
</tr>
<tr>
<td>Timothy George Freshwater</td>
<td>396</td>
<td>—</td>
<td>—</td>
<td>396</td>
</tr>
<tr>
<td>Liu Lit To</td>
<td>730,540</td>
<td>82,740</td>
<td>236,233,628</td>
<td>237,046,908</td>
</tr>
<tr>
<td>Liu Lit Chung</td>
<td>173,000</td>
<td>451,367</td>
<td>236,233,628</td>
<td>236,857,995</td>
</tr>
<tr>
<td>Andrew Liu</td>
<td>60,000</td>
<td>—</td>
<td>—</td>
<td>60,000</td>
</tr>
<tr>
<td>Chang Ying Kuang</td>
<td>264</td>
<td>—</td>
<td>—</td>
<td>264</td>
</tr>
<tr>
<td>Dominic Bing Hoi Lam</td>
<td>100,000</td>
<td>600</td>
<td>—</td>
<td>100,600</td>
</tr>
<tr>
<td>Don Tit Shing Liu</td>
<td>15,000</td>
<td>—</td>
<td>—</td>
<td>15,000</td>
</tr>
<tr>
<td>Christopher Kwun Shing Liu</td>
<td>20,000</td>
<td>—</td>
<td>—</td>
<td>20,000</td>
</tr>
</tbody>
</table>

(Alternate director to Liu Lit Chung)

Notes:
1. Include shares held through a trust fund.
2. Include shares held through a company.
3. Include shares held through a family member.

Note (2): Shareholders of the Bank's associated corporations.
Note (3): Shareholders of the Bank's associated corporations.