



Chong Hing Bank Limited

(a Hong Kong-incorporated limited liability company)

(Stock Code: 1111)

2006 FINAL RESULTS

SUMMARY OF RESULTS

The Directors of Chong Hing Bank Limited (the "Bank") are pleased to announce the audited consolidated results of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2006, together with the comparative figures for the corresponding year in 2005.

CONSOLIDATED INCOME STATEMENT

	Notes	2006 HK\$'000	2005 HK\$'000
Interest income		2,740,518	1,719,338
Interest expense		(1,911,979)	(966,486)
Net interest income		828,539	752,852
Other operating income	3	301,689	217,129
Operating income		1,130,228	969,981
Operating expenses	4	(591,537)	(493,129)
Operating profit before impairment allowances, fair value adjustments and net (loss) gain on disposal		538,691	476,852
Impairment allowances on loans and advances		(59,801)	(67,807)
Net (loss) gain on disposal of property and equipment		(913)	1,150
Net gain on disposal of available-for-sale securities		54,001	47,534
Net gain on fair value adjustment on investment properties		5,390	7,500
Net loss on liquidation of a subsidiary		—	(4)
Profit from operations		537,368	465,225
Share of profit of jointly controlled entities		33,546	3,576
Profit before taxation		570,914	468,801
Taxation	5	(67,770)	(70,818)
Profit for the year		503,144	397,983
Proposed dividend		191,400	182,700
Earnings per share, basic and diluted	6	HK\$1.16	HK\$0.91
Proposed dividend per share		HK\$0.44	HK\$0.42

CONSOLIDATED BALANCE SHEET

	Notes	2006 HK\$'000	2005 HK\$'000
Assets			
Cash and short-term funds	7	16,256,859	11,798,479
Placements with banks and other financial institutions maturing between one and twelve months		2,638,461	2,029,416
Derivative financial instruments		4,962	45,607
Financial assets at fair value through profit or loss	8	610,811	809,160
Available-for-sale securities	8	1,098,141	801,769
Held-to-maturity securities	8	13,903,173	9,192,906
Advances and other accounts	9	27,497,020	24,508,061
Interests in jointly controlled entities		99,256	65,710
Loan to a jointly controlled entity		31,000	31,000
Investment properties		82,250	76,860
Property and equipment		380,825	196,760
Prepaid lease payments for land		316,535	300,969
Deferred tax assets		–	6,449
Goodwill		110,606	110,606
Total assets		<u>63,029,899</u>	<u>49,973,752</u>
Liabilities			
Deposits and balances of banks and other financial institutions		528,993	2,263,504
Deposits from customers	10	54,675,232	41,506,292
Derivative financial instruments		1,716	–
Other accounts and accruals		754,550	340,496
Current tax liabilities		22,463	30,324
Loan capital	11	967,376	–
Deferred tax liabilities		27,839	–
Total liabilities		<u>56,978,169</u>	<u>44,140,616</u>
Shareholders' equity			
Share capital		217,500	217,500
Reserves	12	5,834,230	5,615,636
Shareholders' funds		<u>6,051,730</u>	<u>5,833,136</u>
Total liabilities and shareholders' equity		<u>63,029,899</u>	<u>49,973,752</u>

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information in this final results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2006 but is derived from those financial statements.

The accounting policies and methods of computation used in the preparation of these final results are consistent with those adopted in the preparation of the Group's annual statutory financial statements for the year ended 31 December 2005 except that the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Bank anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁵
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ⁶

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

⁶ Effective for annual periods beginning on or after 1 March 2007.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into the following operating divisions - corporate and retail banking, treasury, securities dealing and other financial services business. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

The corporate and retail banking services provided by the Group are principally lending and trade finance facilities, consumer financing, overdraft facilities, mandatory provident fund services, provision of fixed deposits, current and savings accounts, credit cards and personal wealth management services. The Group also provides fully automated telephone and internet banking services to its customers. Other financial services offered include remittance and money exchange, safe deposit boxes, autopay and direct debit services.

Treasury activities mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management. Income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts.

Securities dealing activities of the Group include securities trading, stockbroking and futures broking.

Other financial services business activities of the Group include investment holding, insurance, other investment advisory services and property investment.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

- (i) Segment information about these businesses for the year ended 31 December 2006 is presented below:

INCOME STATEMENT

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other financial services business activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	1,477,181	1,258,559	4,778	–	–	2,740,518
Interest expenses to external customers	(1,852,569)	(59,410)	–	–	–	(1,911,979)
Inter-segment income (<i>note</i>)	868,714	–	–	–	(868,714)	–
Inter-segment expenses (<i>note</i>)	–	(868,714)	–	–	868,714	–
Net interest income	493,326	330,435	4,778	–	–	828,539
Other operating income	125,235	41,682	78,603	56,169	–	301,689
Operating income	618,561	372,117	83,381	56,169	–	1,130,228
Impairment allowances on loans and advances	(59,801)	–	–	–	–	(59,801)
Net loss on disposals of property and equipment	(913)	–	–	–	–	(913)
Net gain on disposals of available-for-sale securities	–	–	–	54,001	–	54,001
Net gain on fair value adjustment on investment properties	–	–	–	5,390	–	5,390
Operating expenses	(343,071)	(24,472)	(30,748)	(19,977)	–	(418,268)
Segment profit	<u>214,776</u>	<u>347,645</u>	<u>52,633</u>	<u>95,583</u>	<u>–</u>	<u>710,637</u>
Unallocated corporate expenses						(173,269)
Profit from operations						537,368
Share of profit of jointly controlled entities				<u>33,546</u>		<u>33,546</u>
Profit before taxation						570,914
Taxation						(67,770)
Profit for the year						<u>503,144</u>

Note: Inter-segment pricing is charged at prevailing customer deposit interest rates.

(i) Segment information about these businesses as at 31 December 2006 is presented below:

BALANCE SHEET

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other financial services business activities HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	28,544,911	32,929,054	295,609	833,071	62,602,645
Interests in jointly controlled entities	–	–	–	99,256	99,256
Loan to a jointly controlled entity	–	–	–	31,000	31,000
Unallocated corporate assets					296,998
Consolidated total assets					<u>63,029,899</u>
Liabilities					
Segment liabilities	55,006,716	1,498,085	281,035	36,214	56,822,050
Unallocated corporate liabilities					156,119
Consolidated total liabilities					<u>56,978,169</u>

OTHER INFORMATION

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other financial services business activities HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	139,351	19,729	9,499	2,362	65,487	236,428
Depreciation	16,121	306	1,007	697	12,404	30,535
Amortisation	<u>3,490</u>	<u>–</u>	<u>113</u>	<u>5</u>	<u>1,506</u>	<u>5,114</u>

(ii) Segment information about these businesses for the year ended 31 December 2005 is presented below:

INCOME STATEMENT

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other financial services business activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	997,780	721,558	–	–	–	1,719,338
Interest expenses to external customers	(914,949)	(51,537)	–	–	–	(966,486)
Inter-segment income <i>(note)</i>	333,259	–	–	–	(333,259)	–
Inter-segment expenses <i>(note)</i>	–	(333,259)	–	–	333,259	–
Net interest income	416,090	336,762	–	–	–	752,852
Other operating income	74,945	27,737	45,683	68,764	–	217,129
Operating income	491,035	364,499	45,683	68,764	–	969,981
Impairment allowances on loans and advances	(67,807)	–	–	–	–	(67,807)
Net (loss) gain on disposals of property and equipment	(909)	–	–	2,059	–	1,150
Net gain on disposals of available-for-sale securities	–	–	–	47,534	–	47,534
Net loss on liquidation of a subsidiary	–	–	–	(4)	–	(4)
Net gain on fair value adjustment on investment properties	–	–	–	7,500	–	7,500
Operating expenses	(324,108)	(19,445)	(26,719)	(1,171)	–	(371,443)
Segment profit	98,211	345,054	18,964	124,682	–	586,911
Unallocated corporate expenses						(121,686)
Profit from operations						465,225
Share of profit of jointly controlled entities				3,576		3,576
Profit before taxation						468,801
Taxation						(70,818)
Profit for the year						397,983

Note: Inter-segment pricing is charged at prevailing customer deposit interest rates.

(ii) Segment information about these businesses as at 31 December 2005 is presented below:

BALANCE SHEET

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other financial services business activities HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	25,043,584	23,035,716	46,804	1,521,304	49,647,408
Interests in jointly controlled entities	–	–	–	65,710	65,710
Loan to a jointly controlled entity	–	–	–	31,000	31,000
Unallocated corporate assets					229,634
Consolidated total assets					<u>49,973,752</u>
Liabilities					
Segment liabilities	42,035,905	1,733,891	39,362	52,699	43,861,857
Unallocated corporate liabilities					278,759
Consolidated total liabilities					<u>44,140,616</u>

OTHER INFORMATION

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other financial services business activities HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	17,092	118	372	1,583	26,236	45,401
Depreciation	18,438	312	193	1,816	14,846	35,605
Amortisation	<u>3,751</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,312</u>	<u>5,063</u>

(b) Geographical segments

Geographical segmentation is analysed based on the locations of the principal operations of the branches and subsidiary companies responsible for reporting the results or booking the assets. For both years 2005 and 2006, around 90% of the Group's revenue and profit before taxation were generated by assets booked by the principal operations of the branches and subsidiary companies located in Hong Kong (with the remaining balance mainly coming from Mainland China). More than 90% of assets were located in Hong Kong and the remaining assets were extended to branches outside Hong Kong, mainly in the Mainland China and America.

3. OTHER OPERATING INCOME

	2006 HK\$'000	2005 HK\$'000
Fees and commission income		
Securities dealings	79,247	44,569
Credit lines	7,845	11,946
Trade finance	14,042	12,226
Credit card services	30,358	18,382
Agency services	29,908	21,050
Others	10,901	10,506
Total fees and commission income	172,301	118,679
Less: Fees and commission expense	(4,166)	(2,231)
Net fees and commission income	168,135	116,448
Dividend income		
Listed investments	10,538	7,238
Unlisted investments	3,005	3,005
Net gains on dealing in foreign currencies	26,589	27,737
Net gains on financial assets at fair value through profit or loss	12,540	651
Gross rents from properties	4,550	4,384
Less: Outgoings	(992)	(649)
Net rental income	3,558	3,735
Safe deposit box rentals	23,431	22,255
Insurance underwriting	12,190	5,671
Other banking services income	39,460	30,528
Others	2,243	(139)
	<u>301,689</u>	<u>217,129</u>

4. OPERATING EXPENSES

	2006 HK\$'000	2005 HK\$'000
Amortisation of prepaid lease payments for land	5,114	5,063
Auditors' remuneration	3,291	2,442
Staff costs		
Salaries and other costs	299,992	251,349
Retirement benefits scheme contributions	22,609	18,901
Total staff costs	322,601	270,250
Depreciation	30,535	35,605
Premises and equipment expenses, excluding depreciation/amortisation		
Rentals and rates for premises	46,610	42,054
Others	16,177	12,207
Other operating expenses	167,209	125,508
	<u>591,537</u>	<u>493,129</u>

5. TAXATION

	2006 HK\$'000	2005 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
– current year	68,831	75,663
– overprovision in prior years	(10,797)	(206)
	<u>58,034</u>	<u>75,457</u>
Overseas taxation	2,573	727
Deferred tax	<u>7,163</u>	<u>(5,366)</u>
	<u>67,770</u>	<u>70,818</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of HK\$503,144,000 (2005: HK\$397,983,000) and on 435,000,000 (2005: 435,000,000) ordinary shares in issue during the year.

7. CASH AND SHORT-TERM FUNDS

	2006 HK\$'000	2005 HK\$'000
Cash and balances with banks and other financial institutions	997,461	1,010,669
Money at call and short notice	14,744,553	10,301,297
Exchange fund bills	<u>514,845</u>	<u>486,513</u>
	<u>16,256,859</u>	<u>11,798,479</u>

8. INVESTMENTS IN SECURITIES

	2006					2005				
	Financial assets at fair value through profit or loss					Financial assets at fair value through profit or loss				
	Trading assets HK\$'000	Assets designated at fair value HK\$'000	Held-to-maturity securities HK\$'000	Available-for-sale securities HK\$'000	Total HK\$'000	Trading assets HK\$'000	Asset designated at fair value HK\$'000	Held-to-maturity securities HK\$'000	Available-for-sale securities HK\$'000	Total HK\$'000
Equity securities:										
Listed in Hong Kong	423	-	-	359,134	359,557	562	-	-	268,756	269,318
Listed overseas	-	-	-	6,991	6,991	-	-	-	6,385	6,385
	<u>423</u>	<u>-</u>	<u>-</u>	<u>366,125</u>	<u>366,548</u>	<u>562</u>	<u>-</u>	<u>-</u>	<u>275,141</u>	<u>275,703</u>
Unlisted	-	-	-	259,940	259,940	-	-	-	248,232	248,232
	<u>423</u>	<u>-</u>	<u>-</u>	<u>626,065</u>	<u>626,488</u>	<u>562</u>	<u>-</u>	<u>-</u>	<u>523,373</u>	<u>523,935</u>
Debt securities:										
Certificates of deposit	-	-	1,863,937	-	1,863,937	-	-	1,960,915	278,396	2,239,311
Other debt securities - Unlisted	-	610,388	12,039,236	472,076	13,121,700	-	808,598	7,231,991	-	8,040,589
	<u>-</u>	<u>610,388</u>	<u>13,903,173</u>	<u>472,076</u>	<u>14,985,637</u>	<u>-</u>	<u>808,598</u>	<u>9,192,906</u>	<u>278,396</u>	<u>10,279,900</u>
Total:										
Listed in Hong Kong	423	-	-	359,134	359,557	562	-	-	268,756	269,318
Listed overseas	-	-	-	6,991	6,991	-	-	-	6,385	6,385
Unlisted	-	610,388	13,903,173	732,016	15,245,577	-	808,598	9,192,906	526,628	10,528,132
	<u>423</u>	<u>610,388</u>	<u>13,903,173</u>	<u>1,098,141</u>	<u>15,612,125</u>	<u>562</u>	<u>808,598</u>	<u>9,192,906</u>	<u>801,769</u>	<u>10,803,835</u>

9. ADVANCES AND OTHER ACCOUNTS

	2006 HK\$'000	2005 HK\$'000
Advances to customers		
Bills receivable	484,375	330,409
Trade bills	138,337	131,549
Other advances to customers	26,251,826	23,834,686
	<u>26,874,538</u>	<u>24,296,644</u>
Interest receivable	267,337	196,225
Impairment allowances		
– Individually assessed	(32,161)	(54,640)
– Collectively assessed	(104,464)	(131,933)
	<u>27,005,250</u>	<u>24,306,296</u>
Advances to banks and other financial institutions	57,425	57,209
	<u>27,062,675</u>	<u>24,363,505</u>
Other accounts	434,345	144,556
	<u>27,497,020</u>	<u>24,508,061</u>

Details of the impaired loans are as follows:

	2006 HK\$'000	2005 HK\$'000
Gross impaired loans	329,660	642,788
Less: Impairment allowances under individual assessment	(32,161)	(54,640)
Net impaired loans	<u>297,499</u>	<u>588,148</u>
Gross impaired loans as a percentage of gross advances to customers	<u>1.23%</u>	<u>2.65%</u>
Market value of collateral pledged	<u>313,786</u>	<u>617,345</u>

10. DEPOSITS FROM CUSTOMERS

	2006 HK\$'000	2005 HK\$'000
Demand deposits and current accounts	2,479,907	2,144,820
Savings deposits	9,377,813	6,462,001
Time, call and notice deposits	42,817,512	32,899,471
	<u>54,675,232</u>	<u>41,506,292</u>

11. LOAN CAPITAL

	2006 HK\$'000	2005 HK\$'000
US\$125 million callable floating rate subordinated notes due 2016	<u>967,376</u>	<u>—</u>

On 15 December 2006 the Bank issued loan capital of face value of US\$125,000,000 subordinated notes qualifying as tier 2 capital.

The above subordinated notes will mature on 16 December 2016 and are redeemable at the option of the Group in December 2011 at their principal amount.

The floating rate notes bear interest at the rate of three month LIBOR plus 0.93 per cent, payable quarterly from the issue date to the call option date. Thereafter, if the notes are not redeemed on the call option date, the interest rate will be reset to three month LIBOR plus 1.93 per cent, payable quarterly.

12. RESERVES

	2006 HK\$'000	2005 HK\$'000
At the beginning of the year	5,615,636	5,439,182
Revaluation gains, net of tax	33,262	79,970
Exchange differences arising from translation of foreign operations	1,539	(1,665)
Profit for the year	503,144	397,983
Reversal of reserves upon disposal of available-for-sale securities	(54,001)	(47,534)
Interim dividend paid	(82,650)	(78,300)
Final dividend paid	<u>(182,700)</u>	<u>(174,000)</u>
At the end of the year	<u>5,834,230</u>	<u>5,615,636</u>

SUPPLEMENTARY INFORMATION

1. ADVANCES TO CUSTOMERS - BY INDUSTRY SECTORS

The Group's gross advances to customers (including advances booked in overseas branches and subsidiaries) are analysed and reported by industry sectors according to the usage of the loans and/or the business activities of the borrowers as follows:

	2006 HK\$'000	2005 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
– Property development	1,576,165	1,609,344
– Property investment	6,073,467	5,853,131
– Financial concerns	1,555,454	1,229,845
– Stockbrokers	420,851	321,693
– Wholesale and retail trade	768,422	569,231
– Manufacturing	1,114,492	839,950
– Transport and transport equipment	326,560	210,865
– Others	4,883,129	4,461,475
Individuals		
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	676,673	790,925
– Loans for the purchase of other residential properties	3,476,285	3,403,990
– Credit card advances	127,460	125,134
– Others	1,315,471	1,222,148
	22,314,429	20,637,731
Trade finance	823,153	653,624
Loans for use outside Hong Kong	3,736,956	3,005,289
	26,874,538	24,296,644

2. ADVANCES TO CUSTOMERS - BY GEOGRAPHICAL AREAS

The Group's gross advances to customers by countries or geographical areas after taking into account any risk transfers are as follows:

	Total advances		Advances overdue for over three months	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	24,417,811	21,712,908	320,852	510,679
People's Republic of China	271,592	346,814	124,806	165,146
Macau	1,460,076	1,131,352	—	—
America	356,916	554,673	—	—
Others	368,143	550,897	—	—
Total	<u>26,874,538</u>	<u>24,296,644</u>	<u>445,658</u>	<u>675,825</u>

3. CROSS-BORDER CLAIMS

The Group's cross-border claims by countries or geographical areas which constitutes 10% or more of the relevant disclosure item after taking into account any risk transfers are as follows:

	2006			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	10,101,438	65,696	1,339,099	11,506,233
– of which – Australia	3,929,675	2,138	995	3,932,808
North America	2,811,117	17,569	1,278,823	4,107,509
Europe	16,004,492	2,902	725,986	16,733,380
– of which – United Kingdom	3,741,074	1,478	310,507	4,053,059
– of which – Germany	<u>3,471,632</u>	<u>1,278</u>	<u>3,980</u>	<u>3,476,890</u>
	2005			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	6,544,341	63,428	1,188,122	7,795,891
– of which – Australia	3,053,656	1,077	102,101	3,156,834
North America	1,490,869	16,235	991,315	2,498,419
Europe	11,244,111	2,259	383,957	11,630,327
– of which – United Kingdom	2,696,447	1,099	356,529	3,054,075
– of which – Germany	<u>3,666,446</u>	<u>999</u>	<u>8,603</u>	<u>3,676,048</u>

4. OVERDUE AND RESCHEDULED ASSETS

	2006	
	Gross amount of advances HK\$'000	Percentage to total advances %
Advances overdue for		
– 6 months or less but over 3 months	59,715	0.2
– 1 year or less but over 6 months	29,325	0.1
– over 1 year	<u>356,618</u>	<u>1.3</u>
Total overdue advances	<u>445,658</u>	<u>1.6</u>
Rescheduled advances	<u>257,203</u>	<u>1.0</u>
	2005	
	Gross amount of advances HK\$'000	Percentage to total advances %
Advances overdue for		
– 6 months or less but over 3 months	62,520	0.3
– 1 year or less but over 6 months	24,381	0.1
– over 1 year	<u>588,924</u>	<u>2.4</u>
Total overdue advances	<u>675,825</u>	<u>2.8</u>
Rescheduled advances	<u>300,473</u>	<u>1.2</u>

There were no advances to banks and other financial institutions or other assets which were overdue for over 3 months as at 31 December 2006 and 31 December 2005, nor were there any rescheduled advances to banks and other financial institutions.

Repossession assets held by the Group as at 31 December 2006 amounted to HK\$103,480,000 (2005: HK\$146,822,000).

5. CURRENCY RISK

The Group's foreign currency exposures arising from non-trading and structural position which constitute 10% or more of the total net position in all foreign currencies are as follows:

	2006			
	US\$	MOP	RMB	Total
Equivalent in thousands of HK\$				
Spot assets	13,633,746	59,251	286,962	13,979,959
Spot liabilities	(13,359,547)	(49,829)	(283,551)	(13,692,927)
Forward purchases	185,772	–	2,192	187,964
Forward sales	(455,999)	–	–	(455,999)
Net long position	<u>3,972</u>	<u>9,422</u>	<u>5,603</u>	<u>18,997</u>
				MOP
Net structural position				<u>48,545</u>

	2005			
	US\$	MOP	RMB	Total
Equivalent in thousands of HK\$				
Spot assets	10,218,181	84,168	302,187	10,604,536
Spot liabilities	(10,120,222)	(74,005)	(294,232)	(10,488,459)
Forward purchases	72,533	–	–	72,533
Forward sales	(156,901)	(4,004)	–	(160,905)
Net long position	<u>13,591</u>	<u>6,159</u>	<u>7,955</u>	<u>27,705</u>
				MOP
Net structural position				<u>48,545</u>

6. CONTINGENT LIABILITIES AND COMMITMENTS

	2006 HK\$'000	2005 HK\$'000
Contingent liabilities and commitments		
– contractual amounts		
Direct credit substitutes	1,221,388	972,847
Trade – related contingencies	346,531	371,150
Other commitments		
With an original maturity of under one year or which are unconditionally cancellable	5,824,281	4,270,086
With an original maturity of one year and over	4,531,702	3,626,057
Capital commitments	<u>227,967</u>	<u>369,588</u>
	<u>12,151,869</u>	<u>9,609,728</u>

The replacement costs and credit risk weighted amounts of the above contingent liabilities, commitments and derivatives exposures are as follows:

	2006		2005	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	N/A	3,329,570	N/A	2,820,689
Exchange rate contracts	3,409	2,195	451	514
Interest rate contracts	1,553	710	45,607	17,490
	<u>4,962</u>	<u>3,332,475</u>	<u>46,058</u>	<u>2,838,693</u>

The derivative financial instruments including exchange rate contracts and interest rate contracts have been recognised on balance sheet at fair value.

Replacement cost is the cost of replacing all contracts that have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking contracts to market. Replacement cost is a close approximation of the credit risk for these contracts at the balance sheet dates.

7. CAPITAL ADEQUACY AND LIQUIDITY RATIO

	2006	2005
	%	%
Capital adequacy ratio at 31 December		
– Unadjusted	<u>15.60</u>	<u>15.20</u>
– Adjusted	<u>15.59</u>	<u>15.19</u>
Average liquidity ratio for the year	<u>55.65</u>	<u>49.13</u>

The capital adequacy ratio is calculated as the ratio, expressed as a percentage, of the capital base to the risk assets, as specified in the Third Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Chong Hing Finance Limited, Liu Chong Hing Banking Corporation, Cayman, Right Way Investments Limited and Gallbraith Limited.

The adjusted capital adequacy ratio which takes into account market risks as at the balance sheet date is calculated on the same basis as the unadjusted capital adequacy ratio and in accordance with the Guideline “Maintenance of Adequate Capital Against Market Risks” issued by the Hong Kong Monetary Authority.

The average liquidity ratio is calculated as the ratio, expressed as a percentage, of the average of each calendar month's average ratio, as specified in the Fourth Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Chong Hing Finance Limited, Liu Chong Hing Banking Corporation, Cayman, Right Way Investments Limited and Gallbraith Limited.

8. OTHER FINANCIAL INFORMATION

The components of the total capital base after deductions as reported under Part I of the Capital Adequacy Return are as follows:

	2006 HK\$'000	2005 HK\$'000
Core capital		
Paid up ordinary share capital	217,500	217,500
Share premium account	1,542,817	1,542,817
Reserves (eligible for inclusion in core capital)	3,393,806	3,266,501
	<u>5,154,123</u>	<u>5,026,818</u>
Eligible supplemental capital		
Reserves on revaluation of land and interests in land	27,835	24,722
Reserves on revaluation of holding of securities not held for trading purposes	42,368	40,646
Impairment allowance under collective assessment and regulatory reserve	269,464	254,770
Subordinated debt	967,376	—
Total capital base before deductions	<u>6,461,166</u>	<u>5,346,956</u>
Deductions from total capital base	<u>(633,406)</u>	<u>(493,223)</u>
Total capital base after deductions	<u><u>5,827,760</u></u>	<u><u>4,853,733</u></u>

COMPLIANCE WITH THE SUPERVISORY POLICY MANUAL “FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORISED INSTITUTIONS”

The Bank has fully complied with the Supervisory Policy Manual “Financial Disclosure by Locally Incorporated Authorised Institutions” which was issued by the Hong Kong Monetary Authority.

FINAL DIVIDEND

The Directors will recommend at the forthcoming Annual General Meeting of the shareholders to be held on Wednesday, 25 April 2007 the payment of the final dividend for 2006 of HK\$0.44 per share. This final dividend, if approved, will be paid on Thursday, 26 April 2007 to shareholders whose names are on the Register of Members on Friday, 20 April 2007.

REVIEW OF FINANCIAL REPORT

This financial report has been reviewed by the Bank’s Audit Committee.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Wednesday, 18 April 2007 to Friday, 20 April 2007 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the final dividend in question, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Bank's share registrars and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Tuesday, 17 April 2007.

PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

Neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any of the Bank's listed securities during the year.

CORPORATE GOVERNANCE

The directors confirm that, for the financial year ended 31 December 2006, the Bank has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Corporate Governance Code") except, under the Bank's Articles of Association, one-third (or, if the quotient resulting from the division of the number of directors by three is not a whole number, the number nearest 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. As between persons who became directors on the same day, those to retire shall (unless they otherwise agree between themselves) be determined by drawing lots. And as to those persons additionally appointed as directors or appointed as directors to fill casual vacancies by the board, they shall hold office only until the next following annual general meeting and shall then be eligible for re-election (but not to be taken into account in determining the directors or the number of directors who are to retire by rotation) at that annual general meeting. The directors consider the Bank's practice to be an appropriate alternative to that recommended under A.4.1 and A.4.2 of the Corporate Governance Code in respect of the appointment of non-executive directors for a specific term and the retirement by rotation of directors.

Furthermore, the Bank has adopted a code for securities transactions by directors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Model Securities Transactions Code"). After specific enquiry by the Bank, all of the directors confirmed that, for the financial year ended 31 December 2006, they had complied with the required standards as set out in both the Model Securities Transactions Code and the Bank's own code in question.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Bank's Annual Report 2006, as well as this announcement of annual results, containing the relevant information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

REVIEW AND PROSPECTS

Economic Review

In 2006, the global economy kept growing. The World Bank and the International Monetary Fund estimated the annual economic growth rate at 3.9 percent and 5.1 percent respectively. Under the new backdrop of the global economy, economic expansion was not solely driven by the United States. Europe, with slackening growth over the past few years, experienced a turning point in the economy and its economic growth set a record for the recent years. The economy of Japan demonstrated a promising surge with the decision to increase interest rate for the first time within the recent six years, marking the ultimate return of its economy to the right track. The rates of economic growth of various emerging markets and developing countries, particularly China and India, were all higher than the average growth rate of the global economy. Asian countries have played increasingly important roles in the growth of the global economy. Meanwhile, Europe and Asia have grown into a predominant driving force promoting global economic growth.

The Hong Kong economy was on a steady upward trend for the year. Strong internal demand was a major booster for economic growth, driving gross domestic product up by 6.8 percent in 2006. Optimistic consumption sentiment of and investment incentives for the local people strengthened the operating confidence of enterprises. All sectors continued to expand and increase recruitment, resulting in a substantial fall in unemployment rate to the latest six-year low figure of 4.4 percent. Reduced oil prices, advanced productivity together with growing expansion in production scale contributed to Hong Kong's mild inflation. The annual inflation rate of 2 percent enabled Hong Kong to maintain high growth and low inflation, creating a desirable environment. In addition, benefiting from the favourable influences of China such as its enormous support and wealth effect, the performance of the stock market was exceptional this year. Stimulated by an influx of capital tracking H-share stocks and a tide of initial public offerings, Hang Seng Index rose by more than 30 percent over the year while Hong Kong's stock market value, which has set record after record, amounted to over HK\$13 trillion. Driven by the prosperous financial market, the actual growth rate of the financial industry outstripped all the other sectors. Moreover, the growth of exports of finance, business and other services also surpassed the overall growth level of the entire service exports. However, the development of the property market was polarized with steady prices for small and medium residential properties but substantial selling prices for certain pieces of land for the development of luxurious residential properties. Such a development reflected a strong market preference for luxurious residential properties.

As to the local banking industry, since the Federal Reserve Board temporarily suspended interest rate hiking in August 2006, this cycle of raising interest rate of HK dollar has also ended. With the continuous capital inflow, the banks' decision of not following the trend of US dollar interest in last November and taking the lead to reduce interest rate, together with the prosperous stock market, among other banking services, new subscription financing and margin financing have acquired great benefits. Competition for business in such areas as mortgage financing remained fierce, resulting in thin actual profit. Banking operations were confronted with difficulties and opportunities. Hence, greater efforts had to be exerted to make further improvements.

Results Announcement

The Bank's results for 2006 show a rather satisfactory improvement. For the financial year of 2006, on an audited, consolidated basis, profit attributable to shareholders amounted to HK\$503.144 million, an increase of 26.42 percent over that for the year before. Total customers' deposits increased 31.73 percent to HK\$54.675 billion. Total loans to customers (after accounting for impairment allowances) increased 11.10 percent to HK\$27.005 billion. On 31 December 2006, the Bank's loan portfolios were made up as follows: property developments and investments (28.46 percent), personal real estate purchases (15.45 percent), financial and securities concerns (7.35 percent), trade finance (3.06 percent), wholesale and retail trade (2.86 percent), manufacturing, transportation and other businesses (23.53 percent), loans outside Hong Kong (13.91 percent), and others (5.38 percent). Adjusted capital adequacy ratio rose 2.63 percent to 15.59 percent at the end of 2006, while average liquidity ratio for 2006 increased 13.27 percent to 55.65 percent. Loan-to-deposit ratio decreased 11.69 percent to 44.93 percent. Total assets, having increased 26.13 percent to HK\$63.03 billion. Shareholders' funds (before final dividend), compared with the shareholders' funds for the previous year, increased 3.75 percent to HK\$6.052 billion. Your board has recommended paying the final dividend of HK\$0.44 per share for the financial year of 2006 to shareholders whose names appear in the Register of Members at the close of business on Friday, 20 April 2007. Total dividends for the financial year of 2006 (including the interim dividend of HK\$0.19 per share paid earlier) amounted to HK\$0.63 per share.

Profit Analysis

On an audited, consolidated basis, net interest income rose 10.05 percent from that of 2005 to HK\$828.539 million in 2006. Interest spread decreased 8.48 percent to 1.51 percent. After accounting for the other operating income, which amounted to HK\$301.69 million, total operating income was HK\$1,130.23 million and total operating expenditure was HK\$591.54 million. Cost-to-income ratio rose 2.95 percent to 52.34 percent. Operating profit before impairment allowances, fair value adjustments and net (loss) gain on disposal increased 12.97 percent to HK\$538.691 million. The Bank made impairment allowances in the amount of HK\$59.801 million for 2006, a decrease of 11.81 percent against those made for 2005. After accounting for the impairment allowances as well as the charge for taxation, profit attributable to shareholders amounted to HK\$503.144 million (an increase of 26.42 percent), translating into earnings of HK\$1.16 per share. Net asset value per share (before final dividend), compared with the net asset value per share for the previous year, rose 3.75 percent to HK\$13.91.

Change of Company Name

On 29 November 2006, the Bank's shareholders unanimously approved a resolution to change its name to "Chong Hing Bank Limited (創興銀行有限公司)" at an extraordinary general meeting. The change of company name has become effective from 23 December 2006 upon the issuance of the Certificate of Change of Name by the Registrar of Companies in Hong Kong on that same day. The reasons for the change of company name are, among others, to rejuvenate the corporate image of the Bank to make it more appealing to a younger generation, and to facilitate further development of the Bank's various business lines in the mainland China market under the auspices of the Mainland and Hong Kong Closer Economic Partnership Arrangement.

New Headquarters

The redevelopment of the Bank's headquarters at 24 Des Voeux Road Central had already been completed and the new building was renamed as "Chong Hing Bank Centre". The Bank relocated its head office operations to the new headquarters on 27 December 2006. In celebration of the renaming of the Bank and the grand opening of its new headquarters, the Bank held a cocktail reception with a ribbon-cutting ceremony at the new headquarters on 23 January 2007. The Honourable Henry Y Y Tang, GBS, JP, Financial Secretary of the HKSAR, The Honourable Frederick S H Ma, JP, Secretary for Financial Services and the Treasury of the HKSAR and Mr Joseph C K Yam, GBS, JP, Chief Executive of the Hong Kong Monetary Authority attended as guests of honour. Many other dignitaries from the political and the commercial fields and so forth, as well as many banking counterparts and customers, participated in the joyous and epochal celebration.

Credit Rating

For the very first time, the Bank had received credit ratings from Moody's and Fitch. The Bank received a Baa2 long-term foreign currency and local currency deposit rating and a C- financial strength rating from Moody's, and a BBB+ long-term foreign currency issuer default rating and a C individual rating from Fitch. The ratings reflect the sound quality of the Bank's assets, credit level and management. It is also a recognition of the development and potential of the Bank.

Issue of Subordinated Notes

On 8 December 2006, the Bank completed a US\$125,000,000 subordinated notes offering, witnessing the very first issue in the international debt market by the Bank. Strong support was received from investors after roadshows in both Singapore and Hong Kong. The order book was substantially oversubscribed. The capital base of the Bank was further strengthened for future business growth after this successful issue of subordinated notes.

Corporate Responsibility

The Bank strives to fulfil its corporate responsibility by expanding its branch network to provide comprehensive banking services to the community, in particular the residents in public housing estates. During the year, the Bank has opened a total of eight branches in Kwai Chung, Tsing Yi, Tuen Mun, Tin Shui Wai, Tung Chung and Sham Shui Po, six of which are located in shopping malls managed by The Link Management Limited. The new branches offer both retail and commercial banking services. Satisfactory results have been recorded since the opening of such branches.

The Bank hosted a cocktail reception to celebrate its renaming and the grand opening of its new headquarters and received congratulations from numerous well-wishing guests. Instead of sending flower bouquets, guests made donations for charitable educational purposes as recommended by the Bank. The Bank has also contributed an amount equivalent to the overall donations on a dollar-for-dollar basis, bringing the total amount to over HK\$1,760,000 for donation to charitable educational projects in the impoverished areas in mainland China.

Economic Prospects

It is anticipated that Hong Kong's economic growth will continue to be driven by internal demand this year. The healthy upward trend of domestic consumption will improve the labour market, thereby triggering increase in salaries and decrease of unemployment rate. Due to the positive wealth effect caused by the general improvement in the stock and the property markets, the consumer market will maintain its momentum. As one of the core industries of Hong Kong, the financial sector will continue to benefit from the rapid economic growth and liberalisation of the financial market in mainland China. In addition, the position of Hong Kong as a key financial centre in the Asia-Pacific region will be further enhanced upon implementation of the "Action Agenda" proposed by the HKSAR Government for further improving its financial infrastructure during the Economic Summit on "China's 11th Five-Year Plan" and the Development of Hong Kong. With the continued influx of funds, Hong Kong stock market saw a strong surge last year and accumulated a substantial adjustment pressure. It is generally believed that the stock market will experience major fluctuations this year and the upward movement will be moderate. Dealing in and leasing of commercial properties will increase as a result of business expansion. Residential property market will be dominated by end-users. Property prices will remain stable as supply and demand will be kept in equilibrium.

The recession in the American economy will certainly affect Hong Kong's exports. However, some of the unfavourable effects will be offset by the new emerging economies, the Chinese economy in particular, maintaining rapid growth. It is predicted that Hong Kong's export will maintain respectable performance. In addition, with a prosperous financial market, service exports will only experience limited recession. If there are no major threats, such as geopolitical conflicts or outbreaks of avian flu, causing unexpected and adverse effects on other regional economies, the overall prospect for Hong Kong is optimistic.

The Hong Kong banking industry which is being nurtured in a healthy local economy, the rapid growth of the Chinese economy, and the further liberalisation of the Chinese financial industry all present unlimited opportunities. On the other hand, the banking industry faces various challenges, such as fierce interbank competition, increasing operating costs and the implementation of the Basel II Accord. The Bank will continue to take a proactive approach, take advantage of new opportunities, expand business lines, develop new products, improve service quality and maximize the returns for its shareholders.

Finally, on behalf of your board, I would like to wholeheartedly thank our customers, business partners and shareholders for their long-standing trust in and support for the Bank, not to mention my fellow directors for the exercise of their wise judgment and all of our staff members for their unfailing dedication.

BOARD OF DIRECTORS

As of the date of this announcement, the executive directors of the Bank are Mr Liu Lit Man (Executive Chairman), Dr Liu Lit Mo (Vice Chairman), Mr Liu Lit Chi (Managing Director & Chief Executive Officer), Mr Don Tit Shing Liu (Executive Director & Deputy Chief Executive Officer), Mr Wilfred Chun Ning Liu, Mr Lau Wai Man, Mr Frank Shui Sang Jin, Mr Andrew Chiu Wing Tsang and Mr George Har Kar Wong; the non-executive directors are Mr Timothy George Freshwater, Mr Toshiaki Arai, Mr Andrew Liu, Dr Sun Jiakang, Mr Christopher Kwun Shing Liu, Mr Alfred Cheuk Yu Chow and Mr Wang Zhi; and the independent non-executive directors are Dr Robin Yau Hing Chan, Mr Wanchai Chiranakhorn and Mr Cheng Yuk Wo.

By Order of the Board

Liu Lit Man

Executive Chairman

7 March 2007

Please also refer to the published version of this announcement in the South China Morning Post on 8 March 2007.