



創興銀行有限公司
Chong Hing Bank Limited

2 0 0 8
I N T E R I M
R E P O R T

Registered Office

Ground Floor, Chong Hing Bank Centre
24 Des Voeux Road Central, Hong Kong

Telephone : (852) 3768 1111

Facsimile : (852) 3768 1888

Telex : 75700 LCHB HX

SWIFT BIC : LCHB HK HH

Website : <http://www.chbank.com>

E-mail : info@chbank.com

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CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
	<i>Notes</i>		
Interest income		1,154,703	1,548,667
Interest expense		(708,094)	(1,102,498)
Net interest income	4	<u>446,609</u>	<u>446,169</u>
Fee and commission income		151,044	134,760
Fee and commission expense		(24,719)	(19,849)
Net fee and commission income	5	<u>126,325</u>	<u>114,911</u>
Other operating income	6	74,903	81,137
Operating expenses	7	<u>(354,166)</u>	<u>(309,018)</u>
		293,671	333,199
Impairment allowances on loans and advances			
- New allowances		(81,354)	(61,442)
- Amounts reversed		44,655	20,333
		(36,699)	(41,109)
Net gain (loss) on disposal of property and equipment		257	(60)
Net gain on disposal of investment properties	17	-	14,420
Net gain on disposal of available-for-sale securities		36,313	35,359
Fair value adjustment on investment properties	17	39,037	-
Impairment loss on goodwill	8	(10,000)	(9,500)
Impairment loss on available-for-sale securities	9	(153,180)	-
Profit from operations		<u>169,399</u>	<u>332,309</u>
Share of results of jointly controlled entities		<u>(38,330)</u>	<u>23,587</u>
Profit before taxation		131,069	355,896
Taxation	10		
- Hong Kong		(14,436)	(56,401)
- Overseas		(1,231)	(272)
- Deferred tax		(10,590)	1,509
		<u>(26,257)</u>	<u>(55,164)</u>
Profit for the period		<u>104,812</u>	<u>300,732</u>
Earnings per share, basic	11	<u>HK\$0.24</u>	<u>HK\$0.69</u>
Dividend paid	12	<u>191,400</u>	<u>191,400</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Assets			
Cash and short-term funds	13	26,028,828	14,763,977
Placements with banks and other financial institutions maturing between one and twelve months		1,512,748	3,084,147
Derivative financial instruments	14	154	60
Financial assets at fair value through profit or loss	15	979,723	1,134,422
Available-for-sale securities	15	582,489	876,661
Held-to-maturity securities	15	9,548,650	15,607,980
Advances and other accounts	16	34,028,448	32,495,890
Tax recoverable		35,325	19,816
Interests in jointly controlled entities		100,750	142,230
Loan to a jointly controlled entity		5,267	5,267
Investment properties	17	129,278	60,241
Property and equipment	18	464,907	446,873
Prepaid lease payments for land	19	331,311	334,231
Goodwill		70,606	80,606
Total assets		<u>73,818,484</u>	<u>69,052,401</u>
Liabilities			
Deposits and balances of banks and other financial institutions		3,257,083	456,858
Deposits from customers	20	62,923,200	60,327,437
Derivative financial instruments	14	34,299	114,546
Other accounts and accruals		445,696	861,619
Current tax liabilities		48,421	35,008
Loan capital	21	971,419	970,871
Deferred tax liabilities	22	13,250	15,274
Total liabilities		<u>67,693,368</u>	<u>62,781,613</u>
Shareholders' equity			
Share capital		217,500	217,500
Reserves		5,907,616	6,053,288
Shareholders' funds		<u>6,125,116</u>	<u>6,270,788</u>
Total liabilities and shareholders' equity		<u>73,818,484</u>	<u>69,052,401</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Goodwill HK\$'000
At 1 January 2008	217,500	1,542,817	(182)
Revaluation losses, net	-	-	-
Deferred taxation arising from revaluation movement	-	-	-
Exchange differences arising from translation of foreign operations	-	-	-
Net income (expense) recognised directly in equity	-	-	-
Profit for the period	-	-	-
Reversal of reserve upon impairment	-	-	-
Reversal of reserve upon disposal	-	-	-
Total recognised income (expense) for the period	-	-	-
Final dividend paid for financial year 2007	-	-	-
Earmark of retained profits as regulatory reserve	-	-	-
At 30 June 2008	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>
At 1 January 2007	217,500	1,542,817	(182)
Revaluation gains ,net	-	-	-
Deferred taxation arising from revaluation movement	-	-	-
Exchange differences arising from translation of foreign operations	-	-	-
Net income recognised directly in equity	-	-	-
Profit for the period	-	-	-
Reversal of reserve upon disposal	-	-	-
Total recognised income for the period	-	-	-
Final dividend paid for financial year 2006	-	-	-
Earmark of retained profits as regulatory reserve	-	-	-
At 30 June 2007	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Investment revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
138,680	1,388,500	330	356,000	2,627,143	6,270,788
(197,075)	-	-	-	-	(197,075)
12,614	-	-	-	-	12,614
-	-	8,510	-	-	8,510
(184,461)	-	8,510	-	-	(175,951)
-	-	-	-	104,812	104,812
153,180	-	-	-	-	153,180
(36,313)	-	-	-	-	(36,313)
(67,594)	-	8,510	-	104,812	45,728
-	-	-	-	(191,400)	(191,400)
-	-	-	(37,000)	37,000	-
<u>71,086</u>	<u>1,388,500</u>	<u>8,840</u>	<u>319,000</u>	<u>2,577,555</u>	<u>6,125,116</u>
142,386	1,388,500	(152)	165,000	2,595,861	6,051,730
69,478	-	-	-	-	69,478
2,931	-	-	-	-	2,931
-	-	800	-	-	800
72,409	-	800	-	-	73,209
-	-	-	-	300,732	300,732
(35,359)	-	-	-	-	(35,359)
37,050	-	800	-	300,732	338,582
-	-	-	-	(191,400)	(191,400)
-	-	-	22,000	(22,000)	-
<u>179,436</u>	<u>1,388,500</u>	<u>648</u>	<u>187,000</u>	<u>2,683,193</u>	<u>6,198,912</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	131,069	355,896
Adjustments for:		
Net (gain) loss on disposal of property and equipment	(257)	60
Net gain on disposal of investment properties	-	(14,420)
Net gain on disposal of available-for-sale securities	(36,313)	(35,359)
Impairment allowances on loans and advances	36,699	41,109
Impairment loss on goodwill	10,000	9,500
Impairment loss on available-for-sale securities	153,180	-
Dividend income from investments	(6,172)	(6,064)
Share of results of jointly controlled entities	38,330	(23,587)
Fair value adjustment on investment properties	(39,037)	-
Depreciation	19,204	16,970
Amortisation of prepaid lease payments for land	2,920	2,620
Interest income from available-for-sale securities and held-to-maturity securities	(266,920)	(303,073)
Interest expense on loan capital	23,416	31,370
Exchange adjustments	8,498	5,734
Operating cash flows before movements in operating assets and liabilities	74,617	80,756
Decrease in money at call and short notice with original maturity over three months	936,298	452,491
Decrease in exchange fund bills with original maturity over three months	11,014	65,894
Decrease (increase) in placements with banks and other financial institutions with original maturity over three months	1,948,857	(1,728,988)
Decrease (increase) in financial assets at fair value through profit or loss	154,699	(521,770)
Increase in bills receivable	(31,824)	(37,718)
Increase in trade bills	(11,750)	(63,092)
Increase in other advances to customers	(1,919,125)	(961,283)
Decrease (increase) in interest receivable and other accounts	382,653	(23,356)
Increase in advances to banks and other financial institutions	(38,747)	(60)
(Decrease) increase in deposits and balances of banks and other financial institutions with original maturity over three months	(4)	21,828
Increase in deposits from customers	2,595,763	2,789,366
Decrease in derivative financial instruments	(80,341)	-
Decrease in other accounts and accruals	(415,023)	(59,397)
Cash generated from operations	3,607,087	14,671
Hong Kong Profits Tax paid	(16,532)	(15,703)
Overseas tax paid	(1,231)	(272)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	3,589,324	(1,304)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
INVESTING ACTIVITIES		
Interest received on available-for-sale securities and held-to-maturity securities	316,456	285,517
Dividends received on investments	6,172	6,064
Dividends received from jointly controlled entities	3,150	2,100
Purchase of available-for-sale securities	(6,994)	(298,428)
Purchase of held-to-maturity securities	(11,694,005)	(9,179,035)
Purchase of property and equipment	(37,429)	(43,303)
Purchase of investment properties	(30,000)	–
Lease prepayment for land	–	(14,700)
Proceeds from sale and redemption of available-for-sale securities	104,091	167,467
Proceeds from redemption of held-to-maturity securities	17,753,335	8,498,811
Proceeds from disposal of investment properties	–	50,820
Proceeds from disposals of property and equipment	448	15
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	6,415,224	(524,672)
FINANCING ACTIVITIES		
Interest paid on loan capital	(23,756)	(31,538)
Dividends paid	(191,400)	(191,400)
NET CASH USED IN FINANCING ACTIVITIES	(215,156)	(222,938)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,789,392	(748,914)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	12,990,424	14,115,214
CASH AND CASH EQUIVALENTS AT 30 JUNE	22,779,816	13,366,300
Represented by		
Cash and balances with banks and other financial institutions	3,961,582	2,676,483
Money at call and short notice	19,289,411	10,293,169
Exchange fund bills	2,777,835	2,719,088
Placements with banks and other financial institutions maturing between one and twelve months	1,512,748	4,158,230
Deposits and balances of banks and other financial institutions	(3,257,083)	(1,040,782)
Less: Amounts with original maturity over three months	(1,504,677)	(5,439,888)
	22,779,816	13,366,300

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34, Interim Financial Reporting.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new Interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2008.

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 these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new, revised and amended standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK (IFRIC) – INT 13	Customer Loyalty Programmes ³

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

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The directors of the Bank anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Business and geographical segments

(a) Business segments

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Segment information by business segments for the six months ended 30 June 2008 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	569,624	582,823	2,256	-	-	1,154,703
Interest expense to external customers	(677,082)	(31,012)	-	-	-	(708,094)
Inter-segment interest income (Note)	335,062	-	-	-	(335,062)	-
Inter-segment interest expense (Note)	-	(335,062)	-	-	335,062	-
Net interest income	227,604	216,749	2,256	-	-	446,609
Fees and commission income	39,155	-	76,651	35,238	-	151,044
Fees and commission expense	(20,892)	-	(466)	(3,361)	-	(24,719)
Other operating income	34,475	23,221	38	17,169	-	74,903
Total operating income	280,342	239,970	78,479	49,046	-	647,837
Operating expenses	(213,850)	(15,087)	(23,031)	(10,595)	-	(262,563)
Impairment allowances on loans and advances	(36,699)	-	-	-	-	(36,699)
Net gain on disposal of property and equipment	257	-	-	-	-	257
Net gain on disposal of available-for-sale securities	-	-	-	36,313	-	36,313
Impairment loss on goodwill	-	-	-	(10,000)	-	(10,000)
Impairment loss on available-for-sale securities	-	(153,180)	-	-	-	(153,180)
Segment profit	30,050	71,703	55,448	64,764	-	221,965
Unallocated corporate expenses						(91,603)
Share of results of jointly controlled entities				(38,330)		(38,330)
Fair value adjustment on investment properties						39,037
Profit before taxation						131,069
Taxation						(26,257)
Profit for the period						104,812

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Business and geographical segments (continued)

(a) Business segments (continued)

Segment information by business segments for the six months ended 30 June 2007 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	774,316	771,125	3,226	-	-	1,548,667
Interest expense to external customers	(1,047,637)	(54,861)	-	-	-	(1,102,498)
Inter-segment interest income (Note)	533,643	-	-	-	(533,643)	-
Inter-segment interest expense (Note)	-	(533,643)	-	-	533,643	-
Net interest income	260,322	182,621	3,226	-	-	446,169
Fee and commission income	35,465	--	76,277	23,018	-	134,760
Fee and commission expense	(16,968)	-	(868)	(2,013)	-	(19,849)
Other operating income	32,859	31,363	-	16,915	-	81,137
Total operating income	311,678	213,984	78,635	37,920	-	642,217
Operating expenses	(175,657)	(11,924)	(19,545)	(10,767)	-	(217,893)
Impairment allowances on loans and advances	(41,109)	-	-	-	-	(41,109)
Net loss on disposal of property and equipment	(60)	-	-	-	-	(60)
Net gain on disposal of available-for-sale securities	-	-	-	35,359	-	35,359
Impairment loss on goodwill	-	-	-	(9,500)	-	(9,500)
Segment profit	<u>94,852</u>	<u>202,060</u>	<u>59,090</u>	<u>53,012</u>	<u>-</u>	<u>409,014</u>
Unallocated corporate expenses						(91,125)
Share of profits of jointly controlled entities				<u>23,587</u>		23,587
Net gain on disposal of investment properties						<u>14,420</u>
Profit before taxation						355,896
Taxation						<u>(55,164)</u>
Profit for the period						<u><u>300,732</u></u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Business and geographical segments (continued)

(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.

Details of geographical segmentation are set out below:

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	Total operating income HK\$'000	Profit before taxation HK\$'000	Total operating income HK\$'000	Profit before taxation HK\$'000
Hong Kong	618,510	105,704	608,698	312,011
Mainland China and Macau	19,166	18,101	21,911	34,899
America	10,161	7,264	11,608	8,986
Total	<u>647,837</u>	<u>131,069</u>	<u>642,217</u>	<u>355,896</u>

4. Net interest income

	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
Interest income		
Cash and short-term funds and placements	315,059	451,187
Investments in securities	274,485	326,968
Loans and advances	<u>565,159</u>	<u>770,512</u>
	1,154,703	1,548,667
Interest expense		
Deposits and balances from banks and customers	(684,678)	(1,071,128)
Loan capital in issue	<u>(23,416)</u>	<u>(31,370)</u>
Net interest income	<u>446,609</u>	<u>446,169</u>

Included within interest income and interest expense are HK\$1,147,138,000 (2007: HK\$1,524,772,000) and HK\$708,094,000 (2007: HK\$1,102,498,000) earned and incurred from financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Net fee and commission income

	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
Fees and commission income		
Securities dealings	76,651	76,277
Credit lines	3,845	3,214
Trade finance	7,132	7,301
Credit card services	24,265	18,941
Agency services	35,238	23,018
Others	3,913	6,009
Total fees and commission income	151,044	134,760
Less: Fees and commission expense	(24,719)	(19,849)
Net fees and commission income	126,325	114,911

6. Other operating income

	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
Dividend income	6,172	6,064
Listed investments	4,092	4,084
Unlisted investments	2,080	1,980
Net gains on dealing in foreign currencies	18,656	17,744
Net gains on financial assets at fair value through profit or loss	4,503	13,708
- designated at fair value through profit or loss	(75,834)	13,667
- held for trading	80,337	41
Gross rents from properties	5,857	6,130
Less: Outgoings	(547)	(2,341)
Net rental income	5,310	3,789
Safe deposit box rentals	11,759	11,532
Insurance underwriting profit	5,488	6,653
Other banking services income	20,916	20,001
Others	2,099	1,646
	74,903	81,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Operating expenses

	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
Staff costs:		
Salaries and other costs	201,504	176,116
Retirement benefits scheme contributions	15,096	13,538
Total staff costs	216,600	189,654
Depreciation	19,204	16,970
Amortisation of prepaid lease payments for land	2,920	2,620
Premises and equipment expenses, excluding depreciation and amortisation of prepaid lease payments for land		
Rentals and rates for premises	18,705	16,552
Others	9,987	9,816
Other operating expenses	86,750	73,406
	354,166	309,018

8. Impairment loss on goodwill

For the period ended 30 June 2008, the management has reviewed goodwill for impairment testing purposes. The review comprised a comparison of the carrying amount and value in use of an acquired subsidiary (the 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% (2007: 12%) discount rate. Management's financial model assumes an overall growth in gross written premium of 5% (2007: 5%) per annum during the first 5 years. Cash flows beyond five years are extrapolated using a terminal growth rate of 3.5% (2007: 3.5%). A goodwill impairment loss of HK\$10,000,000 (2007: HK\$9,500,000), representing the excess of the carrying amount above the value in use, has been recognised for the period ended 30 June 2008.

9. Impairment loss on available-for-sale securities

As of 30 June 2008, the Group's available-for-sale securities contained capital or income notes issued by various structured investment vehicles ("SIVs"), which were categorised as available-for-sale investments.

These investments are considered illiquid based upon the fact that there were no open market bids for them as of 30 June 2008. As such, the fair value of these investments was estimated to approximate net asset value as reported by the SIVs investment managers unless market conditions warrant a different valuation method.

The total amounts invested in these SIVs are HK\$535,407,000 (31 December 2007: HK\$568,212,000). The Group evaluates these available-for-sale investments for impairment on a regular basis. Impairment provision of HK\$505,364,000 (31 December 2007: HK\$369,627,000) has been recognised as at 30 June 2008 primarily due to downgrade of credit ratings and increase of funding costs for the SIVs.

10. Taxation

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the proposed reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-09. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

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

11. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$104,812,000 (2007: HK\$300,732,000) and on 435,000,000 (2007: 435,000,000) ordinary shares in issue during the period.

There is no potential dilutive ordinary shares in issue during both periods.

12. Dividend paid

On 2 May 2008, a dividend of HK\$0.44 per share was paid to shareholders as the final dividend for 2007.

On 26 April 2007, a dividend of HK\$0.44 per share was paid to shareholders as the final dividend for 2006.

The directors have determined that a total amount of interim dividend of HK\$65,250,000 (2007: HK\$91,350,000) at a rate of HK\$0.15 (2007: HK\$0.21) per share should be paid to the shareholders of the Bank whose names appear in the Register of Members on 19 September 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Cash and short-term funds

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Cash and balances with banks and other financial institutions	3,961,582	1,833,309
Money at call and short notice	19,289,411	9,776,851
Exchange fund bills	<u>2,777,835</u>	<u>3,153,817</u>
	<u><u>26,028,828</u></u>	<u><u>14,763,977</u></u>

14. Derivative financial instruments

	30 June 2008		
	Notional amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading:			
- Foreign currency related contracts	57,819	154	280
- Interest rate swaps	994,561	-	<u>34,019</u>
		<u>154</u>	<u><u>34,299</u></u>

	31 December 2007		
	Notional amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading:			
- Foreign currency related contracts	36,051	60	276
- Interest rate swaps	1,019,568	-	112,746
- Currency swaps	55,840	-	<u>1,524</u>
		<u>60</u>	<u><u>114,546</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Investments in securities

	Financial assets at fair value through profit or loss				Total HK\$'000
	Held for trading HK\$'000	Designated at fair value HK\$'000	Held-to-maturity securities HK\$'000	Available-for-sale securities HK\$'000	
30 June 2008					
Equity securities:					
Listed in Hong Kong	195	–	–	161,753	161,948
Listed overseas	–	–	–	6,754	6,754
	<u>195</u>	<u>–</u>	<u>–</u>	<u>168,507</u>	<u>168,702</u>
Unlisted	–	–	–	341,546	341,546
	<u>195</u>	<u>–</u>	<u>–</u>	<u>510,053</u>	<u>510,248</u>
Debt securities:					
Certificates of deposits	–	–	756,589	–	756,589
Structured products	–	979,528	–	–	979,528
Other debt securities – Unlisted	–	–	8,792,061	72,436	8,864,497
	<u>–</u>	<u>979,528</u>	<u>9,548,650</u>	<u>72,436</u>	<u>10,600,614</u>
Total:					
Listed in Hong Kong	195	–	–	161,753	161,948
Listed overseas	–	–	–	6,754	6,754
Unlisted	–	979,528	9,548,650	413,982	10,942,160
	<u>195</u>	<u>979,528</u>	<u>9,548,650</u>	<u>582,489</u>	<u>11,110,862</u>
Market value of listed securities:					
Listed in Hong Kong	195	–	–	161,753	161,948
Listed overseas	–	–	–	6,754	6,754
	<u>195</u>	<u>–</u>	<u>–</u>	<u>168,507</u>	<u>168,702</u>
As analysed by issuing entities:					
Central government and central banks	–	–	121,103	–	121,103
Public sector entities	–	–	58,757	–	58,757
Banks and other financial institutions	57	385,324	8,394,046	75,720	8,855,147
Corporate entities	138	482,584	974,744	165,203	1,622,669
Others	–	111,620	–	341,566	453,186
	<u>195</u>	<u>979,528</u>	<u>9,548,650</u>	<u>582,489</u>	<u>11,110,862</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Investments in securities (continued)

	Financial assets at fair value through profit or loss				Total HK\$'000
	Held for trading HK\$'000	Designated at fair value HK\$'000	Held-to-maturity securities HK\$'000	Available-for-sale securities HK\$'000	
31 December 2007					
Equity securities:					
Listed in Hong Kong	264	–	–	220,255	220,519
Listed overseas	–	–	–	8,614	8,614
	<u>264</u>	<u>–</u>	<u>–</u>	<u>228,869</u>	<u>229,133</u>
Unlisted	–	–	–	408,750	408,750
	<u>264</u>	<u>–</u>	<u>–</u>	<u>637,619</u>	<u>637,883</u>
Debt securities:					
Certificates of deposits	–	–	1,484,139	–	1,484,139
Structured products	–	1,134,158	–	–	1,134,158
Other debt securities – Unlisted	–	–	14,123,841	239,042	14,362,883
	<u>–</u>	<u>1,134,158</u>	<u>15,607,980</u>	<u>239,042</u>	<u>16,981,180</u>
Total:					
Listed in Hong Kong	264	–	–	220,255	220,519
Listed overseas	–	–	–	8,614	8,614
Unlisted	–	1,134,158	15,607,980	647,792	17,389,930
	<u>264</u>	<u>1,134,158</u>	<u>15,607,980</u>	<u>876,661</u>	<u>17,619,063</u>
Market value of listed securities:					
Listed in Hong Kong	264	–	–	220,255	220,519
Listed overseas	–	–	–	8,614	8,614
	<u>264</u>	<u>–</u>	<u>–</u>	<u>228,869</u>	<u>229,133</u>
As analysed by issuing entities:					
Central government and central banks	–	118,393	534,442	–	652,835
Public sector entities	–	–	11,245	–	11,245
Banks and other financial institutions	56	475,282	15,060,293	272,315	15,807,946
Corporate entities	208	535,484	2,000	198,204	735,896
Others	–	4,999	–	406,142	411,141
	<u>264</u>	<u>1,134,158</u>	<u>15,607,980</u>	<u>876,661</u>	<u>17,619,063</u>

The fair value of held-to-maturity securities as at 30 June 2008 amounted to HK\$9,585,443,000 (31 December 2007: HK\$15,144,333,000).

Included in available-for-sale securities (other debt securities-unlisted) are financial instruments issued by structured investment vehicles with gross investment cost of approximately HK\$535,407,000 (31 December 2007: HK\$568,212,000). Impairment provision of HK\$505,364,000 (31 December 2007: HK\$369,627,000) has been recognised for these investments.

Details of the impairment assessment are disclosed in Note 9.

Certain held-to-maturity certificates of deposit of approximately HK\$25,170,000 (31 December 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Advances and other accounts

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Advances to customers		
Bills receivable	541,553	509,729
Trade bills	176,307	164,557
Other advances to customers	<u>32,934,030</u>	<u>31,047,597</u>
	33,651,890	31,721,883
Interest receivable	167,678	286,187
Impairment allowances		
- Individually assessed	<u>(38,154)</u>	<u>(17,876)</u>
- Collectively assessed	<u>(100,449)</u>	<u>(116,720)</u>
	(138,603)	(134,596)
	33,680,965	31,873,474
Advances to banks and other financial institutions	<u>95,831</u>	<u>57,084</u>
	33,776,796	31,930,558
Other accounts	<u>251,652</u>	<u>565,332</u>
	34,028,448	32,495,890

“Advances to banks and other financial institutions” of the Group relate to amounts 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” of the Group is retirement benefits scheme assets of HK\$21,914,000 (31 December 2007: HK\$21,914,000) due to the excess of scheme assets over defined benefit obligations.

Details of the impaired loans are as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Gross impaired loans	172,210	215,820
Less: Impairment allowances under individual assessment	<u>(38,154)</u>	<u>(17,876)</u>
Net impaired loans	<u>134,056</u>	<u>197,944</u>
Gross impaired loans as a percentage of gross advances to customers	<u>0.51%</u>	<u>0.68%</u>
Market value of collateral pledged	<u>492,843</u>	<u>210,897</u>

In addition to the individually assessed loans impairment allowance, the Group has also provided collectively assessed loans impairment allowance for loans that are individually insignificant or advances where no impairment has been identified individually.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Investment properties

	2008 HK\$'000	2007 HK\$'000
At 1 January	60,241	82,250
Addition	30,000	–
Disposals	–	(36,400)
Net increase in fair value recognised in the income statement	<u>39,037</u>	<u>14,391</u>
At 30 June / 31 December	<u><u>129,278</u></u>	<u><u>60,241</u></u>

Investment properties owned by the Group were revalued at 30 June 2008 on an open market value basis by Vigers Hong Kong Limited, independent professionally qualified valuers. The market value is the comparable transaction price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer.

During the six months ended 30 June 2007, the Group disposed of investment properties with a total carrying amounts of HK\$36,400,000 for a net consideration of HK\$50,820,000, resulting in a profit on disposal of HK\$14,420,000.

18. Property and equipment

	Buildings HK\$'000	Equipment HK\$'000	Total HK\$'000
COST			
At 1 January 2008	308,345	425,175	733,520
Additions	6,531	30,898	37,429
Disposals	–	(3,153)	(3,153)
Exchange adjustments	–	3	3
At 30 June 2008	<u>314,876</u>	<u>452,923</u>	<u>767,799</u>
ACCUMULATED DEPRECIATION			
At 1 January 2008	27,641	259,006	286,647
Provided for the period	3,206	15,998	19,204
Eliminated on disposals	–	(2,962)	(2,962)
Exchange adjustments	–	3	3
At 30 June 2008	<u>30,847</u>	<u>272,045</u>	<u>302,892</u>
CARRYING AMOUNTS			
At 30 June 2008	<u><u>284,029</u></u>	<u><u>180,878</u></u>	<u><u>464,907</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. Property and equipment (continued)

	Buildings HK\$'000	Equipment HK\$'000	Total 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 period	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>280,704</u>	<u>166,169</u>	<u>446,873</u>

19. Prepaid lease payments for land

	2008 HK\$'000	2007 HK\$'000
At 1 January	334,231	316,535
Additions	–	28,171
Amortisation of prepaid operating lease payments	(2,920)	(5,710)
Disposals	–	(4,765)
At 30 June / 31 December	<u>331,311</u>	<u>334,231</u>

20. Deposits from customers

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Demand deposits and current accounts	3,056,560	2,992,184
Savings deposits	12,859,707	12,584,043
Time, call and notice deposits	47,006,933	44,751,210
	<u>62,923,200</u>	<u>60,327,437</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. Loan capital

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
US\$125 million callable floating rate subordinated notes due 2016	<u>971,419</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%, 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%, payable quarterly.

22. Deferred taxation

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

	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 income statement for the period	1,490	2,767	6,333	-	10,590
Credit to equity for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,614)</u>	<u>(12,614)</u>
At 30 June 2008	<u>13,772</u>	<u>(16,959)</u>	<u>12,482</u>	<u>3,955</u>	<u>13,250</u>
At 1 January 2007	10,403	(17,263)	7,574	27,125	27,839
Charge (credit) to income statement for the period	1,611	1,675	(4,795)	-	(1,509)
Credit to equity for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,931)</u>	<u>(2,931)</u>
At 30 June 2007	<u>12,014</u>	<u>(15,588)</u>	<u>2,779</u>	<u>24,194</u>	<u>23,399</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. Maturity profiles

The maturity profiles of certain assets and liabilities of the Group as at 30 June 2008 are analysed as follows:

	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated or overdue HK\$'000	Total HK\$'000
Assets							
Cash and short-term funds	5,777,142	20,091,402	160,284	–	–	–	26,028,828
Placements with banks and other financial institutions	–	1,512,748	–	–	–	–	1,512,748
Advances to customers	2,672,150	9,791,109	4,446,248	6,400,167	9,147,215	1,195,001	33,651,890
Advances to banks and other financial institutions	4,697	52,104	38,000	–	–	1,030	95,831
Debt securities included in:							
– financial assets at fair value through profit or loss	–	–	202,035	578,745	–	198,748	979,528
– available-for-sale securities	–	–	–	42,393	30,043	–	72,436
– held-to-maturity securities	–	3,500,431	840,477	5,198,592	7,150	2,000	9,548,650
	–	3,500,431	1,042,512	5,819,730	37,193	200,748	10,600,614
Liabilities							
Deposits and balances of banks and other financial institutions	1,930,481	1,326,602	–	–	–	–	3,257,083
Deposits from customers	15,959,654	44,917,412	1,985,135	59,324	–	1,675	62,923,200
Loan capital	–	–	–	–	971,419	–	971,419

The maturity profiles of certain assets and liabilities of the Group as at 31 December 2007 are analysed as follows:

	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated or overdue HK\$'000	Total HK\$'000
Assets							
Cash and short-term funds	1,910,782	12,803,827	49,368	–	–	–	14,763,977
Placements with banks and other financial institutions	–	2,684,574	399,573	–	–	–	3,084,147
Advances to customers	2,510,697	4,104,480	4,790,328	10,604,914	9,496,204	215,260	31,721,883
Advances to banks and other financial institutions	1,084	18,000	38,000	–	–	–	57,084
Debt securities included in:							
– financial assets at fair value through profit or loss	–	–	54,236	884,846	–	195,076	1,134,158
– available-for-sale securities	–	–	–	121,082	117,960	–	239,042
– held-to-maturity securities	–	6,530,013	2,536,112	6,528,610	13,245	–	15,607,980
	–	6,530,013	2,590,348	7,534,538	131,205	195,076	16,981,180
Liabilities							
Deposits and balances of banks and other financial institutions	27,038	429,820	–	–	–	–	456,858
Deposits from customers	15,597,198	42,618,558	2,090,485	13,569	–	7,627	60,327,437
Loan capital	–	–	–	–	970,871	–	970,871

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. Related parties transactions

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

	Interest, commission and rental income		Interest and rental expenses	
	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
Investing enterprises having significant influence on the Group	3,515	5,698	14,014	8,546
Jointly controlled entities	10,944	5,933	2,909	4,858
Directors and their associates	8,020	15,010	8,498	12,979

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	
	30 June 2008 HK\$'000	31 December 2007 HK\$'000	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Investing enterprises having significant influence on the Group	-	-	174,548	174,430
Jointly controlled entities	68,820	5,267	279,186	277,015
Directors and their associates	1,954,114	991,440	601,646	603,806

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

The Group's lending to related parties are under terms and conditions similar to those made available to non-related parties.

Compensation of key management personnel

The remuneration of directors and other members of the key management during the six months ended 30 June 2008 was as follows:

	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
Short term benefits	26,266	26,665
Post employment benefits	1,926	1,453
	<u>28,192</u>	<u>28,118</u>

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

25. Comparative figures

Net fee and commission income and other operating income have been reclassified to conform with the current period's presentation.

26. List of subsidiaries for financial reporting consolidation

Card Alliance Company Limited
Chong Hing Commodities and Futures Limited
Chong Hing Finance Limited
Chong Hing Information Technology Limited
Chong Hing Insurance Company Limited
Chong Hing (Management) Limited
Chong Hing (Nominees) Limited
Chong Hing Securities Limited
Gallbraith Limited
Liu Chong Hing Banking Corporation, Cayman
Right Way Investments Limited

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:

	30 June 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	1,581,178	13,027	-	496,333	1
- Property investment	7,715,782	-	-	6,966,631	8
- Financial concerns	3,222,323	-	-	918,827	-
- Stockbrokers	167,445	337	523	157,921	523
- Wholesale and retail trade	814,094	945	4,271	675,843	6,196
- Manufacturing	1,972,339	6,006	-	1,167,233	-
- Transport and transport equipment	906,544	-	-	43,356	-
- Recreational activities	44,085	108	-	1,486	-
- Information technology	227	21	-	93	-
- Others	5,189,380	13,048	4,048	2,109,374	42,958
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	683,505	-	617	683,209	1,909
- Loans for the purchase of other residential properties	5,314,795	3,071	-	5,302,969	-
- Credit card advances	91,639	2,990	331	-	501
- Others	1,677,857	2,262	2,603	1,592,322	7,325
	<u>29,381,193</u>	<u>41,815</u>	<u>12,393</u>	<u>20,115,597</u>	<u>59,421</u>
Trade finance	1,047,622	8,186	19,087	154,121	19,085
Loans for use outside Hong Kong	<u>3,223,075</u>	<u>50,448</u>	<u>6,674</u>	<u>1,753,528</u>	<u>93,704</u>
	<u><u>33,651,890</u></u>	<u><u>100,449</u></u>	<u><u>38,154</u></u>	<u><u>22,023,246</u></u>	<u><u>172,210</u></u>

SUPPLEMENTARY INFORMATION

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	1,677,388	9,243	3,003	1,588,352	9,335
	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	3,530,335	54,289	1,004	1,622,618	113,904
	<u>31,721,883</u>	<u>116,720</u>	<u>17,876</u>	<u>20,658,397</u>	<u>215,820</u>

1. Advances to customers - by industry sectors (continued)

The Group's advances to customers overdue for over three months, and new impairment allowances and advances written off during the six months ended 30 June 2008 and 2007 in respect of industry sectors which constitute not less than 10 per cent of gross advances to customers are analysed as follows:

	2008		
	Advances overdue for over three months as at 30 June HK\$'000	New impairment allowances during the six months ended 30 June HK\$'000	Advances written off during the six months ended 30 June HK\$'000
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property investment	43,550	4,218	4,218
- Others	57,938	18,191	14,191
Individuals			
- Loans for the purchase of other residential properties	2,969	309	309
Loans for use outside Hong Kong	93,704	29,013	20,000
	2007		
	Advances overdue for over three months as at 31 December HK\$'000	New impairment allowances during the six months ended 30 June HK\$'000	Advances written off during the six months ended 30 June HK\$'000
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property investment	62,804	2,000	3,000
- Others	71,845	12,612	10,166
Individuals			
- Loans for the purchase of other residential properties	4,117	55	103
Loans for use outside Hong Kong	113,904	18,962	21,000

SUPPLEMENTARY INFORMATION

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:

	30 June 2008				
	Total advances	Advances overdue for over three months	Impaired advances	Individual impairment allowance	Collective impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	31,632,148	165,518	89,506	36,480	87,795
People's Republic of China	344,109	82,704	82,704	1,674	2,454
Macau	571,634	-	-	-	4,738
America	328,442	-	-	-	5,462
Others	775,557	-	-	-	-
	<u>33,651,890</u>	<u>248,222</u>	<u>172,210</u>	<u>38,154</u>	<u>100,449</u>

	31 December 2007				
	Total advances	Advances overdue for over three months	Impaired advances	Individual impairment allowance	Collective impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$
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	989,575	-	-	-	-
	<u>31,721,883</u>	<u>298,654</u>	<u>215,820</u>	<u>17,876</u>	<u>116,720</u>

3. Cross-border claims

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

	30 June 2008			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	10,827,204	105,295	1,069,879	12,002,378
- of which - Australia	2,260,407	1,015	111	2,261,533
- of which - China	3,699,777	22,742	449,454	4,171,973
North America	2,307,467	13,352	1,351,915	3,672,734
Western Europe	15,610,316	2,718	359,903	15,972,937
- of which - United Kingdom	2,056,835	818	170,821	2,228,474
- of which - Germany	<u>3,539,547</u>	<u>1,684</u>	<u>4,003</u>	<u>3,545,234</u>
	31 December 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
Western 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>

SUPPLEMENTARY INFORMATION

4. Overdue and rescheduled advances

	30 June 2008		31 December 2007	
	Gross amount of advances HK\$'000	Percentage to total advances	Gross amount of advances HK\$'000	Percentage to total advances
Advances overdue for				
- 6 months or less but over 3 months	26,650	0.1	22,180	0.1
- 1 year or less but over 6 months	13,569	0.0	12,697	0.1
- Over 1 year	<u>208,003</u>	<u>0.6</u>	<u>263,777</u>	<u>0.8</u>
Total overdue advances	<u>248,222</u>	<u>0.7</u>	<u>298,654</u>	<u>1.0</u>
Rescheduled advances	<u>168,576</u>	<u>0.5</u>	<u>183,825</u>	<u>0.6</u>
Individual impairment allowances made in respect of overdue loans and advances	<u>36,147</u>		<u>4,898</u>	
Covered portion of overdue loans and advances	222,750		290,558	
Uncovered portion of overdue loans and advances	<u>25,472</u>		<u>8,096</u>	
	<u>248,222</u>		<u>298,654</u>	
Market value of collateral held against covered portion of overdue loans and advances	<u>830,788</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 30 June 2008 and 31 December 2007, nor were there any rescheduled advances to banks and other financial institutions.

Repossessed assets held by the Group as at 30 June 2008 amounted to HK\$49,375,000 (31 December 2007: HK\$87,570,000).

5. Non-bank Mainland exposures

	30 June 2008			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Types of counterparties				
Mainland entities	663,869	210,877	874,746	3,000
Companies and individuals outside Mainland where the credit is granted for use in Mainland	3,433,302	1,286,772	4,720,074	25,911
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	1,046	–	1,046	–
	<u>4,098,217</u>	<u>1,497,649</u>	<u>5,595,866</u>	<u>28,911</u>

	31 December 2007			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	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>

SUPPLEMENTARY INFORMATION

6. 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:

	30 June 2008				Total
	USD	AUD	RMB	NZD	
Equivalent in thousands of HK\$					
Spot assets	17,721,606	2,688,889	1,202,948	3,007,874	24,621,317
Spot liabilities	(17,825,634)	(2,647,151)	(1,179,201)	(2,992,692)	(24,644,678)
Forward purchases	242,524	10,064	10,231	–	262,819
Forward sales	(132,232)	(42,586)	(28,337)	(7,972)	(211,127)
Net long position	<u>6,264</u>	<u>9,216</u>	<u>5,641</u>	<u>7,210</u>	<u>28,331</u>
			RMB	MOP	Total
Net structural position			<u>113,680</u>	<u>48,545</u>	<u>162,225</u>

	31 December 2007		
	USD	AUD	Total
Equivalent in thousands 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	(78,616)	(9,297)	(87,913)
Net long position	<u>19,877</u>	<u>3,387</u>	<u>23,264</u>
	RMB	MOP	Total
Net structural position	<u>107,230</u>	<u>48,545</u>	<u>155,775</u>

7. The contractual amounts of each of the following classes of contingent liabilities and commitments outstanding are:

	30 June 2008	31 December 2007
	HK\$'000	HK\$'000
Contingent liabilities and commitments – contractual amounts		
Direct credit substitutes	597,085	643,264
Trade-related contingencies	573,889	595,878
Forward asset purchases	20,918	32,926
Other commitments		
- Which are unconditionally cancellable without prior notice	5,234,956	5,761,482
- With an original maturity of one year and under	8,595,828	8,632,587
- With an original maturity of over one year	2,137,192	2,212,847
	<u>17,159,868</u>	<u>17,878,984</u>

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

	30 June 2008		31 December 2007	
	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	3,202,897	N/A	3,321,625
Exchange rate contracts	154	466	60	626
Interest rate contracts	–	1,529	–	1,529
	<u>154</u>	<u>3,204,892</u>	<u>60</u>	<u>3,323,780</u>

The above amounts do not take into account the effects of bilateral netting arrangements.

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 the contracts to market. Replacement cost is a close approximation of the credit risk for these contracts at the balance sheet date.

The credit risk weighted amount is the amount which has been calculated in accordance with the Banking (Capital) Rules (the “Capital Rules”), which came into operation on 1 January 2007, and the guidelines issued by the HKMA.

SUPPLEMENTARY INFORMATION

8. Capital adequacy and liquidity ratio

	30 June 2008	31 December 2007
	%	%
Capital adequacy ratio	<u>14.59</u>	<u>14.22</u>
Core capital ratio	<u>11.86</u>	<u>11.52</u>
	Six months ended	Six months ended
	30 June 2008	30 June 2007
	%	%
Average liquidity ratio for the period	<u>51.08</u>	<u>55.85</u>

The capital adequacy ratio is compiled in accordance with the 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 Capital Rules, the Bank has adopted the “standardised approach” for the calculation of the risk-weighted assets for credit risk and “basic indicator approach” for the calculation of operation risk. The capital adequacy ratio is consolidated, under the 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.

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.

9. Other financial information

The capital base after deductions used in the calculation of the capital adequacy ratios as at 30 June 2008 and 31 December 2007 is analysed as follows:

	30 June 2008	31 December 2007
	HK\$'000	HK\$'000
Core capital		
Paid up ordinary share capital	217,500	217,500
Share premium	1,542,817	1,542,817
Published reserves	3,337,781	3,231,676
Profit and loss account	72,050	56,732
Less: Net deferred tax assets	(1)	(2,079)
Total core capital	5,170,147	5,046,646
Other deductions from core capital	(291,105)	(418,739)
Core capital after deductions	4,879,042	4,627,907
Supplementary capital		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	5,755	5,755
Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	5,364	10,062
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	10,515	45,807
Regulatory reserve for general banking risks	319,000	356,000
Collective impairment allowance	100,450	116,720
Term subordinated debt	971,419	970,871
Total supplementary capital	1,412,503	1,505,215
Other deductions from supplementary capital	(291,105)	(418,740)
Supplementary capital after deductions	1,121,398	1,086,475
Total capital base after deductions	6,000,440	5,714,382

The calculation of the capital base is based on the Capital Rules effective from 1 January 2007.

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.

10. Statement of compliance

This interim financial report contains the disclosure information required under the Banking (Disclosure) Rules.

11. Basis of consolidation

This interim financial report 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 businesses incidental to banking business.

12. Net interest income

Included within interest income is interest income accrued on impaired loans and advances of HK\$3,545,000 (2007: HK\$807,000).

13. Other operating income

Included within fees and commission income and fees and commission expense, other than amounts included in determining the effective interest rate, are HK\$36,393,000 (2007: HK\$32,850,000) and HK\$20,612,000 (2007: HK\$16,925,000) arising from financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

14. Risk management

The Group has established policies, procedures, and controls for measuring, monitoring and controlling risks arising from the banking and related financial services business. These policies, procedures, and controls are implemented by various committees and departments of the Group and are regularly reviewed by the Board of Directors. The internal auditors also play an important role in the risk management process by performing regular, as well as sporadic compliance audits.

The management of assets and liabilities of the Group is conducted under the guidance of the Asset and Liability Management Committee (the “ALCO”). The ALCO holds weekly meetings, and more frequent meetings when required, to review and direct the relevant policies, and to monitor the bank-wide positions. The day-to-day management of the liquidity, foreign exchange, interest rate and other market risks, and the compliance with the ALCO and the Risk Management and Compliance Committee (the “RMCC”) policies are monitored by the Treasury Management and the Finance Departments with the assistance of various qualitative and quantitative analyses.

In addition to complementing the ALCO in the management of assets and liabilities, the RMCC also oversees the implementation of the policies and procedures established for managing the Group’s operational, legal, and reputation risks and compliance requirements.

(i) Capital management

The Group has adopted a policy of maintaining a strong capital base to support its business growth. Capital adequacy ratio has remained well above the statutory minimum ratio of 8% for the past five financial years.

(ii) Credit risk

Credit risk is the risk that a customer or counter-party may fail to meet a commitment when it falls due.

The Group’s lending policy sets out in detail the credit approval and monitoring mechanism, the loan classification system and provisioning policy, which is established in accordance with the requirements and provisions of the Banking Ordinance and the guidelines issued by the HKMA.

Day-to-day credit management is performed by the Loans Committee with reference to the creditworthiness, and concentration risk of and the collateral pledged by the counterparties. Decisions made by the Loans Committee are reviewed regularly by the Executive Loans Committee comprising executive directors.

14. Risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group has laid down liquidity policy which is reviewed regularly by the Board of Directors. This policy requires the Group to maintain a conservative level of liquid funds on a daily basis to ensure the availability of adequate liquid funds to meet all obligations, and the compliance with the statutory liquidity ratio requirement. The liquidity position is monitored through statutory liquidity ratio, loan-to-deposit ratio, maturity profile of assets and liabilities, and inter-bank transactions undertaken by the Group.

(iv) Market risk

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices.

Market risk arising from the trading book is considered immaterial, as the Group does not maintain significant positions of financial instruments leading to foreign exchange, interest rate, commodity and equity exposures. Structural foreign exchange exposure is explained further under (v) foreign exchange risk.

(v) Foreign exchange risk

The Group does not have any significant foreign exchange risk as foreign exchange dealing is moderate. Structural foreign exchange exposure arising from investments in foreign branches and subsidiaries is accounted for in the reserves account. Day-to-day foreign exchange management is performed by the Treasury Management Department within approved limits.

The Group takes on exposure to effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. Off-balance sheet notional position represents the contractual amounts of foreign currencies bought and sold under foreign exchange contracts. Bought currency is represented by positive amount and sold currency is represented by negative amount.

14. Risk management (continued)**(vi) Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The Group does not carry interest rate positions on its trading book. Certain interest rate contracts entered into to manage the Group's own risk are classified as trading securities. Interest rate risk arises primarily from the timing differences in the re-pricing of, and the different bases of pricing interest-bearing assets, liabilities and commitments, and from positions of non-interest bearing balances. Interest rate risk is monitored by regular sensitivity analyses of the net re-pricing gap and of different scenarios of pricing bases of assets and liabilities grouped with reference to their next contractual repricing date or maturity date.

(vii) Operational and legal risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, frauds, or inadequate internal controls and procedures.

Executive directors, department heads, in-house legal counsels, and internal auditors collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board of Directors for maintaining a strong and disciplined control environment to provide reasonable assurance that the operational and legal risks are prudently managed.

A comprehensive contingency plan is available to ensure that key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

(viii) Reputation risk

Reputation risk is the risk to earnings or capital arising from negative public opinion.

Reputation risk is managed by ensuring proper and adequate communications and public relation efforts to foster the reputation of the Group. A risk management mechanism guided by the senior management including executive directors and senior managers has been established to manage the media exposure, handle customers' and other relevant parties' complaints and suggestions, and to ensure that new business activities and agents acting on our behalf do not jeopardise our reputation.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHONG HING BANK LIMITED

Introduction

We have reviewed the interim financial information set out on pages 2 to 24 which comprises the condensed consolidated balance sheet of Chong Hing Bank Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 August 2008

The directors have declared an interim cash dividend for 2008 of HK0.15 per share, payable on Thursday, 25 September 2008 to shareholders whose names are listed on the register of members of the Bank on Friday, 19 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Bank will be closed from Wednesday, 17 September 2008 to Friday, 19 September 2008 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the 2008 interim cash dividend in question, all transfer documents, together 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, 16 September 2008.

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 for the six months ended 30 June 2008.

DIRECTORS' (INCLUDING THE CHIEF EXECUTIVE OFFICER'S) INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2008, the interests and short positions of the directors (including the chief executive officer) in the securities and underlying securities of the Bank and its associated corporations (under Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, were as follows:

Interests in securities

Director's name	Number of ordinary shares in the Bank				
	Personal interests	Spousal interests	Corporate interests	Total interests	Percentage of issued share capital
Liu Lit Man	3,447,928	–	243,669,628 <i>Note (1)</i>	247,117,556	56.80863
Liu Lit Mo	1,009,650	–	243,669,628 <i>Note (1)</i>	244,679,278	56.24811
Liu Lit Chi	313,248	–	245,932,839 <i>Notes (1) & (2)</i>	246,246,087	56.60830
Don T S Liu	15,000	–	–	15,000	0.00345
Robin Y H Chan	48,400	–	1,181,000 <i>Note (3)</i>	1,229,400	0.28262
Timothy G Freshwater	396	–	–	396	0.00009
Andrew Liu	60,000	–	–	60,000	0.01379

Notes:

(1) 243,669,628 shares in the Bank are attributed as follows:

- (i) 203,669,628 shares held by public listed Liu Chong Hing Investment Limited's wholly-owned subsidiary, Liu Chong Hing Estate Company, Limited ("Liu Chong Hing Estate"), in which each of Messrs Liu Lit Man, Liu Lit Mo and Liu Lit Chi is deemed under the SFO to be interested through Liu's Holdings Limited, a private company holding approximately 45% of Liu Chong Hing Investment Limited's issued and fully-paid share capital; and
- (ii) 40,000,000 shares held by The Bank of Tokyo-Mitsubishi UFJ, Ltd ("Bank of Tokyo-Mitsubishi UFJ"). Pursuant to an agreement in 1994, Bank of Tokyo-Mitsubishi UFJ has granted an option to Liu Chong Hing Estate exercisable at any time during the term of that agreement to purchase all such shares and Bank of Tokyo-Mitsubishi UFJ is required to offer to sell all such shares to Liu Chong Hing Estate in certain circumstances. By virtue of the interests of Messrs Liu Lit Man, Liu Lit Mo and Liu Lit Chi in Liu Chong Hing Estate through Liu's Holdings Limited, each of them is deemed under the SFO to be interested in such shares.

(2) 2,263,211 shares in the Bank are held by Alba Holdings Limited, shareholders of which include Mr Liu Lit Chi and his associates. Accordingly, Mr Liu Lit Chi is deemed under the SFO to be interested in such shares.

(3) 1,181,000 shares in the Bank are held collectively by Asia Panich Investment Company (Hong Kong) Limited, Asia Insurance Company, Limited, Asia Investment Services Limited and United Asia Company Limited. These corporations or their directors are accustomed to acting in accordance with Dr Robin Y H Chan's directions or instructions.

Other interests and short positions in securities

Under the SFO, other than those interests disclosed above, as at 30 June 2008, none of the directors (including the chief executive officer), nor their respective associates, had any other interests (nor any short positions) in any securities (nor in any underlying securities) in the Bank and its associated corporations. Moreover, as at 30 June 2008, none of the directors (including the chief executive officer), nor their respective spouses and children under 18 years of age, had been granted any rights to subscribe for the securities in the Bank and its associated corporations, much less had any such rights exercised.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2008, the register maintained under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors (including the chief executive officer), the following parties had interests and short positions in the securities and underlying securities in the Bank:

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Liu Chong Hing Estate Company, Limited	Beneficial owner	203,669,628 <i>Notes (1) and (3)</i>	46.82
Liu Chong Hing Investment Limited	Interest of a controlled corporation	203,669,628 <i>Notes (1) and (3)</i>	46.82
Liu's Holdings Limited	Interest of a controlled corporation	203,669,628 <i>Notes (1) and (3)</i>	46.82
Bauhinia 97 Limited	Beneficial owner	87,000,000 <i>Note (2)</i>	20.00
COSCO (Hong Kong) Group Limited	Interest of a controlled corporation	87,000,000 <i>Note (2)</i>	20.00
China Ocean Shipping (Group) Company	Interest of a controlled corporation	87,000,000 <i>Note (2)</i>	20.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd	Beneficial owner	42,000,000 <i>Note (3)</i>	9.66
Mitsubishi UFJ Financial Group, Inc	Interest of a controlled corporation	42,000,000 <i>Note (3)</i>	9.66
Third Avenue Management LLC	Investment manager	21,903,000 <i>Note (4)</i>	5.04

Notes:

- (1) These interests are the same as those of certain directors (including the chief executive officer) disclosed above under the heading "DIRECTORS' (INCLUDING THE CHIEF EXECUTIVE OFFICER'S) INTERESTS AND SHORT POSITIONS IN SECURITIES" Note (1)(i). Liu Chong Hing Estate Company, Limited ("Liu Chong Hing Estate") is a wholly-owned subsidiary of Liu Chong Hing Investment Limited, a public company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Liu's Holdings Limited, a private company, had interest in about 45% of Liu Chong Hing Investment Limited's issued and fully-paid share capital. The references to the 203,669,628 shares in question all relate to the same block of 203,669,628 shares held by Liu Chong Hing Estate.
- (2) Bauhinia 97 Limited is a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited, which in turn is a wholly-owned subsidiary of China Ocean Shipping (Group) Company. The references to the 87,000,000 shares in question all relate to the same block of 87,000,000 shares registered in the name of Bauhinia 97 Limited.
- (3) The Bank of Tokyo-Mitsubishi UFJ, Ltd is a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc. The references to the 42,000,000 shares in question both relate to the same block of 42,000,000 shares registered in the name of Bank of Tokyo-Mitsubishi UFJ.

Pursuant to an agreement in 1994, The Bank of Tokyo-Mitsubishi UFJ, Ltd has granted an option to Liu Chong Hing Estate exercisable at any time during the term of that agreement to purchase 40,000,000 of the 42,000,000 shares in question and The Bank of Tokyo-Mitsubishi UFJ, Ltd is required to offer to sell all such 40,000,000 shares to Liu Chong Hing Estate in certain circumstances.
- (4) Third Avenue Management LLC ("Third Avenue Management"), a United States based Registered Investment Adviser, acts as adviser to various portfolios held for the benefit of mutual funds, private partnerships, institutions, individuals, etc. Third Avenue Management has investment advisory authority over portfolios holding in the aggregate of 21,903,000 shares in the Bank.

Other than those interests and short positions in the securities and underlying securities in the Bank as disclosed above under Section 336 of the SFO, the Bank had not been notified of any other interests and short positions in its securities and underlying securities as at 30 June 2008.

CORPORATE GOVERNANCE

The directors confirm that, for the accounting period for the six months ended 30 June 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 accounting period for the six months ended 30 June 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 Interim 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.

Economic Review

The Hong Kong economy continued to expand in the first half of 2008. Real gross domestic product for the first quarter grew by 7.1%, marking the eighteenth consecutive quarter to record an above-trend growth rate. Unemployment rate remained low at 3.4%, whereas underemployment rate even fell to a ten-year low of 1.9%. Despite a consolidation period from March to April, the property market remained active in the first half of the year. For 14 months in a row up to May, monthly transaction volume of residential properties exceeded the 10,000 mark, while flat prices still exhibited a growth of over 10%. On the other hand, the local stock market zigzagged downwards under the shadow of uncertainties plaguing the global economic outlook.

The US economy remained weak, notwithstanding the US Federal Reserve Board's ("FRB") seven rounds of rate cuts totalling 325 basis points since September last year. As local banks followed suit, interest rate for deposits was down to a very low level. Nevertheless, rising costs of the property mortgage business prompted a rate rebound for new mortgage loans from certain banks, indicating the coming to the end of the interest rate down-cycle. Eventually, the FRB resolved at its early August meeting to maintain the rate unchanged at 2%.

Results Announcement

On an unaudited, consolidated basis, the Group's net interest income for the first half of 2008 rose 0.1% to HK\$446,609,000, compared with that of the corresponding period in 2007. Operating profit decreased 11.86% to HK\$293,671,000. Impairment allowances newly made for the first half of 2008 increased by 32.41% to HK\$81,354,000 from HK\$61,442,000 for the corresponding period in 2007. Impairment allowances reversed during the period increased by 119.62% to HK\$44,655,000 from HK\$20,333,000 for the corresponding period in 2007. As such, net impairment allowances for the first half of 2008 decreased 10.73% to HK\$36,699,000. The Group made impairment loss on goodwill in the amount of HK\$10,000,000 for the first half of 2008.

As of 30 June 2008, the Group's available-for-sale securities contained capital or income notes issued by various structured investment vehicles ("SIVs") totalled HK\$535,407,000 (0.73% of total assets). The Group recognised HK\$369,627,000 of impairment losses for the year ended 31 December 2007. A further impairment loss of HK\$153,180,000 was recognised for the first half of 2008 primarily due to downgrade of credit ratings and increase of funding costs for the SIVs. Total impairment provision was HK\$505,364,000 or 94% of SIVs as of 30 June 2008. As a result of such impairment provision, the net book value of SIVs was HK\$30,043,000 (0.04% of total assets). The Group does not have any sub-prime related investments or collateral debt obligations.

The Group's share of results of jointly controlled entities for the first half of 2008 decreased by 262.5% to losses of HK\$38,330,000 from gains of HK\$23,587,000 for the corresponding period in 2007. The decrease was mainly due to the marked-to-market loss of the investment portfolio of a jointly controlled entity.

After accounting for the impairment allowances, impairment losses, share of losses of jointly controlled entities as well as the charge for taxation, the Group's profit attributable to shareholders amounted to HK\$104,812,000 (a decrease of 65.15%), translating into earnings per share of HK\$0.24 (a decrease of HK\$0.45 per share over the corresponding figure for the first half of 2007).

As of 30 June 2008, total customers' deposits increased 4.3% to HK\$62,923,200,000 compared with the corresponding figure as of 31 December 2007. Total loans and advances to customers (after impairment allowances) increased 5.67% over the corresponding figure as of 31 December 2007 to HK\$33,680,965,000. Total assets amounted to HK\$73,818,484,000, an increase of 6.9% over the

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corresponding figure as of 31 December 2007. As of 30 June 2008, capital adequacy ratio increased 2.60% to 14.59% against the corresponding ratio as of 31 December 2007. Average liquidity ratio for the six months ended 30 June 2008 decreased 8.54% to 51.08% against the corresponding ratio in 2007. As of 30 June 2008, loan-to-deposit ratio stood at 49.30%, an increase of 2.39% against the corresponding ratio as of 31 December 2007. As of 30 June 2008, gross impaired loans as a percentage of gross advances to customers was 0.51%, a decrease of 25% against the corresponding ratio as of 31 December 2007.

Business Review

Loan Business

Benefiting from a still-active property market, the Bank performed considerably well in the mortgage segment. Both the number and the total amount of successfully approved mortgage loans for the first quarter rose by over 40% from the same period last year. Moreover, the amount of new residential mortgage loans drawn down recorded a corresponding growth of over 150%. For tax loan service, successful promotion in the beginning of the year contributed to a 27% increase in newly approved tax loan amount for the first quarter compared with the corresponding period last year. For the first five months of the year, the aggregate amount of personal loans witnessed a corresponding expansion of more than 34%. Besides, the Bank launched its automobile financing business in May 2008 offering loans for the purchase of vehicles.

Card Business

For the first quarter of 2008, the Bank achieved double-digit growth in the number of credit cards issued as well as relevant spending amount, accounts receivables and merchant-billed turnover compared with the corresponding period last year. In particular, "The Link Credit Card" was extremely well received. In January 2008, a newly designed "MSN@VISA Credit Card" was launched. Combining a strong array of spending privileges and promotional initiatives, the card targets young customers with high spending power. Our hard work paid off well with a collection of accolades for our card business. Earlier this year, the Bank received an Innovative Product - Gold Prize, "HK Dollar Prepaid Card" & "CUP Remittance" from China UnionPay Co., Ltd., and the Highest Growth Rate in 2007 - Merchant Purchase Volume in HK - 1st Runner-Up Award from MasterCard Worldwide.

Wealth Management Business

For the first half of the year, investment business maintained its good earnings in an increasingly challenging market. Fee income of the investment business rose over 50% from the same period last year. Against the backdrop of weak investor sentiment due to uncertainty over the global credit crunch, encouraging growth was still registered in income from sales of all kinds of investment products and currency linked deposit, which offset the slowdown of investment funds sales affected by dampening investment market sentiment. In expectation of the slowdown of the global economy, the Bank will continue to roll out more wholesome investment products to achieve sustainable growth of the wealth management business.

Securities Business

The enhancement of securities centres at the branches located in Sheung Shui, Causeway Bay and Castle Peak Road was completed in the first quarter of this year. Besides, the Bank and Chong Hing Securities Limited ("Chong Hing Securities"), a wholly-owned subsidiary of the Bank, jointly launched the innovative "Self-dealing Service" and held a series of investment seminars to facilitate the communication and strengthen the relationship with the customers. Chong Hing Securities will continue to enhance the capacity and efficiency of the online trading system and a new securities centre is expected to be opened in Tsuen Wan in the fourth quarter of this year.

Insurance Business

Chong Hing Insurance Company Limited (“Chong Hing Insurance”), a wholly-owned subsidiary of the Bank, adopted a prudent approach in the first half of the year to reduce underwriting of high-risk business. On the other hand, the re-insurance business was expanded in order to diversify sources of income, and double-digit growth in related premium income was achieved compared to last year. Chong Hing Insurance also recorded double-digit growth for the total gross premium compared to last year.

For the commercial sector, Chong Hing Insurance will keep strengthening the distribution network by working closely with the Bank to explore more business opportunities and keep broadening the client base by cross-selling activities, especially for the small and medium enterprise market. For retail banking insurance business, a series of insurance products will be revamped to dovetail with the expansion of the Bank’s service network, and tailor-made to fulfill the need of the customers. To tie in with the online banking development, Chong Hing Insurance targets to launch the online travel insurance platform in the fourth quarter of this year.

China Business

In early 2008, our Shantou Branch became the first foreign bank in Eastern Guangdong that has successfully obtained permission to provide Renminbi services. According to the China Banking Regulatory Commission, Shantou Branch is allowed to operate full-scale foreign exchange business, and provide Renminbi services to customers other than citizens of the Mainland. In May 2008, the branch scaled up and moved into a new self-owned property.

Corporate Responsibility

Committed to being a “community bank” keen on providing comprehensive and quality banking services to the local community, 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 local branches to 50 besides its headquarters in Central.

In addition, the Bank actively participates in public welfare activities. In May 2008, the Bank initiated an in-house fund-raising campaign in response to the devastating earthquake in Sichuan in the Mainland. About HK\$500,000 was raised and donated through the Hong Kong Red Cross for the relief of the victims as a token of the Bank’s humble effort in expressing its staff members’ tender loving care. Besides, following its sponsorship of the “Care for the Elderly Blood Donation Campaign” organised by the Hong Kong Red Cross in early 2008, the Bank also organized a “Chong Hing Blood Donation Day”. Supporting the elderly services under the Hong Kong Red Cross, the Bank donated HK\$10 for every blood donation during the campaign period. The event was an immense success, with 13,000 civic-minded residents and staff members giving blood, bringing the Bank’s donation to an aggregate of HK\$130,000.

Economic Outlook

It is expected that the Hong Kong economy will continue to face challenges brought by such factors as uncertainties in the external environment, threat of global economic crisis, anticipated weak US economy, slowing down in major advanced economies and increasing inflation pressure.

Domestic demand will remain a key driver in economic growth for the second half of the year. The sustained increase in labour productivity is expected to offset part of the inflation pressure. Strong growth momentum of the Mainland and other emerging markets will accelerate the surge in imports from Hong Kong. In the meantime, the June report of the State Administration of Foreign Exchange stated that study was underway for a policy on direct foreign investment by individuals. It also reaffirmed support for further expansion in the scope and extent of foreign investment through Qualified Domestic Institutional Investors. The local stock market will be well positioned at the receiving end of such benefits. On another front, the Hong

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Kong Exchanges and Clearing Limited intends to commence trading of cash-settled gold futures contracts in the second half of the year, with the aim of establishing a commodity futures market and further developing the Hong Kong financial sector. This is anticipated to strengthen the position of Hong Kong as an international finance centre and a key global financial city of China, facilitating the maintenance of the economic prosperity of Hong Kong in the long run. Besides, Hong Kong and the Mainland entered into Supplement V to the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) at the end of July, further introducing liberalisation measures in 17 services areas, including convention and exhibition, banking, construction and engineering, tourism, accounting, medical and dental, and so on, which will come into force on 1 January 2009. The new CEPA package is expected to offer new business opportunities for corporations and professionals. For the banking sector, Mainland-incorporated banks established by Hong Kong banks will be allowed to set up data centres in Hong Kong that will help to minimise operating cost.

In general, Hong Kong has an excellent business environment with robust economic fundamentals and a continually low unemployment rate. The economic outlook for the second half of the year should be cautiously optimistic.

Ushering in its 60th anniversary this year, the Bank will continue to strive to provide better quality and more innovative services and products. The Bank will also keep on committing itself to both becoming the most popular community bank and maximising returns for its shareholders. Finally, on behalf of the board, I would like to wholeheartedly thank all of our staff members for their unfailing dedication.

REVIEW OF INTERIM FINANCIAL REPORT

This interim financial report is unaudited, but has been reviewed by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and the Bank’s Audit Committee.

BOARD OF DIRECTORS

As at the date of this interim report (namely, 13 August 2008), 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 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 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

13 August 2008