The directors announce that the consolidated profit for the year attributable to the equity holders of the parent of 2005 is **HK$143,451,000** representing an increase of **31.3%** over the previous year.

Chong Hing Square
front entrance

BANKING OPERATION

For the year ended 2005, the Group's banking associate, Liu Chong Hing Bank Limited (the "Bank") reported a profit after taxation of HK$398 million, representing an increase of 10.6%.

2005 turned out to be a year of stable growth for most of the global economy. While China continued to expand and develop at a desirable pace, Hong Kong also performed well. Looking ahead, we believe 2006 will continue to be another good year for Hong Kong. Despite conflicts in the Middle East and the likelihood of continued higher oil prices, we see no other imminent adverse factors that could affect a path of stable growth world wide. As such, we believe the Bank and our Group at large will perform consistently over the coming year.

PROPERTY INVESTMENT

The year 2005 has been a commendable year for Hong Kong's property market. In particular, turnover and prices have been mostly exhibiting a gradual up trend. Unless interest rates continue to go up much higher than the current level, we believe this favorable condition will carry over into and over the course of 2006.

During the year 2005, the Group's key investment properties have undergone major refurbishment to adapt the changing market demands and conditions. Over this period, overall occupancy rate has fallen by 13.6%, while rental revenue decreased by 5.6%. We believe both occupancy rate and rental income will pick up over the course of the coming year.

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 10.6% when compared with last year. This development has undergone major renovations and is currently re-launched with a new outlook.

CHONG YIP SHOPPING CENTRE

For our Chong Yip Shopping Centre located in Western District, Hong Kong, rental revenue has increased by 12.2%. Well located within the Western District, this shopping centre has 41,000 sq.ft. of retail and recreational area. The property in year 2005 was 99% let, and we expect it to reach full occupancy.

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 4.1% over the previous year.

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 2 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 standard 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 2005, a total of 610 flat units were successfully sold out generating total sale proceeds of HK$632 million. On the other hand, 72 flat units were let out generating monthly rental of approximately RMB709,000.

The management continued to promote this project in the year of 2006 and is confident of 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.

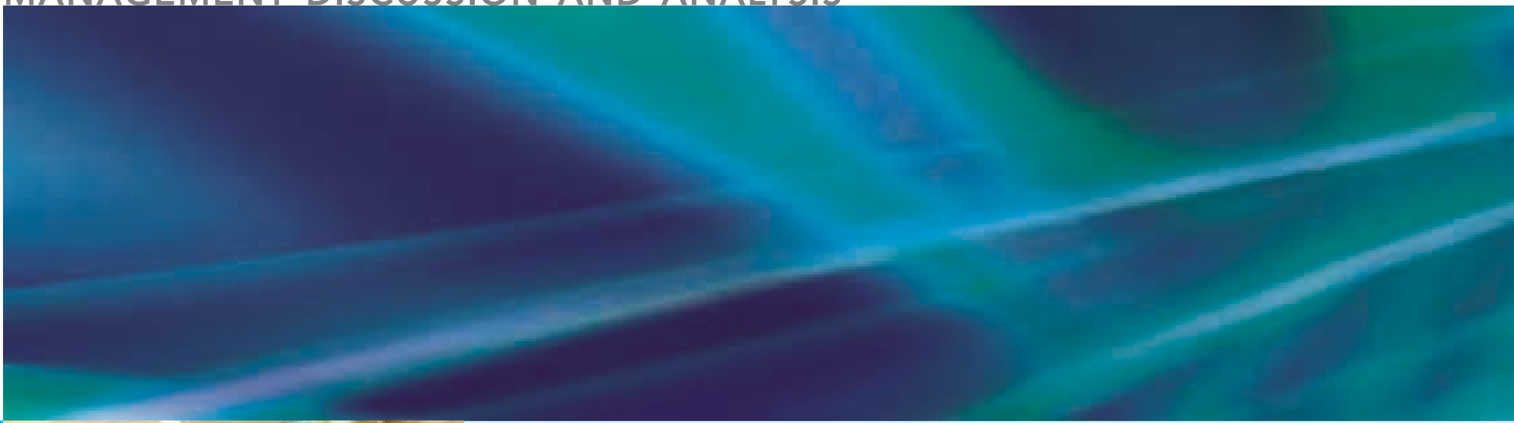
PROPERTY DEVELOPMENT

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

From top:
Chong Hing Square Advertising Banner, Lift Lobby and Entrance



Property Management Services

floor areas over 100,000 sq.ft. The building is scheduled to complete in the second half of 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 45.78% interests in this project.

PRC

LCH CENTRE, COMMERCIAL PROJECT IN SHANGHAI

Shanghai LCH Centre located at No. 288, Nanjing Road (W), Huang Pu District, Shanghai. This project proposes to build a 40-storey composite commercial/office tower on the site of approximately 55,000 sq.ft. Upon completion, it will provide total office areas approximately 340,000 sq.ft. and retail spaces of 137,000 sq.ft. on a three-level commercial podium. The floor plate of each typical office floor is approximately 14,320 sq.ft.. Additional 197 carparking spaces will be situated on ground floor to 5-level basement. The project is scheduled to complete in the end of 2006. Upon completion, this building will be the Group's flagship property in Shanghai and will be retained 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 has begun preparation for pre-letting of this development. We believe the projected rental yield of this building based on the present assumptions will be quite promising. The total investment in this project is about HK$1,000 million. The expected open market value upon completion is RMB1,800 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

During the financial year of 2005, the Company had disposed of its entire equity interests in Liu Chong Hing Insurance Co Ltd to Liu Chong Hing Bank Limited at a cash consideration of HK$212 million. This transaction recorded a gain on disposal of this subsidiary amounted to HK$61,352,000 in the income statement during the year.

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".

During the year, 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. These certification indicates our management services had attained the high quality level in the industry.

For the year under review, this company had maintained its business and recorded a turnover of HK$12.2 million.

CAPITAL STRUCTURE

The Group's shareholders' funds as at 31 December 2005 amounted to HK$5,553 million, representing an increase of HK$201 million when compared with 31 December 2004. The increase in shareholders' funds was due to the increase in net profit for the year of HK$140 million; an increase of various investment and revaluation reserves of HK$91 million and less the dividend of HK$30 million paid during the period.

FINANCE AND TREASURY OPERATIONS

BANK BORROWINGS MOVEMENT

As at 31 December 2005, the Group's consolidated bank borrowings had been increased by HK$71 million, from HK$2,199 million to HK$2,270 million. The Group's net borrowings after deducting cash and deposits was improved from HK$1,945 million in 2004 to HK$1,592 million.

CHANGE OF CASH FLOW

The Group's cash flow position has significantly improved in 2005. The improvement was mainly due to the net cash inflow from the sale of Le Palais, Guangzhou residential project, the repayment of shareholders loans from The Belcher's and the sale proceeds from the disposal of insurance business.

Property Maintenance Services

The total cash proceeds from the sale and rental income of Le Palais for the year was HK$244.9 million and HK$10 million respectively.

A total of HK$62.6 million being the repayment of shareholders loans was returned from the investment in The Belcher's.

A total of HK$212 million cash was received from the disposal of Liu Chong Hing Insurance Co. Ltd.

MAJOR CAPITAL EXPENDITURE

The management believes that the Group's total bank debts could be further reduced by the cash proceeds receiving from the sale of tower one of 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 29% from 36% in 2004.

Chong Hing Square
New Year activity

BANKING FACILITIES

The total outstanding bank borrowings as at 31 December 2005 was 88% 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 13 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 2005, the borrowing margins were tightening further given the excessive liquidity in the money market, the Group 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 remained unchanged.

LIQUIDITY RISK AND CASH BALANCES

It is the Group's financial policy to maintain 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$606.45 million as at 31 December 2005.

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, the repayment of shareholders' loans from the Belcher's and the cash received from the disposal of insurance business.

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 42% 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 2005. 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 2005, almost 100% of the Group's borrowings were in Hong Kong dollars except HK$239.55 million construction loans were converted into Renminbi for construction payment in 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$2,376 million or 41% of the Group's assets.

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.

EMPLOYEE AND EMOLUMENT POLICY

As at 31 December 2005, the total numbers of employee of the Group was about 179. 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. The members and the work done of Remuneration Committee are shown on page 21.

Chong Yip Shopping Centre X'mas Carnival