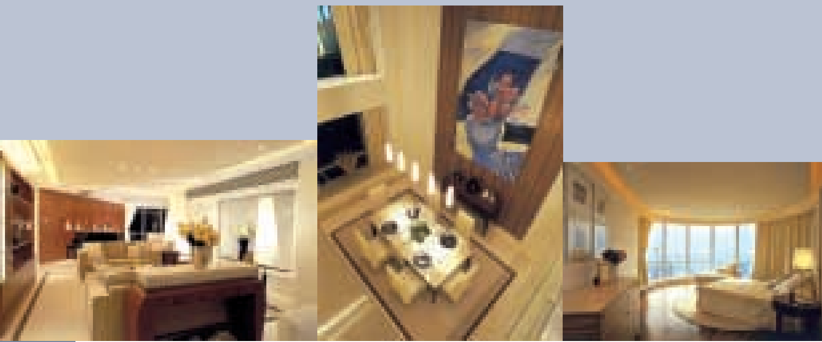

Le Palais
Internal decorations

The Board of Directors announce that the consolidated profit for the year of 2004 is HK$104,351,000 representing an increase of 0.55% over the previous year.

BANKING OPERATION

For the year ended 2004, the Group's banking associate, Liu Chong Hing Bank Limited (the "Bank") reported a profit after taxation of HK$349 million, representing an increase of 12.05%.

Hong Kong's economy continued to improve over the course of 2004. With both stock and property markets showing strength and activity, the local economy gathered steam and 2004 turned out to be a very good year for most sectors of the economy. The Bank's profitability resulted from reducing bad debt, a more active lending environment, and income realized from its investments. Looking ahead, we believe 2005 will continue to be another good year for Hong Kong. Lead by the growth in tourism, we should see improving consumption as well as vibrancy in the services industry. Although there are risks which could affect this outcome, they are few and far between, most notably the plausibility of a higher interest rate environment that could affect the property market. Overall, we expect the Bank to continue to perform consistently over the coming year.

PROPERTY INVESTEMENT

The year 2004 has been a commendable year for Hong Kong's property market. In particular, turnover and prices have been recovered to near pre-Asia Financial Crisis levels. This sharp recovery stems from an optimistic turn-around in the local investment sentiment and a low interest rate environment. We believe this favorable condition will carry over into and over the course of 2005.

During the year 2004, the Group's key investment properties have embarked on the process of refurbishment to adapt to changing market demands and conditions. Over this period, overall occupancy rate has fallen by 13.2%, while rental revenue decreased by 9.3%. We believe once these refurbishments are completed, occupancy rate and rental income will return to higher levels.

HONG KONG

Chong Hing Square

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 76% let, and its rental revenue has decreased by 16.2% when compared with those of last year. Major renovation is planned and this development will be re-launched with a new look to cater for changing consumer environment.

Chong Yip Shopping Centre

For our Chong Yip Shopping Centre located in Western District, Hong Kong, rental revenue has sightly decreased by 1%. 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 2004 was 83% let, we expect to the present occupancy rate will be increased.

Western Harbour Centre

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 97% let, and its rental revenue has decreased by 6.2% over the previous year.

Night View of Le Palais

Le Palais
Sales activities

Fairview Court

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.

PRC

Le Palais, residential project in Guangzhou

It is one of the prestigious residential projects in Guangzhou. The development provides 844 luxurious residential units on 4 blocks 45-47-storey building tower with total gross floor areas over 1,500,000 sq.ft.

The size of each flat unit ranges from 1,200 sq.ft. to 1,550 sq.ft. It also provides 22 duplex units with size around 2,800 sq.ft. each. Other facilities included resident clubhouse, swimming pool, recreational facilities and ancillary carparks.

Both the 320-carpark spaces and commercial areas are intended to be held for long-term rental purpose.

The project was completed in December 2001 and three residential blocks with a total of 633 flat units were put up for open sale since October 2001.

Up to 31 December 2004, a total of 497 flat units were successfully sold out generating total sale proceeds of HK$498 million.

On the other hand, 97 flat units were let out generating monthly rental of approximately RMB709,000.

The management continued to promote this project in the year of 2005 and is still having confident to the sale prospects of the project in view of their favourable location and high quality of the development. After the year end, the management had made an upward adjustment from 3-5% of the selling price for the remaining flat units.

PROPERTY DEVELOPMENT

HONG KONG

Liu Chong Hing Bank Building

Liu Chong Hing Bank building situated at 24 Des Voeux Road, Central had been vacant for redevelopment since April 2003. It plans to rebuild a 28-storey modern office building with total gross floor areas over 100,000 sq.ft. Having completed the demolition work in February 2004, the foundation work had then commenced thereafter. The building is scheduled to complete in 2006 and will be used as the head office of Liu Chong Hing Bank upon completion. The total investment cost in this project is about HK$150 million. The Group owns 45.46% interests in this project.

PRC

Shanghai Liu Chong Hing Financial Centre

Shanghai Liu Chong Hing Financial Centre located at No. 288, Nanjing Road (West), Huang Pu District, Shanghai. This project proposes to build a 39-storey composite commercial/office tower on the site of approximately 55,000 sq.ft. Upon completion, it will provide total office areas over 380,000 sq.ft. and commercial areas of 75,000 sq.ft. on a three levels commercial podium.

The 5 levels basement was practically completed in December 2004 and the superstructure construction was then commenced. The project is scheduled to complete in mid 2006. Upon completion, this building will be the group's flagship property in Shanghai and will be used for long term rental purpose.

Given the prime location of this building and the present booming situation of Shanghai's real estate market, the management will start to launch marketing and leasing promotion in the second half of 2005. We believe the projected rental yield of this building based on the present assumptions

Chong Hing Square
Lunar Year activities

will be quite promising. The total investment in this project is about HK$900 million.

The group owns 95% interest of this building and the remaining 5% is owned by Shanghai Chunshenjiang Industry General Company, a subsidiary of the Municipal Government of Huang Pu District, Shanghai.

LIU CHONG HING INSURANCE BUSINESS

Turnover from insurance business was increased by 8.4% to HK$36.5 million while the operating profits had been dropped by 25.8% comparing with those of last year. For the year under review, the underwriting profit from marine, motor vehicles and other accidents business had been improved. However, overall profit was affected by more claims on fire and employees' compensation.

LIU CHONG HING PROPERTY MANAGEMENT AND AGENCY LTD.

It is a wholly owned subsidiary of Liu Chong Hing Investment Limited. The main business is to provide range of comprehensive property management, agency and maintenance services for commercial, industrial and residential properties developed by group and third parties.

This company has always been the objective of providing quality management services to our client with the main theme of "Professional Management Quality Services, Enterprise and Customers' Satisfaction".

For the year under review, this company had maintained its business and recorded a turnover and net profit of HK$14 million and HK$3 million respectively.

CAPITAL STRUCTURE

The group's shareholders' funds as at 31 December 2004 amounted to HK$5,964 million, representing an increase of HK$155 million when compared with 31 December 2003. The increase in shareholders' funds was due to the increase in profit for the year of HK$104 million, properties revaluation surplus of HK$13 million, investment revaluation surplus of HK$26 million, a special reserve of HK$76 million created from acquisition of a subsidiary and less the dividend of HK$64 million paid during the year.

FINANCE AND TREASURY OPERATIONS

BANK BORROWINGS MOVEMENT

As at 31 December 2004, the group's consolidated bank borrowings had been reduced by HK$57 million, from HK$2,239 million to HK$2,182 million. The decrease was due to the repayment of bank borrowings. The Group's borrowings after deducting cash and deposits amounted to HK$1,928 million.

CHANGE OF CASH FLOW

The Group's cash flow position has significantly improved in 2004. The improvement was mainly due to the net cash inflow from the sale of Le Palais, Guangzhou residential project and the repayment of shareholders loans from The Belcher's.

The total cash proceeds from the sale and rental income of Le Palais for the year was HK$160.3 million and HK$9.8 million respectively.

A total of HK$190.2 million being the repayment of shareholders loans was returned from the investment in The Belcher's.

The net cash inflow from Asia Opportunity Fund was HK$4.7 million after offsetting the capital contributions of HK$27.8 million and management fee of HK$1.4 million respectively against the return of capital of HK$33.9 million.

MAJOR CAPITAL EXPENDITURE

During the year of 2004, the Group had incurred cash payment to acquire 45% equity interests in Alain Ltd. from LCH Bank at a cash consideration of HK$ 132 million and to incur construction cost of HK$61.8 million for Shanghai project.

The management believes that the Group's total bank debts could be further reduced by the cash proceeds receiving from the two developments, namely The Belcher's and Le Palais.

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. At the year ended, the debt-to-equity ratio which had declined to 32% from 40% in 2003.

BANKING FACILITIES

The total outstanding bank borrowings as at 31 December 2004 was 90 % unsecured with almost 100% being on committed basis.

In managing the debt portfolio, the Group has endeavoured to maintain diversified sources to obtain the required funding. Currently, the major source of financing is still coming from the banking sector, in which the Group has bilateral banking facilities with over 15 banks. Most of these banks have had a long established relationship with the Group.

The Group has also raised funding from arranging syndicated loans in the past. The management will consider to widen the funding source from capital market if both of the market conditions and terms are favourable to the Company.

COST OF FUNDING

In 2004, the borrowing margins were tightening further coupled with the excessive liquidity in the money market, the Group had entered into several new and renewed banking facilities with certain key relationship bank. The refinancing exercise made significant contribution to lower the Group's borrowing cost for the year.

Having done that the Group's weighted average cost of borrowing had decreased and resulted in a substantial reduction of interest payment.

The Group's total interest payments had decreased substantially in 2004 given the continuing declining of HIBOR rate and the reduction of bank borrowings.

LIQUIDITY RISK AND CASH BALANCES

It is the Group's financial policy to maintain for a low leverage and high liquidity. To maintain sufficient liquidity will not only help the Group's to fulfill all short term payment obligation but also to improve the Group's working capital.

The liquidity mainly comes from the recurring rental income of various investment properties, the cash sale proceeds from various completed development projects and the committed banking facilities. The Group's undrawn committed facilities stood at HK$1,071 million as at 31 December 2004.

The liquidity risk of the Group has been further reduced by early refinancing and the improvement of cash flow. The improvement of cash flow was mainly due to the net cash inflow from the sale of Le Palais, Guangzhou residential project and the repayment of shareholders' loans from the Belcher's.

LOAN MATURITY ANALYSIS

The liquidity risk could be reduced by extending the loan tenors. The Group's debt maturity portfolio is spread out over a medium term, with more than 25% and 27% of debts becoming due within 2 years and over 2 but within 5 years respectively. Such a maturity structure allows the Group taking more flexibility on refinancing measures.

RISK MANAGEMENT

As almost all of the group's borrowings are denominated in Hong Kong dollars for the construction projects both in Hong Kong and Mainland China with the interest rates setting on floating rate basis, thus managing on interest rate and currency risk are becoming more important.

In managing interest rate and foreign exchange exposure, the Group may use certain derivative instruments such as interest rate swaps, cross currency swaps, forward rate agreements and foreign exchange contracts. However, there was no such derivative instruments unexpired as at the end of 2004. It is the Group's policy to allow using derivatives as hedging purposes only.

With respect to the counterparty risk of the derivatives, the Group transacts only with financial institutions with strong investment-grade ratings.

INTEREST RATE EXPOSURE

The volatility and uncertainty of the movement of interest rate may result in a negative potential impact to the Group's financial position. Given that the Group's management will actively involve and review the movement of interest rate so as to minimize the financial impact. Since the market indicate that the interest rate will be hiked gradually with different speeds and magnitudes in the coming future, the management may consider to shifting certain percent of bank borrowings from floating-rate to fixed-rate basis or taking some derivative instruments to mitigate the exposure.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy to minimize mismatch in currency and not to speculate in currency movement. As at 31 December 2004, almost 98% of the Group's borrowings were in Hong Kong dollars except RMB68.5 million construction loans incurred for Shanghai project.

Other foreign exchange exposure related to some major investment in Guangzhou and Shanghai projects which all together amounted to the equivalent of about HK$2,127 million or 38.4% of the Group's assets as at year ended.

The Management will be closely monitoring the currency movement of Renminbi as Mainland property development projects denominated in Renminbi placed a significant portion to the Group's total assets. The cash sale proceeds received from Le Palais, Guangzhou could eliminate part of the foreign currency exposure against the payment of construction cost in Shanghai project.

EMPLOYEE

As at 31 December 2004, the total numbers of employee of the Group was about 181. The Group's remuneration policy, having been advised and determined by the Remuneration Committee, will ensure that the pay levels of its employees are reasonable and competitive in the market and their total rewards including basis salary and bonus system are linked with their performance.