

I am pleased to present to the shareholders the Company's operating results for the year 2006.

BUSINESS RESULTS

For the accounting year ended 31 December 2006, the audited profit attributable to equity holders of the Company amounted to HK\$223,141,000 (basic earnings per share: HK\$0.59), an increase of 55.6% over the previous year.

DIVIDENDS

The Board of Directors has proposed to recommend at the forthcoming Annual General Meeting to be held on Wednesday, 25 April 2007, the payment of a final cash dividend of HK\$0.15 per share. Together with the interim cash dividend of HK\$0.10 per share paid on 21 September 2006, the total cash dividend amounted to HK\$0.25 per share for the year 2006.

BUSINESS REVIEW

BANKING

In 2006, the Hong Kong economy rose steadily. With the internal demands providing momentum of growth, the gross domestic demand could hopefully reach the targeted 6.8%, far in excess of the recent trend.

On the back of an expanding economy creating new jobs, the total unemployment rate fell to 4.4%, a record low in recent years.

Amidst rising optimism, the stock market performed spectacularly well, resulting in a series of new peaks for the total market capitalization, which

reached a record high of HK\$13 trillion. Much of the capital chase after the mainland stocks. The initial public offerings achieved new heights one after the other. Overall, the Hang Seng Index rose 30%. The buoyant financial market outperformed all the other sectors. Riding on a growing stock market and renewed confidence in the growth of the economy, the property market also rose in tandem.



In the banking field, the cycle of increasing interest rate of Hong Kong dollars ended in August 2006. Because of the huge influx of capital funds, the Hong Kong Dollar led to a decrease of interest rate, deviating from following the trend of U.S. Dollar rate. The flourishing stock market, funds channeled into the subscription of initial public offerings and property mortgages were all factors benefiting the banking industry. However, the profit margin continued to slide as fortified by ever increasing competition. Hence, banks have to strive to grow in the context of diminishing profitability.

The audited consolidated profit attributable to shareholders of Chong Hing Bank Limited ("the Bank") and its subsidiaries for the year ended 31 December 2006 amounted to HK\$503.1 million, an increase of 26.4% over that for the year before. Total customers' deposits increased 31.7% to HK\$54.675 billion. Total loans to customers (after accounting for impairment allowances) increased 11.1% to HK\$27.005 billion. Total assets having increased 26.1% to HK\$63.030 billion, which have already exceeded the minimum asset requirement for setting up branches in the mainland under the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA). Shareholders' funds (before final dividend), compared with the shareholders' funds for the previous year, increased 3.7% to HK\$6.052 billion.



Chong Hing Bank Centre



Chong Hing Bank Centre Grand Opening



PROPERTY INVESTMENT PROPERTIES

During the year, the Hong Kong property market achieved a significant turnaround, the rising economy, improved labour market, increasing income for wage earners, reduction of interest rate and buoyant stock market triggering positive wealth effect.

- Chong Hing Square, a retail and commercial building, located at the heart of Mongkok, Kowloon, underwent a major renovation program; immense increase in occupancy rate was achieved thereafter;
- Chong Yip Shopping Centre, a favorite shopping centre in the western part of Hong Kong Island, enjoyed an occupancy rate of 100%;
- Western Harbour Centre, located in close proximity to the Western Harbour Tunnel, enjoyed an occupancy rate of 100%;
- Fairview Court, a low rise deluxe complex of garden houses located in Repulse Bay, enjoyed occupancy rate of 100%; and
- The Belcher's, a prestigious development project in Western mid-level district, has sold out all the residential units. The carparks and shopping arcade have been retained for rental. For the year 2006, considerable rental income has been derived. The Group owns 10% of the project.



Fairview Court

REDEVELOPMENT OF THE CHONG HING BANK CENTRE

Redevelopment of Chong Hing Bank Centre located at 24 Des Voeux Road Central has been completed. The Group moved its operations to the new building in December 2006. The Group will continue to provide good quality full range of banking services to members of the community.



Property Management Services

SITE AT TAI PO

In early 2007, the Group acquired a plot of land in Tai Po district, New Territories at a public tender with an area of 240,000 square feet. Plans are being contrived for the redevelopment of this site.

CHINA OPERATION

I. GUANGZHOU

1. Le Palais located at No. 1 Yong Sheng Shang Sha of Dong Hu Lu in the prestigious residential area of Yue Xiu District in Guangzhou city with site area of 139,000 square feet has been completed, with four blocks of 45-47 storey residential buildings comprised of a total of 844 luxurious residential units. Together with the residential clubhouse, swimming pool, commercial arcade and car parks, the development has total gross floor area of over 1,500,000 square feet, making it one of the most palatial residential buildings in Guangzhou.





Up to the end of 2006, Block 1 to 4 have been put on sale in the market, receiving favourable response. A total of HK\$873 million has been generated from the disposal of all the sold units. During the second half of 2006, the car parks have been released for sale, achieving an average of RMB270,000 each. Of the 300 car parks available for sale, 203 were sold with satisfactory revenue.

2. In December 2006, the Group acquired a Hong Kong incorporated private company, thereby gaining ownership of one basement and four floors of shopping arcade in Universal Plaza, located at Nos 829-831 Renmin Road North, Yue Xiu District in Guangzhou, with a total area of 188,000 square feet. The cost of acquisition is HK\$140 million, a discount of 27% to the appraised value. This acquisition has achieved the following objectives:

- (a) fortified the property portfolio of the Group;
- (b) the acquired property is conveniently located and has a mix of prestigious tenants such as Watsons, Construction Bank and Suning Appliances (one of the top five electrical appliance retailers in the Mainland);
- (c) the anticipated appreciation of Renminbi in future years, thereby creating values for shareholders.

At present, the occupancy level is 56%, producing an annual rental of RMB9,340,000. After extensive interior and exterior renovation and adjusting for the proper tenants mix, occupancy rate will be significantly increased with annual rental anticipated to rise to RMB16,700,000, thus lifting the yield to 8.6% per annum.



Property Maintenance Services

II. SHANGHAI

The site located No. 288 Nanjing Road West, Huang Pu District, Shanghai, has an area of 55,000 square feet, on which is being erected a 36-storey modern commercial building with floor area of over 736,000 square feet. Total investment in the project exceeds RMB1 billion. Overall structure was completed in October 2006. It is expected that the entire building will be completed and ready for occupation in mid 2007.

Leasing for the building commenced at the end of 2006. Because of its favourable location in the busy Nanjing Road West in close proximity to the People's Square and Municipal government building, considerable demand for the space available has been created. Prior to the beginning of the year, the bulk of the commercial area has been leased, mostly to retailers of international repute. Positive results have been created for the office areas as well, with many world-class tenants signing binding lease agreements. The Group owns 95% of this project, with the remaining 5% owned by Shanghai Chunshenjiang Industry General Company, a subsidiary of the Municipal Government of Huang Pu District, Shanghai.

III. FOSHAN

In January 2007, the Group acquired at a public government auction from the Foshan Municipal Bureau of State Land and Resources for a site located at Foshan with an area of 2,600,000 square feet, at a consideration of RMB476,000,000. Total gross floor area of 6,338,000 square feet comprised of residentials, shops, commercial areas, and public entertainment complex. The accommodation value is estimated to be RMB75 per square feet and compares favorably with RMB350 per square feet in the neighboring Nanhai area. Market survey is being carried out to determine the final usage of the site. It is expected to complete the planning exercise in six months. The Group owns 90% of the project.

INSURANCE

Chong Hing Insurance Company Limited has been a prudent insurer with over 40 years of experience in insurance for fire, marine, theft, accident, motor car, workers' compensation, contractors' all risks, and shipment of import and export cargoes. It is also an agent for life insurance and staff retirement provident fund insurance. Chong Hing Insurance Company Limited is a wholly-owned subsidiary of the Chong Hing Bank Limited.

PROPERTY MANAGEMENT

Liu Chong Hing Property Management and Agency Limited, established in 1976, is a wholly-owned subsidiary of the Company and principally responsible for managing the industrial, commercial and residential properties developed by the Group. There has been an expansion into management service for properties not owned by the Group and has obtained market results. The Company was awarded ISO 9001:2000, ISO 14001:2004, OHSAS 18001:1999. These certification indicates that our management services has attained the high quality level in the industry.

PROSPECTS

Looking ahead, 2007 will be a year when internal demand will serve as an engine for the growth of the Hong Kong economy. The healthy upward trend of domestic consumption will improve the labour market, thereby triggering increase in the salaries and decrease of unemployment rate. The positive wealth effect will continue to buoy the stocks and the property markets. China's 11th Five-Year Plan will bring about enormous opportunities for the Hong Kong economy. Hong Kong's position as an international financial centre, trading and transportation hub will continue to be solidified. Thus, barring the happening of geopolitical crisis and the outbreak of avian flu, causing adverse effects on other regional economies, the outlook of the Hong Kong economy continues to be bullish and a growth of gross domestic product in excess of 5% is generally anticipated.

The Hong Kong banking industry which is being nurtured in a healthy local economy, the rapid growth of the Chinese economy, and the further liberalisation of the Chinese financial industry all present unlimited opportunities. On the other hand, the banking industry faces various challenges, such as fierce interbank competition, increasing operating costs and the implementation of the Basel II Accord. The Group's various investment projects in mainland are expected to bring about positive results, by virtue of China's 11th Five-Year Plan.

The Group will continue to aggressively capitalise on every available opportunity in developing its business so as to maximize values for shareholders. Finally, on behalf of the Board, I would like to thank our shareholders and members of the community for their trust and support and all of our staff members for their dedicated services.

Liu Lit Man

Chairman

Hong Kong, 7 March 2007



The Board of Directors of Liu Chong Hing Investment Limited (the Directors) has pleasure in presenting to the Shareholders their annual report together with the audited financial statements for the year ended 31 December 2006.