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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 2008, together with the comparative figures for the corresponding year in 2007.

CONSOLIDATED INCOME STATEMENT

	NOTES	2008 HK\$'000	2007 HK\$'000	Variance %
Interest income		2,171,336	3,310,484	- 34.41
Interest expense		(1,307,010)	(2,339,871)	- 44.14
Net interest income	3	864,326	970,613	- 10.95
Fee and commission income		265,220	326,641	- 18.80
Fee and commission expense		(48,419)	(43,229)	+ 12.01
Net fee and commission income	4	216,801	283,412	- 23.50
Net (losses) gains on financial assets at fair value through profit or loss		(48,299)	10,372	- 565.67
Other operating income	5	146,566	156,297	- 6.23
Operating expenses	6	(772,431)	(642,894)	+ 20.15
		406,963	777,800	- 47.68
Impairment allowances on loans and advances	13	(91,334)	(82,922)	+ 10.14
Net gain (loss) on disposal of property and equipment		294	(64)	+ 559.38
Net gain on disposal of land		-	2,591	- 100.00
Net gain on disposal of investment properties		-	14,420	- 100.00
Net gain on disposal of available-for-sale securities		108,706	177,351	- 38.71
Fair value adjustment on investment properties	14	39,560	14,391	+ 174.89
Impairment loss on available-for-sale securities		(264,654)	(369,627)	- 28.40
Impairment loss on goodwill	21	(20,000)	(30,000)	- 33.33
Profit from operations		179,535	503,940	- 64.37
Share of (loss) profit of jointly controlled entities		(90,240)	66,074	- 236.57
Profit before taxation		89,295	570,014	- 84.33
Taxation	7	(28,675)	(64,982)	- 55.87
Profit for the year		60,620	505,032	- 88.00
Dividends	8	256,650	282,750	- 9.23
Earnings per share, basic and diluted	9	HK\$0.14	HK\$1.16	- 88.00

CONSOLIDATED BALANCE SHEET

	NOTES	2008 HK\$'000	2007 HK\$'000	Variance %
Assets				
Cash and short-term funds	10	17,659,927	14,763,977	+ 19.61
Placements with banks and other financial institutions				
maturing between one to twelve months		5,367,858	3,084,147	+ 74.05
Derivative financial instruments	11	429	60	+ 615.00
Financial assets at fair value through profit or loss	12	680,680	1,134,422	- 40.00
Available-for-sale securities	12	196,527	876,661	- 77.58
Held-to-maturity securities	12	9,727,685	15,607,980	- 37.67
Advances and other accounts	13	33,634,842	32,495,890	+ 3.50
Tax recoverable		38,113	19,816	+ 92.33
Interests in jointly controlled entities		82,999	142,230	- 41.64
Loan to a jointly controlled entity		-	5,267	-100.00
Investment properties	14	129,801	60,241	+ 115.47
Property and equipment	15	469,724	446,873	+ 5.11
Prepaid lease payments for land	16	328,127	334,231	- 1.83
Goodwill	21	60,606	80,606	- 24.81
Total assets		68,377,318	69,052,401	- 0.98
Liabilities				
Deposits and balances of banks and other				
financial institutions		1,525,509	456,858	+ 233.91
Deposits from customers	17	59,401,660	60,327,437	- 1.53
Derivative financial instruments	11	39,303	114,546	- 65.69
Other accounts and accruals		477,381	861,619	- 44.59
Current tax liabilities		5,104	35,008	- 85.42
Loan capital	18	965,454	970,871	- 0.56
Deferred tax liabilities	20	6,283	15,274	- 58.86
Total liabilities		62,420,694	62,781,613	- 0.57
Shareholders' equity				
Share capital	19	217,500	217,500	-
Reserves		5,739,124	6,053,288	- 5.19
Shareholders' funds		5,956,624	6,270,788	- 5.01
Total liabilities and shareholders' equity		68,377,318	69,052,401	- 0.98

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Share capital HK\$'000	Share premium HK\$'000	Goodwill HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2008	217,500	1,542,817	(182)	138,680	1,388,500	330	356,000	2,627,143	6,270,788
Revaluation losses, net	-	-	-	(300,495)	-	-	-	-	(300,495)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	7,194	-	-	7,194
Deferred taxation arising from revaluation movement	-	-	-	20,060	-	-	-	-	20,060
Share of reserves of a jointly-controlled entity	-	-	-	(841)	-	-	-	-	(841)
Net income (expense) recognised directly in equity	-	-	-	(281,276)	-	7,194	-	-	(274,082)
Profit for the year	-	-	-	-	-	-	-	60,620	60,620
Reversal of reserve upon impairment	-	-	-	264,654	-	-	-	-	264,654
Reversal of reserve upon disposal	-	-	-	(108,706)	-	-	-	-	(108,706)
Total recognised income (expense) for the year	-	-	-	(125,328)	-	7,194	-	60,620	(57,514)
Interim dividend paid for financial year 2008	-	-	-	-	-	-	-	(65,250)	(65,250)
Final dividend paid for financial year 2007	-	-	-	-	-	-	-	(191,400)	(191,400)
Earmark of retained profits as regulatory reserve	-	-	-	-	-	-	(49,000)	49,000	-
At 31 December 2008	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>	<u>13,352</u>	<u>1,388,500</u>	<u>7,524</u>	<u>307,000</u>	<u>2,480,113</u>	<u>5,956,624</u>
At 1 January 2007	217,500	1,542,817	(182)	142,386	1,388,500	(152)	165,000	2,595,861	6,051,730
Revaluation losses, net	-	-	-	(206,538)	-	-	-	-	(206,538)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	482	-	-	482
Deferred taxation arising from revaluation movement	-	-	-	10,556	-	-	-	-	10,556
Net income (expense) recognised directly in equity	-	-	-	(195,982)	-	482	-	-	(195,500)
Profit for the year	-	-	-	-	-	-	-	505,032	505,032
Reversal of reserve upon impairment	-	-	-	369,627	-	-	-	-	369,627
Reversal of reserve upon disposal	-	-	-	(177,351)	-	-	-	-	(177,351)
Total recognised income (expense) for the year	-	-	-	(3,706)	-	482	-	505,032	501,808
Interim dividend paid for financial year 2007	-	-	-	-	-	-	-	(91,350)	(91,350)
Final dividend paid for financial year 2006	-	-	-	-	-	-	-	(191,400)	(191,400)
Earmark of retained profits as regulatory reserve	-	-	-	-	-	-	191,000	(191,000)	-
At 31 December 2007	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>	<u>138,680</u>	<u>1,388,500</u>	<u>330</u>	<u>356,000</u>	<u>2,627,143</u>	<u>6,270,788</u>

The retained profits of the Group included accumulated loss of HK\$28,876,000 (2007: accumulated profits of HK\$64,514,000) retained by the jointly controlled entities of the Group.

The regulatory reserve is set up in compliance with the Hong Kong Monetary Authority's requirements and is distributable to shareholders of the Bank subject to consultation with the Hong Kong Monetary Authority.

The general reserve comprises transfers from previous years' retained profits.

CONSOLIDATED CASH FLOW STATEMENT

	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	89,295	570,014
Adjustments for:		
Net (gain) loss on disposal of property and equipment	(294)	64
Net gain on disposal of investment properties	–	(14,420)
Net gain on disposal of land	–	(2,591)
Net gain on disposal of available-for-sale securities	(108,706)	(177,351)
Impairment allowances on loans and advances	91,334	82,922
Impairment loss on goodwill	20,000	30,000
Impairment loss on available-for-sale securities	264,654	369,627
Dividend income from equity securities	(12,853)	(11,859)
Share of loss (profit) of jointly controlled entities	90,240	(66,074)
Fair value adjustment on investment properties	(39,560)	(14,391)
Depreciation	43,925	36,846
Amortisation of prepaid lease payments for land	6,104	5,710
Interest income from held-to-maturity securities and available-for-sale securities	(462,018)	(702,669)
Interest expense on loan capital	42,122	63,971
Exchange adjustments	615	2,871
Operating cash flows before movements in operating assets and liabilities	24,858	172,670
Decrease (increase) in interest receivable and other accounts	381,973	(153,985)
(Decrease) increase in other accounts and accruals	(383,060)	107,551
Increase in placements with banks and other financial institutions with original maturity over three months	(303,466)	(850,625)
Decrease in exchange fund bills with original maturity over three months	47,155	155,580
Decrease in money at call and short notice with original maturity over three months	690,017	624,478
Decrease (increase) in bills receivable	175,514	(25,354)
Increase in trade bills	(736)	(26,220)
Increase in other advances to customers	(1,808,623)	(4,880,739)
(Increase) decrease in advances to banks and other financial institutions	(59,328)	341
Decrease in deposits and balances of banks and other financial institutions with original maturity over three months	(1,841)	(79,162)
Decrease (increase) in financial assets at fair value through profit or loss	453,742	(523,611)
(Increase) decrease in derivative assets	(369)	117,732
Decrease in derivative liabilities	(75,243)	–
(Decrease) increase in deposits from customers	(925,777)	5,652,205
Cash (used in) generated from operations	(1,785,184)	290,861
Hong Kong Profits Tax paid	(58,868)	(71,290)
Overseas tax paid	(6,939)	(2,972)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(1,850,991)	216,599

	2008	2007
	HK\$'000	HK\$'000
INVESTING ACTIVITIES		
Interest received on held-to-maturity securities and available-for-sale securities	542,974	706,817
Dividends received on investments	12,853	11,859
Dividend income from jointly controlled entities	3,150	23,100
Capital investment in jointly controlled entities	(35,000)	–
Purchase of held-to-maturity securities	(24,380,625)	(26,184,962)
Purchase of available-for-sale securities	(42,160)	(364,551)
Purchase of property and equipment	(67,667)	(103,050)
Purchase of prepaid lease payments for land	–	(28,171)
Proceeds from redemption of held-to-maturity securities	30,260,920	24,480,155
Proceeds from sale and redemption of available-for-sale securities	421,799	379,493
Proceeds from disposal of property and equipment	1,185	95
Proceeds from disposal of land	–	7,356
Purchases of investment properties	(30,000)	–
Proceeds from disposal of investment properties	–	50,820
Repayment of loan from a jointly controlled entity	5,267	25,733
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>6,692,696</u>	<u>(995,306)</u>
CASH USED IN FINANCING ACTIVITIES		
Interest paid on loan capital	(42,180)	(63,333)
Dividends paid	(256,650)	(282,750)
NET CASH USED IN FINANCING ACTIVITIES	<u>(298,830)</u>	<u>(346,083)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,542,875	(1,124,790)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>12,990,424</u>	<u>14,115,214</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER,		
represented by		
Cash and balances with banks and other financial institutions	4,087,415	1,833,309
Money at call and short notice	13,180,425	9,776,851
Exchange fund bills	392,087	3,153,817
Placements with banks and other financial institutions maturing between one to twelve months	5,367,858	3,084,147
Deposits and balances of banks and other financial institutions	(1,525,509)	(456,858)
Less: Amounts with original maturity over three months	(3,968,977)	(4,400,842)
	<u>17,533,299</u>	<u>12,990,424</u>

NOTES:

1. BASIS OF PREPARATION

The financial information in this final results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2008 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 2007 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 effective for accounting periods beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position 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 and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Bank anticipated that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of financial statements ²
HKAS 23 (Revised)	Borrowing costs ²
HKAS 27 (Revised)	Consolidated and separate financial statements ³
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ²
HKFRS 3 (Revised)	Business combinations ³
HKFRS 8	Operating segments ²
HK(IFRIC) - INT 13	Customer loyalty programmes ⁴
HK(IFRIC) - INT 15	Agreements for the construction of real estate ²
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation ⁵
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners ³
HK(IFRIC) - INT 18	Transfer of assets from customers ³

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods beginning on or after 1 July 2008.

⁵ Effective for annual periods beginning on or after 1 October 2008.

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 banking-related services. 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 banking-related 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 banking-related services of the Group include investment holding, insurance, other investment advisory services and property investments.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

- (i) Segment information about these businesses for the year ended 31 December 2008 is presented below:

INCOME STATEMENT

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other banking- related services HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	1,102,344	1,066,191	2,801	-	-	2,171,336
Interest expense to external customers	(1,250,306)	(56,704)	-	-	-	(1,307,010)
Inter-segment interest income <i>(note)</i>	607,244	-	-	-	(607,244)	-
Inter-segment interest expense <i>(note)</i>	-	(607,244)	-	-	607,244	-
Net interest income	459,282	402,243	2,801	-	-	864,326
Fee and commission income	79,368	-	139,266	46,586	-	265,220
Fee and commission expense	(42,985)	-	(945)	(4,489)	-	(48,419)
Net losses on financial assets at fair value through profit or loss	-	(48,508)	-	209	-	(48,299)
Other operating income	70,788	42,985	(86)	32,879	-	146,566
Total operating income	566,453	396,720	141,036	75,185	-	1,179,394
Operating expenses	(423,857)	(28,542)	(51,788)	(22,177)	-	(526,364)
Impairment allowances on loans and advances	(91,334)	-	-	-	-	(91,334)
Net gain on disposal of property and equipment	294	-	-	-	-	294
Net gain on disposal of available-for-sale securities	-	-	-	108,706	-	108,706
Fair value adjustment on investment properties	-	-	-	39,560	-	39,560
Impairment loss on available-for-sale securities	-	(264,654)	-	-	-	(264,654)
Impairment loss on goodwill	-	-	-	(20,000)	-	(20,000)
Segment profit	51,556	103,524	89,248	181,274	-	425,602
Unallocated corporate expenses						(246,067)
Profit from operations						179,535
Share of losses of jointly controlled entities				(90,240)		(90,240)
Profit before taxation						89,295
Taxation						(28,675)
Profit for the year						60,620

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

2. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

(i) Segment information about these businesses as at 31 December 2008 is presented below:

BALANCE SHEET

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other banking- related services HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	38,347,147	29,158,388	183,804	382,208	68,071,547
Interests in jointly controlled entities	-	-	-	82,999	82,999
Unallocated corporate assets					<u>222,772</u>
Consolidated total assets					<u><u>68,377,318</u></u>
Liabilities					
Segment liabilities	(59,594,953)	(2,535,119)	(137,056)	(41,089)	(62,308,217)
Unallocated corporate liabilities					<u>(112,477)</u>
Consolidated total liabilities					<u><u>(62,420,694)</u></u>

OTHER INFORMATION

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other banking- related services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	45,467	651	2,024	4,830	14,695	67,667
Depreciation	<u>25,331</u>	<u>1,103</u>	<u>4,055</u>	<u>792</u>	<u>12,644</u>	<u>43,925</u>

2. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

(ii) Segment information about these businesses for the year ended 31 December 2007 is presented below:

INCOME STATEMENT

	Corporate and retail banking	Treasury activities	Securities dealing	Other banking- related services	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from external customers	1,626,540	1,675,038	8,906	-	-	3,310,484
Interest expense to external customers	(2,228,507)	(111,364)	-	-	-	(2,339,871)
Inter-segment interest income <i>(note)</i>	1,156,760	-	-	-	(1,156,760)	-
Inter-segment interest expense <i>(note)</i>	-	(1,156,760)	-	-	1,156,760	-
Net interest income	554,793	406,914	8,906	-	-	970,613
Fee and commission income	76,659	-	202,794	47,188	-	326,641
Fee and commission expense	(37,162)	-	(1,672)	(4,395)	-	(43,229)
Net gains in financial assets at fair value through profit or loss	-	(12,019)	-	22,391	-	10,372
Other operating income	91,384	29,859	(60)	35,114	-	156,297
Total operating income	685,674	424,754	209,968	100,298	-	1,420,694
Operating expenses	(366,304)	(27,222)	(51,471)	(21,919)	-	(466,916)
Impairment allowances on loans and advances	(82,922)	-	-	-	-	(82,922)
Net loss on disposal of property and equipment	(64)	-	-	-	-	(64)
Net gain on disposal of land	2,591	-	-	-	-	2,591
Net gain on disposal of investment properties	-	-	-	14,420	-	14,420
Net gain on disposal of available-for-sale securities	-	-	-	177,351	-	177,351
Fair value adjustment on investment properties	-	-	-	14,391	-	14,391
Impairment loss on available-for-sale securities	-	(369,627)	-	-	-	(369,627)
Impairment loss on goodwill	-	-	-	(30,000)	-	(30,000)
Segment profit	<u>238,975</u>	<u>27,905</u>	<u>158,497</u>	<u>254,541</u>	<u>-</u>	<u>679,918</u>
Unallocated corporate expenses						(175,978)
Profit from operations						503,940
Share of profits of jointly controlled entities				66,074		66,074
Profit before taxation						570,014
Taxation						(64,982)
Profit for the year						<u>505,032</u>

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

2. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

(ii) Segment information about these businesses as at 31 December 2007 is presented below:

BALANCE SHEET

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other banking- related services HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	34,309,585	33,100,358	433,174	803,642	68,646,759
Interests in jointly controlled entities	-	-	-	142,230	142,230
Loan to a jointly controlled entity	-	-	-	5,267	5,267
Unallocated corporate assets					258,145
Consolidated total assets					<u>69,052,401</u>
Liabilities					
Segment liabilities	60,666,292	1,559,890	366,359	37,096	62,629,637
Unallocated corporate liabilities					151,976
Consolidated total liabilities					<u>62,781,613</u>

OTHER INFORMATION

	Corporate and retail banking HK\$'000	Treasury activities HK\$'000	Securities dealing HK\$'000	Other banking- related services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	75,166	2,355	28,007	2,528	23,165	131,221
Depreciation	<u>22,446</u>	<u>836</u>	<u>1,819</u>	<u>751</u>	<u>10,994</u>	<u>36,846</u>

(b) Geographical segments

Geographical segmentation is analysed by the Group 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 2007 and 2008, more than 90% of the Group's revenue were generated by customers located in Hong Kong and profit before taxation were generated by assets booked by the principal operations of the branches and subsidiary companies located in Hong Kong. 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.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(b) Geographical segments - continued

Details of geographical segmentation are set out below:

	2008					
	Total operating income HK\$'000	Profit before taxation HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000	Total contingent liabilities and commitments HK\$'000	Capital expenditure during the year HK\$'000
Hong Kong	1,123,459	47,197	66,291,572	61,423,248	15,270,371	59,502
Asia Pacific (excluding Hong Kong)	37,725	29,980	1,195,689	798,598	224,438	8,134
America	18,210	12,118	890,057	198,848	62,460	31
Total	<u>1,179,394</u>	<u>89,295</u>	<u>68,377,318</u>	<u>62,420,694</u>	<u>15,557,269</u>	<u>67,667</u>

	2007					
	Total operating income HK\$'000	Profit before taxation HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000	Total contingent liabilities and commitments HK\$'000	Capital expenditure during the year HK\$'000
Hong Kong	1,358,206	485,868	67,041,552	61,410,227	17,442,739	122,962
Asia Pacific (excluding Hong Kong)	39,243	67,039	1,541,043	1,134,006	325,076	8,231
America	23,245	17,107	469,806	237,380	176,433	28
Total	<u>1,420,694</u>	<u>570,014</u>	<u>69,052,401</u>	<u>62,781,613</u>	<u>17,944,248</u>	<u>131,221</u>

Note: Total operating income consists of net interest income, net fee and commission income and other operating income.

3. NET INTEREST INCOME

	2008 HK\$'000	2007 HK\$'000
Interest income		
Short term funds and placements	606,587	978,648
Investments in securities	476,408	718,519
Loans and advances	1,088,341	1,613,317
	<u>2,171,336</u>	<u>3,310,484</u>
Interest expense		
Deposits and balances from banks and customers	(1,264,888)	(2,275,900)
Loan capital in issue	(42,122)	(63,971)
	<u>(1,307,010)</u>	<u>(2,339,871)</u>
Net interest income	<u>864,326</u>	<u>970,613</u>
Included within interest income		
Interest income on impaired loans and advances	<u>4,415</u>	<u>19,417</u>

Included within interest income and interest expense are HK\$2,156,946,000 (2007: HK\$3,294,634,000) and HK\$1,307,010,000 (2007: HK\$2,339,871,000) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

4. NET FEE AND COMMISSION INCOME

	2008	2007
	HK\$'000	HK\$'000
Fees and commission income		
Securities dealings	139,266	202,794
Credit lines	8,034	7,618
Trade finance	14,409	15,397
Credit card services	49,214	42,106
Agency services	46,586	47,187
Others	7,711	11,539
Total fees and commission income	265,220	326,641
Less: Fees and commission expense	(48,419)	(43,229)
Net fees and commission income	216,801	283,412
of which:		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value		
- fee income	73,911	70,936
- fee expense	(42,648)	(37,051)
	31,263	33,885

5. OTHER OPERATING INCOME

	2008	2007
	HK\$'000	HK\$'000
Dividend income		
Listed investments	9,773	8,979
Unlisted investments	3,080	2,880
Net gains on dealing in foreign currencies	42,985	29,859
Gross rents from investment properties	13,035	11,910
Less: Outgoings	(948)	(961)
Net rental income	12,087	10,949
Safe deposit box rentals	25,702	25,064
Insurance underwriting profit	8,336	10,130
Other banking services income	41,508	41,595
Actuarial gain on retirement scheme	-	21,914
Others	3,095	4,927
	146,566	156,297

6. OPERATING EXPENSES

	2008	2007
	HK\$'000	HK\$'000
Actuarial loss on retirement scheme	21,862	–
Amortisation of prepaid lease payments for land	6,104	5,710
Auditor's remuneration	3,678	3,579
Staff costs		
Salaries and other costs	393,953	355,624
Retirement benefits scheme contributions	29,779	26,620
Total staff costs	423,732	382,244
Depreciation	43,925	36,846
Premises and equipment expenses, excluding depreciation / amortisation		
Rentals and rates for premises	38,896	35,747
Others	22,247	17,842
Other operating expenses	211,987	160,926
	<u>772,431</u>	<u>642,894</u>

Included in the premises and equipment expenses are minimum lease payments under operating lease of HK\$34,655,000 (2007: HK\$31,246,000).

7. TAXATION

	2008	2007
	HK\$'000	HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
- current year	11,254	63,824
- under (over) provision in prior years	325	(557)
	<u>11,579</u>	<u>63,267</u>
Overseas taxation	6,027	3,724
Deferred tax (<i>note 20</i>)	11,069	(2,009)
	<u>28,675</u>	<u>64,982</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 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.

The tax charge for the year can be reconciled to the Group's profit before taxation per the consolidated income statement as follows:

	2008	2007
	HK\$'000	HK\$'000
Profit before taxation	89,295	570,014
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	14,734	99,752
Tax effect of share of loss (profit) of jointly controlled entities	14,890	(11,563)
Tax effect of expenses not deductible for tax purpose	20,044	6,316
Tax effect of income not taxable for tax purpose	(21,746)	(27,133)
Utilisation of tax losses previously not recognised	–	(437)
Under (over) provision in prior years	1,258	(557)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(550)	(1,541)
Effect of changes in tax rates of deferred tax	45	–
Others	–	145
Tax charge for the year	<u>28,675</u>	<u>64,982</u>

8. DIVIDENDS

	2008	2007
	HK\$'000	HK\$'000
Dividends recognised as distribution during the year:		
2008 Interim - HK\$0.15 (2007: HK\$0.21) per share	65,250	91,350
2007 Final - HK\$0.44 (2006: HK\$0.44) per share	<u>191,400</u>	<u>191,400</u>
	<u>256,650</u>	<u>282,750</u>

The final dividend of HK\$0.05 per share in respect of the current financial year (2007: HK\$0.44) has been proposed by the directors and is subject to approval by the shareholders in the next annual general meeting.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of HK\$60,620,000 (2007: HK\$505,032,000) and on 435,000,000 (2007: 435,000,000) ordinary shares in issue during the year.

10. CASH AND SHORT-TERM FUNDS

	2008	2007
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	4,087,415	1,833,309
Money at call and short notice	13,180,425	9,776,851
Exchange fund bills	<u>392,087</u>	<u>3,153,817</u>
	<u>17,659,927</u>	<u>14,763,977</u>

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2008			2007		
	Notional amount HK\$'000	Fair values		Notional amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading						
- Foreign currency related contracts	194,475	429	460	36,051	60	276
- Interest rate swaps	990,750	-	38,843	1,019,568	-	112,746
- Currency swaps	-	-	-	55,840	-	1,524
		<u>429</u>	<u>39,303</u>		<u>60</u>	<u>114,546</u>

The replacement costs and credit risk weighted amounts of derivative exposures are as follows:

	2008			2007		
	Notional amount HK\$'000	Replacement cost HK\$'000	Credit risk	Notional amount HK\$'000	Replacement cost HK\$'000	Credit risk
			weighted amount HK\$'000			weighted amount HK\$'000
Exchange rate contracts	194,475	429	876	91,891	60	626
Interest rate contracts	990,750	-	730	1,019,568	-	1,529
		<u>429</u>	<u>1,606</u>		<u>60</u>	<u>2,155</u>

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

The fair values of the derivative financial instruments do not take into account the effect of any bilateral netting agreement.

The derivative financial instruments do not qualify for hedge accounting for financial reporting but are managed in conjunction with the financial instruments designated at fair value through profit or loss.

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.

12. INVESTMENTS IN SECURITIES

	Financial assets at fair value through profit or loss		Available-for-sale securities HK\$'000	Held-to-maturity securities HK\$'000	Total HK\$'000
	Held for trading HK\$'000	Designated at fair value HK\$'000			
2008					
Equity securities:					
Listed in Hong Kong	113	-	76,976	-	77,089
Listed overseas	-	-	4,191	-	4,191
	<u>113</u>	<u>-</u>	<u>81,167</u>	<u>-</u>	<u>81,280</u>
Unlisted	-	-	62,965	-	62,965
	<u>113</u>	<u>-</u>	<u>144,132</u>	<u>-</u>	<u>144,245</u>
Debt securities:					
Certificates of deposit	-	-	-	558,720	558,720
Structured products	-	680,567	-	-	680,567
Other debt securities - Unlisted	-	-	52,395	9,168,965	9,221,360
	<u>-</u>	<u>680,567</u>	<u>52,395</u>	<u>9,727,685</u>	<u>10,460,647</u>
Total:					
Listed in Hong Kong	113	-	76,976	-	77,089
Listed overseas	-	-	4,191	-	4,191
Unlisted	-	680,567	115,360	9,727,685	10,523,612
	<u>113</u>	<u>680,567</u>	<u>196,527</u>	<u>9,727,685</u>	<u>10,604,892</u>
Market value of listed securities:					
Listed in Hong Kong	113	-	76,976	-	77,089
Listed overseas	-	-	4,191	-	4,191
	<u>113</u>	<u>-</u>	<u>81,167</u>	<u>-</u>	<u>81,280</u>
As analysed by issuing entities:					
Central government and central banks	-	-	-	289,181	289,181
Public sector entities	-	-	-	67,547	67,547
Bank and other financial institutions	-	275,085	42,615	8,033,861	8,351,561
Corporate entities	113	405,482	119,439	1,337,096	1,862,130
Others	-	-	34,473	-	34,473
	<u>113</u>	<u>680,567</u>	<u>196,527</u>	<u>9,727,685</u>	<u>10,604,892</u>

Included in financial assets designated at fair value through profit or loss are primarily:

- i) in 2008 and 2007, structured products which contain embedded derivatives such as options and credit default swaps that would otherwise have been separately accounted for; and
- ii) in 2007, bond funds (classified as “other debt securities” below) are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis, in accordance with investment strategy. Information about the bond funds is provided internally on that basis to the Group’s key management personnel.

Included in available-for-sale securities are financial instruments issued by structured investment vehicles with gross investment cost of approximately HK\$116,219,000 (2007: HK\$568,212,000). Impairment losses of HK\$99,579,000 (2007: HK\$369,627,000) has been recognised for these investments. All other available-for-sale securities and investments in securities are neither past due nor impaired.

12. INVESTMENTS IN SECURITIES - continued

Certain held-to-maturity certificates of deposit of approximately HK\$15,500,000 (2007: HK\$25,170,000) held by the San Francisco Branch of the Bank have been pledged to the State of California of the United States of America in compliance with the requirements of the California Financial Code.

	Financial assets at fair value through profit or loss		Available- for-sale securities HK\$'000	Held-to- maturity securities HK\$'000	Total HK\$'000
	Held for trading HK\$'000	Designated at fair value HK\$'000			
2007					
Equity securities:					
Listed in Hong Kong	264	–	220,255	–	220,519
Listed overseas	–	–	8,614	–	8,614
	264	–	228,869	–	229,133
Unlisted	–	–	408,750	–	408,750
	264	–	637,619	–	637,883
Debt securities:					
Certificates of deposit	–	–	–	1,484,139	1,484,139
Structured products	–	939,082	–	–	939,082
Other debt securities - Unlisted	–	195,076	239,042	14,123,841	14,557,959
	–	1,134,158	239,042	15,607,980	16,981,180
Total:					
Listed in Hong Kong	264	–	220,255	–	220,519
Listed overseas	–	–	8,614	–	8,614
Unlisted	–	1,134,158	647,792	15,607,980	17,389,930
	264	1,134,158	876,661	15,607,980	17,619,063
Market value of listed securities:					
Listed in Hong Kong	264	–	220,255	–	220,519
Listed overseas	–	–	8,614	–	8,614
	264	–	228,869	–	229,133
As analysed by issuing entities:					
Central government and central banks	–	118,393	–	534,442	652,835
Public sector entities	–	–	–	11,245	11,245
Bank and other financial institutions	56	475,282	272,315	15,060,293	15,807,946
Corporate entities	208	535,484	198,204	2,000	735,896
Others	–	4,999	406,142	–	411,141
	264	1,134,158	876,661	15,607,980	17,619,063

13. ADVANCES AND OTHER ACCOUNTS

	2008 HK\$'000	2007 HK\$'000
Advances to customers		
Bills receivable	334,215	509,729
Trade bills	165,293	164,557
Other advances to customers	<u>32,745,119</u>	<u>31,047,597</u>
	33,244,627	31,721,883
Interest receivable	138,721	286,187
Impairment allowances		
- Individually assessed	(5,799)	(17,876)
- Collectively assessed	<u>(108,988)</u>	<u>(116,720)</u>
	33,268,561	31,873,474
Advances to banks and other financial institutions	<u>116,412</u>	<u>57,084</u>
	33,384,973	31,930,558
Other accounts	<u>249,869</u>	<u>565,332</u>
	<u>33,634,842</u>	<u>32,495,890</u>

Included in the “Advances to banks and other financial institutions” is an amount of approximately HK\$116,412,000 (2007: HK\$57,084,000) placed as reserve funds with the financial institutions in the People’s Republic of China by the Shantou Branch of the Bank in compliance with the requirements of Regulations Governing Foreign Financial Institutions of the People’s Republic of China.

Included in the “other accounts” is retirement benefits scheme assets of HK\$52,000 (2007: HK\$21,914,000) due to the excess of scheme assets over defined benefit obligations.

Impairment allowances on advances:

	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
Balance at 1 January 2008	17,876	116,720	134,596
Increase in impairment allowances	144,819	–	144,819
Amounts reversed	(45,795)	(7,690)	(53,485)
Amounts written off	(141,853)	–	(141,853)
Recoveries of advances written off in previous years	35,167	–	35,167
Unwinding effect of discount rate	(4,415)	–	(4,415)
Exchange difference	–	(42)	(42)
Balance at 31 December 2008	<u>5,799</u>	<u>108,988</u>	<u>114,787</u>

	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
Balance at 1 January 2007	32,161	104,464	136,625
Increase in impairment allowances	99,889	12,238	112,127
Amounts reversed	(29,205)	–	(29,205)
Amounts written off	(87,010)	–	(87,010)
Recoveries of advances written off in previous years	21,458	–	21,458
Unwinding effect of discount rate	(19,417)	–	(19,417)
Exchange difference	–	18	18
Balance at 31 December 2007	<u>17,876</u>	<u>116,720</u>	<u>134,596</u>

13. ADVANCES AND OTHER ACCOUNTS - continued

Details of the impaired loans are as follows:

	2008	2007
	HK\$'000	HK\$'000
Gross impaired loans	100,574	215,820
Less: Impairment allowances under individual assessment	(5,799)	(17,876)
Net impaired loans	94,775	197,944
Gross impaired loans as a percentage of gross advances to customers	0.30%	0.68%
Market value of collateral pledged	470,173	519,503

14. INVESTMENT PROPERTIES

All of the property interests held under operating leases to earn rentals and / or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

	2008	2007
	HK\$'000	HK\$'000
At 1 January	60,241	82,250
Addition	30,000	–
Net increase in fair value recognised in the income statement	39,560	14,391
Disposals	–	(36,400)
At 31 December	129,801	60,241

Investment properties were revalued at 31 December 2008 on an open market value basis by Vigers Hong Kong Limited, independent professionally qualified valuers. The fair value is mainly arrived at by reference to comparable market transactions for similar properties.

The investment properties are rented out under operating leases.

The carrying amount of investment properties comprises:

	2008	2007
	HK\$'000	HK\$'000
Leasehold properties		
Held in Hong Kong on long-term lease (over 50 years unexpired)	32,550	14,500
Held in Hong Kong on medium-term lease (10 - 50 years unexpired)	71,500	21,400
Held outside Hong Kong on medium-term lease (10 - 50 years unexpired)	25,751	24,341
	129,801	60,241

15. PROPERTY AND EQUIPMENT

	Buildings	Equipment	Total
	HK\$'000	HK\$'000	HK\$'000
COST			
At 1 January 2008	308,345	425,175	733,520
Additions	8,538	59,129	67,667
Disposals	–	(6,567)	(6,567)
Exchange adjustments	–	(3)	(3)
At 31 December 2008	<u>316,883</u>	<u>477,734</u>	<u>794,617</u>
ACCUMULATED DEPRECIATION			
At 1 January 2008	27,641	259,006	286,647
Provided for the year	6,563	37,362	43,925
Eliminated on disposals	–	(5,676)	(5,676)
Exchange adjustments	–	(3)	(3)
At 31 December 2008	<u>34,204</u>	<u>290,689</u>	<u>324,893</u>
CARRYING AMOUNTS			
At 31 December 2008	<u><u>282,679</u></u>	<u><u>187,045</u></u>	<u><u>469,724</u></u>
	Buildings	Equipment	Total
	HK\$'000	HK\$'000	HK\$'000
COST			
At 1 January 2007	284,080	351,348	635,428
Additions	24,265	78,785	103,050
Disposals	–	(4,962)	(4,962)
Exchange adjustments	–	4	4
At 31 December 2007	<u>308,345</u>	<u>425,175</u>	<u>733,520</u>
ACCUMULATED DEPRECIATION			
At 1 January 2007	21,562	233,041	254,603
Provided for the year	6,079	30,767	36,846
Eliminated on disposals	–	(4,803)	(4,803)
Exchange adjustments	–	1	1
At 31 December 2007	<u>27,641</u>	<u>259,006</u>	<u>286,647</u>
CARRYING AMOUNTS			
At 31 December 2007	<u><u>280,704</u></u>	<u><u>166,169</u></u>	<u><u>446,873</u></u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings	Over the shorter of the term of the lease or 2%
Equipment	10% -20%

15. PROPERTY AND EQUIPMENT - continued

The carrying amount of buildings shown above comprise:

	2008	2007
	HK\$'000	HK\$'000
Leasehold properties		
Held in Hong Kong on long-term lease (over 50 years unexpired)	211,918	212,036
Held in Hong Kong on medium-term lease (10-50 years unexpired)	63,498	65,450
Held outside Hong Kong on medium-term lease (10-50 years unexpired)	7,263	3,218
	<u>282,679</u>	<u>280,704</u>

16. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments comprise:

	2008	2007
	HK\$'000	HK\$'000
COST		
In Hong Kong held on:		
Leases of over 50 years	125,212	125,548
Leases of between 10 to 50 years	198,932	204,592
Outside Hong Kong held on:		
Leases of between 10 to 50 years	3,983	4,091
	<u>328,127</u>	<u>334,231</u>
Net book value at 1 January	334,231	316,535
Additions	–	28,171
Amortisation of prepaid operating lease payments	(6,104)	(5,710)
Disposals	–	(4,765)
	<u>328,127</u>	<u>334,231</u>
Analysed as:		
Current portion	6,104	5,710
Non-current portion	322,023	328,521
Total	<u>328,127</u>	<u>334,231</u>

The allocation of lease payments between leasehold land and building elements was performed by Vigers Hong Kong Limited, independent professionally qualified valuers.

17. DEPOSITS FROM CUSTOMERS

	2008	2007
	HK\$'000	HK\$'000
Demand deposits and current accounts	3,004,761	2,992,184
Savings deposits	13,835,350	12,584,043
Time, call and notice deposits	42,561,549	44,751,210
	<u>59,401,660</u>	<u>60,327,437</u>

Included in the balances is an aggregate amount of approximately HK\$147,110,000 (2007: HK\$174,430,000) representing deposits of companies and their subsidiaries having significant influence on the Group.

18. LOAN CAPITAL

	2008	2007
	HK\$'000	HK\$'000
US\$125 million callable floating rate subordinated notes due 2016	<u>965,454</u>	<u>970,871</u>

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

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.

19. SHARE CAPITAL

	2008 & 2007
	HK\$'000
Authorised:	
600,000,000 shares of HK\$0.50 each	<u>300,000</u>
Issued and fully paid:	
435,000,000 shares of HK\$0.50 each	<u>217,500</u>

20. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting year:

	Accelerated tax depreciation HK\$'000	Collectively assessed impairment allowance HK\$'000	Investment properties HK\$'000	Revaluation of available- for-sale securities HK\$'000	Total HK\$'000
At 1 January 2008	12,282	(19,726)	6,149	16,569	15,274
Charge to consolidated income statement for the year (<i>Note 7</i>)	3,363	1,298	6,408	-	11,069
Credit to equity for the year	-	-	-	(20,060)	(20,060)
At 31 December 2008	<u>15,645</u>	<u>(18,428)</u>	<u>12,557</u>	<u>(3,491)</u>	<u>6,283</u>
At 1 January 2007	10,403	(17,263)	7,574	27,125	27,839
Charge (credit) to consolidated income statement for the year (<i>Note 7</i>)	1,879	(2,463)	(1,425)	-	(2,009)
Credit to equity for the year	-	-	-	(10,556)	(10,556)
At 31 December 2007	<u>12,282</u>	<u>(19,726)</u>	<u>6,149</u>	<u>16,569</u>	<u>15,274</u>

21. IMPAIRMENT LOSS ON GOODWILL

In prior year, the Group acquired 100% of issued share capital of Chong Hing Insurance Company Limited. The amount of goodwill arising as a result of acquisition was HK\$110,606,000.

For the year ended 31 December 2008, management has reviewed goodwill for impairment. The review comprised a comparison of the carrying amount and value in use of an acquired subsidiary (the smallest cash-generating unit) to which the goodwill has been allocated. The acquired subsidiary is involved in insurance business.

The value in use calculations primarily use cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and selection of discount rates.

Value in use is derived at by discounting the expected future cash flows at 12% discount rate. Management's financial model assumes a growth in underwriting profit of 8% per annum during the first 5 years. Cash flows beyond five years are extrapolated using a terminal growth rate of 3.5%. A goodwill impairment loss of HK\$20,000,000 (2007: HK\$30,000,000), representing the excess of the carrying amount above the value in use, has been recognised for the year ended 31 December 2008.

22. OFF-BALANCE SHEET EXPOSURES

	2008 HK\$'000	2007 HK\$'000
Contingent liabilities and commitments		
- contractual amounts		
Direct credit substitutes	647,442	643,264
Trade-related contingencies	366,620	595,878
Forward asset purchases	13,548	32,926
Other commitments:		
Which are unconditionally cancellable without prior notice	4,703,352	5,761,482
With an original maturity of one year and under	8,105,056	8,632,587
With an original maturity of over one year	1,721,251	2,212,847
Lease commitments	73,506	65,264
	<u>15,630,775</u>	<u>17,944,248</u>

Most of the contingent liabilities and commitments are denominated in Hong Kong dollars.

At the balance sheet dates, the Group had commitments for future minimum lease payments under these non-cancellable operating leases which fall due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	28,532	28,150
In the second to fifth years inclusive	36,874	36,839
Over five years	1,043	275
	<u>66,449</u>	<u>65,264</u>

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed.

Capital commitments outstanding at the balance sheet dates are as follows:

	2008 HK\$'000	2007 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property and equipment	13,548	32,926

The credit risk weighted amount of contingent liabilities and commitments is HK\$2,990,733,000 (2007: HK\$3,321,625,000).

At the balance sheet date, the Group as lessor had contracted with tenants for the following future minimum lease payments:

	2008 HK\$'000	2007 HK\$'000
Within one year	1,148	2
In the second to fifth years inclusive	38	-
	<u>1,186</u>	<u>2</u>

23. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material transactions with related parties:

	Interest, commission and rental income		Interest and rental expenses	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investing enterprises having significant influence on the Bank and their subsidiaries	<u>7,030</u>	<u>11,033</u>	<u>26,567</u>	<u>16,769</u>
Jointly controlled entities	<u>18,788</u>	<u>13,480</u>	<u>6,624</u>	<u>12,901</u>
Directors and their associates	<u>24,046</u>	<u>20,100</u>	<u>14,202</u>	<u>26,638</u>

The above transactions were carried out at market rates.

At the balance sheet date, the Group had the following material outstanding balances with related parties:

	Amounts due from related parties		Amounts due to related parties	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investing enterprises having significant influence on the Bank and subsidiaries	<u>–</u>	<u>–</u>	<u>147,110</u>	<u>174,430</u>
Jointly controlled entities	<u>59,743</u>	<u>5,267</u>	<u>148,992</u>	<u>277,015</u>
Directors and their associates	<u>1,695,469</u>	<u>991,440</u>	<u>621,189</u>	<u>603,806</u>

The above outstanding balances bear interest at rates similar to those made available to non-related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008	2007
	HK\$'000	HK\$'000
Short-term benefits	<u>54,769</u>	<u>49,787</u>
Post employment benefits	<u>3,996</u>	<u>3,324</u>
	<u>58,765</u>	<u>53,111</u>

The remuneration of directors and key management is reviewed by Remuneration Committee having regarding to the performance of individuals and market trends.

24. CONTINGENT LIABILITY

From time to time as part of its product offerings to customers, the Bank sells and distributes third party investment products, including the minibond series related to Lehman Brothers (the "Minibonds"). Owing to the continuing developments relating to the Minibonds incident and some of such developments are not wholly within the control of the Bank, it is difficult to assess at this stage whether potential outcomes will have any significant adverse impact on the Bank.

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 business activities of the borrowers as follows:

	31 December 2008				
	Gross loans and advances HK\$'000	Collective impairment allowances HK\$'000	Individual impairment allowances HK\$'000	Loans and advances covered by collateral HK\$'000	Gross impaired advances HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property development	1,449,043	13,268	-	208,406	-
- Property investment	7,561,256	-	-	6,820,072	-
- Financial concerns	3,031,254	-	-	1,342,433	-
- Stockbrokers	157,647	186	523	140,359	523
- Wholesale and retail trade	976,687	1,265	115	685,344	115
- Manufacturing	2,051,389	6,960	16	1,045,633	223
- Transport and transport equipment	932,535	-	-	275,741	-
- Recreational activities	2,535	8	-	1,284	-
- Information technology	198	24	-	10	-
- Others	5,296,954	14,241	145	2,322,465	26,646
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme, and Tenants Purchase Scheme	693,850	-	382	693,468	1,607
- Loans for the purchase of other residential properties	5,456,764	3,503	-	5,452,820	-
- Credit card advances	116,180	4,225	220	-	252
- Others	1,557,603	2,340	2,882	1,515,209	6,785
	<u>29,283,895</u>	<u>46,020</u>	<u>4,283</u>	<u>20,503,244</u>	<u>36,151</u>
Trade finance	804,393	7,026	-	143,778	-
Loans for use outside Hong Kong	<u>3,156,339</u>	<u>55,942</u>	<u>1,516</u>	<u>1,727,937</u>	<u>64,423</u>
	<u><u>33,244,627</u></u>	<u><u>108,988</u></u>	<u><u>5,799</u></u>	<u><u>22,374,959</u></u>	<u><u>100,574</u></u>

1. ADVANCES TO CUSTOMERS - BY INDUSTRY SECTORS - continued

31 December 2007

	Gross loans and advances HK\$'000	Collective impairment allowances HK\$'000	Individual impairment allowances HK\$'000	Loans and advances covered by collateral HK\$'000	Gross impaired advances HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property development	2,134,798	14,652	-	614,626	-
- Property investment	6,506,746	2,333	-	5,992,508	19,262
- Financial concerns	2,523,724	-	-	888,553	-
- Stockbrokers	347,428	-	516	336,497	516
- Wholesale and retail trade	833,578	2,181	212	673,111	2,136
- Manufacturing	2,224,813	2,830	12,035	1,121,713	4,177
- Transport and transport equipment	630,345	69	-	34,651	-
- Recreational activities	45,335	-	-	1,602	-
- Information technology	187	-	-	184	-
- Others	4,829,971	10,467	84	2,125,324	58,383
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme, and Tenants Purchase Scheme	680,384	-	430	680,262	3,950
- Loans for the purchase of other residential properties	4,704,769	4,864	284	4,690,081	284
- Credit card advances	133,586	7,475	308	-	353
- Others	<u>1,677,388</u>	<u>9,243</u>	<u>3,003</u>	<u>1,588,352</u>	<u>9,335</u>
	27,273,052	54,114	16,872	18,747,464	98,396
Trade finance	918,496	8,317	-	288,315	3,520
Loans for use outside Hong Kong	<u>3,530,335</u>	<u>54,289</u>	<u>1,004</u>	<u>1,622,618</u>	<u>113,904</u>
	<u><u>31,721,883</u></u>	<u><u>116,720</u></u>	<u><u>17,876</u></u>	<u><u>20,658,397</u></u>	<u><u>215,820</u></u>

1. ADVANCES TO CUSTOMERS - BY INDUSTRY SECTORS - continued

The Group's collective impairment allowances, individual impairment allowance, gross impaired advances, new impairment allowances and advances written off during the year in respect of industry sectors which constitute not less than 10 per cent of gross advances to customers are analysed as follows:

31 December 2008						
	Gross loans and advances HK\$'000	Collective impairment allowances HK\$'000	Individual impairment allowances HK\$'000	Gross impaired advances HK\$'000	Impairment allowances during the year HK\$'000	Advances written off during the year HK\$'000
Loans for use in Hong Kong						
Industrial, commercial and financial						
- Property investment	7,561,256	-	-	-	4,218	4,218
- Others	5,296,954	14,241	145	26,646	33,398	33,010
Individuals						
- Loans for the purchase of other residential properties	5,456,764	3,503	-	-	309	309
Loans for use outside Hong Kong	3,156,339	55,942	1,516	64,423	53,587	49,144

31 December 2007						
	Gross loans and advances HK\$'000	Collective impairment allowances HK\$'000	Individual impairment allowances HK\$'000	Gross impaired advances HK\$'000	Impairment allowances during the year HK\$'000	Advances written off during the year HK\$'000
Loans for use in Hong Kong						
Industrial, commercial and financial						
- Property investment	6,506,746	2,333	-	19,262	3,065	3,000
- Others	4,829,971	10,467	84	58,383	16,166	16,065
Individuals						
- Loans for the purchase of other residential properties	4,704,769	4,864	284	284	254	103
Loans for use outside Hong Kong	3,530,335	54,289	1,004	113,904	32,621	35,500

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:

	31 December 2008				
	Total advances HK\$'000	Advances overdue for over three months HK\$'000	Impaired advances HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
Hong Kong	31,321,381	60,449	45,200	4,283	96,699
People's Republic of China	382,921	55,374	55,374	1,516	3,123
Macau	465,661	-	-	-	3,741
America	332,277	-	-	-	5,425
Others	<u>742,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>33,244,627</u></u>	<u><u>115,823</u></u>	<u><u>100,574</u></u>	<u><u>5,799</u></u>	<u><u>108,988</u></u>

	31 December 2007				
	Total advances HK\$'000	Advances overdue for over three months HK\$'000	Impaired advances HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
Hong Kong	29,035,137	201,750	118,916	16,872	98,593
People's Republic of China	185,861	96,904	96,904	1,004	2,450
Macau	1,183,673	-	-	-	10,215
America	327,637	-	-	-	5,462
Others	<u>989,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>31,721,883</u></u>	<u><u>298,654</u></u>	<u><u>215,820</u></u>	<u><u>17,876</u></u>	<u><u>116,720</u></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:

	2008			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	11,242,497	123,761	1,012,291	12,378,549
- of which - Australia	3,758,143	748	-	3,758,891
North America	4,568,927	221,934	1,797,634	6,588,495
Europe	12,287,010	1,912	188,463	12,477,385
- of which - United Kingdom	3,055,283	408	6,451	3,062,142
- of which - Germany	<u>1,420,110</u>	<u>1,319</u>	<u>11,331</u>	<u>1,432,760</u>

	2007			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	11,066,557	83,332	1,288,720	12,438,609
- of which - Australia	3,550,345	1,625	1,888	3,553,858
North America	2,475,330	16,684	1,434,847	3,926,861
Europe	13,133,599	2,433	769,382	13,905,414
- of which - United Kingdom	2,753,192	1,008	307,940	3,062,140
- of which - Germany	<u>2,704,841</u>	<u>1,304</u>	<u>3,754</u>	<u>2,709,899</u>

4. 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:

	2008		
	US\$	RMB	Total
Equivalent in thousand of HK\$			
Spot assets	14,503,430	1,018,686	15,522,116
Spot liabilities	(14,382,115)	(1,014,101)	(15,396,216)
Forward purchases	103,447	1,588	105,035
Forward sales	<u>(213,210)</u>	<u>–</u>	<u>(213,210)</u>
Net long position	<u>11,552</u>	<u>6,173</u>	<u>17,725</u>
		RMB	MOP
Net structural position		<u>105,169</u>	<u>48,545</u>
		2007	
	US\$	AUD	Total
Equivalent in thousand of HK\$			
Spot assets	14,600,807	2,475,049	17,075,856
Spot liabilities	(14,571,481)	(2,475,105)	(17,046,586)
Forward purchases	69,167	12,740	81,907
Forward sales	<u>(78,616)</u>	<u>(9,297)</u>	<u>(87,913)</u>
Net long position	<u>19,877</u>	<u>3,387</u>	<u>23,264</u>
		RMB	MOP
Net structural position		<u>107,230</u>	<u>48,545</u>

5. OVERDUE AND RESCHEDULED ASSETS

	2008	
	Gross amount of advances HK\$'000	Percentage to total advances %
Advances overdue for		
- 6 months or less but over 3 months	5,225	0.0
- 1 year or less but over 6 months	4,505	0.0
- over 1 year	<u>106,093</u>	<u>0.3</u>
Total overdue advances	<u>115,823</u>	<u>0.3</u>
Rescheduled advances	<u>169,090</u>	<u>0.5</u>
Individual impairment allowances made in respect of overdue loans and advances	<u>4,999</u>	

	2007	
	Gross amount of advances HK\$'000	Percentage to total advances %
Advances overdue for		
- 6 months or less but over 3 months	22,180	0.1
- 1 year or less but over 6 months	12,697	0.1
- over 1 year	<u>263,777</u>	<u>0.8</u>
Total overdue advances	<u>298,654</u>	<u>1.0</u>
Rescheduled advances	<u>183,825</u>	<u>0.6</u>
Individual impairment allowances made in respect of overdue loans and advances	<u>4,898</u>	

The value of the security of the above overdue advances is analysed as follows:

	2008 HK\$'000	2007 HK\$'000
Covered portion of overdue loans and advances	92,444	290,558
Uncovered portion of overdue loans and advances	<u>23,379</u>	<u>8,096</u>
	<u>115,823</u>	<u>298,654</u>
Market value of collateral held against covered portion of overdue loans and advances	<u>572,188</u>	<u>805,823</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 2008 and 31 December 2007, nor were there any rescheduled advances to banks and other financial institutions.

Reposessed assets held by the Group as at 31 December 2008 amounted to HK\$26,674,000 (2007: HK\$87,570,000).

6. NON-BANK MAINLAND EXPOSURES

	31 December 2008			
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Types of counterparties				
Mainland entities	733,314	104,662	837,976	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	3,011,084	1,087,724	4,098,808	1,532
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	980	–	980	–
	<u>3,745,378</u>	<u>1,192,386</u>	<u>4,937,764</u>	<u>1,532</u>
	31 December 2007			
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Types of counterparties				
Mainland entities	746,276	390,346	1,136,622	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	2,490,540	1,591,485	4,082,025	1,000
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	2,221	–	2,221	–
	<u>3,239,037</u>	<u>1,981,831</u>	<u>5,220,868</u>	<u>1,000</u>

7. LIQUIDITY RATIO

	2008	2007
	<i>%</i>	<i>%</i>
Average liquidity ratio for the year	<u>50.48</u>	<u>55.82</u>

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. CAPITAL ADEQUACY RATIO

	2008	2007
	<i>%</i>	<i>%</i>
Capital adequacy ratio	15.64	14.22
Core capital ratio	12.55	11.52

Capital adequacy ratio was compiled in accordance with the Banking (Capital) Rules under section 98A of the Hong Kong Banking Ordinance for the implementation of the "Basel II" capital accord, which became effective on 1 January 2007. In accordance with the Banking (Capital) Rules, the Bank has adopted the "standardized approach" for the calculation of the risk-weighted assets for credit risk and "basic indicator approach" for the calculation of operational risk. The capital adequacy ratio is consolidated, under the Banking (Capital) Rules, with reference to the financial information of the Bank, Chong Hing Finance Limited, Liu Chong Hing Banking Corporation, Cayman, Right Way Investments Limited, Gallbraith Limited, Chong Hing Information Technology Limited and Card Alliance Company Limited.

8. CAPITAL ADEQUACY RATIO - continued

Capital base

The capital base after deductions used in the calculation of the above capital adequacy ratios as at 31 December and reported to the Hong Kong Monetary Authority is analysed as follows:

	2008 HK\$'000	2007 HK\$'000
Core capital		
Paid up ordinary share capital	217,500	217,500
Share premium	1,542,817	1,542,817
Published reserves	3,348,465	3,231,676
Profit and loss account	78,501	56,732
Less: Net deferred tax assets	<u>(1)</u>	<u>(2,079)</u>
Total core capital	5,187,282	5,046,646
Other deductions from core capital	<u>(143,357)</u>	<u>(418,739)</u>
Core capital after deductions	<u>5,043,925</u>	<u>4,627,907</u>
Supplementary capital		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	5,755	5,755
Collective impairment allowances	108,988	116,720
Regulatory reserve for general banking risks	307,000	356,000
Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	(2,415)	10,062
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	–	45,807
Term subordinated debt	<u>965,454</u>	<u>970,871</u>
Total supplementary capital	1,384,782	1,505,215
Other deductions from supplementary capital	<u>(143,357)</u>	<u>(418,740)</u>
Supplementary capital after deductions	<u>1,241,425</u>	<u>1,086,475</u>
Total capital base after deductions	<u><u>6,285,350</u></u>	<u><u>5,714,382</u></u>

Deductions from total capital base mainly include investments in subsidiaries of which their risk weighted assets have not been consolidated into the total risk weighted assets of the Group, which mainly conduct non-banking related business. Those subsidiaries are Chong Hing Commodities and Futures Limited, Chong Hing Insurance Company Limited, Chong Hing (Management) Limited, Chong Hing (Nominees) Limited and Chong Hing Securities Limited.

9. BASIS OF CONSOLIDATION

The consolidated financial statements covers the consolidated financial information of the Bank and all its subsidiaries and included the attributable share of interest in the Group's jointly controlled entities.

In preparing the capital adequacy ratio and liquidity ratio of the Group, they are prepared according to the basis of consolidation for regulatory purposes. The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank, all its subsidiaries and the attributable share of interests in the Group's jointly controlled entities whereas the latter includes the Bank and only some of the Group's subsidiaries which mainly conduct banking business or other business incidental to banking business.

10. NET (LOSSES) GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	2007
	HK\$'000	HK\$'000
Net (losses) gains on financial assets at fair value through profit or loss		
- designated at fair value through profit or loss	(123,908)	127,980
- deemed held for trading	<u>75,609</u>	<u>(117,608)</u>
	<u>(48,299)</u>	<u>10,372</u>

STATEMENT OF COMPLIANCE

In preparing the accounts for 2008, the Bank has fully complied with the Banking (Disclosure) Rules.

FINAL DIVIDEND

The directors will recommend at the forthcoming annual general meeting of the shareholders to be held on Wednesday, 29 April 2009 the payment of the final cash dividend for 2008 of HK\$0.05 per share. This final cash dividend, if approved, will be paid on Thursday, 30 April 2009 to shareholders whose names are listed on the register of members of the Bank on Friday, 24 April 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Bank will be closed from Wednesday, 22 April 2009 to Friday, 24 April 2009 (both days inclusive), during which period no transfer of shares can be registered. In order to be entitled to attend and vote at the 2009 annual general meeting of the shareholders, and to qualify for the final cash dividend, all transfer documents, along with the relevant share certificates, must be lodged for registration with the Bank's share registrar 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, 21 April 2009.

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 2008, the Bank has complied with the Supervisory Policy Manual “Corporate Governance of Locally Incorporated Authorized Institutions” issued by the Hong Kong Monetary Authority and 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 of directors, 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 2008, 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 WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE BANK

The Bank’s Annual Report 2008, 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 websites of The Stock Exchange of Hong Kong Limited and the Bank in due course.

EXECUTIVE CHAIRMAN'S STATEMENT

Economic Review

Hit by the global financial tsunami, the Hong Kong economy slowed down significantly in 2008. Unemployment rate rebounded towards the end of the year to about 4%, while the stock market slumped with an accumulated fall in 2008 of over 48% in Hang Seng Index. The property market was weak. Property price fell and turnover plunged, with the number of registered transactions down by 22% year-on-year.

Triggered by the US subprime mortgage problems, a number of financial conglomerates were on the brink of bankruptcy, elevating the financial storm to a global-scale financial tsunami that dealt a heavy blow to the world economy. The US has acknowledged that its recession began at the end of 2007. In a bid to stimulate economic recovery, the US Federal Reserve Board ("FRB") made two rate cuts to 1% in October last year. In mid-December, the FRB resolved to further reduce the target range for the federal funds rate to a record-low 0% to 0.25%, ushering in a zero-rate era for the US and other regions across the globe.

Results Announcement

For the financial year of 2008, on an audited, consolidated basis, profit attributable to shareholders amounted to HK\$61 million, a decrease of 88.0% over that for the year before. This was mainly due to the reduction in net interest income, further impairment losses on structured investment vehicles and share of loss of jointly controlled entities. Actual increases in foreign currency deposits were offset by reduction in their Hong Kong dollar equivalent values because of the sharp fall in foreign currency exchange rates against the Hong Kong dollars. Total customers' deposits decreased 1.5% to HK\$59,402 million. Total loans to customers (after accounting for impairment allowances) increased 4.4% to \$33,269 million. Capital adequacy ratio increased 10.0% to 15.64%, while average annual liquidity ratio decreased 9.6% to 50.48%. Loan-to-deposit ratio increased 7.0% to 51.52%. Total assets decreased 1.0% to HK\$68,377 million. Shareholders' funds (before final dividend), compared with the shareholders' funds for the previous year, decreased 5.0% to HK\$5,957 million. Your board has recommended paying the final cash dividend of HK\$0.05 per share for the financial year of 2008 to shareholders whose names appear in the Register of Members at the close of business on Friday, 24 April 2009. Total dividends for the financial year of 2008 including the interim cash dividend of HK\$0.15 per share paid earlier amounted to HK\$0.20 per share.

Profit Analysis

On an audited, consolidated basis, net interest income decreased 11.0% from that of 2007 to HK\$864 million in 2008. In view of the uncertainty in the financial markets, the Bank had maintained a more liquid balance sheet and reduced its investments in debt securities and this resulted in lower interest income. The Hong Kong dollar interest rates had fallen by around 2% year-on-year and this had reduced the interest income on the shareholders' funds. Interest margin decreased 11.1% to 1.28%. After accounting for the net fee and commission income, which amounted to HK\$217 million, net losses on financial assets at fair value through profit or loss, which amounted to HK\$48 million and the other operating income, which amounted to HK\$146 million, total operating income was HK\$1,179 million and total operating expense was HK\$772 million. Fees and commission income from securities dealings were 31.3% lower than those of last year in line with the changes in the investors' sentiments in Hong Kong. Additional resources had been devoted to the handling of compliance issues, including the enhancement of the Bank's anti-money laundering and counter-terrorist financing software and hardware to meet statutory and regulatory requirements. This had in turn contributed to an increase in operating expense. Cost-to-income ratio increased 44.7% to 65.49%. Operating profit before impairment allowances, fair value adjustments and net gain on disposal decreased 47.7% to HK\$407 million. The Bank made impairment allowances on loans and advances in the amount of HK\$91 million for 2008, an increase of 10.1% against those made for 2007. In 2007 the Bank recognised HK\$370 million impairment losses on structured investment vehicles ("SIVs"), which were categorised as available-for-sale securities, and further impairment losses of HK\$166 million were recognised in 2008. As of 31 December 2008, the residual book value of such SIVs was HK\$17 million. Together with fair value adjustments on other available-for-sale securities, total impairment loss on available-for-sale securities was HK\$265 million in 2008. The Bank has several jointly controlled entities which are accounted for using the equity method. Two of these entities reported losses this year because of reduction in the value of their investment portfolios and the Bank shared a net loss of HK\$90 million in 2008 which was a sharp turnaround from a share of profit of HK\$66 million in 2007. Moreover, from time to time as part of its product offerings to customers, the Bank sells and distributes third party investment products, including the minibond series related to Lehman Brothers (the "Minibonds"). Owing to the continuing developments relating to the Minibonds incident and some of such developments are not wholly within the control of the Bank, it is difficult to assess at this stage whether potential outcomes will have any significant adverse impact on the Bank. After accounting for the impairment allowances and share of loss of jointly controlled entities as well as the charge for taxation, profit attributable to shareholders amounted to HK\$61 million, a decrease of 88.0%, translating into earnings of HK\$0.14 per share. Net asset value per share (before final dividend), compared with the net asset value per share for the previous year, decreased 5.0% to HK\$13.69.

Business Review

Loan Business

Benefiting from the then still-active property market in early 2008, the Bank recorded over 14% growth in outstanding residential mortgage loans for the year. The outstanding personal loans maintained its upward trend in 2008. The number of tax loan applications received through branches improved over that of last year, which was attributable to the active cross-selling efforts of the branches. Furthermore, the Bank launched its auto loan business in 2008 covering taxis, public light buses and private vehicles. The corporate lending business also recorded growth in 2008. In particular, as of November 2008, both outstanding instalment loans and outstanding syndicated loans increased by over 15% from those of the corresponding period last year.

Card Business

In 2008, the Bank achieved double-digit growth in the number of credit cards issued and merchant sales volume. The spending amount expanded steadily, while merchant sales volume through China UnionPay cards almost doubled from that of the same period last year. The newly designed "MSN@VISA Credit Card", which allows cardholders an option to print their MSN nicknames on the card face, was extremely well received by the youth generation since its January launch.

Securities Business

The global securities market was badly dented by the US subprime mortgage problems and the financial tsunami in 2008. In the local stock market, total turnover and the number of initial public offerings both dropped substantially, presenting a significant challenge to the securities business. Fortunately, the Bank's wholly-owned Chong Hing Securities Limited still remained profitable thanks to its highly regarded service quality. In particular, the number of active customers increased satisfactorily by more than 10% over that of the previous year.

Insurance Business

In the light of the weak economy, both individual and corporate customers became more conservative towards insurance expenses. In addition, the shrinking property market also resulted in a decline of premium income from mortgage fire insurance. The instability of the Hong Kong insurance sector was reflected in diminishing insurance profit and deteriorating claim status. Increasing insurance losses were seen in certain insurance businesses. Nevertheless, the Bank's wholly-owned Chong Hing Insurance Company Limited managed to sustain growth in overall gross written premium for the year, which was attributable to the satisfactory performance in the direct insurance and re-insurance segments in the first half of the year.

China Business

In March 2008, our Shantou Branch obtained approval from the China Banking Regulatory Commission to conduct Renminbi business, becoming the first foreign bank to provide such services in Eastern Guangdong. In November, a ceremony was held to commemorate the relocation of our Shantou Branch to self-owned premises. The ceremony was graced with the presence of over 300 guests including high-ranking officials of the government and the banking regulatory authorities.

Corporate Responsibility

The Bank embarked on a whole new corporate image promotion campaign in 2008, focusing on its niche as a "community bank" and dedication to providing comprehensive and quality banking services to the local community.

In line with its "community bank" approach, the Bank further expanded its service network. In mid-2008, three new branches were opened in Tuen Mun and Tseung Kwan O, bringing the total number of the Bank's local branches to 50 besides its headquarters in Central. Furthermore, the Bank has plans to open a few more local branches in the near future.

The Bank has also taken proactive initiatives to help the community. In early 2008, the Bank sponsored the "Care for the Elderly Blood Donation Campaign" organised by the Hong Kong Red Cross and held the "Chong Hing Blood Donation Day". In the following May, in response to the devastating earthquake in Sichuan, the Bank initiated an in-house fund-raising campaign for the relief of earthquake victims. In recognition of the Bank's active participation in various other community affairs, The Hong Kong Council of Social Service granted the Bank the "Caring Company" logo award for the second consecutive year.

In January 2007, the Bank received overwhelming response when it encouraged its guests to make cash donation instead of sending flower bouquets to celebrate its renaming and grand opening of its new headquarters. The donation was matched by the Bank's own contribution on a dollar-for-dollar basis to fund education projects in the impoverished regions of the Mainland. This year, the Bank again contributed funds for the construction of new teaching buildings for three rural primary schools in Hanyang City of Shaanxi Province, and Zhenyuan County and Zhaotong City of Yunnan Province. To date, seven primary schools in the Mainland have received reconstruction sponsorships from the Bank.

Economic Outlook

In response to the rapidly deteriorating global economy devastated by the financial tsunami, the Mainland government embarked on a four trillion RMB stimulus package, comprising ten measures, to increase construction and infrastructure investment and to boost domestic demand and consumption in a slowing economy heavily struck by a plunge in exports.

The Mainland government will encourage quality enterprises to tap into the international capitalisation platform of Hong Kong through listing or bonds issue. It also expressed its support for the development of Renminbi businesses in Hong Kong, including allowing more use of the currency in the valuation and settlement in trading with surrounding regions and allowing Renminbi bond issuance in Hong Kong by local businesses or financial institutions with relatively more operations in the Mainland.

In early December last year, a series of packages was announced by the Hong Kong Government, including an expanded \$100 billion Special Loan Guarantee Scheme to support small and medium-sized enterprises; allocation of government resources to create employment opportunities; and an undertaking to strengthen cooperation with the Mainland in increasing the scale of Renminbi businesses in Hong Kong as well as the number of visitors under the Individual Visit Scheme. In mid-December, the Mainland government rolled out 14 measures to maintain the continued financial stability of Hong Kong. These included approval of a currency swap agreement between the People's Bank of China and the Hong Kong Monetary Authority for fund injection into Hong Kong when necessary; allowing Renminbi trade payments in Hong Kong by qualified enterprises; encouraging mainland companies to conduct international financial businesses in Hong Kong; and supporting the listing of mainland enterprises in Hong Kong.

All in all, the Asian market was dragged down by the fall of many developed economies and Hong Kong will likely experience economic recession. Nonetheless, in the light of Hong Kong's advantages such as strong overall development momentum and support from the Mainland through the Mainland and Hong Kong Closer Economic Partnership Arrangement and further relaxation of travel arrangement for Mainland citizens to visit Hong Kong, plus the relief measures introduced by the two governments, the local economy remains stable, efficient and in a good position to stimulate growth and navigate through the current financial hard times. It is, therefore, anticipated that the Hong Kong economy will recover when the external environment improves.

The Bank's core business lines and overall financial health are sound. Its capital adequacy and liquidity ratios are well above the relevant statutory requirements. The Bank will continue to expand its business and adhere to its commitment to discharge its responsibilities as a community bank, endeavouring to provide ever better services to the public at large and better return to its shareholders. Last but not least, on behalf of the Board, I would like to express my heartfelt gratitude to our customers and shareholders for their trust and support, to my fellow Directors for their well-planned strategies, and to our fellow staff members for their hard work and dedication.

REVIEW OF FINANCIAL REPORT

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

BOARD OF DIRECTORS

As at the date of this document, 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 Lau Wai Man (Executive Director & Deputy Chief Executive Officer), Mr Wilfred Chun Ning Liu, Mr Tsang Chiu Wing and Mr Wong Har Kar; the non-executive directors are Mr Timothy George Freshwater, Mr Wang Xiaoming, Mr Andrew Liu, Mr Eiichi Yoshikawa, Mr Christopher Kwun Shing Liu, Mr Alfred Cheuk Yu Chow and Mr Meng Qinghui; and the independent non-executive directors are Dr Robin Yau Hing Chan, Mr Wanchai Chiranakhorn, Mr Cheng Yuk Wo and Mr Andrew Chiu Cheung Ma.

By Order of the Board

Liu Lit Man

Executive Chairman

4 March 2009