

The directors of Asia Financial Holdings Limited (the “Company”) announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th June,		Change %
		2005 HK\$'000	2004 HK\$'000 (Restated)	
TURNOVER	3	583,827	559,928	+4.3
Other revenue	3	59,376	54,874	
Other net expenses	3	(41,625)	(23,402)	
Other operating expenses		(512,356)	(480,589)	
PROFIT FROM OPERATING ACTIVITIES	4	89,222	110,811	-19.5
Share of results of:				
Jointly-controlled entities		2,036	541	
Associates		769	915	
PROFIT BEFORE TAX		92,027	112,267	
Tax	5	(11,532)	(18,545)	
PROFIT FOR THE PERIOD		80,495	93,722	-14.1
PROFIT ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT		80,462	93,623	-14.1
MINORITY INTERESTS		33	99	-66.7
		80,495	93,722	-14.1
INTERIM DIVIDEND	6	23,276	26,451	
		HK cents	HK cents	
EARNINGS PER SHARE	7			
Basic		7.6	8.8	-13.6
Diluted		N/A	N/A	
INTERIM DIVIDEND PER SHARE	6	2.2	2.5	-12.0



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

30th June, 2005

	Notes	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000 (Restated)
ASSETS			
Cash and short term funds	8	1,530,216	2,182,133
Placements with banks and other financial institutions maturing between one and twelve months	9	785,223	902,249
Amounts due from reinsurance companies		7,170	24,653
Premium receivables	10	143,503	125,241
Securities measured at fair value through profit or loss	11	1,116,637	739,172
Bank deposits maturing over twelve months		1,476	11,362
Certificates of deposit held	12	597,615	989,974
Held-to-maturity securities	13	3,061,140	2,291,397
Advances and other assets	14	8,826,712	8,111,856
Available-for-sale securities	15	440,790	346,094
Capital contribution to an associate	16	94,012	–
Interests in jointly-controlled entities		63,965	63,349
Loans to jointly-controlled entities		28,000	26,500
Interests in associates		70,579	69,750
Due from associates		876	602
Intangible assets		715	743
Fixed assets		370,097	375,084
		17,138,726	16,260,159
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		1,058,021	1,058,021
Reserves		2,472,543	2,269,255
Proposed dividend		23,276	79,352
		3,553,840	3,406,628
Minority interests		27,404	27,371
		3,581,244	3,433,999
LIABILITIES			
Deposits and balances of banks and other financial institutions	17	1,142,236	592,678
Deposits from customers	18	10,283,601	10,224,795
Certificates of deposit issued	19	919,323	1,025,000
Accrued liabilities and other payables		354,501	221,394
Tax payable		31,530	25,170
Amounts due to reinsurance companies		172,516	160,169
Unearned premiums		243,893	204,414
Life and contingency reserves		19,647	16,873
Provisions for outstanding claims		363,353	337,988
Deferred tax liabilities		26,882	17,679
		13,557,482	12,826,160
		17,138,726	16,260,159



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Six months ended 30th June,	
	Notes	2005	2004
		HK\$'000	HK\$'000
			(Restated)
Total equity at 1st January			
– as previously reported		3,409,874	3,271,446
– as previously reported separately as minority interests		27,371	27,381
– prior period adjustments arising from changes in accounting policies	1	(3,246)	(3,408)
– as restated, before opening balance adjustments		3,433,999	3,295,419
– opening balance adjustments arising from changes in accounting policies	1	190,646	–
– as restated, after prior period and opening balance adjustments		3,624,645	3,295,419
Changes in fair value of available-for-sale securities		(46,257)	–
Exchange and other adjustments		1,713	–
Net loss not recognised in the consolidated profit and loss account		(44,544)	–
Profit for the period attributable to equity holders of the parent		80,462	93,623
Profit for the period attributable to minority interests		33	99
Final 2003 dividend		–	(76,178)
Final 2004 dividend		(79,352)	–
Total equity at end of period		<u>3,581,244</u>	<u>3,312,963</u>

Note: In accordance with the guidance note from the Hong Kong Monetary Authority, an authorised institution is required to hold a regulatory reserve in excess of impairment allowances. As a result, retained earnings of HK\$58,964,000 was earmarked.



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	100,422	(725,134)
Net cash used in investing activities	(349,033)	(105,035)
Net cash used in financing activities	(79,352)	(76,178)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(327,963)	(906,347)
Cash and cash equivalents at beginning of period	1,937,978	2,105,266
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,610,015	1,198,919
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and balances with banks and other financial institutions	246,529	203,154
Money at call and short notice with original maturity within three months	1,015,692	896,003
Placements with banks and other financial institutions with original maturity within three months	98,204	60,332
Held-to-maturity securities with original maturity within three months	255,015	46,792
Less: Pledged bank deposits (included in the money at call and short notice and placements with banks and other financial institutions as presented above)	(5,425)	(7,362)
	1,610,015	1,198,919

NOTES

1. ACCOUNTING POLICIES

(a) Basis of presentation

The condensed consolidated interim financial statements are prepared in accordance with HKAS 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted are the same as those used in the annual financial statements for the year ended 31st December, 2004 except for the changes in accounting policies following the adoption on 1st January, 2005 of the new and revised Hong Kong Financial Reporting Standards (“HKFRS”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations.

(b) Changes of accounting policies

The major effects of adopting those HKFRSs and HKASs are summarized as follows:

HKAS 1 “Presentation of Financial Statements” and HKAS 27 “Consolidated and Separate Financial Statements”

With effect from 1st January, 2005, minority interests at the balance sheet date are presented within equity in the consolidated balance sheet, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit for the period.

HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets”

In prior periods, positive goodwill was amortised on a straight-line basis over its estimated useful life of 20 years and was reviewed annually and written down for impairment when it is considered necessary. With effect from 1st January, 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment.

HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”

Until 31st December, 2004, investments of the Group were classified into held-to-maturity securities; investment securities which are intended to be held on a continuing basis or for an identified long-term purpose; and other investments in securities which are not classified as held-to-maturity securities nor as investment securities.

From 1st January, 2005, the Group has adopted HKAS 32 and HKAS 39 and classified financial instruments under the following categories:

Financial Assets measured at fair value through profit or loss

This category comprises financial assets held for trading and those that are designated as fair value through profit or loss at inception. Financial assets under this category are carried at fair value. Unrealised gains and losses arising from changes in the fair value are included in the profit and loss account in the period in which they arise.



NOTES (continued)

1. ACCOUNTING POLICIES (continued)

(b) Changes of accounting policies (continued)

Held-to-maturity investments

This category comprises of non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method less provision for impairment, if any.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method, less provision for impairment, if any and are accounted for in the profit and loss account.

Impairment allowances can be made on an individual assessed basis and a collective portfolio basis. Individual impairment allowances are assessed by a discounted cash flow method for advances that are individually significant and have objective evidence of impairment. Collective impairment allowances cover credit losses inherent in portfolios of loans and receivables with similar economic and risk characteristics where objective evidence for individual impaired items cannot yet be identified. In assessing the collective impairment allowance, management makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions.

Available-for-sale financial assets

This category comprises non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in the investment revaluation reserve.

HKAS 40 “Investment Property”

Changes in valuation of the investment property were previously dealt with in an investment property revaluation reserve. Following the adoption of HKAS 40, all changes in valuation of the investment property would be recognised in the profit and loss account.

As SSAP 13 (revised) has been replaced by HKAS 40, the exemption applicable to insurance company which avail itself of the exemptions under Part III of the Tenth Schedule to the Companies Ordinance is no longer available. Thus, the properties held by Asia Insurance Company, Limited and its subsidiary, for rental income purpose, which were previously classified as leasehold premises and stated at cost less depreciation, has now been reclassified to investment properties and stated at fair values. As there were no transitional arrangements included in this HKAS in this respect, the balance was restated retrospectively.

NOTES (continued)

1. ACCOUNTING POLICIES (continued)

(c) Summary of the effect of changes in the accounting policies

- (i) Effect on opening balance of total equity at 1st January, 2005 (as restated)

	Retained Profits HK\$'000
Effect of new policy (increase/(decrease))	
Prior period adjustments:	
HKAS 40	
Investment properties	(3,246)
Opening balance adjustments:	
HKAS 39	
Securities measured at fair value through profit or loss	548
Held-to-maturity securities	3,037
Certificates of deposit held	611
Certificates of deposit issued	(28)
Loans & receivables	21,918
Collective impairment allowances	47,108
Individual impairment allowances	(23,046)
Deferred tax on collective impairment allowances	(8,244)
Available-for-sale securities (note 15)	148,742
	<u>190,646</u>
Total effect as at 1st January, 2005	<u><u>187,400</u></u>

NOTES (continued)

1. ACCOUNTING POLICIES (continued)

(c) Summary of the effect of changes in the accounting policies (continued)

(ii) Effect on profit after tax for the six months ended 30th June, 2005 (estimated)

HK\$'000

Effect of new policy (increase/(decrease))

HKAS 39

Securities measured at fair value through profit or loss	153
Held-to-maturity securities	1,959
Certificates of deposit held	(20)
Certificates of deposit issued	59
Loans & receivables	6,172
Collective impairment allowances	11,396
Individual impairment allowances	(3,732)
Deferred tax on collective impairment allowances	(1,994)

HKFRS 3

Amortisation of goodwill	150
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Total effect for the period 14,143

(iii) Effect on net loss recognised directly in equity for the six months ended 30th June, 2005 (estimated)

HK\$'000

Effect of new policy (increase/(decrease))

HKAS 39

Available-for-sale securities	(46,257)
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Total effect for the period (46,257)

NOTES (continued)

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue and results for the Group's business segments.

	Banking HK\$'000	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2005					
Segment revenue:					
External customers	157,460	426,367	–	–	583,827
Other revenue	–	51,838	7,538	–	59,376
Inter-segment	(131)	2,531	670	(3,070)	–
Total	157,329	480,736	8,208	(3,070)	643,203
Segment results	45,868	39,037	4,317	–	89,222
Share of results of:					
Jointly-controlled entities	–	2,036	–	–	2,036
Associates	–	769	–	–	769
Profit before tax					92,027
Tax	(7,321)	(4,211)	–	–	(11,532)
Profit for the period					80,495
Profit attributable to:					
Equity holders of the parent					80,462
Minority interests					33
Profit for the period					80,495



NOTES (continued)

2. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Banking HK\$'000	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2004					
Segment revenue:					
External customers	158,249	401,679	–	–	559,928
Other revenue	–	44,500	10,374	–	54,874
Inter-segment	1,414	1,398	97	(2,909)	–
Total	<u>159,663</u>	<u>447,577</u>	<u>10,471</u>	<u>(2,909)</u>	<u>614,802</u>
Segment results	<u>60,429</u>	<u>47,324</u>	<u>3,058</u>	<u>–</u>	110,811
Share of results of:					
Jointly-controlled entities	–	541	–	–	541
Associates	–	915	–	–	915
Profit before tax					112,267
Tax	(9,316)	(9,229)	–	–	<u>(18,545)</u>
Profit for the period					<u>93,722</u>
Profit attributable to:					
Equity holders of the parent					93,623
Minority interests					<u>99</u>
Profit for the period					<u>93,722</u>

(b) Geographical segments

Over 90% of the Group's revenue and results are derived from operations carried out in Hong Kong.

NOTES (continued)

3. TURNOVER AND REVENUE

Turnover represents the aggregate of gross premiums on fire, marine, general accident and life insurance; and net interest income, commissions, fees, investment income from investments and other revenue earned from the banking business.

An analysis of the Group's turnover and revenue is as follows:

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Banking:		
Interest income	231,327	171,293
Interest expense	(110,969)	(44,902)
Net fees and commission income	21,559	22,683
Gains less losses arising from dealing in foreign currencies	4,760	4,513
Other operating income	10,783	4,662
	<u>157,460</u>	<u>158,249</u>
Insurance:		
Gross premium written	426,367	401,679
Turnover	<u>583,827</u>	<u>559,928</u>
Reinsurance commission income	27,062	23,859
Dividend income (excluding that relating to the banking business) from:		
Listed investments	10,141	5,741
Unlisted investments	2,674	2,497
Interest income, excluding that relating to the banking business	17,508	17,875
Others	1,991	4,902
Other revenue	<u>59,376</u>	<u>54,874</u>
	<u>643,203</u>	<u>614,802</u>

NOTES (continued)

3. TURNOVER AND REVENUE (continued)

Other net income/(expenses) of the Group are analysed as follows:

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Increase in unearned premiums	(39,326)	(27,881)
Increase in life and contingency reserves	(2,774)	(1,463)
Gains on disposal of securities measured at fair value through profit or loss, net	10,250	12,028
Unrealised losses on securities measured at fair value through profit or loss, net	(6,377)	(10,516)
Gains on disposal of available-for-sale securities	1,834	–
Impairment of available-for-sale securities	(7,054)	(408)
Gains on disposal of held-to maturity securities	1,910	1,776
Gains/(losses) on disposal of fixed assets	(88)	72
Gains on disposal of a jointly-controlled entity	–	2,990
	<u>(41,625)</u>	<u>(23,402)</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Reinsurance premiums ceded	170,968	164,968
Commission expenses for insurance business	80,598	79,575
Net claims after deducting recoveries from reinsurers	108,982	94,624
Auditors' remuneration	1,163	1,279
Depreciation charges	10,681	10,844
Surplus on revaluation of investment properties	(4,480)	–
Impairment allowance on loan to a jointly-controlled entity	–	2,500
Write-back of impairment allowance on loan to a jointly-controlled entity	(1,500)	(4,433)
Fixed assets written off	20	265
Amortisation of intangible assets	28	72
Staff costs (including directors' remuneration)	71,443	68,478
Minimum lease payments under operating leases in respect of land and buildings	2,961	5,235
Impairment allowances on advances and other receivables, net	<u>39,401</u>	<u>17,748</u>

NOTES (continued)

5. TAX

Hong Kong profits tax for the Group has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Current tax charge for the period:		
Hong Kong	9,912	17,978
Elsewhere	1,606	1,023
Deferred tax charge/(credit)	959	(379)
Overprovision of current tax in prior periods	(1,315)	(77)
	11,162	18,545
Share of tax charge attributable to:		
Jointly-controlled entities	370	–
Total tax charge for the period	11,532	18,545

6. INTERIM DIVIDEND

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interim dividend:		
HK2.2 cents (2004: HK2.5 cents) per ordinary share based on 1,058,021,428 (2004: 1,058,021,428) shares in issue	23,276	26,451

The directors have resolved to pay an interim dividend of HK2.2 cents per share, which will be paid in cash, for the six months ended 30th June, 2005 (2004: HK2.5 cents per share) payable on 14th October, 2005 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 7th October, 2005.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$80,462,000 (2004: HK\$93,623,000) and on 1,058,021,428 (2004: 1,058,021,428) ordinary shares in issue during the period.

Diluted earnings per share for each of the six months ended 30th June, 2005 and 2004 has not been calculated as no diluting events existed during these periods.



NOTES (continued)

8. CASH AND SHORT TERM FUNDS

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Cash in hand and balances with banks and other financial institutions	246,529	361,749
Money at call and short notice	1,203,890	1,710,596
Treasury bills, including Exchange Fund Bills #	79,797	109,788
	<u>1,530,216</u>	<u>2,182,133</u>

The treasury bills (including Exchange Fund Bills) are all unlisted debt securities issued by central governments and central banks, the maturity profile of which as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
With a residual maturity of:		
Three months or less	59,851	89,913
One year or less but over three months	19,946	19,875
	<u>79,797</u>	<u>109,788</u>

9. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS

The maturity profile of placements with banks and other financial institutions maturing between one and twelve months as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
With a residual maturity of:		
Three months or less	573,098	644,885
One year or less but over three months	212,125	257,364
	<u>785,223</u>	<u>902,249</u>

NOTES (continued)

10. PREMIUM RECEIVABLES

An aged analysis of the Group's premium receivables as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Three months or less	86,228	103,334
Six months or less but over three months	42,175	10,629
One year or less but over six months	2,442	15,229
Over one year	17,592	1,011
	148,437	130,203
Less: impairment allowances	(4,934)	(4,962)
	143,503	125,241

11. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Listed equity, at market value		
– in Hong Kong	312,272	175,918
– outside Hong Kong	232,985	135,782
	545,257	311,700
Debt		
– listed outside Hong Kong, at market value	59,889	68,087
– unlisted, at quoted market price	77,613	60,328
	137,502	128,415
Investment funds		
– listed outside Hong Kong, at market value	22,861	32,588
– unlisted, at quoted market price	162,470	184,456
	185,331	217,044
Equity-linked notes, at market value	248,547	–
Equity-linked notes, at amortised cost	–	82,013
	1,116,637	739,172



NOTES (continued)

11. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The securities measured at fair value through profit or loss analysed by the sector of the issuers as at the balance sheet date are as follows:

	At 30th June, 2005	At 31st December, 2004
	HK\$'000	HK\$'000
Public sector entities	89,417	59,575
Banks and other financial institutions	340,188	250,492
Corporate entities	687,032	429,105
	<u>1,116,637</u>	<u>739,172</u>

On adoption of HKAS 39 on 1st January, 2005, the Group has reclassified all other investments in securities as securities measured at fair value through profit or loss.

12. CERTIFICATES OF DEPOSIT HELD

Certificates of deposit held by the Group are all unlisted debt securities.

The maturity profile of certificates of deposit held as at the balance sheet date is as follows:

	At 30th June, 2005	At 31st December, 2004
	HK\$'000	HK\$'000
With a residual maturity of:		
Three months or less	24,999	188,839
One year or less but over three months	303,130	368,039
Five years or less but over one year	269,486	433,096
	<u>597,615</u>	<u>989,974</u>

NOTES (continued)

13. HELD-TO-MATURITY SECURITIES

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Listed debt		
– in Hong Kong	30,674	30,685
– outside Hong Kong	209,549	208,694
	<u>240,223</u>	<u>239,379</u>
Unlisted debt	2,820,917	2,052,018
	<u>3,061,140</u>	<u>2,291,397</u>
Market value of listed held-to-maturity securities	<u>232,350</u>	<u>239,563</u>

The held-to-maturity securities analysed by the sector of the issuers as at the balance sheet date are as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Public sector entities	57,042	82,033
Banks and other financial institutions	2,531,694	1,910,956
Corporate entities	472,404	298,408
	<u>3,061,140</u>	<u>2,291,397</u>

The maturity profile of held-to-maturity securities as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
With a residual maturity of:		
Three months or less	384,374	574,478
One year or less but over three months	357,521	182,541
Five years or less but over one year	1,942,913	1,240,474
Over five years	376,332	293,904
	<u>3,061,140</u>	<u>2,291,397</u>



NOTES (continued)

14. ADVANCES AND OTHER ASSETS

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Advances to customers	8,607,648	8,019,702
Impairment allowances	(110,942)	–
Provision for bad and doubtful debts	–	(123,546)
	8,496,706	7,896,156
Accrued interest and other assets	357,980	217,011
Impairment allowances	(27,976)	(660)
Provision for bad and doubtful debts	–	(653)
	330,004	215,698
Tax recoverable	2	2
Total	8,826,712	8,111,856

The maturity profile of advances to customers as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Repayable on demand	634,253	633,872
With a residual maturity of:		
Three months or less	1,604,578	1,288,429
One year or less but over three months	1,104,189	1,116,056
Five years or less but over one year	2,657,671	2,581,752
Over five years	2,360,538	2,233,480
Undated	246,419	166,113
	8,607,648	8,019,702

NOTES (continued)

15. AVAILABLE-FOR-SALE SECURITIES

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Listed equity outside Hong Kong, at market value	<u>385,079</u>	<u>–</u>
Listed equity outside Hong Kong, at cost *	–	293,667
Provision for impairment	–	(11,073)
	<u>–</u>	<u>282,594</u>
Unlisted, at cost		
– equity	35,469	43,980
– debt	20,242	19,520
	<u>55,711</u>	<u>63,500</u>
Total	<u>440,790</u>	<u>346,094</u>
Market value of listed equity	<u>385,079</u>	<u>431,336</u>

* If the carrying value of listed equity outside Hong Kong at 31st December, 2004 is restated for comparative purpose, it will be increased by HK\$148,742,000 to HK\$431,336,000 from HK\$282,594,000.

The available-for-sale securities analysed by the sector of the issuers as at the balance sheet date are as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Banks and other financial institutions	385,079	282,594
Corporate entities	55,711	63,500
	<u>440,790</u>	<u>346,094</u>

The maturity profile of the debt securities included in available-for-sale securities as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Undated	<u>20,242</u>	<u>19,520</u>

Certain unlisted investments are stated at cost because their fair value could not be reliably measured at the balance sheet date.

On adoption of HKAS 39 on 1st January, 2005, the Group has reclassified all investment securities as available-for-sale securities.



NOTES (continued)

16. CAPITAL CONTRIBUTION TO AN ASSOCIATE

The amount is related to a 10% equity shares investment in a life insurance company to be set up in the People's Republic of China ("PRC"). Up to the date of this report, the life insurance licence has been obtained from the PRC insurance regulatory authority and the life insurance company is now in the process of formation. All capital contributions have been fully paid and remitted to an account maintained with Bank of China Beijing under the name of the life insurance company. Independent external auditors have been appointed by the prospective shareholders to verify and confirm the receipt of such contributed capital amount.

It is expected that all the legal procedures in respect of the formation of the life insurance company will be completed and the life insurance company would commence business in the fourth quarter of 2005.

17. DEPOSITS AND BALANCES OF BANKS AND OTHER FINANCIAL INSTITUTIONS

The maturity profile of deposits and balances of banks and other financial institutions as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Repayable on demand	27,356	12,888
With a residual maturity of:		
Three months or less	1,036,829	563,822
One year or less but over three months	78,051	15,968
	<u>1,142,236</u>	<u>592,678</u>

18. DEPOSITS FROM CUSTOMERS

The maturity profile of deposits from customers as at the balance sheet date is as follows:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Repayable on demand	2,483,339	3,142,531
With a residual maturity of:		
Three months or less	7,248,838	6,290,557
One year or less but over three months	477,570	613,957
Five years or less but over one year	73,854	177,750
	<u>10,283,601</u>	<u>10,224,795</u>

NOTES (continued)

19. CERTIFICATES OF DEPOSIT ISSUED

The maturity profile of certificates of deposit issued as at the balance sheet date is as follows:

	At 30th June, 2005	At 31st December, 2004
	HK\$'000	HK\$'000
With a residual maturity of:		
Three months or less	14,999	300,000
One year or less but over three months	174,924	320,000
Five years or less but over one year	729,400	405,000
	919,323	1,025,000

20. OFF-BALANCE SHEET EXPOSURES

(a) Contingent liabilities and commitments

The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments of the Group (which are attributable to its banking business) which remained outstanding at the balance sheet date:

	At 30th June, 2005	At 31st December, 2004
	HK\$'000	HK\$'000
Direct credit substitutes	58,733	91,523
Transaction-related contingencies	1,461	3,094
Trade-related contingencies	205,262	167,587
Forward forward deposit placed	119,555	70,893
Forward asset purchases	225,229	37,839
Other commitments with an original maturity of:		
Under one year or which are unconditionally cancellable	3,995,399	3,620,359
One year and over	202,339	201,277
	4,807,978	4,192,572

NOTES (continued)

20. OFF-BALANCE SHEET EXPOSURES (continued)

(b) Derivatives

The following is a summary of the contractual amount of each significant class of derivatives entered into by the Group (which are attributable to its banking business) which remained outstanding at the balance sheet date:

	At 30th June, 2005	At 31st December, 2004
	HK\$'000	HK\$'000
Forward foreign exchange contracts:		
Swap	4,969,876	3,500,302
Others	1,184,479	852,014
Interest rate contracts	150,000	–
	<u>6,304,355</u>	<u>4,352,316</u>

(c) The aggregate replacement costs and credit risk weighted amounts of the above off-balance sheet exposures, which do not take into account the effects of bilateral netting arrangements, are:

	At 30th June, 2005		At 31st December, 2004	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Direct credit substitutes	–	48,039	–	67,748
Transaction-related contingencies	–	–	–	942
Trade-related contingencies	–	35,570	–	29,456
Forward forward deposits placed	–	23,911	–	14,179
Forward asset purchases	–	41,125	–	28,564
Other commitments with an original maturity of one year and over	–	101,170	–	100,639
Exchange rate contracts	6,566	12,514	9,622	8,976
Interest rate contracts	–	150	–	–
	<u>6,566</u>	<u>262,479</u>	<u>9,622</u>	<u>250,504</u>

NOTES (continued)

21. OTHER COMMITMENTS

- (a) At the balance sheet date, the Group had capital commitments as follows:

	At 30th June, 2005	At 31st December, 2004
	HK\$'000	HK\$'000
Contracted, but not provided for	1,122	569
Authorised, but not contracted for	6,485	5,485
	<u>7,607</u>	<u>6,054</u>

The Company did not have any significant capital commitments as at the balance sheet date.

- (b) The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30th June, 2005	At 31st December, 2004
	HK\$'000	HK\$'000
Within one year	4,151	4,703
In the second to fifth years, inclusive	1,379	2,713
	<u>5,530</u>	<u>7,416</u>

22. PENDING LITIGATIONS

- (a) A claim for approximately HK\$16 million was brought against a subsidiary in 1997 by a client alleging that the subsidiary is liable for compensation on a loss of profit suffered by the client. The Group's legal counsel had reviewed the evidence submitted by the plaintiff and thereafter the case has not been further proceeded by the plaintiff. In this endeavour, a reliable estimate as to the outcome of the claim is unable to be made. Notwithstanding that the directors believe the Group has grounds to defend against the claim, a legal fees provision has been made and the directors consider that amount is fair and adequate.
- (b) The Securities and Futures Commission (the "SFC") has completed its investigation into Asia Financial (Assets Management) Limited ("AFAM"), a subsidiary and its directors at the time, in respect of alleged disciplinary breaches.

In 2002, the Takeovers and Mergers Panel (the "Panel") publicly censured AFAM and imposed a "cold shoulder order" against the former chief executive and director of AFAM. The SFC and other relevant regulatory authorities then began further investigations and the Group's legal advisors assisted the Group to respond to the investigations. As at 30th June, 2005, a provision for legal fees as estimated by the directors of HK\$2.1 million was made.

A letter was received from the SFC on 30th August, 2005 informing the existing directors of AFAM that the SFC has decided not to proceed any further with the ongoing investigations and to discontinue the enquiry.

AFAM ceased business on 15th April, 2002 and has de-registered as an Investment Advisor from the SFC since 6th July, 2002.



NOTES (continued)

23. RELATED PARTY TRANSACTIONS

	At 30th June, 2005		At 31st December, 2004	
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted:				
Aggregate balance at balance sheet date	8,535	41,209	8,132	42,014
Deposits received:				
Aggregate balance at balance sheet date	62,850	400,722	45,059	405,178
Interbank activities:				
Deposits placed	–	157,070	–	231,023
Deposits received	–	114,998	–	75,597
Standby credit facilities available to the Group	–	388,605	–	388,710
	Six months ended 30th June, 2005		Six months ended 30th June, 2004	
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted:				
Interest income received and receivable	27	163	83	88
Deposits received:				
Interest expenses paid and payable	265	1,912	123	873
Interbank activities:				
Interest income	–	701	–	988
Interest expenses	–	192	–	35
Premium income:				
Gross premiums written	116	1,483	133	773
Reinsurance premium ceded	–	22,603	–	28,125
Commission income, net	–	2,913	–	3,573
Rental expenses	–	390	–	390

NOTES (continued)

23. RELATED PARTY TRANSACTIONS (continued)

In addition, the Group had the following transactions with jointly-controlled entities during the period:

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Loans and advances granted:		
Aggregate balance at balance sheet date	31,000	31,000
Deposits received:		
Aggregate balance at balance sheet date	<u>267,348</u>	<u>110,817</u>
	Six months ended 30th June, 2005 HK\$'000	2004 HK\$'000
Deposits received:		
Interest expenses paid and payable	1,445	647
Reinsurance premiums ceded	5	5
Service fees paid	<u>3,007</u>	<u>3,408</u>



SUPPLEMENTARY FINANCIAL INFORMATION

Gross advances to customers by industry sectors

	At 30th June, 2005 HK\$'000	At 31st December, 2004 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
Property development	197,156	149,293
Property investment	1,251,826	1,133,008
Financial concerns	138,803	138,788
Stockbrokers	32,967	13,238
Wholesale and retail trade	17,036	19,574
Manufacturing	589,389	513,814
Transport and transport equipment	590,653	499,675
Others	1,367,954	1,167,192
Individuals:		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	306,003	342,564
Loans for the purchase of other residential properties	2,152,837	2,143,419
Credit Card advances	14,625	16,172
Others	337,383	343,176
Trade finance	1,133,574	1,073,728
Loans for use outside Hong Kong	477,442	466,061
	<u>8,607,648</u>	<u>8,019,702</u>

Risk management

The Group has established policies and procedures for identifying, evaluating, monitoring and controlling the various types of risks pertaining to the Group's businesses. The key risks include credit risk, liquidity risk, capital management risk, market risk, interest rate risk, foreign exchange risk and operational risk.

The overall internal control environment and the management policies for the major types of risks are as follows:

(1) *Internal control environment*

The internal control framework of the Group comprises comprehensive control policies and standards. The areas of responsibilities of each business and operational unit are clearly defined. Internal control procedures have been established based on the risk inherent in the individual business unit.

The internal audit department plays an important role in the Group's internal control framework. It monitors the effectiveness of the internal control procedures and ensures compliance with the policies and standards across the whole Group. A direct reporting line to the audit committee under the board of directors safeguards its independence. The audit committee meets periodically to review and discuss financial performance, internal control and compliance issues and matters raised by the external auditors to ensure that all audit recommendations are implemented.

SUPPLEMENTARY FINANCIAL INFORMATION (continued)

Risk management (continued)

(2) Credit risk management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the lending, trade finance, treasury and other activities undertaken by the Group.

The Group has a credit risk management process to measure, monitor and control credit risks. The Credit Policy Manual of the Group defines the credit extension and measurement criteria, the credit review, approval and monitoring processes, and the loan classification and provisioning systems. The Group has a hierarchy of credit authority which approves credit in compliance with the Group's credit policy; exposures are monitored against credit limits and other control limits (such as large exposures and concentration limits); segregation of duties in key credit functions is in place to ensure separate credit control and monitoring; and management and recovery of problem credits are handled by an independent work-out team.

The Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and the Group's capital resources.

Credit and compliance audits are periodically performed to evaluate the effectiveness of the credit process and to test the compliance of the established credit policies and procedures.

(3) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of the major business units. The policies are reviewed by the Asset and Liability Management Committee (the "ALCO") of the business unit and are approved by its directors.

The Group measures and monitors its liquidity through the maintenance of prudent ratios and limits that are laid down in the liquidity policies. These include the liquidity structure of the Group's assets, liabilities and commitments, statutory liquidity ratios, loan-to-deposit ratios, interest rate gaps, maturity mismatch positions and net asset positions.

The Group also maintains a prudent level of high quality liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. In addition, standby facilities are established to provide contingency liquidity support.

(4) Capital management risk

The Group's policy is to maintain a strong capital base to support the development of the Group's business and to meet the statutory capital or solvency margin requirements. Capital is allocated to the various activities of the Group depending on the risk reward criteria and regulatory capital requirements.

The Group's banking subsidiary is required to maintain minimum capital subject to the Hong Kong Monetary Authority's capital requirements, regulations and supervision process. The Group's securities and investment services subsidiaries are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC.



SUPPLEMENTARY FINANCIAL INFORMATION (continued)

Risk management (continued)

(5) Market risk management

Market risk is the risk to the Group's earnings and capital due to changes in the market level of interest rates, foreign exchange rates, securities and equities as well as the volatilities of those prices. The Group's market risk arises from customer-related business, structural positions and investment portfolios.

The Group monitors market risk principally by establishing limits for transactions and open positions. These limits are approved by the ALCO and the directors and are monitored on a daily basis. The daily risk monitoring process measures the actual risk exposures against approved limits and triggers specific actions to ensure that the overall market risk is managed within an acceptable level.

(6) Interest rate risk management

Interest rate risk is the risk that the Group's position may be adversely affected by a change of market interest rates. The Group's interest rate risk arises primarily from timing differences in the maturity and repricing of the Group's interest-bearing assets, liabilities and off-balance sheet commitments.

The Group manages interest rate risk by limiting the potentially adverse effects of interest rate movements on net interest income by closely monitoring the net repricing gap of its assets and liabilities. Interest rate sensitive positions are managed by the Treasury Department of each business unit within the limits approved by the ALCO and the directors.

(7) Foreign exchange risk management

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk primarily arises from foreign exchange dealing, commercial banking operations and structural foreign currency exposures.

Foreign exchange positions are managed by the Treasury Department of each business unit within the limits approved by the ALCO and the directors. Limit excesses, if any, are reported to the ALCO for necessary actions.

(8) Operational risk management

Operational risk is the financial loss resulting from procedural errors, system failures, frauds and other event risks.

The Group manages operational risk by maintaining adequate documentation of its operating procedures to facilitate training and quality performance. A proper internal control system is incorporated in the operation workflow to minimise the risk of losses caused by human error. To reduce the interruptions to business activities caused by system failures or natural disasters, back-up systems and contingency business resumption plans are in place for critical business and back-office functions. Detailed recovery procedures are properly documented, with periodic drills conducted to ensure that the procedures are current and correct.

MANAGEMENT DISCUSSION AND ANALYSIS

(All changes in % refer to the same period last year unless otherwise specified)

Profit attributable to shareholders:	HK\$80.5m	-14.1%
Earnings per share:	HK7.6 cents	-13.6%
Interim dividend per share:	HK2.2 cents	-12.0%

Asia Financial Group's performance in the first half of 2005 fell somewhat short of expectations, with a decrease in profit attributable to shareholders of 14.1% compared with the same period in 2004. The cause of this was the temporary setback of the impairment allowance chargeable on the banking side. Apart from this one-off setback, the Group's results for the period were good and reflected the healthy economic and business environment. Asia Commercial Bank expanded its loan portfolio and increased fee income, while Asia Insurance continued to deliver healthy underwriting profits and develop new markets. Although the main securities markets were lacklustre during the period, the Group's portfolio investments performed well against main benchmarks. The outlook for the second half of the year is positive.

Economic background

After six successive quarters of expansion, the Hong Kong economy continued to show good growth in the first half of 2005, with real GDP expanding by an annualised rate of over 5%. This growth was largely broad-based and reflected continued confidence among consumers and investors together with positive trade performance. After over five years of deflation well into 2004, the consumer price index showed small increases, while interest rates also started to stepping up. Unemployment fell below the 6% mark, and underlying job creation remained fairly strong. All of these indicators were positive for our clients and therefore our operations.

Investments

Asia Financial Group's investment portfolio showed acceptable returns. Against a background of rising oil prices and possible hikes in interest rates, the Hang Seng Index ended the six-month period essentially flat, while the Dow Jones Industrial Average ended up slightly weaker. The bond market was generally stagnant. Thanks to our policy adopted in 2004 to re-weight the portfolio away from fixed-income investments in favour of good quality equities, investment income grew ahead of the main benchmarks. With future interest rate rises already factored in by the markets, the prospects for our portfolio during the rest of 2005 look generally good.

Management approach

Although the business environment has been very positive for the past year or so, management has remained fundamentally prudent during the first half of 2005. As Asia Commercial Bank's impairment allowance shows, even a cautious approach cannot totally eradicate exposure to risk. As with all companies in the financial sector, we face stiff competition in many of our activities, and we will remain dedicated to pursuing growth in shareholder value rather than simply chasing market share. At the same time, we continue to seek new opportunities where we can expand quality business. We will also continue to exercise sensible controls on costs.

Future prospects

There are good reasons to be reasonably optimistic about Hong Kong's economy in the second half of 2005. Consumer confidence should remain strong, while investment and trade are expected to continue performing well. These trends will benefit our clients and offer us opportunities to build on our recent successes in insurance and banking operations. Domestically, the main uncertainties in Hong Kong relate to the effects of rising interest rates on consumption and investment and a possible pickup in inflation, although there currently is no evidence of problems on these fronts. Externally, the main potential worries are the pace of economic growth in the US, possible increases in oil prices and the steadiness of the Mainland economy, but again, there are currently no causes for concern in these areas. I therefore look forward to announcing a good result for the whole year in six months' time.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW AND PROSPECTS

Banking

Profit attributable to shareholders:	HK\$36.3m	- 28.9%
Total operating income:	HK\$157.3m	- 1.5%
Net interest income:	HK\$118.5m	- 6.1%
Other operating income:	HK\$38.8m	+ 16.0%
Operating expenses:	HK\$75.6m	- 12.5%
Impairment allowances:	HK\$39.6m	+ 123.0%
Loans and advances (30th June, 2005):	HK\$8.54 billion	+7.7%(*)
Customer deposits (30th June, 2005):	HK\$10.51 billion	- 2.5%(*)

(*) Compared with outstanding balances at 31st December, 2004

Net interest margin:	1.76% (33bps lower than first half of 2004)
Cost-to-income ratio:	48.0% (First half of 2004: 54.1%)
Average liquidity ratio:	47.2% (Average for first half of 2005)
Adjusted capital adequacy ratio:	16.8% (30th June, 2005)

Asia Commercial Bank experienced double digits growth in total loans and operating profit before impairment allowances of 13.8% and 11.6% respectively in the first half of 2005 compared with the same period in 2004. However, the net result was down by 28.9% owing to a significant increase in impairment allowance chargeable for the period.

The Bank fine tuned its strategy in early 2005 to actively expand its non-interest income and to develop more quality SME customers with good business potential. This was in the correct expectation of narrowing interest margins and stiff competition for loans, especially in mortgage loans of residential and commercial properties. As a result, our fee income in relation to wealth management products and insurance commission recorded remarkable growth of 94% and 67% respectively. This very positive result achieved from these fee income products was partially off-set by the 33% reduction in securities brokerage fee due to stagnant performance of the stock markets during first half of 2005 compared with the same period last year.

Apart from the temporary setback of the impairment allowance chargeable in the first half of 2005, our efforts to improve the Bank's earnings capabilities were made on increasing fee income as well as higher yield interest income derived from the commercial loan accounts. As a result, our cost-to-income ratio in the first half of 2005 improved to 48% (previous year: 54%), although it was affected by the drop in net interest margin to 1.76% (previous year: 2.09%) resulted from narrowed Prime-HIBOR spread during the period.

Prospects for the second half of 2005 remain good. The Bank should benefit not only from the wider interest margin but from increasing demand for loans stemming from the present economic recovery. Improved consumer confidence, buoyed up by the fall of the unemployment rate to less than 6% and reviving property and stock markets, has helped our Bank to sustain its participation in the mortgage and commercial loans markets. However, we should remain aware of economic uncertainties resulting from rising oil prices, labour costs in the PRC and the potential risk of protectionism and trade disputes between China and the USA and Europe, especially after the relaxation of the textile quota system in 2005.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Insurance

Profit attributable to shareholders:	HK\$38.2m	-3.1%
Underwriting profit:	HK\$33.4m	-14.5%
Investment and dividend income:	HK\$3.4m	-48.6%
Interest and other income:	HK\$18.0m	+3.6%
Premium turnover:	HK\$427.6m	+6.1%
Operating expenses:	HK\$32.5m	-3.0%

Asia Insurance produced a slightly lower level of profit in the first half of the year compared with the first six months of 2004. This was largely due to reduced investment income, reflecting the overall year-on-year performance of the markets during the period, although investment performance was broadly in line with benchmarks. Underwriting profit was also affected by particular claims resulting from the serious rains and flooding that affected Hong Kong in June.

The company's underlying operations continued to show very acceptable performance. In line with our generally steady and cautious approach, we avoided over-exposure to the most highly competitive lines of business, and continued to focus on developing relationships with quality clients and attracting income from sources where we enjoy particular advantages. Income from professional indemnity insurance, mortgage reinsurance and from joint ventures in life insurance and reinsurance all showed good gains. Although inflation has returned to Hong Kong, management was able to trim the company's costs slightly during the period.

All in all, the first half was a very stable period for Asia Insurance. With the economy performing well and the markets picking up, the company expects to report positive results for 2005 as a whole.

Contingent liabilities

As at 30th June, 2005, the Group had no material contingent liabilities.

Employees and remuneration policy

The total number of employees of the Group as at 30th June, 2005 was 546 (December, 2004: 556). Annual remuneration increments and promotions are determined through a performance-oriented appraisal system, with the basic pay structure being reviewed from time to time to reflect market trends. In addition to the basic salary, employees also receive an annual bonus based on both the Group's and their individual performance. Housing loans, and medical and retirement benefit schemes are made available to all level of personnel. There was no share option scheme in operation during the six months ended 30th June, 2005. The Group also offers various training and induction programmes to its employees.

DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK2.2 cents per ordinary share (2004: HK2.5 cents per ordinary share) payable on 14th October, 2005 to shareholders whose names appear on the Register of Members on 7th October, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 3rd October, 2005 to 7th October, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 30th September, 2005. The interim dividend will be payable on 14th October, 2005 to shareholders whose name appear on the Register of Members of the Company on 7th October, 2005.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2005, the interests of the directors in the shares capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Robin Yau Hing CHAN	12,505,264	991,883	339,493,441 ⁽¹⁾	352,990,588	33.36
Ki Chit LAU	21,080	–	–	21,080	0.00
The Hon. Bernard Charnwut CHAN	2,803,089	1,038,432	–	3,841,521	0.36
Tan Sri Frank Wen King TSAO	–	–	25,301,619 ⁽²⁾	25,301,619	2.39
Song Hin NG	–	–	10,139,827 ⁽³⁾	10,139,827	0.96
Eng Heng TAN	346,360	–	–	346,360	0.03
Choedchu SOPHONPANICH	791,496	–	–	791,496	0.07
Anna Suk Han CHOW	41,559	–	–	41,559	0.00

Notes:

- (1) Of the 339,493,441 shares, (i) 124,132,600 shares were held through Cosmos Investments Inc., (ii) 65,989,175 shares were held through Man Tong Company Ltd., (iii) 27,335,986 shares were held through Treasure Investments Inc., (iv) 27,520,105 shares were held through Bonham Strand Ltd., (v) 24,642,532 shares were held through Asia Panich Investment Co. (HK) Ltd., (vi) 49,738,457 shares were held through United Asia Enterprises Inc., (vii) 4,246,728 shares were held through United Asia Company Ltd. and (viii) 15,887,858 shares were held through Robinson Enterprise Ltd. Such corporations are either accustomed to act in accordance with the directions or instructions of Mr. Robin Yau Hing CHAN or Mr. Robin Yau Hing CHAN is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of such corporations.
- (2) Tan Sri Frank Wen King TSAO was deemed to be interested in 25,301,619 shares that were held through Sable Investment Corporation, a company beneficially owned by Tan Sri TSAO.
- (3) Song Hin NG was deemed to be interested in 10,139,827 shares that were held through Cosmic International Inc. which was 40% held by Mr. NG.

In addition to the above, Mr. Robin Yau Hing CHAN has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

All the interests stated above represent long positions. Save as disclosed above, as at 30th June, 2005, none of the directors and chief executive had registered an interest or short position in the share or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2005, the following persons had the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of ordinary shares held	Percentage of the Company's issued share capital
Asia General Holdings Ltd.	90,769,455 ^(a)	8.58
Bangkok Bank Public Company Limited	95,488,236	9.03
UFJ Holding, Inc.	84,125,264 ^(b)	7.95
Man Tong Company Ltd.	65,989,175 ^{(c), (d)}	6.24
Cosmos Investments Inc.	269,620,398 ^{(d), (e)}	25.48

Notes:

- (a) Asia General Holdings Ltd. was beneficially interested in 16,029,375 shares of the Company. The interest held by Asia General Holdings Ltd. also comprised 13,803,957 shares held by its wholly-owned subsidiary, The Asia Insurance Co. Ltd. (Singapore), 23,978,935 shares held by its 74.58% owned subsidiary, The Asia Life Assurance Society Ltd. and 36,957,188 shares held by its 89.83% owned subsidiary, Univest Securities Ltd.
- (b) The ordinary shares are held by UFJ Bank Limited, which is wholly owned by UFJ Holdings, Inc.
- (c) The ordinary shares are held by Man Tong Company Ltd., which is 60.5% owned by Cosmos Investments Inc.
- (d) These shares have been included in the interests disclosure of Mr. Robin Yau Hing CHAN as set out in the section "Directors' interests and short positions in shares and underlying shares" above.
- (e) Cosmos Investments Inc. was beneficially interested in 124,132,600 shares of the Company. The interest held by Cosmos Investments Inc. also comprised 65,989,175 shares held by its 60.5% owned subsidiary, Man Tong Company Ltd., 27,335,986 shares held by its wholly-owned subsidiary, Treasure Investments Inc., 27,520,105 shares held by its wholly-owned subsidiary, Bonham Strand Ltd. and 24,642,532 shares held by its 53.5% owned subsidiary, Asia Panich Investment Co. (HK) Ltd.

All the interests stated above represent long positions. Save as disclosed above, as at 30th June, 2005, no persons, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance and has been taking action to follow the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

To ensure compliance with certain recommendations set out in the CG Code, relevant amendments to the Bye-laws of the Company were proposed and approved by shareholders at the special general meeting held on 26th May, 2005. Following the amendments to the Bye-laws, the Company fully complied with the CG Code.



COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (“Code of Conduct”) regarding directors’ securities transactions on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules.

All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct throughout the period from 1st January, 2005 to 30th June, 2005.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June, 2005.

By Order of the Board
ROBIN YAU HING CHAN
Chairman

Hong Kong, 1st September, 2005

DIRECTORS

Robin Yau Hing CHAN
(Chairman)
Ki Chit LAU
(Executive Director)
The Hon. Bernard Charnwut CHAN
(President)
Tan Sri Frank Wen King TSAO
Dr. Leo Tung Hai LEE
Song Hin NG
Dr. The Hon. Philip Yu Hong WONG
Eng Heng TAN
Choedchu SOPHONPANICH
Kenneth Chi Lam SIAO
Wu Beng NA
Yoshitaka SAWAMURA
Takashi MURAOKA
Andrew Chiu Cheung MA*
Anna Suk Han CHOW*
Wing Man KO*
Yeow Toh CHAN
(alternate director to Tan Sri Frank Wen King TSAO)
Kosuke FURUKAWA
(alternate director to Takashi MURAOKA)

* independent non-executive director

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