



亞洲金融集團(控股)有限公司
Asia Financial Holdings Ltd.

Incorporated in Bermuda with limited liability

(Stock Code: 662)

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

DIRECTORS

Robin Yau Hing Chan (*Executive Director & Chairman*)
Bernard Charnwut Chan (*Executive Director & President*)
Stephen Tan (*Executive Director*)
Wong Kok Ho (*Executive Director*)
Lau Ki Chit
Choedchu Sophonpanich
Ng Song Hin
Philip Yu Hong Wong
Kenneth Chi Lam Siao
Mamoru Miyazaki
Chan Yeow Toh
Andrew Chiu Cheung Ma*
Anna Suk Han Chow*
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The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2011

	Notes	(Unaudited) Six months ended 30th June,	
		2011	2010
		HK\$'000	HK\$'000
REVENUE	3	<u>538,376</u>	<u>494,376</u>
Gross premiums		538,376	494,376
Reinsurers' share of gross premiums		(163,288)	(165,082)
Change in unearned premiums reserve		(31,914)	(36,288)
Change in life fund		(1,275)	(1,349)
Net insurance contracts premiums revenue		341,899	291,657
Gross claims paid		(196,991)	(169,442)
Reinsurers' share of gross claims paid		67,488	58,201
Gross change in outstanding claims		(50,467)	(25,306)
Reinsurers' share of gross change in outstanding claims		(7,008)	(9,167)
Net claims incurred		(186,978)	(145,714)
Commission income		27,560	28,068
Commission expense		(111,019)	(99,152)
Net commission expense		(83,459)	(71,084)
Management expenses for underwriting business		(22,656)	(22,146)
Underwriting profit		48,806	52,713
Dividend income		33,491	27,822
Realised loss on investments		(8,425)	(5,407)
Unrealised loss on investments		(14,778)	(48,192)
Interest income		30,791	27,691
Other income and gains, net		5,641	5,565
		95,526	60,192
Operating expenses		(37,980)	(39,095)
		57,546	21,097

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CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30th June, 2011

		(Unaudited)	
	Notes	Six months ended 30th June,	
		2011	2010
		HK\$'000	HK\$'000
Share of profits and losses of jointly-controlled entities		12,386	8,527
Share of profits and losses of associates		37,636	3,673
		<u>107,568</u>	<u>33,297</u>
PROFIT BEFORE TAX	4	107,568	33,297
Income tax expense	5	(10,522)	(6,438)
		<u>97,046</u>	<u>26,859</u>
PROFIT FOR THE PERIOD		97,046	26,859
Attributable to:			
Equity holders of the Company		94,331	25,049
Non-controlling interests		2,715	1,810
		<u>97,046</u>	<u>26,859</u>
INTERIM DIVIDEND	6	15,288	12,230
INTERIM DIVIDEND PER SHARE	6	HK1.5 cents	HK1.2 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic – For profit for the period		<u>HK9.3 cents</u>	<u>HK2.5 cents</u>
Diluted – For profit for the period		<u>N/A</u>	<u>N/A</u>



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

	(Unaudited)	
	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	97,046	26,859
OTHER COMPREHENSIVE INCOME		
Changes in fair value of available-for-sale securities	20,935	73,749
Share of other comprehensive income of jointly-controlled entities:		
Changes in available-for-sale investment reserves	(118)	125
Changes in exchange reserve	2,737	(90)
Release of exchange reserve of interests in a jointly-controlled entity	(12,318)	–
	<u>(9,699)</u>	<u>35</u>
Share of other comprehensive income of associates:		
Changes in available-for-sale investment reserves	(5,048)	(3,866)
Changes in exchange reserve	4,944	2,122
	<u>(104)</u>	<u>(1,744)</u>
Exchange differences on translation of foreign operations	<u>(199)</u>	<u>(886)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>10,933</u>	<u>71,154</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>107,979</u>	<u>98,013</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	106,815	97,371
Non-controlling interests	1,164	642
	<u>107,979</u>	<u>98,013</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30th June, 2011

	Notes	(Unaudited) 30th June, 2011 HK\$'000	(Audited) 31st December, 2010 HK\$'000
ASSETS			
Property, plant and equipment		160,985	166,671
Investment property		3,380	3,380
Interests in jointly-controlled entities		246,613	343,075
Loans to jointly-controlled entities		41,410	43,553
Interests in associates		171,574	136,472
Due from an associate		164,763	164,763
Deferred tax assets		18,605	19,529
Held-to-maturity securities	8	772,411	908,566
Available-for-sale securities	9	1,902,851	1,491,416
Pledged deposits	13	92,605	80,941
Loans and advances and other assets	10	250,853	244,400
Securities measured at fair value through profit or loss	11	2,109,159	1,556,724
Insurance receivables	12	199,909	171,522
Reinsurance assets		412,353	393,687
Cash and cash equivalents	13	944,550	1,600,561
Total assets		<u>7,492,021</u>	<u>7,325,260</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		1,019,200	1,019,200
Reserves		4,552,362	4,460,835
Proposed dividend		15,288	66,248
Non-controlling interests		<u>5,586,850</u>	<u>5,546,283</u>
		17,527	16,363
Total equity		<u>5,604,377</u>	<u>5,562,646</u>
Liabilities			
Insurance contract liabilities		1,510,125	1,400,793
Insurance payables		166,532	159,400
Due to associates		4,488	4,643
Other liabilities		130,480	131,245
Tax payable		66,173	56,687
Deferred tax liabilities		9,846	9,846
Total liabilities		<u>1,887,644</u>	<u>1,762,614</u>
Total equity and liabilities		<u>7,492,021</u>	<u>7,325,260</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2011

(Unaudited)

	Attributable to equity holders of the Company												Non-controlling interests	Total
	Issued capital	Share premium	Contingency reserve	Available-for-sale investment reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed dividend	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2011	1,019,200	560,531*	21,856*	482,476*	46,071*	28,095*	2,427*	513,240*	38,821*	2,767,318*	66,248	5,546,283	16,363	5,562,646
Changes in fair value of available-for-sale securities	-	-	-	20,935	-	-	-	-	-	-	-	20,935	-	20,935
Share of changes in available-for-sale investment reserves of jointly-controlled entities	-	-	-	(118)	-	-	-	-	-	-	-	(118)	-	(118)
Share of changes in available-for-sale investment reserves of associates	-	-	-	(3,497)	-	-	-	-	-	-	-	(3,497)	(1,551)	(5,048)
Share of changes in exchange reserve of a jointly-controlled entity	-	-	-	-	-	2,737	-	-	-	-	-	2,737	-	2,737
Release of exchange reserve of interests in a jointly-controlled entity	-	-	-	-	-	(12,318)	-	-	-	-	-	(12,318)	-	(12,318)
Share of changes in exchange reserve of an associate	-	-	-	-	-	4,944	-	-	-	-	-	4,944	-	4,944
Exchange realignment	-	-	-	-	-	(199)	-	-	-	-	-	(199)	-	(199)
Profit for the period	-	-	-	-	-	-	-	-	-	94,331	-	94,331	2,715	97,046
Total comprehensive income for the period	-	-	-	17,320	-	(4,836)	-	-	-	94,331	-	106,815	1,164	107,979
Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	-	(66,248)	(66,248)	-	(66,248)
Proposed interim 2011 dividend	-	-	-	-	-	-	-	-	-	(15,288)	15,288	-	-	-
Transfer to contingency reserve	-	-	2,253	-	-	-	-	-	-	(2,253)	-	-	-	-
At 30th June, 2011	1,019,200	560,531*	24,109*	499,796*	46,071*	23,259*	2,427*	513,240*	38,821*	2,844,108*	15,288	5,586,850	17,527	5,604,377

* These reserve accounts comprise the consolidated reserves of HK\$4,552,362,000 (31st December, 2010: HK\$4,460,835,000) in the unaudited condensed consolidated statement of financial position.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30th June, 2011

(Unaudited)

	Attributable to equity holders of the Company													
	Issued capital HK\$'000	Share premium account HK\$'000	Contingency reserve HK\$'000	Available- for-sale investment reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1st January, 2010	1,019,200	560,531	16,513	231,780	46,071	4,925	2,427	513,240	38,821	2,582,320	66,248	5,082,076	17,936	5,100,012
Changes in fair value of available-for-sale securities	-	-	-	73,749	-	-	-	-	-	-	-	73,749	-	73,749
Share of changes in available-for-sale investment reserves of jointly-controlled entities	-	-	-	125	-	-	-	-	-	-	-	125	-	125
Share of changes in available-for-sale investment reserves of associates	-	-	-	(2,698)	-	-	-	-	-	-	-	(2,698)	(1,168)	(3,866)
Share of changes in exchange reserve of a jointly-controlled entity	-	-	-	-	-	(90)	-	-	-	-	-	(90)	-	(90)
Share of changes in exchange reserve of an associate	-	-	-	-	-	2,122	-	-	-	-	-	2,122	-	2,122
Exchange realignment	-	-	-	-	-	(886)	-	-	-	-	-	(886)	-	(886)
Profit for the period	-	-	-	-	-	-	-	-	-	25,049	-	25,049	1,810	26,859
Total comprehensive income for the period	-	-	-	71,176	-	1,146	-	-	-	25,049	-	97,371	642	98,013
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	-	(66,248)	(66,248)	-	(66,248)
Proposed interim 2010 dividend	-	-	-	-	-	-	-	-	-	(12,230)	12,230	-	-	-
Transfer to contingency reserve	-	-	2,931	-	-	-	-	-	-	(2,931)	-	-	-	-
At 30th June, 2010	1,019,200	560,531	19,444	302,956	46,071	6,071	2,427	513,240	38,821	2,592,208	12,230	5,113,199	18,578	5,131,777



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2011

	(Unaudited)	
	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(255,774)	(39,462)
Net cash flows used in investing activities	(99,093)	(54,429)
Net cash flows used in financing activities	(66,248)	(66,248)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(421,115)	(160,139)
Cash and cash equivalents at beginning of period	1,242,650	1,076,829
CASH AND CASH EQUIVALENTS AT END OF PERIOD	821,535	916,690
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	204,019	319,252
Non-pledged time deposits with original maturity of over three months when acquired	123,015	639,644
Non-pledged time deposits with original maturity of less than three months when acquired	617,516	597,438
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	944,550	1,556,334
Less: Time deposits with original maturity of over three months when acquired	(123,015)	(639,644)
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	821,535	916,690



NOTES (continued)

2. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Group	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2010				
Segment revenue:				
External customers	494,376	–	–	494,376
Other revenue, income, gains/(losses), net	18,850	(11,371)	–	7,479
Intersegment	776	–	(776)	–
Total	<u>514,002</u>	<u>(11,371)</u>	<u>(776)</u>	<u>501,855</u>
Segment results	<u>52,719</u>	<u>(31,622)</u>	<u>–</u>	21,097
Share of profits and losses of:				
Jointly-controlled entities	(589)	9,116	–	8,527
Associates	7,151	(3,478)	–	<u>3,673</u>
Profit before tax				33,297
Income tax expense	(6,242)	(196)	–	<u>(6,438)</u>
Profit for the period				<u>26,859</u>

(b) Geographical information

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

3. REVENUE

Revenue, which is also the Group's turnover, represents gross premiums net of discounts, from direct and reinsurance business underwritten during the period.

NOTES (continued)

4. PROFIT BEFORE TAX

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

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
Auditors' remuneration	(1,157)	(1,063)
Depreciation	(6,178)	(6,492)
Employee benefits expense (including directors' remuneration)	(38,936)	(37,690)
Minimum lease payments under operating leases in respect of land and buildings	(388)	(357)
Realised gain/(loss) on:		
– disposal of securities measured at fair value through profit or loss, net	(7,985)	(5,290)
– disposal of available-for-sale securities	39	42
– redemption/call back of held-to-maturity securities	(479)	(159)
	<u>(8,425)</u>	<u>(5,407)</u>
Unrealised loss on securities measured at fair value through profit or loss, net	(14,778)	(48,192)
Gain/(loss) on disposal/write-off of items of property, plant and equipment	(1)	87
Impairment allowances on insurance receivables	–	(101)
Dividend income from:		
– Listed investments	29,993	24,157
– Unlisted investments	3,498	3,665
Interest income	<u>30,791</u>	<u>27,691</u>

NOTES (continued)

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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 locations in which the Group operates.

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	7,272	251
Underprovision/(overprovision) in prior periods	120	(361)
Current – Elsewhere	2,206	1,798
Deferred	924	4,750
	<hr/>	<hr/>
Total tax charge for the period	10,522	6,438
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDEND

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
Proposed interim dividend:		
HK1.5 cents (2010: HK1.2 cents) per ordinary share based on 1,019,200,000 (2010: 1,019,200,000) shares in issue	15,288	12,230
	<hr/> <hr/>	<hr/> <hr/>

The Board has resolved to pay an interim dividend of HK1.5 cents per share (2010: HK1.2 cents), which will be paid in cash, for the six months ended 30th June, 2011 payable on or about 7th October, 2011 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 21st September, 2011.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$94,331,000 (2010: HK\$25,049,000) and the 1,019,200,000 (2010: 1,019,200,000) ordinary shares in issue during the periods.



NOTES (continued)

8. HELD-TO-MATURITY SECURITIES

	30th June, 2011	31st December, 2010
	HK\$'000	HK\$'000
Listed debt securities in Hong Kong, at amortised cost	23,081	22,921
Listed debt securities outside Hong Kong, at amortised cost	646,895	782,669
Unlisted debt securities, at amortised cost	102,435	102,976
	<u>772,411</u>	<u>908,566</u>
Total held-to-maturity securities	772,411	908,566
Fair value of listed and unlisted held-to-maturity securities	806,743	946,449

The held-to-maturity securities analysed by issuers as at the end of the reporting period are as follows:

	30th June, 2011	31st December, 2010
	HK\$'000	HK\$'000
Public sector entities	54,409	69,879
Banks and other financial institutions	533,754	671,805
Corporate entities	184,248	166,882
	<u>772,411</u>	<u>908,566</u>

The maturity profile of held-to-maturity securities as at the end of the reporting period is as follows:

	30th June, 2011	31st December, 2010
	HK\$'000	HK\$'000
With a residual maturity of:		
Three months or less	50,932	39,041
One year or less but over three months	146,838	283,582
Five years or less but over one year	462,380	486,073
Over five years	112,261	99,870
	<u>772,411</u>	<u>908,566</u>

During the period, a cedant of the pecuniary loss reinsurance contracts requested the Group to provide security in favour of the cedant to secure the performance of the Group's obligations to the cedant under those pecuniary loss reinsurance contracts. Accordingly, at 30th June, 2011, listed debt securities of the Group amounting to HK\$85,085,000 (31st December, 2010: HK\$78,621,000) were pledged.



NOTES (continued)

9. AVAILABLE-FOR-SALE SECURITIES

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Listed equity outside Hong Kong, at market value	<u>948,638</u>	<u>918,601</u>
Unlisted equity, at cost	957,005	575,607
Impairment	(37,116)	(37,116)
	<u>919,889</u>	<u>538,491</u>
Unlisted debt, at cost	41,224	41,224
Impairment	(6,900)	(6,900)
	<u>34,324</u>	<u>34,324</u>
Unlisted available-for-sale securities	<u>954,213</u>	<u>572,815</u>
Total available-for-sale securities	<u>1,902,851</u>	<u>1,491,416</u>

The available-for-sale securities as at the end of the reporting period, analysed by the sector of the issuers, are as follows:

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Banks and other financial institutions	1,626,396	1,233,420
Corporate entities	276,455	257,996
	<u>1,902,851</u>	<u>1,491,416</u>

NOTES (continued)**10. LOANS AND ADVANCES AND OTHER ASSETS**

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Loans and advances	97,718	101,221
Accrued interest and other assets	153,135	143,179
	<hr/>	<hr/>
Gross loans and advances and other assets	250,853	244,400
	<hr/> <hr/>	<hr/> <hr/>

The maturity profile of the loans and advances as at the end of the reporting period is as follows:

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Repayable on demand	-	-
With a residual maturity of:		
Three months or less	550	645
One year or less but over three months	1,671	1,939
Five years or less but over one year	82,961	84,237
Over five years	12,536	14,400
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	97,718	101,221
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NOTES (continued)

11. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Debt securities at fair value:		
– listed outside Hong Kong	88,091	39,572
– unlisted	233,262	32,390
	321,353	71,962
Equity securities at fair value:		
– listed in Hong Kong	768,400	624,739
– listed outside Hong Kong	312,281	200,043
	1,080,681	824,782
Investment funds:		
– listed outside Hong Kong, at market value	9,036	–
– unlisted, at quoted price	698,089	659,980
	707,125	659,980
Total	2,109,159	1,556,724

The securities measured at fair value through profit or loss as at the end of the reporting period, analysed by the sector of the issuers, are as follows:

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Public sector entities	36,652	31,692
Banks and other financial institutions	456,952	277,768
Corporate entities	1,615,555	1,247,264
	2,109,159	1,556,724

NOTES (continued)

12. INSURANCE RECEIVABLES

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Amounts due in respect of:		
Direct underwriting	143,314	122,751
Reinsurance accepted	56,595	48,771
	199,909	171,522

The Group grants credit terms of 3 months to 6 months. The past settlement history of these receivables indicates that certain debtors settle in arrears subsequent to the credit period, which may also involve settlement subsequent to the 12 months from the end of the reporting period.

The Group's insurance receivables relate to a large number of diversified customers and therefore there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

An aged analysis of the insurance receivables based on the issuance date of policies, as at the end of the reporting period, is as follows:

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Three months or less	158,683	137,514
Six months or less but over three months	36,954	31,634
One year or less but over six months	6,005	4,150
Over one year	246	246
	201,888	173,544
Less: impairment allowances	(1,979)	(2,022)
	199,909	171,522



NOTES (continued)

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30th June, 2011	31st December, 2010
	HK\$'000	HK\$'000
Cash and bank balances	204,019	177,780
Time deposits with original maturity of over three months	123,015	357,911
Time deposits with original maturity of less than three months	617,516	1,064,870
	944,550	1,600,561
Pledged deposits	92,605	80,941
	1,037,155	1,681,502

14. CONTINGENT LIABILITIES

As at 30th June, 2011, there was an outstanding counter guarantee issued in favour of the People's Insurance Company (Group) of China Limited (the "PICC Group") amounting to 5% of all the liabilities and expenses of RMB112.5 million (approximately HK\$135.5 million) (31st December, 2010: Nil) under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will be expired on 25th April, 2019.

15. COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

	30th June, 2011	31st December, 2010
	HK\$'000	HK\$'000
Contracted, but not provided for acquisition of computer software	2,048	2,292

The Company did not have any significant capital commitments at the end of the reporting period.

NOTES (continued)

16. RELATED PARTY TRANSACTIONS

(a) Group

	30th June, 2011		31st December, 2010	
	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 the end of the reporting period	–	1,277	–	8,823
Interbank activities: Deposits placed	–	126,602	–	530,196
	Six months ended 30th June, 2011		Six months ended 30th June, 2010	
	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
Interbank activities: Interest income	–	1,258	–	1,140
Premium income: Gross premiums written	135	2,655	137	2,044
Commission expense, net	–	222	–	1,546
Compensation: Salaries and short-term employee benefits	5,566	–	5,434	–
Pension scheme contributions	233	–	225	–

Note: The key management personnel were solely the directors of the Company.

NOTES (continued)

16. RELATED PARTY TRANSACTIONS (continued)

- (b) The Group had the following balances and transactions with certain of its jointly-controlled entities during the period:

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Loans and advances granted: Aggregate balance at the end of the reporting period	<u>41,410</u>	<u>43,553</u>
	Six months ended 30th June, 2011 HK\$'000	2010 HK\$'000
Interest income received and receivables	102	113
Reinsurance premiums ceded	<u>-</u>	<u>8</u>

- (c) The Group had the following balances and transactions with certain of its associates during the period:

	30th June, 2011 HK\$'000	31st December, 2010 HK\$'000
Loans and advances granted: Aggregate balance at the end of the reporting period	<u>164,763</u>	<u>164,763</u>
	Six months ended 30th June, 2011 HK\$'000	2010 HK\$'000
Reinsurance premiums ceded	25	153
Commission expense paid	<u>4</u>	<u>25</u>

17. COMPARATIVE AMOUNTS

Certain comparative amounts in the condensed consolidated statement of cash flows have been reclassified to conform with current period's presentation.



SUPPLEMENTARY FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has established policies and procedures for identifying, evaluating, monitoring and controlling the various types of risks pertaining to the Group's businesses, which are approved and endorsed by the board of directors and reviewed regularly by the Group's management, executive committee, investment committee, fund management committee and other designated committees or working groups. Material risks are identified and measured by designated committees and/or working groups before the launch of new products or business activities, and monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures. The key risks include credit risk, liquidity risk, capital management risk, interest rate risk, foreign exchange risk, insurance risk, operational risk and equity price 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, compliance issues and matters raised by the external auditors to ensure that all audit recommendations are implemented.

(2) *Credit risk management*

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to clients, intermediates and, reinsurers and other activities undertaken by the Group. To manage credit risk, the Group has considered the underlying security and the long-established business relationship with the counterparty.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's insurance receivables are widely dispersed in different intermediates and direct customers from different sectors and industries.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, reinsurance assets, held-to-maturity securities, available-for-sale securities, loans and advances and other assets and amounts due from associates and jointly-controlled entities, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(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 business units.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. insurance receivables) and the projected cash flows from operations.



SUPPLEMENTARY FINANCIAL INFORMATION (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(4) Capital management

Externally imposed capital requirements are mainly set and regulated by the Hong Kong Insurance Authority. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing any shortfalls between reported and required Relevant Amount, as defined in section 10 of the Hong Kong Insurance Companies Ordinance, on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid or return capital to ordinary shareholders.

The Group fully complied with the externally imposed requirements of Relevant Amount during the reported financial periods and no changes were made to its capital base, objectives, policies and processes for managing capital from the previous year.

The required Relevant Amount is determined by the application of a formula that contains variables for premiums and claims, expenses and reserve items. It also takes into account distribution of assets and investment returns.

In addition, the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, loans from associates and other liabilities, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. As at 30th June, 2011, the Group has no net debt.

(5) Interest rate risk management

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets. Interests on floating rate instruments are repriced at intervals of less than one year. Interests on fixed interest rate instruments are priced at inception of the financial instruments and are fixed until maturity.

(6) 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 its overseas operations, reinsurance and investment activities.

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange positions and will consider hedging those significant foreign currency exposures should the need arise.

SUPPLEMENTARY FINANCIAL INFORMATION (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent more than 99% of its total gross premiums 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 may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which 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.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt 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 the proportional and excess of loss basis with retention limits varying by product line and territory. Excess-of-loss reinsurance is designed to mitigate the Group's net exposure to catastrophe losses. 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 statement of financial position 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 reinsurer 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 long-established business relationship with the reinsurers.

The Group also has limited its exposure to a certain 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 the 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 the shareholders' equity.



SUPPLEMENTARY FINANCIAL INFORMATION (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(8) *Operational risk management*

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

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 errors. 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.

(9) *Equity price risk management*

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as securities measured at fair value through profit or loss and available-for-sale securities as at 30th June, 2011. The Group's listed investments are mainly listed on the stock exchanges of Hong Kong, United States, Thailand stock exchanges and are valued at quoted market prices at the end of the reporting period.

The Group monitors market risk by establishing limits for transactions, open positions and stop-loss. These limits are reviewed and approved by the Investment Committee periodically and are monitored on a daily basis.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit attributable to equity holders of the Company:	HK\$94.3m	+276.6%
Earnings per share:	HK9.3 cents	+272.0%
Interim dividend per share:	HK1.5 cents	+25.0%

Asia Financial Holdings Limited (“Asia Financial”) achieved net profit attributable to shareholders of HK\$94.3 million in the first half of 2011, a 276.6% increase over the same period in 2010. This rise was largely due to increases in profit among joint ventures and associated companies, notably the booking of profits from the Shanghai Jiading residential property development. Stronger market conditions during the period resulted in a sharp fall in unrealized losses on traded portfolio investments. This result was supported by the continued healthy underwriting performance by insurance operations, and by our prudent investment philosophy with its focus on high quality investments.

With the United States facing serious unemployment and budget deficit levels, and Europe suffering slow growth and sovereign debt problems, it is difficult to be optimistic about the second half of 2011. The best scenario is that western economies avoid full-blown crises and markets do not lose confidence, in which case our trading portfolio of good quality bonds and equities would perform adequately. Realistically, however, the outlook is uncertain and we remain cautious given the possibility of market volatility. The economic situation in Hong Kong, China and Asia looks relatively positive, and there is a good chance that China will achieve a ‘soft landing’ following a period of loose fiscal policy and inflation, which would be positive for our operations and those of our joint venture and associate companies. Looking further ahead, we remain confident in the prospects for the insurance, healthcare and other individual and family services sectors in Asia represented by our longer-term direct investments, which form our strategic focus.

Economic Background

Despite weakness in the West, with continued deleveraging suppressing employment, consumption and fixed investment, Asia generally enjoyed healthy economic performance in the first half of 2011, with China recording 9.6% GDP growth and Hong Kong achieving 6.3%. Regional trade and investment has held up well, and these supported Asia Financial’s operational performance and that of its joint ventures and associated companies.

Global markets performed moderately well during the period, with the Dow Jones index showing a six-month rise of 7.2%, while the Hang Seng index declined by 2.8% – a significant improvement on the falls recorded in the same period in 2010. This was reflected in the higher market value of Asia Financial’s equity portfolio investments. Continued low interest rates limited our interest income.

Overview by Investment Segments

Insurance

Wholly owned Asia Insurance’s profit attributable to shareholders rose by a healthy 35.0% in the first half of 2011 compared with the same period in 2010. Underwriting profit fell 6.3%, which is acceptable given exposure to some major events, notably the Japanese earthquake and tsunami, Australian flooding and the New Zealand earthquake. Turnover rose 9.0%, reflecting steady expansion of overall business, particularly medical, employees’ compensation and liability cover. The currently high level of major infrastructure and construction projects in Hong Kong helped to stimulate demand. The continuing soundness of Asia Insurance’s operating results reflects the company’s status as a leader in Hong Kong’s general insurance market with a solid reputation among clients.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Insurance (continued)

As with Asia Financial as a whole, Asia Insurance's investments benefited from the relative strengthening of equities markets in the first half of 2011 versus the same period a year earlier, recording a fall in unrealized losses in the trading portfolio. A re-weighting of the portfolio towards bonds during the period helped to increase interest income. Other income rose, largely reflecting foreign exchange gains following US Dollar weakness. Asia Insurance has no significant direct exposure to vulnerable European sovereign debt and related investments.

Asia Insurance continues to keep costs under control, with staff numbers and agency network size remaining stable despite growth in turnover.

Continuing growth in Hong Kong and the Mainland suggest that Asia Insurance's core underwriting activities should continue this satisfactory performance in the second half of the year, notably in property and casualty underwriting. The main potential dangers are unexpected global volatility connected with sovereign debt problems in the West; as with Asia Financial as a whole, management will maintain a prudent approach towards portfolio management while this uncertainty continues. Looking ahead, the company is monitoring potential opportunities arising from the Hong Kong government's plans to encourage a bigger role for personal health insurance coverage in the community.

Associated and joint venture companies in the insurance segment generally performed well. BC Reinsurance Limited and Hong Kong Life Insurance Limited both achieved healthy improvements in performance, and the People's Insurance Company of China (Hong Kong) Limited enjoyed a solid increase in profit and business turnover. Professional Liability Underwriting Services Limited performed satisfactorily.

PICC Life Insurance Company Limited ("PICC Life"), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. The company reported RMB43.7 billion in premium income for the first half of 2011, up 6.4% on the same period of 2010. All other business performance and risk control indicators showed positive and healthy figures. PICC Life's insurance liability reserves and solvency ratio were maintained at high levels in line with the fast-growing business volume.

Other Portfolio Investment

Asia Financial's other portfolio investments are weighted more towards equities and away from bonds than those of Asia Insurance, but otherwise performed similarly. Year-on-year unrealized losses on trading investments declined by 77.8% compared with the first half of 2010. These improved results largely reflected the rise in major markets during the period and our generally cautious approach, focusing on high-quality trading investments. Net interest income declined somewhat as rates remained low.

Asia Financial has no direct exposure to vulnerable European sovereign debt. Secondary exposure via equity and fund investments is limited by our policy of diversification and focus on quality, while our fixed income investments and derivative instruments are of investment grade or above.

Ever since the extreme volatility of world markets in 2008-2009, we have adopted a particularly prudent attitude towards management of our portfolio investments. In view of the ongoing uncertainty posed in particular by the indebtedness of major western economies, and the very real possibility of volatility in world markets as a result, our investment strategy will be flexible enough to cope with the market changes. Regardless of year-on-year fluctuations in market valuations, we will place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Health Care

Asia Financial's share of profits from its 19.5% stake in Bumrungrad International Limited ("BIL") registered a net loss during the first half of 2011. This follows some consolidation of BIL's business activities in recent years, during which there has been a relatively limited range of suitable new investment opportunities. However, we continue to foresee very healthy prospects for the health care business in Asia and the Middle East, owing to long-term demographic and policy trends, and we will be patient in exploring ways to expand our interests in it. We have expressed an interest to the Hong Kong government in bidding for a hospital site at Wong Chuk Hang on the south of Hong Kong Island.

Pension and Asset Management

The Group's holding in jointly controlled company, Bank Consortium Holding Limited ("BCH"), enjoyed good profit growth in the first half of 2011 owing to asset portfolio growth following the recovery of markets and rising fee income. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong. The government has deferred to next year the granting to employees of the right to transfer their personal contributions to other service providers. This will heighten competition in the market, but we are confident that BCT's commitment to quality client service will give it an edge in retaining and indeed attracting funds.

Property Development

The Group's interests in real estate are focused on Shanghai and Suzhou and represent 5.0% of our total assets. The main project is a residential and commercial complex in Jiading of Shanghai, in which we have a 27.5% stake. Phase 1 of the project largely sold out by the end of 2010, and that part of the profit not booked that year has been booked during this reporting period. Construction of Phase 2 is expected to be completed in the first quarter of 2012, and pre-sales indicate that demand is satisfactory. The development of Phase 3 and another piece of land in the same district are also planned for the future. The total saleable area will be 160,000 square meters and construction will start in 2012.

China's residential property market is subject to a number of factors, including bank lending policy and government efforts to counter speculative activity. We are confident that where financing is concerned, existing capital and cash flow will be sufficient for future projects. We are also confident that our projects contribute to a socially positive housing market, being aimed at middle-class end-users. We will continue to consider new possible opportunities in this sector.

Management Approach and Future Prospects

Asia Financial's management maintains a conservative investment approach and sensible policies in such areas as cost control in the pursuit of long-term growth in shareholder value. We seek good quality investments and avoid unnecessary risk. The underlying quality of our trading portfolios and long-term direct investments at the end of the first half of 2011, following global financial and debt crises that may not yet be over, confirm the value of this approach.

The company has in recent years increasingly focused its sights on acquiring holdings in specific business and geographic sectors with solid but very attractive development prospects. Accumulating and developing such holdings is the strategic priority. It takes precedence over concern about year-on-year fluctuations in the nominal value of the portfolio investments. We are currently witnessing signs of rebalancing and structural shifts in the global economy, which point to the rise of China and other parts of Asia as major potential consuming economies. As an investment company with a focus on insurance, health care and other individual and family services in the region, we continue to see major strategic opportunities for Asia Financial.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Charges on Group Assets

As of 30th June, 2011, Asia Insurance pledged assets with a carrying value of HK\$85.1 million (31st December, 2010: HK\$78.6 million) in favour of the Hong Kong Mortgage Corporation Limited (the “HKMC”) to secure the payments under the HKMC Mortgage Insurance Programme.

Contingent Liabilities

The Company’s unlisted available-for-sale investment, PICC Life, had issued a 10-year subordinated term debt of RMB2.25 billion in September 2008. For this subordinated term debt, PICC Life’s controlling shareholder, the People’s Insurance Company (Group) of China Limited (the “PICC Group”) had provided a master guarantee to the holders of the subordinated term debt for the repayment of principal, debt interest and default penalty amount (if any). As required by the PICC Group, the Company had to issue a counter guarantee to the PICC Group in accordance with the Company’s 5% shareholding in PICC Life.

As at 30th June, 2011, the outstanding counter guarantee amount was RMB112.5 million (approximately HK\$135.5 million) (31st December, 2010: Nil). The counter guarantee will be expired on 25th April, 2019.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2011 was 258 (31st December, 2010: 252). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group’s results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2011. The Group also offers various training and induction programmes to its employees.

DIVIDEND

The Board has resolved to declare an interim cash dividend of HK1.5 cents (2010: HK1.2 cents) per ordinary share for the six months ended 30th June, 2011 payable on or about Friday, 7th October, 2011 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 21st September, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 16th September, 2011 to Wednesday, 21st September, 2011, 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 Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 15th September, 2011.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2011, the interests of the directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), 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	–	–	569,647,712 ⁽¹⁾	569,647,712	55.89
Bernard Charnwut Chan	754,000	–	–	754,000	0.07
Wong Kok Ho	810,000	430,000	–	1,240,000	0.12
Lau Ki Chit	21,080	–	–	21,080	0.00
Ng Song Hin	–	–	11,571,827 ⁽²⁾	11,571,827	1.14
Choedchu Sophonpanich	791,496	–	–	791,496	0.08
Anna Suk Han Chow	41,559	–	–	41,559	0.00

Notes:

- (1) Out of the 569,647,712 shares, (i) 562,817,712 shares were held through Claremont Capital Holdings Ltd and (ii) 6,830,000 shares were held through Robinson Enterprise Ltd. More than one-third of the issued share capital of Claremont Capital Holdings Ltd is held by Cosmos Investments Inc. These corporations or their directors are accustomed to act in accordance with the directions or instructions of Dr. Robin Yau Hing Chan.
- (2) Mr. Ng Song Hin was deemed to be interested in 11,571,827 shares that were held through Cosmic International Inc. which was 40% held by Mr. Ng Song Hin.

In addition to the above, Dr. Robin Yau Hing Chan and Mr. Wong Kok Ho have 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.

Save as disclosed above, as at 30th June, 2011, none of the directors and chief executive had registered an interest or a short position in the shares 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, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30th June, 2011, the following parties have interests or short positions 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, or as otherwise notified to the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Cosmos Investments Inc.	(a), (b)	562,817,712	55.22
Claremont Capital Holdings Ltd	(a)	562,817,712	55.22
Bangkok Bank Public Company Limited		95,488,236	9.37
Sompo Japan Insurance Inc.		52,563,020	5.16
Aioi Nissay Dowa Insurance Company Limited		52,550,175	5.16

Notes:

- (a) *These shares have been included in the interest disclosure of Dr. Robin Yau Hing Chan as set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above.*
- (b) *Cosmos Investments Inc. was deemed to be interested in 562,817,712 shares that were held by Claremont Capital Holdings Ltd since Cosmos Investments Inc. holds more than one-third of the issued share capital of Claremont Capital Holdings Ltd.*

Save as disclosed above, as at 30th June, 2011, no other persons had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30th June, 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the only change in the information of directors of the Company since the date of its Annual Report 2010 is set out below:

Mr. Bernard Charnwut Chan, G.B.S., J.P., retired from his position as an independent non-executive director of Kingboard Laminates Holdings Limited, a company listed on the Stock Exchange, with effect from 4th May, 2011.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standards in 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 standards set out in the Code of Conduct and the Model Code throughout the six months ended 30th June, 2011.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June, 2011.

By Order of the Board
Robin Y.H. Chan
Chairman

Hong Kong, 23rd August, 2011

