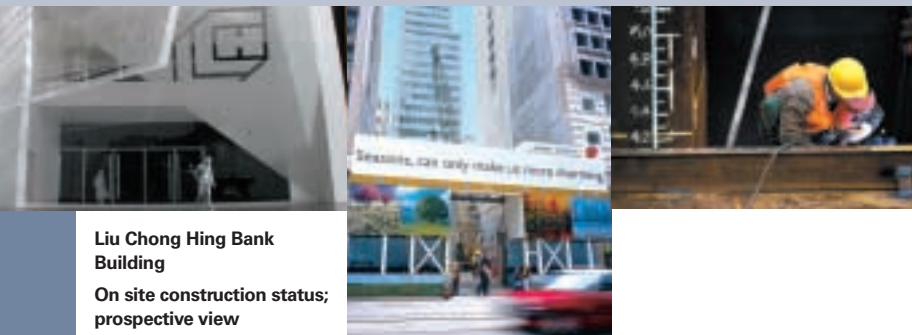


For the accounting year ended 31 December 2004, the audited profits attributable to shareholders amounted to **HK\$104,351,000**, equivalent to a basic earnings per share of **HK\$0.28**, representing a slight rise of **0.55%** over the previous year.



Liu Chong Hing Bank Building

On site construction status; prospective view

I am pleased to report to the shareholders the operating results of the Company for the year 2004.

BUSINESS RESULTS

For the accounting year ended 31 December 2004, the audited profits attributable to shareholders amounted to HK\$104,351,000, equivalent to a basic earnings per share of HK\$0.28, representing a slight rise of 0.55% over the previous year. The economy of Hong Kong last year looked like recovering from a serious illness and it took time to recuperate before the economy could regain vitality. With the European and US economies rapidly returned to stability and the various preferential policies offered by China, the overall economy of Hong Kong bottomed out.

DIVIDEND

The Board of Directors has proposed to recommend at the forthcoming Annual General Meeting to be held on 26 April 2005, the payment of final cash dividend of HK\$0.10 per share. Together with the interim cash dividend of HK\$0.07 per share paid on 21 September 2004, the total cash dividend for the year of 2004 amounted to HK\$0.17 per share.

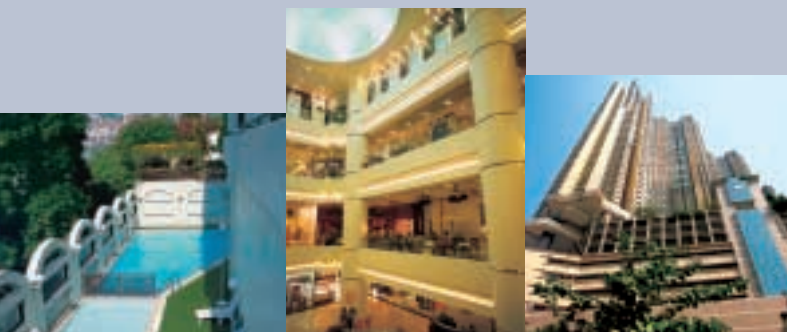
BUSINESS REVIEW

BANKING

In 2004, leveraging on the strong growth in tourism and retailing, the Hong Kong economy began to recover as shown by ever-increasing internal demand, growing desire to make consumption and investment amongst the general public. The stock market thrived. Successive initial public offerings and government bond issues attracted huge amount of capital inflow. The property market also experienced steady recovery. With people regaining confidence in purchase of property, it was anticipated a stable property market could be maintained. On the banking front, due to years of overflowing deposits and inactive investment and corporate expansion in the industrial and commercial sectors resulting in sluggish demand for loans, most banks relied on property mortgage and consumer financing business. Under such intense competition, banks had to solicit business by low interest rate and cash rebate, seriously weakening their earning potential. As such, the banking industry could only maintain stability to strive for improvement last year.

The consolidated profit of Liu Chong Hing Bank Limited and its subsidiaries for the year ended 31 December 2004, after taking provisions for bad and doubtful loans and deducting tax, amounted to HK\$349 million, an increase of 12.05% over the previous year. The total customer deposits amounted to HK\$33,952 million, representing an increase of 4.17%. Total loans to customers after making provisions for bad and doubtful debts and together with interests receivables and accrued interests amounted to HK\$20,028 million, rising 1.48%. Total assets stood at HK\$42,111 million, an





From left to right

Fairview Court; the inner view and entrance of the Belchers' shopping arcade

increase of 5.43%. Consolidated shareholders' equity amounted to HK\$6,203 million, up 4.36%. Since the Hong Kong economy's resuming to stability and that Hong Kong dollar interest rates will soon catch up with the US dollar entering into the cycle of raise of interest rate, it is expected to bring about a rise of interest rate in the coming year. This may provide better interest return for the Bank which has high liquidity and has been offering loans in Hong Kong dollars for long. The Bank has made appropriate plans to devise new products and promote its treasury and finance business in order to strive for more satisfactory returns.

PROPERTY

The Group's major properties for lease include Chong Hing Square at Nathan Road, Mongkok, Western Harbour Centre at Connaught Road West, Western District, Chong Yip Shopping Centre at Des Voeux Road West and Fairview Court in Repulse Bay. During the year, Chong Hing Square and Chong Yip Shopping Centre were undergoing large-scale internal decoration and their occupancy rates and rental income were therefore slightly affected. The occupancy rates of the other property saw an increase at normal level. Sale of the Belcher's located in the Western mid-level district received excellent response. As at the end of 2004, 678 residential units, representing approximately 98%, had been sold for phase one and 1,092 units had been sold for phase two, representing approximately 99%. The joint venture yielded total sales proceeds of HK\$12.5 billion in cash. The group owns 10% of this project.

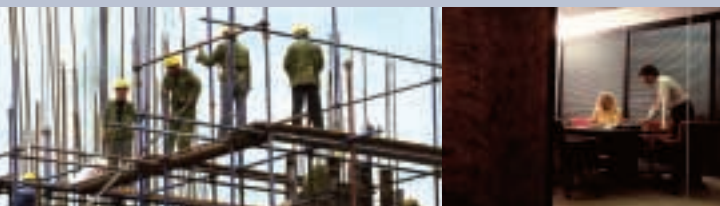
REDEVELOPMENT OF BANK HEAD OFFICE BUILDING

The foundation work of Liu Chong Hing Bank Building situated at 24 Des Voeux Road Central was about to complete and the superstructure construction would commence soon. The site will be redeveloped into a 28-storey modern commercial building and is expected to be completed in the latter half of next year. As the demand on commercial building at Central is higher than the supply, it is expected that the Group's rental expense will be reduced significantly once the redevelopment is completed and the office is relocated back.

CHINA OPERATION

1. 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, total gross floor area being over 1,500,000 sq.ft.. It is one of the most palatial residential buildings in Guangzhou. Up to the end of 2004, 497 units have been sold out, cashing in HK\$422 million. In addition, 97 units were leased out, generating monthly rental income of approximately RMB709,000 for the Group.



2. SHANGHAI

This prime site is located at No. 288, Nanjing Road (West), Huang Pu District, Shanghai with a site area of 55,000 sq. ft.. A 39-storey modern commercial building with a gross floor area over 455,000 sq.ft. will be built at a total investment exceeding RMB1 billion. The superstructure work has commenced. As Shanghai becomes the largest city in PRC with enhanced reputation internationally, demand on property market continues to increase. It is expected that a significant return will exist once the development is completed. The Group owns 95% of this project with the remaining 5% owned by Shanghai Chunshenjiang Industry General Company, a subsidiary of the Municipal Government of Huang Pu District, Shanghai.



Shanghai Liu Chong Hing
Financial Centre



From left to right

Entrance and the inner view of
Chong Yip Shopping Centre;
Chong Hing Square

INSURANCE

The Group's wholly owned subsidiary, Liu Chong Hing Insurance Company Limited has been in the business for over 40 years and always keeps a prudent role 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 8.4%.

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

According to the forecasts made by the financial sector and various members of the industrial and

commercial sectors, the Hong Kong economy will enter into a steadily expanding period. Internally, various preferential policies of the central government towards Hong Kong will continue. The scope of areas covered by the individual travel scheme will gradually expand, driving the tourism, hotel, catering, transportation and retail industries to grow further. The commencement of the second stage of CEPA under which Hong Kong products can enjoy tax exemptions and the finalization of the Pearl River Delta economic alliance both provide numerous business opportunities favorable to the business environment of Hong Kong. In addition, the recent weakening of US dollars has significantly enhanced the competitiveness of Hong Kong exports and sustained growth in external trade is expected.

The budget deficit problem of the SAR government is being alleviated and unemployment rate is declining. The number of individual bankruptcy and negative assets cases has decreased significantly. The optimistic view about the future prospects of the Hong Kong economy amongst the general public fuels the impulse to make consumption and investment. As such, although the cycle of raising interest rate is about to begin in Hong Kong, the impact on stock market, property purchase and other investment activities will only be short-lived. The stock and property markets are expected to make steady progress after a period of consolidation.



As to the banking industry, due to the continual economic malaise in Hong Kong over the years, demand for loans is sluggish and inter-bank offered rate stays at a low level. Therefore, if the Hong Kong dollar interest rate is up, most banks will benefit from the increase in interest income. For Liu Chong Hing Bank, with its persistent prudence in business operation and sufficient deposits, the increase in interest rate will certainly help increase its earnings. The Bank will capitalize on this opportunity and the sufficient fund to strengthen promotion of its various business and forge ahead.

The Group will closely monitor changes in the market place so as 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, 3 March 2005



**Western Harbour Centre
Grand lobby and external view**