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I am pleased to report to the shareholders the operating results of the Company for the year 2005.

BUSINESS RESULTS

For the accounting year ended 31 December 2005, the audited profits attributable to the equity holders of the parent amounted to HK\$143,451,000 (basic earnings per share from continuing and discontinued operations is HK\$0.38), representing a rise of 31.3% over the previous year. Although the global and Hong Kong economy continued to grow last year, the substantive growth is not able to maintain, especially in interest sensitive industries such as banking, property and security due to the high oil prices coupled with increment in interest rate.

DIVIDEND

The Board of Directors has proposed to recommend at the forthcoming Annual General Meeting to be held on 26 April 2006 Wednesday and the payment of a final cash dividend of HK\$0.12 per share. Together with the interim cash dividend of HK\$0.08 per share paid on 22 September 2005, the total cash dividend for the year of 2005 amounted to HK\$0.20 per share.

BUSINESS REVIEW

BANKING

Generally, the Hong Kong economy showed a satisfactory performance in 2005 with continual growth in external trade and domestic demand. GDP, therefore, increased to a 7.3% which is the highest since the return of sovereignty to China. Besides, due to the improvement on economy and employment, the unemployment rate decreased to 5.2% in the latest quarter which is the lowest since

Liu Chong Hing Bank Building



2001. The property market increased firstly but decreased subsequently in the last year where huge amount of active transaction was recorded in the first quarter with total transaction value on new and re-sale properties reached its highest level since 1997. However, the property market became inactive due to the increment of bank interest rates and the return of inflation and the threat of bird flu. In addition, as the property developers postpone launching new properties, sales fall each month. The property agency, therefore, entered into an adjusting period which lead to the substantial decrease in mortgage business.

The stock market in Hong Kong went up persistently during last year. A total of HK\$170 billion of capital was raised by newly listed shares and a total turnover amounted to HK\$4,100 billion was recorded for the whole year, which led to a historical new high. Although the subscription on newly listed shares was highly demanded and the banks were able to increase their financing clients, actual earnings were minimal and benefits to the banks were limited.

In conclusion on the operating environment of the banking industry, there is abundant market chances due to the steady market with abundant capital. The Company is able to have minimal earnings and operates in a prudent way due to the rise of interest rate, the low loans demand and high competition.

The consolidated profit attributable to shareholders of Liu Chong Hing Bank Limited ("the Bank") and its subsidiaries for the year ended 31 December 2005, after the deduction of the charge for bad and doubtful debts and the taxation charge amounted to HK\$398 million, an increase of 10.6%. Total customers' deposits amounted to HK\$41.506 billion with a significant increase of 22.3%. Total loans to customers (after accounting for impairment for bad and doubtful debt as well as interest accrued) amounted to HK\$24.306 billion, an increase of 21.4%. Total assets reached HK\$49.974 billion, representing an increase of 20.8% which have already exceeded the minimum asset requirement for setting up branches in the mainland under the



From top:
Liu Chong Hing Bank
Building on site
construction status;
Prospective view



Above:

IMS Award Presentation Ceremony

Below:

Fairview Court;
Western Harbour Centre

Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA). The consolidated shareholders' equity was HK\$5.65 billion, an increase of 4.9% over the restated shareholders' equity for the preceding year. With the cycle of increasing interest rates reaches its end, the property market and stock trading market is expected to be fluctuated and a higher demand on loans is expected gradually. Apart from this, as the economy is stabilizing and the market is turning better, the bank will be actively developing its network of branches. The Bank plans to open approximately 8 to 10 new branches during the year. Besides, additional efforts will be put into staff training, strengthening governance, improving service quality, developing new products and expanding the clientele.

PROPERTY

The Group's properties for lease, including Chong Hing Square in Nathan Road, Mongkok, Western Harbour Centre in Connaught Road West, Western District, Chong Yip Shopping Centre in Des Voeux Road West and Fairview Court in Repulse Bay Road, achieved further improvement in occupancy. Among them, Western Harbour Centre and Chong Yip Shopping Centre were 100% leased out. Sale of the Belcher's located in the Western mid-level district was also encouraging. As at the end of 2005, 682 residential units, representing 99.7% of phase one and 1,113 units, representing 99.4% of phase two were sold. The joint venture yielded total sale proceeds of HK\$12.7 billion in cash. The Group owns 10% of this project.





REDEVELOPMENT OF BANK HEAD OFFICE BUILDING

Liu Chong Hing Bank Building situated at 24 Des Voeux Road Central will be topping out in March 2006 and occupation is expected at the end of the year. By then, the Bank will be in a fresh look to continue serving the community with comprehensive and quality services.

CHINA OPERATION

1. GUANGZHOU

Le Palais 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., has completed four blocks of 45-47 storey residential building with a total of 844 luxurious residential units. These together with the resident clubhouse, swimming pool, commercial arcade and car parks have gross floor area amounting to over 1,500,000 sq.ft making the development one of the most palatial residential buildings in Guangzhou. There were 610 units sold, generating HK\$632 million cash and 97 units leased, generating annual rental income of HK\$9.60 million in cash for the Group as at year end.



Left:
IMS Certificates and Presentation
From top:
Grandview Court;
Jade Plaza



The Belchers' Shopping Centre

2. SHANGHAI

The site located at No. 288, Nanjing Road (W), Huang Pu District, Shanghai has a site area of 55,000 sq.ft. It will be developed into a 40-storey modern commercial building with gross floor area of approximately 736,000 sq.ft. Total investment in the project exceeds RMB1 billion. Superstructure work has commenced and the overall structure is expected to be ready by the end of this year. Completion of the whole development is scheduled for February of next year and is expected to bring significant return to the Group. 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.

INSURANCE

Liu Chong Hing Insurance Company Limited has been a prudent insurer with over 40 years of experience in insurance for fire, marine, theft, accident, motor car, workers' compensation, contractors' all risks, and shipment of import and export cargoes. It is also an agent for life insurance and staff retirement provident fund insurance. In view of the close relationship between insurance and banking, the Group had its entire interests in Liu Chong Hing Insurance transferred to Liu Chong Hing Bank in the middle of last year.

PROPERTY MANAGEMENT

Liu Chong Hing Property Management and Agency Limited, established in 1976, is a wholly owned subsidiary of the Company and principally responsible for managing the commercial and residential properties developed by the Group. There has been an expansion into management service for properties not owned by the Group and has obtained marked results. The company was awarded ISO 14001 and OHSAS 18001 Certification in addition to ISO 9001 award in 2003, the Company ultimately achieved the Integrated Management System Certification. Those certification indicates our management services had attained the high quality level in the industry.

PROSPECTS

The economy of Hong Kong will be influenced under the high interest rates and the high oil prices for most of the year. It is expected that overall growth will slow down but exports of goods and services will be able to sustain high growth. Consumer expenditure will have a fresh impetus after the adaptation on the rise of interest rates cycle. It is generally estimated that the full year GDP will still achieve a growth of 5%.

The local economy in Hong Kong is expected to have continuous growth due to the solid foundation Hong Kong has had, a 3 year early release of the government deficit, the continue launching of various large-scale infrastructure projects, the settlement of the dispute regarding the West Kowloon Development plan, the extension of

preferential policy given by the PRC Government, the integration of Guangdong province, Hong Kong and Macau, and the cooperation and development of the Pan-Pearl River Delta Regional (9+2). Hong Kong, as the leader of the region's economic system, should be free from pressure over the external factors and its prospects are promising.

It is expected that the prolonged concern over interest rate increase will be eased in the second half of this year, thus, bringing back prosperity to the property and financial sectors. Funds raising in Hong Kong by the Mainland enterprises will not cease and the aggregated amount to be raised is estimated to be HK\$200 billion in this year. Hong Kong will be able to secure its position of the financing centre in Asia. Furthermore, the further lifting of the Mainland of limitations on Renminbi trading by banks in Hong Kong will create infinite opportunities for the banking sector. Liu Chong Hing Bank will make use of such chances to develop its branch network, to further promote its various services and forge ahead.



Western Harbour Centre:
Grand lobby and external view

The Group will continue to keep abreast of market development and make effort to expand its operation so as to realize the best return to shareholders. Finally, on behalf of the Board of Directors, I would like to express my heartfelt thanks 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, 10 March 2006