



亞洲金融集團（控股）有限公司
ASIA FINANCIAL HOLDINGS LTD.
Incorporated in Bermuda with limited liability

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

DIRECTORS

Robin Yau Hing CHAN (*Executive Director & Chairman*)
Ki Chit LAU (*Executive Director*)
The Hon. Bernard Charnwut CHAN (*Executive Director & President*)
Stephen TAN (*Executive Director*)
Tan Sri Frank Wen King TSAO
Dr. The Hon. 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
Daiji GOTO
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)

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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 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2006

	Notes	Six months ended 30th June,		Change
		2006 HK\$'000	2005 HK\$'000 (Restated)	%
CONTINUING OPERATIONS				
TURNOVER	3	395,854	426,367	-7.2
Other revenue	3	84,935	59,376	
Other net income/(expenses)	3	55,354	(41,625)	
Other operating expenses		(420,588)	(399,623)	
Share of profits and losses of:				
Jointly-controlled entities		6,804	1,666	
Associates		2,602	769	
PROFIT BEFORE TAX	4	124,961	46,930	
Tax	5	(9,205)	(3,841)	
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		115,756	43,089	168.6
DISCONTINUED OPERATION				
Profit for the period from a discontinued operation	6	2,677,299	37,406	7,057.4
PROFIT FOR THE PERIOD		2,793,055	80,495	
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE COMPANY		2,792,328	80,462	3,370.4
MINORITY INTERESTS		727	33	2,103.0
		2,793,055	80,495	3,369.8
INTERIM DIVIDEND	7	52,901	23,276	
SPECIAL DIVIDEND	7	1,269,626	–	
		1,322,527	23,276	



	Notes	Six months ended 30th June		Change
		2006	2005	%
		HK cents	HK cents	
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8			
Basic, for profit for the period		263.9	7.6	3,372.4
Basic, for profit from continuing operations		10.9	4.1	165.9
Diluted, for profit for the period		N/A	N/A	
Diluted, for profit from continuing operations		N/A	N/A	
INTERIM DIVIDEND PER SHARE	7	5.0	2.2	127.3
SPECIAL DIVIDEND PER SHARE	7	120.0	–	
		125.0	2.2	

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

30th June 2006

	Notes	30th June 2006 HK\$'000	31st December 2005 HK\$'000
ASSETS			
Cash and short term funds	9	4,536,778	2,447,352
Placements with banks and other financial institutions maturing between one and twelve months	10	76,599	423,679
Trade bills	11	–	34,969
Insurance receivables	12	128,961	129,172
Reinsurance assets		386,679	411,889
Securities measured at fair value through profit or loss	13	1,197,036	1,093,686
Derivative receivables		–	47,855
Loans and advances and other assets	14	215,421	9,309,201
Available-for-sale securities	15	549,941	557,559
Held-to-maturity securities	16	319,935	3,904,257
Loan to a jointly-controlled entity		31,000	30,000
Interests in jointly-controlled entities		72,942	68,688
Interests in associates		70,603	71,279
Due from associates		–	876
Intangible assets		–	599
Property, plant and equipment	17	140,026	349,072
Investment properties		10,730	25,220
Total assets		<u>7,736,651</u>	<u>18,905,353</u>
LIABILITIES			
Deposits and balances of banks and other financial institutions	18	–	966,379
Deposits from customers	19	–	11,174,942
Certificates of deposit issued	20	–	1,423,451
Other liabilities		79,676	347,179
Due to associates		265	–
Tax payable		16,377	10,101
Derivative payables		–	54,524
Insurance payables		152,853	150,546
Insurance contract liabilities		1,080,115	1,061,447
Deferred tax liabilities		11,255	28,334
Total liabilities		<u>1,340,541</u>	<u>15,216,903</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		1,058,021	1,058,021
Reserves		3,986,263	2,519,330
Proposed dividend		1,322,527	82,527
		<u>6,366,811</u>	<u>3,659,878</u>
Minority interests		29,299	28,572
Total equity		<u>6,396,110</u>	<u>3,688,450</u>
Total equity and liabilities		<u>7,736,651</u>	<u>18,905,353</u>



UNAUDITED CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2006

	Six months ended 30th June	
	2006 HK\$'000	2005 HK\$'000
Total equity at 1st January		
As previously reported	3,688,450	3,409,874
Previously reported separately as minority interests	–	27,371
Prior year adjustments	–	(3,246)
As restated, before opening adjustments	3,688,450	3,433,999
Opening adjustments	–	190,646
As restated, after prior year and opening adjustments	3,688,450	3,624,645
Changes in fair value of available-for-sale securities	(3,127)	(46,257)
Exchange and other adjustments	259	1,713
Net loss not recognised in income statement	(2,868)	(44,544)
Profit for the period attributable to equity holders of the Company:		
– continuing operations	115,029	43,056
– discontinued operation	2,677,299	37,406
Profit for the period attributable to minority interests	727	33
Final 2004 dividend	–	(79,352)
Final 2005 dividend	(82,527)	–
Total equity at 31st December	6,396,110	3,581,244

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2006

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Net cash generated from operating activities	362,779	100,422
Net cash generated from/(used in) investing activities	1,622,416	(349,033)
Net cash used in financing activities	(82,527)	(79,352)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,902,668	(327,963)
Cash and cash equivalents at beginning of period	2,657,774	1,937,978
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,560,442	1,610,015
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and balances with banks and other financial institutions	125,841	246,529
Money at call and short notice with original maturity within three months	4,407,927	1,015,692
Placements with banks and other financial institutions with original maturity within three months	42,683	98,204
Held-to-maturity securities with original maturity within three months	–	255,015
Less: Pledged bank deposits (included in the money at call and short notice and placements with banks and other financial institutions as presented above)	(16,009)	(5,425)
	4,560,442	1,610,015



NOTES

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No.34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted are consistent with those adopted in the Company’s financial statements for the year ended 31st December 2005 except for the adoption of the new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are effective for periods beginning on or after 1st January 2006. Such adoption did not result in material changes to the Group’s accounting policies.

2. SEGMENT INFORMATION

(a) Business segments

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

	Insurance HK\$’000	Corporate HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
For the six months ended 30th June 2006				
Segment revenue:				
External customers	395,854	–	–	395,854
Other revenue	56,933	28,006	(4)	84,935
Inter-segment	3,306	868	(4,174)	–
Total	456,093	28,874	(4,178)	480,789
Segment results	81,929	33,626	–	115,555
Share of profits and losses of:				
Jointly-controlled entities	4,937	1,867	–	6,804
Associates	2,602	–	–	2,602
Profit before tax				124,961
Tax	(8,409)	(796)	–	(9,205)
Profit for the period				
Continuing operations				115,756
Discontinued operation				2,677,299
				2,793,055

NOTES (continued)

2. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Insurance HK\$'000 (Restated)	Corporate HK\$'000 (Restated)	Eliminations HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
For the six months ended 30th June 2005				
Segment revenue:				
External customers	426,367	–	–	426,367
Other revenue	51,838	7,538	–	59,376
Inter-segment	2,531	670	(3,201)	–
	<u>480,736</u>	<u>8,208</u>	<u>(3,201)</u>	<u>485,743</u>
Total	<u>480,736</u>	<u>8,208</u>	<u>(3,201)</u>	<u>485,743</u>
Segment results	<u>40,679</u>	<u>3,816</u>	<u>–</u>	44,495
Share of profits and losses of:				
Jointly-controlled entities	1,666	–	–	1,666
Associates	769	–	–	<u>769</u>
Profit before tax				46,930
Tax	(3,841)	–	–	<u>(3,841)</u>
Profit for the period				
Continuing operations				43,089
Discontinued operation				<u>37,406</u>
				<u>80,495</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 net of discounts from direct and reinsurance business, underwritten from the Group's insurance business.

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

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Turnover:		
Gross premium written from insurance business	395,854	426,367
Reinsurance commission income	26,166	27,062
Interest income	34,678	17,508
Dividend income from:		
Listed investments	16,291	10,141
Unlisted investments	2,579	2,674
Others	5,221	1,991
Other revenue	84,935	59,376
	480,789	485,743

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

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Decrease/(increase) in unearned premiums	2,980	(39,326)
Increase in life and contingency reserves	(2,825)	(2,774)
Gains on disposal of securities measured at fair value through profit or loss, net	34,797	10,250
Fair value gains/(losses) on securities measured at fair value through profit or loss, net	24,186	(6,377)
Gains on disposal of available-for-sale securities	10	1,834
Impairment loss of available-for-sale securities	(3,539)	(7,054)
Gains/(losses) on disposal of held-to maturity securities	(255)	1,910
Losses on disposal of property, plant and equipment	–	(88)
	55,354	(41,625)

NOTES (continued)

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30th June	
	2006 HK\$'000	2005 HK\$'000 (Restated)
Reinsurance premiums ceded	165,327	170,968
Commission expenses for insurance business	77,491	80,598
Net claims after deducting recoveries from reinsurers	124,873	108,982
Auditors' remuneration	831	568
Depreciation charges	2,604	2,003
Write-back of provision against a loan to a jointly-controlled entity	(1,000)	–
Written off of property, plant and equipment	159	–
Staff costs (including directors' remuneration)	30,427	25,961
Minimum lease payments under operating leases in respect of land and buildings	594	521
Impairment allowances on loans and advances and other assets	91	–
Release of impairment allowances on loans and advances and other assets	–	(180)

5. TAX

Hong Kong profits tax for the Group has been provided at the rate of 17.5% (2005: 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	
	2006 HK\$'000	2005 HK\$'000 (Restated)
Current tax charge for the period:		
Hong Kong	8,494	4,133
Elsewhere	711	1,023
Overprovision of current tax in prior periods	–	(1,315)



NOTES (continued)

6. DISCONTINUED OPERATION

On 14th February 2006, a share purchase agreement (the “Share Purchase Agreement”) was entered into between the Company and Public Financial Holdings Limited (“PFH”) (formerly “JCG Holdings Limited”), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited, and an independent third party to the Group. Pursuant to the Share Purchase Agreement, the Company disposed of and PFH acquired the entire 8,100,000 issued and fully paid ordinary shares of HK\$100 each in the share capital of Asia Commercial Bank Limited (“ACB”), a then wholly-owned subsidiary of the Company, together with the subsidiaries of ACB (the “ACB Group”) at a cash consideration of HK\$4,499,550,000 (the “Preliminary Consideration”), subject to adjustment (“Consideration Adjustment”) upon completion of the Share Purchase Agreement.

The Group completed the disposal of the ACB Group on 30th May 2006 and the Preliminary Consideration has been fully settled by PFH before the balance sheet date. The Consideration Adjustment, as determined and agreed by AFH and PFH in July 2006, was HK\$85,449,000. The Consideration Adjustment has been paid by PFH on 31st July 2006. Therefore, the aggregate consideration amounted to a total cash consideration of HK\$4,584,999,000 and a net gain on the disposal of the ACB Group of HK\$2,628,293,000 was recorded.

An analysis of the discontinued operation are presented below:

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Turnover	115,167	157,460
Operating expenses	(55,498)	(112,733)
Profit before tax	59,669	44,727
Tax – current charge	(10,663)	(7,321)
Profit for the period from the discontinued operation	49,006	37,406
Gain on disposal of the discontinued operation	2,628,293	–
Net gain associated with the discontinued operation	2,677,299	37,406

The net cash flows attributable to the discontinued operation are as follows:

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Cash inflow/(outflow) from		
Operating	236,830	(636,373)
Investing	50,484	436
Financing	(31,995)	(38,070)
Net cash inflow/(outflow)	255,319	(674,007)

NOTES (continued)

6. DISCONTINUED OPERATION (continued)

	2006 HK\$'000
Net assets disposed of:	
Cash and short-term funds	2,621,580
Placements with banks and other financial institutions with maturing between one and twelve months	360,472
Trade bills	35,022
Securities measured at fair value through profit or loss	25,739
Derivative receivables	56,401
Loans and advances and other assets	9,366,020
Available-for-sale securities	6,804
Held-to-maturity securities	3,724,479
Interests in jointly-controlled entities	1,500
Intangible assets	551
Property, plant and equipment	256,799
Investment properties	15,000
Deposits and balances of banks and other financial institutions	(771,262)
Deposits from customers	(12,040,469)
Certificates of deposit issued	(1,423,691)
Other liabilities	(371,828)
Tax payable	(6,519)
Derivative payables	(50,254)
Deferred tax liabilities	(16,824)
	<u>1,789,520</u>
Gain on disposal of the discontinued operation	<u>2,628,293</u>
Consideration	<u>4,417,813</u>
Satisfied by cash	<u>4,417,813</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the ACB Group is as follows:

	2006 HK\$'000
Cash consideration received, net of expenses	4,417,813
Cash and cash equivalents disposed of	<u>(2,687,507)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>1,730,306</u>

NOTES (continued)

6. DISCONTINUED OPERATION (continued)

Earnings per share from discontinued operation:

	Six months ended 30th June	
	2006 HK cents	2005 HK cents
Basic	253.0	3.5
Diluted	N/A	N/A

The calculation of basic earnings per share from discontinued operation is based on the gain associated with the discontinued operation of HK\$2,677,299,000 (2005: HK\$37,406,000) and on 1,058,021,428 (2005: 1,058,021,428) ordinary shares in issue during the period.

Diluted earnings per share from discontinued operation for each of the six months ended 30th June 2006 and 2005 has not been calculated as no dilutive events existed during these periods.

7. INTERIM AND SPECIAL DIVIDENDS

	Six months ended 30th June	
	2006 HK\$'000	2005 HK\$'000
Interim dividend: HK5.0 cents (2005: HK2.2 cents) per ordinary share based on 1,058,021,428 (2005:1,058,021,428) shares in issue	52,901	23,276
Special dividend: HK\$1.2 (2005: Nil) per ordinary share based on 1,058,021,428 shares in issue	1,269,626	—
	<u>1,322,527</u>	<u>23,276</u>

The directors have resolved to pay an interim dividend of HK5.0 cents per share (2005: HK2.2 cents per share) and a special dividend of HK\$1.2 per share (2005: Nil), which will be paid in cash, for the six months ended 30th June 2006 payable on 19th October 2006 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 13th October 2006.

NOTES (continued)

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of HK\$2,792,328,000 (2005: HK\$80,462,000) and on 1,058,021,428 (2005: 1,058,021,428) ordinary shares in issue during the period.

The calculation of basic earnings per share from continuing operations is based on the profit for the period from the continuing operations attributable to equity holders of the Company of HK\$115,029,000 (2005: HK\$43,056,000) and on 1,058,021,428 (2005: 1,058,021,428) ordinary shares in issue during the period.

Diluted earnings per share for each of the six months ended 30th June 2006 and 2005 has not been calculated as no dilutive events existed during these periods.

9. CASH AND SHORT TERM FUNDS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Cash in hand and balances with banks and other financial institutions	125,841	246,263
Money at call and short notice	4,410,937	2,101,718
Treasury bills, including Exchange Fund Bills #	–	99,371
	<u>4,536,778</u>	<u>2,447,352</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:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
With a residual maturity of:		
Three months or less	–	69,705
One year or less but over three months	–	29,666
	<u>–</u>	<u>99,371</u>

10. 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:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
With a residual maturity of:		
Three months or less	48,872	295,058
One year or less but over three months	27,727	128,621
	<u>76,599</u>	<u>423,679</u>



NOTES (continued)

11. TRADE BILLS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Trade bills	–	35,056
Less:		
– Collective impairment allowance	–	(87)
	<u>–</u>	<u>34,969</u>

12. INSURANCE RECEIVABLES

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Amounts due in respect of:		
Direct underwriting	110,919	121,523
Reinsurance accepted	18,042	7,649
	<u>128,961</u>	<u>129,172</u>

13. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Debt securities:		
– listed outside Hong Kong, at market value	36,612	50,890
– unlisted, at quoted market price	51,257	87,109
	<u>87,869</u>	<u>137,999</u>
Equity securities, at market value:		
– listed in Hong Kong	540,848	525,916
– listed outside Hong Kong	320,191	246,434
	<u>861,039</u>	<u>772,350</u>
Investment funds:		
– listed outside Hong Kong, at market value	10,111	9,640
– unlisted, at quoted market price	238,017	173,697
	<u>248,128</u>	<u>183,337</u>
	<u>1,197,036</u>	<u>1,093,686</u>

NOTES (continued)

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

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

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Public sector entities	114,071	101,544
Banks and other financial institutions	302,725	315,799
Corporate entities	780,240	676,343
	<u>1,197,036</u>	<u>1,093,686</u>

14. LOANS AND ADVANCES AND OTHER ASSETS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Loans and advances	58,815	9,136,181
Accrued interest and other assets	157,069	264,180
	<u>215,884</u>	<u>9,400,361</u>
Less: Impairment allowances for loans and advances		
– Individually assessed	–	(41,452)
– Collectively assessed	–	(24,887)
	–	<u>(66,339)</u>
Less: Impairment allowances for accrued interest and other assets – Individually assessed	(463)	(27,650)
Tax recoverable	–	2,829
Total	<u>215,421</u>	<u>9,309,201</u>



NOTES (continued)

14. LOANS AND ADVANCES AND OTHER ASSETS (continued)

The maturity profile of the loans and advances as at the balance sheet date is as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Repayable on demand	59	639,097
With a residual maturity of:		
Three months or less	1,869	1,492,275
One year or less but over three months	5,388	1,054,389
Five years or less but over one year	20,268	2,667,472
Over five years	31,231	3,223,228
Undated	–	59,720
	<u>58,815</u>	<u>9,136,181</u>

15. AVAILABLE-FOR-SALE SECURITIES

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Listed equity outside Hong Kong, at market value	408,479	411,606
Unlisted equity, at cost	134,622	138,232
Less: Impairment allowance	(12,667)	(11,895)
	<u>121,955</u>	<u>126,337</u>
Unlisted debt, at cost	22,407	22,516
Less: Impairment allowance	(2,900)	(2,900)
	<u>19,507</u>	<u>19,616</u>
	<u>549,941</u>	<u>557,559</u>

NOTES (continued)

15. AVAILABLE-FOR-SALE SECURITIES (continued)

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

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Banks and other financial institutions	502,491	505,618
Corporate entities	47,450	51,941
	<u>549,941</u>	<u>557,559</u>

16. HELD-TO-MATURITY SECURITIES

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Debt securities:		
– listed in Hong Kong	10,682	30,673
– listed outside Hong Kong	161,844	251,457
– unlisted	147,409	3,622,127
	<u>319,935</u>	<u>3,904,257</u>
Market value of listed held-to-maturity securities	<u>161,192</u>	<u>276,180</u>

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

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Public sector entities	32,377	56,998
Banks and other financial institutions	243,593	3,405,362
Corporate entities	43,965	441,897
	<u>319,935</u>	<u>3,904,257</u>



NOTES (continued)

16. HELD-TO-MATURITY SECURITIES (continued)

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

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
With a residual maturity of:		
Three months or less	–	638,372
One year or less but over three months	54,318	389,979
Five years or less but over one year	169,206	2,515,981
Over five years	96,411	359,925
	<u>319,935</u>	<u>3,904,257</u>

17. PROPERTY, PLANT AND EQUIPMENT

During the period, Asia Insurance Company, Limited, a wholly-owned subsidiary of the Company, purchased office premises located at 8/F, 118 Connaught Road West, Hong Kong at a cash consideration of HK\$45,800,000.

18. 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:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Repayable on demand	–	81,169
With a residual maturity of:		
Three months or less	–	832,836
One year or less but over three months	–	52,374
	<u>–</u>	<u>966,379</u>

NOTES (continued)

19. DEPOSITS FROM CUSTOMERS

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

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Repayable on demand	–	2,280,716
With a residual maturity of:		
Three months or less	–	8,473,831
One year or less but over three months	–	405,416
Five years or less but over one year	–	14,979
	<u>–</u>	<u>11,174,942</u>

20. CERTIFICATES OF DEPOSIT ISSUED

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

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
With a residual maturity of:		
Three months or less	–	99,992
One year or less but over three months	–	404,726
Five years or less but over one year	–	918,733
	<u>–</u>	<u>1,423,451</u>



NOTES (continued)

21. 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:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Direct credit substitutes	–	62,226
Transaction-related contingencies	–	1,629
Trade-related contingencies	–	210,134
Forward forward deposit placed	–	123,948
Forward asset purchases	–	13,029
Other commitments with an original maturity of:		
Under one year or which are unconditionally cancellable	–	3,195,382
One year and over	–	223,496
	<u>–</u>	<u>3,829,844</u>

(b) The aggregate replacement costs and credit risk weighted amounts of the above off-balance sheet exposures are:

	30th June 2006		31st December 2005	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Direct credit substitutes	–	–	–	46,209
Trade-related contingencies	–	–	–	38,965
Forward forward deposits placed	–	–	–	24,790
Forward asset purchases	–	–	–	2,606
Other commitments with an original maturity of one year and over	–	–	–	111,748
Foreign exchange rate contracts	–	–	4,775	17,557
Interest rate swap	–	–	–	150
	<u>–</u>	<u>–</u>	<u>4,775</u>	<u>242,025</u>

NOTES (continued)

22. OTHER COMMITMENTS

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

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Contracted, but not provided for	–	1,072
Authorised, but not contracted for	–	9,008
	<u>–</u>	<u>10,080</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:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Within one year	1,670	4,613
In the second to fifth years, inclusive	2,904	3,132
	<u>4,574</u>	<u>7,745</u>



NOTES (continued)

23. RELATED PARTY TRANSACTIONS

	30th June 2006		31st December 2005	
	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	2,316	10,235	7,648	50,720
Deposits received:				
Aggregate balance at balance sheet date	–	–	69,551	547,028
Interbank activities:				
Deposits placed	–	–	–	92,557
Deposits received	–	–	–	11,674
Standby credit facilities available to the Group	–	–	–	387,755
	<u>–</u>	<u>–</u>	<u>–</u>	<u>387,755</u>
	Six months ended 30th June 2006		Six months ended 30th June 2005	
	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
Deposits received:				
Interest expenses paid and Payable	–	–	265	1,912
Interbank activities:				
Interest income	–	–	–	701
Interest expenses	–	–	–	192
Premium income:				
Gross premiums written	128	1,022	116	1,483
Reinsurance premium ceded	–	24,089	–	22,603
Commission expenses, net	–	6,154	–	2,913
Rental expenses	–	–	–	390
	<u>–</u>	<u>–</u>	<u>–</u>	<u>390</u>

NOTES (continued)

23. RELATED PARTY TRANSACTIONS (continued)

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

	30th June 2006 HK\$'000	31st December 2005 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>–</u>	<u>70,808</u>
	Six months ended 30th June 2006 HK\$'000	2005 HK\$'000
Deposits received:		
Interest expenses paid and payable	–	1,445
Reinsurance premiums ceded	46	5
Service fees paid	<u>–</u>	<u>3,007</u>

24. LITIGATION

A claim for approximately HK\$16 million was brought against a subsidiary in 1997 by a client alleging that the subsidiary was liable for compensation on a loss of profit suffered by the client. During the period, the Group achieved an out-of-court settlement with the plaintiff and the loss impact to the Group's results ended 30th June 2006 was approximately HK\$6.8 million.

25. COMPARATIVE AMOUNTS

Due to the disposal of the ACB Group during the period, which constituted a discontinued operation under HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the presentation of certain items and balances in the financial statements have been revised accordingly.



SUPPLEMENTARY FINANCIAL INFORMATION

Gross advances to customers by industry sectors

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
Property development	–	204,435
Property investment	–	1,468,818
Financial concerns	–	171,008
Stockbrokers	–	59,564
Wholesale and retail trade	–	29,446
Manufacturing	–	675,978
Transport and transport equipment	–	521,219
Others	–	1,312,841
Individuals:		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	–	287,042
Loans for the purchase of other residential properties	58,815	2,714,081
Credit Card advances	–	14,399
Others	–	300,660
Trade finance	–	859,754
Loans for use outside Hong Kong	–	516,936
	58,815	9,136,181

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) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represents more than 95% of its total gross premium written.

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long tail claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes.

SUPPLEMENTARY FINANCIAL INFORMATION (continued)

Risk management (continued)

(8) Insurance risk management (continued)

The variability of risks is also improved by careful selection and implementation of underwriting strategies, arrangements of reinsurance, strict claim review policies to assess all new and on going claims as well as the investigation of possible fraudulent claims. The Group also enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The majority of reinsurance business ceded is placed on both proportional and excess of loss basis with retention limits vary by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurance assets.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. The Group also considers the underlying security and long-established business relationship with the reinsurers.

The Group also has limited its exposure to the level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, such as hurricanes, earthquakes and flood damages. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management. For a single realistic catastrophic event this maximum amount is less than 5% of shareholders' equity on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of shareholders' equity.

(9) 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.

(10) Fair value measurement principles

The fair values of financial instruments are based on their quoted market prices at the balance sheet date, or date close to balance sheet date, without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices unless the position is immaterial. In such case, mid rate will be applied for both long and short positions.

SUPPLEMENTARY FINANCIAL INFORMATION (continued)

Risk management (continued)

(10) Fair value measurement principles (continued)

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates, and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(11) Use of derivatives

The Group will employ derivatives during the course of running its banking businesses. These derivatives can be either exchange-traded or over-the-counter including interest rate futures, interest rate swaps and options. Before engaging in any such products and instruments, the Group will conduct thorough study and evaluation on both its risk and necessity affecting the Group's operation. In this respect, the Group will consider those over-the-counter derivatives, e.g., options and interest rate swaps, as solely for hedging purposes. While for the exchange-traded instruments, the Group will impose appropriate trading limits together with a daily mark-to-market revaluation process. The Group will monitor closely these derivative positions in order to achieve a stable and commensurable contribution to the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit attributable to equity holders of the Company:	HK\$2,792.3 m	+3,370.4%
Earnings per share:	HK263.9 cents	+3,372.4%
Interim dividend per share:	HK5.0 cents	+127.3%
Special dividend per share:	HK\$1.2	

Asia Financial Group in the first half of 2006 showed a very large rise in profit attributable to equity holders of the Company of 3,370.4% compared with the same period in 2005. This extraordinary increase was the result of the sale of Asia Commercial Bank, which was completed in May 2006. The Group's continuing activities in general insurance and securities investment performed well, showing a profit of HK\$115.8 million, a 168.6% increase compared with the corresponding performance in the first half of 2005. This largely reflected our successful investment strategy during a time of rising equity markets and continuing solid performance by our insurance operations. The outlook for the second half of the year is generally positive.

In view of the significant profit made from the sale of the banking business, the directors recommend payment of a special dividend of HK\$1.2 per share.

Economic background

The Hong Kong economy continued to perform well in the first half of 2006, with real GDP expanding by an annualised rate of over 5%. Domestic demand proved to be the most important driver of growth during the period, helped by continued falls in the unemployment rate, increases in wages and low inflation. Business confidence was also strong, as reflected in capital investment. All of these indicators were positive for our clients and therefore our core business operations. The main uncertainty was over interest rates, which led to some stock market volatility in second quarter. Despite this, market gains on a year-on-year basis contributed to our portfolio trading profit.

Investments

Asia Financial Group's investment portfolio showed very satisfactory returns. Our previous strategy of increasing exposure to equities increased dividend income and trading gains; the Hang Seng Index rose 9% from 14,876 to 16,268 during the period. Net interest income also performed strongly, thanks especially to the deposit interest generated from the sale proceeds of Asia Commercial Bank. The outlook for the investment markets during the rest of 2006 seems generally good.

Management approach

Management continues to adhere to its longstanding policy of prudence in the pursuit of long-term growth in shareholder value and the seeking of new opportunities where we can expand quality business. The sale of Asia Commercial Bank during the first half of 2006 reflects these principles, and management will maintain the same prudent and long-term approach in deciding on how best to use the proceeds from the sale in due course.

Future prospects

Hong Kong's economy is on course to grow at a rate of above 5% for the year as a whole. Consumer and business confidence look likely to remain positive for the remainder of the year, leading to healthy levels of private consumption and investment, even if trade growth is relatively less impressive. Although local equity market may not make very substantial gains in the near term, there are few reasons to believe that there is much serious downside risk. The main uncertainties are external. In particular, we cannot rule out the possibilities in the United States of unexpectedly high inflation or rises in interest rates, or a correction in property prices, which would potentially have negative knock-on effects for China and Hong Kong. Overall, I expect to report continued good performance by both our core insurance business operations and our prudently managed investment portfolio for the year as a whole.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Future prospects (continued)

Following the sale of the banking business for HK\$4.58 billion, the Group is cash-rich. Our aim is to use some of the proceeds from the sale to invest in the expansion of our existing insurance interests, and additional capital has been injected into the wholly-owned subsidiary Asia Insurance Company Limited (HK\$1.2 billion) in July 2006. We will also actively explore possible new investments in insurance and health care – complementary areas in which we have relevant experience and which offer possible synergies and very attractive long-term growth prospects in this region. Given the scale of the possible opportunities that lie ahead, we are prepared to exercise due care in considering and selecting new investments.

BUSINESS REVIEW AND PROSPECTS

Banking (Performance up to 30th April 2006)

Profit attributable to equity holders of the Company:	HK\$49.0m
Total operating income:	HK\$115.2m
Net interest income:	HK\$89.6m
Other operating income:	HK\$25.6m
Operating expenses:	HK\$52.0m
Impairment losses and allowances:	HK\$3.5m
Net interest margin:	1.73%

Asia Commercial Bank contributed to the group for the first four months of the year. Its net profit for that period increased by 31% compared with the first half in 2005. This was due to rising net interest margins, increased fee income, notably from securities-related business, and a year-on-year fall in provisions for bad loans.

The sale of Asia Commercial Bank to Public Financial Holdings Limited was completed on 30th May 2006 and the sale consideration, HK\$4.49 billion, has been fully settled on that date. Besides a consideration adjustment of HK\$85.44 million, representing the first four months profit of 2006 and other changes in the net assets value of the Bank, has been determined and settled by Public Financial Holdings Limited on 31st July 2006. Therefore, the aggregate sale proceeds amounted to a cash consideration of HK\$4.58 billion and a net gain on the disposal of HK\$2.63 billion was recorded after deducting the retained profits of previous years and the direct expenses incurred in relation to the disposal.

Insurance

Profit attributable to equity holders of the Company:	HK\$80.4m	+110.4%
Underwriting profit:	HK\$33.9m	+ 1.7%
Investment and dividend income:	HK\$46.5m	+1,285.5%
Interest and other income:	HK\$19.0m	+ 5.6%
Premium turnover:	HK\$397.3m	- 7.1%
Operating expenses:	HK\$38.4m	+18.3%

Asia Insurance produced a 2% rise in underwriting profit for the first six months of 2006, despite a 7% decline in turnover. This reflects management strategy of concentrating on quality business rather than pursuing market share in less profitable sectors like employees' compensation, where we tightened underwriting policy. Most of Asia Insurance's 110% rise in net profit for the period therefore arose from investment and dividend income. This reflected year-on-year realized and unrealized trading gains following an increase in exposure towards equities last year. Contribution from associated companies and joint ventures showed a healthy increase and were equivalent to nearly a tenth of the company's total net profit.

BUSINESS REVIEW AND PROSPECTS (continued)

Insurance (continued)

The general insurance market in Hong Kong was steady during the period, with no major natural or other events causing significant surges of claims. Some additional operating costs were incurred during the period in connection with the establishment of a new business centre in the Western District of Hong Kong Island. The new premises, which opened in August, will contribute to the quality of customer service and accommodate future expansion of the business. An agency agreement with Shanghai Commercial Bank, one of the most prominent banks in Hong Kong, in August will further strengthen the company's distribution force.

Following a HK\$1.2 billion injection of capital into the company in July, Asia Insurance ranks near or at the top among Hong Kong-incorporated general insurers with substantial shareholders' funds. We are confident that the company is well-positioned to build on its past success in the years to come. In the nearer term, the outlook for the remainder of 2006 is expected to be broadly in line with its performance in the first half.

Contingent liabilities

As at 30th June 2006, the Group had no material contingent liabilities.

Employees and remuneration policy

The total number of employees of the Group as at 30th June 2006 was 232 after the sale of Asia Commercial Bank (December 2005: 566). 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 2006. 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 HK5.0 cents per ordinary share (2005: HK2.2 cents per ordinary share) and a special dividend of HK\$1.2 per ordinary share (2005: Nil) payable on 19th October 2006 to shareholders whose names appear on the Register of Members of the Company on 13th October 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 12th October 2006 to 13th October 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend and the special 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 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:00 p.m. on 11th October 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30th June 2006, 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 2006, 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
Bernard Charnwut CHAN	2,803,089	1,038,432	–	3,841,521	0.36
Stephen TAN	174,871	1,361,997	–	1,536,868	0.15
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
Leo Tung Hai LEE	–	–	3,000,000 ⁽⁴⁾	3,000,000	0.28

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 taken under the SFO to be able 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..
- (4) Leo Tung Hai LEE was deemed to be interested in 3,000,000 shares that were held through Pacific Trust Company Limited which was 33.33% held by Dr. LEE.

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 2006, 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 2006, 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
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	83,253,264 ^(b)	7.87
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 Bank of Tokyo-Mitsubishi UFJ, Ltd. was beneficially interested in 83,253,264 shares of the Company, and its ultimate holding company is Mitsubishi UFJ Financial Group, 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 2006, 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 THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has fully complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30th June 2006.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions ("Code of Conduct") 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 fully complied with the required standard set out in the Code of Conduct and the Model Code throughout the six months ended 30th June 2006.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June 2006.

By Order of the Board
ROBIN YAU HING CHAN
Chairman

Hong Kong, 27th September 2006