



LIU CHONG HING BANK LIMITED

(Stock Code : 1111)

UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Directors of Liu Chong Hing Bank Limited (the "Bank") are pleased to announce the unaudited consolidated results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2006, together with the comparative figures for the last corresponding period. The interim financial report is unaudited, but has been reviewed by Deloitte Touche Tohmatsu, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants, and the Bank's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	6 months ended 30 June 2006 HK\$'000	6 months ended 30 June 2005 HK\$'000
Interest income	1,336,416	668,178
Interest expense	(895,020)	(313,501)
Net interest income	441,396	354,677
Other operating income (Note 4)	137,128	102,498
Operating income	578,524	457,175
Operating expenses (Note 5)	(278,623)	(238,355)
Operating profit before impairment allowances, fair value adjustments and disposal of long term assets	299,901	218,820
Impairment allowances		
– New allowances	(69,544)	(32,209)
– Amounts reversed	31,255	18,440
	(38,289)	(13,769)
Net gain / (loss) on disposal of property and equipment	36	(800)
Net gain on disposal of available-for-sale securities	27,947	22,353
Profit from operations	289,595	226,604
Share of results of jointly controlled entities	6,391	568
Profit before taxation	295,986	227,172
Taxation (Note 6)		
– Hong Kong	(43,563)	(33,704)
– Overseas	81	(177)
– Deferred tax	(3,663)	(1,302)
	(47,145)	(35,183)
Profit for the period	248,841	191,989
Proposed dividend	82,650	78,300
Earnings per share, basic and diluted (Note 7)	HK\$0.57	HK\$0.44
Proposed dividend per share	HK\$0.19	HK\$0.18

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Assets		
Cash and short-term funds (Note 8)	9,638,463	11,798,479
Placements with banks and other financial institutions maturing between one and twelve months	4,210,999	2,029,416
Financial assets at fair value through profit or loss (Note 9)	533,590	854,767
Available-for-sale securities (Note 9)	915,862	801,769
Held-to-maturity securities (Note 9)	13,001,827	9,192,906
Advances and other accounts (Note 10)	25,761,648	24,508,061
Interests in jointly controlled entities	72,101	65,710
Loan to a jointly controlled entity	31,000	31,000
Investment properties	76,860	76,860
Property and equipment	271,605	196,760
Prepaid lease payments for land	299,412	300,969
Deferred tax assets	2,786	6,449
Goodwill	110,606	110,606
Total assets	<u>54,926,759</u>	<u>49,973,752</u>
Liabilities		
Deposits and balances of banks and other financial institutions	736,177	2,263,504
Deposits from customers (Note 11)	47,727,764	41,506,292
Other accounts and accruals	478,461	340,496
Current tax liabilities	60,410	30,324
Total liabilities	<u>49,002,812</u>	<u>44,140,616</u>
Shareholders' equity		
Share capital	217,500	217,500
Reserves	5,706,447	5,615,636
Shareholders' funds	5,923,947	5,833,136
Total liabilities and shareholders' equity	<u>54,926,759</u>	<u>49,973,752</u>

Notes:

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Bank's Annual Report for the year ended 31 December 2005 except for the adoption of certain amended Hong Kong Financial Reporting Standards ("HKFRSs"), amended HKASs and new interpretations ("Interpretations") as disclosed in note 2 below.

2. Impact of amended HKFRSs, amended HKASs and new Interpretations

The HKICPA has issued a number of amended HKFRSs, amended HKASs and new Interpretations, which are effective for accounting periods beginning after 1 January 2006 or 31 December 2005. The Group has adopted the following amended HKFRSs, amended HKASs and new Interpretations which are pertinent to its operations and relevant to this interim financial report.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts
HK(IFRIC) – Int 4	Determining whether an arrangement contains a lease

The adoption of the above-mentioned amended HKFRSs, amended HKASs and new Interpretations have no material effect on how the results for the current or prior accounting periods are prepared and presented.

The Group has not early adopted the following new standard, amendment and new interpretations which have been issued but not yet effective, in this interim financial report.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

The Directors of the Bank anticipate that the application of the above new standard, amendment and new interpretations that have been issued but not yet effective will not have significant impact to the results and financial positions on the Group.

3. Business and geographical segments

(a) Business segments

Segment information by business segments for the six months ended 30 June 2006 is presented below:

INCOME STATEMENT

	Corporate and retail banking	Treasury and foreign exchange activities	Other business activities	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from external customers	751,890	584,526	–	–	1,336,416
Interest expense to external customers	(857,972)	(37,048)	–	–	(895,020)
Inter-segment income <i>(Note)</i>	403,771	–	–	(403,771)	–
Inter-segment expense <i>(Note)</i>	–	(403,771)	–	403,771	–
Net interest income	297,689	143,707	–	–	441,396
Other operating income	61,107	9,253	66,768	–	137,128
Operating income	358,796	152,960	66,768	–	578,524
Impairment allowances	(38,289)	–	–	–	(38,289)
Net gain on disposal of property and equipment	36	–	–	–	36
Net gain on disposal of available-for-sale securities	–	–	27,947	–	27,947
Operating expenses	(150,422)	(10,478)	(22,004)	–	(182,904)
Segment profit	<u>170,121</u>	<u>142,482</u>	<u>72,711</u>	–	385,314
Unallocated corporate expenses					(95,719)
Profit from operations					289,595
Share of results of jointly controlled entities			6,391		6,391
Profit before taxation					295,986
Taxation					(47,145)
Profit for the period					<u>248,841</u>

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

Segment information by business segments for the six months ended 30 June 2005 is presented below:

INCOME STATEMENT

	Corporate and retail banking HK\$'000	Treasury and foreign exchange activities HK\$'000	Other business activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	384,292	283,886	–	–	668,178
Interest expense to external customers	(298,584)	(14,917)	–	–	(313,501)
Inter-segment income <i>(Note)</i>	109,311	–	–	(109,311)	–
Inter-segment expense <i>(Note)</i>	–	(109,311)	–	109,311	–
Net interest income	195,019	159,658	–	–	354,677
Other operating income	47,243	12,118	43,137	–	102,498
Operating income	242,262	171,776	43,137	–	457,175
Impairment allowances	(13,769)	–	–	–	(13,769)
Net gain / (loss) on disposal of property and equipment	(831)	–	31	–	(800)
Net gain on disposal of available-for-sale securities	–	–	22,353	–	22,353
Operating expenses	(151,696)	(9,251)	(10,346)	–	(171,293)
Segment profit	<u>75,966</u>	<u>162,525</u>	<u>55,175</u>	<u>–</u>	293,666
Unallocated corporate expenses					(67,062)
Profit from operations					226,604
Share of results of jointly controlled entities			<u>568</u>		<u>568</u>
Profit before taxation					227,172
Taxation					(35,183)
Profit for the period					<u>191,989</u>

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

(b) Geographical segments

Geographical segmentation is analysed based on the locations of the principal operations of the branches and subsidiaries responsible for reporting the results or booking the assets. For both six months ended 30 June 2005 and 2006, more than 90% of the Group's revenue and profit before taxation were generated by assets booked by the principal operations of the branches and subsidiaries located in Hong Kong.

4. Other operating income

	6 months ended 30 June 2006 HK\$'000	6 months ended 30 June 2005 HK\$'000
Fees and commission income	87,432	58,497
Less: Fees and commission expenses	(2,123)	(1,157)
Net fees and commission income	85,309	57,340
Dividend income	6,865	5,972
Net gains on dealing in foreign currencies	9,322	12,118
Gross rents from properties	1,983	2,243
Less: Outgoings	(362)	(322)
Net rental income	1,621	1,921
Safe deposit box rentals	10,558	10,524
Insurance underwriting	7,457	–
Other banking services income	16,200	14,416
Others	(204)	207
	<u>137,128</u>	<u>102,498</u>

5. Operating expenses

	6 months ended 30 June 2006 HK\$'000	6 months ended 30 June 2005 HK\$'000
Staff costs		
Salaries and other costs	149,497	119,412
Retirement benefits scheme contributions	10,659	9,093
Total staff costs	160,156	128,505
Depreciation	13,933	17,321
Amortisation of prepaid lease payments for land	2,567	5,499
Premises and equipment expenses, excluding depreciation and amortisation of prepaid lease payments for land		
Rentals and rates for premises	22,004	20,868
Others	9,748	7,264
Other operating expenses	70,215	58,898
	<u>278,623</u>	<u>238,355</u>

6. Taxation

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the period.

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

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of HK\$248,841,000 (2005: HK\$191,989,000) and on 435,000,000 (2005: 435,000,000) ordinary shares in issue during the period.

8. Cash and short-term funds

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Cash and balances with banks and other financial institutions	747,170	1,047,503
Money at call and short notice	8,370,827	10,264,463
Exchange fund bills	520,466	486,513
	<u>9,638,463</u>	<u>11,798,479</u>

9. Investments in securities

	Financial assets at fair value through profit or loss				
	Trading assets HK\$'000	Assets designated at fair value HK\$'000	Available-for-sale securities HK\$'000	Held-to-maturity securities HK\$'000	Total HK\$'000
30 June 2006					
Equity securities:					
Listed in Hong Kong	900	–	293,427	–	294,327
Listed overseas	–	–	6,734	–	6,734
	<u>900</u>	<u>–</u>	<u>300,161</u>	<u>–</u>	<u>301,061</u>
Unlisted	–	–	293,062	–	293,062
	<u>900</u>	<u>–</u>	<u>593,223</u>	<u>–</u>	<u>594,123</u>
Debt securities:					
Certificates of deposits held	–	–	–	1,702,073	1,702,073
Other debt securities – Unlisted	–	513,066	322,639	11,299,754	12,135,459
	<u>–</u>	<u>513,066</u>	<u>322,639</u>	<u>13,001,827</u>	<u>13,837,532</u>
Derivatives	19,624	–	–	–	19,624
Total	<u>20,524</u>	<u>513,066</u>	<u>915,862</u>	<u>13,001,827</u>	<u>14,451,279</u>
31 December 2005					
Equity securities:					
Listed in Hong Kong	562	–	268,756	–	269,318
Listed overseas	–	–	6,385	–	6,385
	<u>562</u>	<u>–</u>	<u>275,141</u>	<u>–</u>	<u>275,703</u>
Unlisted	–	–	248,232	–	248,232
	<u>562</u>	<u>–</u>	<u>523,373</u>	<u>–</u>	<u>523,935</u>
Debt securities:					
Certificates of deposits held	–	–	278,396	1,960,915	2,239,311
Other debt securities – Unlisted	–	808,598	–	7,231,991	8,040,589
	<u>–</u>	<u>808,598</u>	<u>278,396</u>	<u>9,192,906</u>	<u>10,279,900</u>
Derivatives	45,607	–	–	–	45,607
Total	<u>46,169</u>	<u>808,598</u>	<u>801,769</u>	<u>9,192,906</u>	<u>10,849,442</u>

10. Advances and other accounts

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Advances to customers		
Bills receivable	440,416	330,409
Trade bills	138,332	131,549
Other advances to customers	<u>24,869,716</u>	<u>23,834,686</u>
	25,448,464	24,296,644
Interest receivable	205,779	196,225
Impairment allowances		
– Individually assessed	(24,294)	(54,640)
– Collectively assessed	(109,495)	(131,933)
	<u>(133,789)</u>	<u>(186,573)</u>
	25,520,454	24,306,296
Advances to banks and other financial institutions	56,985	57,209
	<u>25,577,439</u>	<u>24,363,505</u>
Other accounts	184,209	144,556
	<u>25,761,648</u>	<u>24,508,061</u>
Details of the impaired loans are as follows:		
Gross impaired loans	560,395	642,788
Less: Impairment allowances under individual assessment	<u>(24,294)</u>	<u>(54,640)</u>
Net impaired loans	<u>536,101</u>	<u>588,148</u>
Gross impaired loans as a percentage of gross advances to customers	<u>2.20%</u>	<u>2.65%</u>
Market value of collateral pledged	<u>545,846</u>	<u>617,345</u>

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

11. Deposits from customers

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Demand deposits and current accounts	2,132,081	2,144,820
Savings deposits	7,194,219	6,462,001
Time, call and notice deposits	<u>38,401,464</u>	<u>32,899,471</u>
	<u>47,727,764</u>	<u>41,506,292</u>

12. Reserves

	6 months ended 30 June 2006 HK\$'000	6 months ended 30 June 2005 HK\$'000
At beginning of period	5,615,636	5,439,182
Revaluation gains of available-for-sale securities	40,904	49
Exchange differences arising from translation of foreign operations	1,327	(454)
Profit for the period	248,841	191,989
Reversal of reserves upon disposal of available-for-sale securities	(17,561)	(6,561)
Final dividend paid	<u>(182,700)</u>	<u>(174,000)</u>
At end of period	<u>5,706,447</u>	<u>5,450,205</u>

SUPPLEMENTARY INFORMATION

1. Advances to customers - by industry sectors

The Group's gross advances to customers (including advances booked in overseas branches and subsidiaries) are analysed and reported by industry sectors according to the usage of the loans and / or business activities of the borrowers as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
– Property development	1,756,557	1,609,344
– Property investment	5,550,694	5,853,131
– Financial concerns	1,564,722	1,229,845
– Stockbrokers	324,307	321,693
– Wholesale and retail trade	652,652	569,231
– Manufacturing	1,019,326	839,950
– Transport and transport equipment	319,199	210,865
– Others	4,580,350	4,461,475
Individuals		
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	739,392	790,925
– Loans for the purchase of other residential properties	3,447,830	3,403,990
– Credit card advances	89,660	125,134
– Others	1,320,141	1,222,148
	21,364,830	20,637,731
Trade finance	778,123	653,624
Loans for use outside Hong Kong	3,305,511	3,005,289
	<u>25,448,464</u>	<u>24,296,644</u>

2. Advances to customers - by geographical areas

The Group's gross advances to customers by countries or geographical areas after taking into account any risk transfers are as follows:

	Total advances		Advances overdue for over three months	
	30 June 2006 HK\$'000	31 December 2005 HK\$'000	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Hong Kong	22,699,499	21,712,908	476,736	510,679
People's Republic of China	307,466	346,814	149,695	165,146
Macau	1,242,071	1,131,352	–	–
America	345,487	554,673	–	–
Others	853,941	550,897	–	–
	<u>25,448,464</u>	<u>24,296,644</u>	<u>626,431</u>	<u>675,825</u>

3. Cross-border claims

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

	30 June 2006			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	8,597,423	67,243	1,039,728	9,704,394
– of which – Australia	2,848,036	705	2,926	2,851,667
North and South America	1,899,355	14,713	1,213,826	3,127,894
Europe	12,537,816	1,577	591,223	13,130,616
– of which – United Kingdom	3,181,426	679	255,502	3,437,607
– of which – Germany	<u>2,893,157</u>	<u>726</u>	<u>4,578</u>	<u>2,898,461</u>
	31 December 2005			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	6,544,341	63,428	1,188,122	7,795,891
– of which – Australia	3,053,656	1,077	102,101	3,156,834
North and South America	1,490,869	16,235	991,315	2,498,419
Europe	11,244,111	2,259	383,957	11,630,327
– of which – United Kingdom	2,696,447	1,099	356,529	3,054,075
– of which – Germany	<u>3,666,446</u>	<u>999</u>	<u>8,603</u>	<u>3,676,048</u>

4. Overdue and rescheduled advances

	30 June 2006		31 December 2005	
	Gross advances HK\$'000	% to total advances	Gross advances HK\$'000	% to total advances
Advances overdue for				
– 6 months or less but over 3 months	36,337	0.1	62,520	0.3
– 1 year or less but over 6 months	50,410	0.2	24,381	0.1
– Over 1 year	539,684	2.1	588,924	2.4
Total overdue advances	<u>626,431</u>	<u>2.4</u>	<u>675,825</u>	<u>2.8</u>
Rescheduled advances	<u>282,063</u>	<u>1.1</u>	<u>300,473</u>	<u>1.2</u>
Secured overdue amounts	611,827		655,448	
Unsecured overdue amounts	<u>14,604</u>		<u>20,377</u>	
Total overdue advances	<u>626,431</u>		<u>675,825</u>	
Market value of securities held against secured overdue advances	<u>896,740</u>		<u>977,315</u>	

There were no advances to banks and other financial institutions or other assets which were overdue for over 3 months as at 30 June 2006 and 31 December 2005, nor were there any rescheduled advances to banks and other financial institutions.

Reposessed assets held by the Group as at 30 June 2006 amounted to HK\$116,880,000 (31 December 2005: HK\$146,822,000).

5. Currency risk

The Group's foreign currency exposures arising from non-trading and structural position which constitute 10% or more of the total net position in all foreign currencies are as follows:

	30 June 2006			
	USD	MOP	RMB	Total
Equivalent in thousands of HK\$				
Spot assets	11,053,028	81,652	266,524	11,401,204
Spot liabilities	(10,674,131)	(86,561)	(260,360)	(11,021,052)
Forward purchases	99,058	–	–	99,058
Forward sales	(464,178)	–	–	(464,178)
Net long / (short) position	<u>13,777</u>	<u>(4,909)</u>	<u>6,164</u>	<u>15,032</u>
				MOP
Net structural position				<u>48,545</u>
	31 December 2005			
	USD	MOP	RMB	Total
Equivalent in thousands of HK\$				
Spot assets	10,218,181	84,168	302,187	10,604,536
Spot liabilities	(10,120,222)	(74,005)	(294,232)	(10,488,459)
Forward purchases	72,533	–	–	72,533
Forward sales	(156,901)	(4,004)	–	(160,905)
Net long position	<u>13,591</u>	<u>6,159</u>	<u>7,955</u>	<u>27,705</u>
				MOP
Net structural position				<u>48,545</u>

6. The contractual or notional amounts of each of the following classes of off-balance sheet exposures outstanding are:

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Contingent liabilities and commitments – contractual amounts		
– Direct credit substitutes	1,045,414	972,847
– Trade-related contingencies	353,158	371,150
– Other commitments	9,006,476	7,896,143
– Capital commitments	291,364	369,588
	<u>10,696,412</u>	<u>9,609,728</u>
Derivatives – notional amounts		
– Exchange rate contracts	439,871	111,566
– Interest rate swap contracts	411,803	657,654

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

	30 June 2006		31 December 2005	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	N/A	3,106,431	N/A	2,820,689
Exchange rate contracts	59	935	451	514
Interest rate contracts	19,624	9,403	45,607	17,490
	<u>19,683</u>	<u>3,116,769</u>	<u>46,058</u>	<u>2,838,693</u>

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

Replacement cost is the cost of replacing all contracts that have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking the outstanding contracts to market. Replacement cost is a close approximation of the credit risk for these contracts at the balance sheet date.

7. Capital adequacy and liquidity ratio

	30 June 2006	31 December 2005
	%	%
Capital adequacy ratio	<u>14.79</u>	<u>15.20</u>
	6 months ended	6 months ended
	30 June 2006	30 June 2005
	%	%
Average liquidity ratio for the period	<u>55.39</u>	<u>48.73</u>

The capital adequacy ratio is calculated as the ratio, expressed as a percentage, of the capital base to the risk assets, as specified in the Third Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Chong Hing Finance Limited, Liu Chong Hing Banking Corporation, Cayman, Right Way Investments Limited, and Gallbraith Limited.

The average liquidity ratio is calculated as the ratio, expressed as a percentage, of the average of each calendar month's average ratio, as specified in the Fourth Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Chong Hing Finance Limited, Liu Chong Hing Banking Corporation, Cayman, Right Way Investments Limited, and Gallbraith Limited.

8. Other financial information

The components of the total capital base after deductions as reported under Part I of the Capital Adequacy Return are as follows:

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Core capital		
Paid up ordinary share capital	217,500	217,500
Share premium account	1,542,817	1,542,817
Reserves (eligible for inclusion in core capital)	<u>3,429,280</u>	<u>3,266,501</u>
	5,189,597	5,026,818
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	24,722	24,722
Reserves on revaluation of holding of securities not held for trading purposes	45,439	40,646
Impairment allowance under collective assessment and regulatory reserve	<u>255,332</u>	<u>254,770</u>
Total capital base before deductions	5,515,090	5,346,956
Deductions from total capital base	<u>(538,038)</u>	<u>(493,223)</u>
Total capital base after deductions	<u>4,977,052</u>	<u>4,853,733</u>

COMPLIANCE WITH THE SUPERVISORY POLICY MANUAL “INTERIM FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORISED INSTITUTIONS”

The Bank has fully complied with the Supervisory Policy Manual “Interim Financial Disclosure by Locally Incorporated Authorised Institutions” which was issued by the Hong Kong Monetary Authority.

INTERIM DIVIDEND

The Directors have declared an interim cash dividend for 2006 of HK\$0.19, payable on Thursday, 21 September 2006 to shareholders whose names are on the Register of Members on Friday, 15 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Wednesday, 13 September 2006 to Friday, 15 September 2006 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the 2006 interim dividend in question, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Bank’s Share Registrars and Transfer Office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:00 pm on Tuesday, 12 September 2006.

PURCHASE, SALE OR REDEMPTION OF THE BANK’S LISTED SECURITIES

Neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any of the Bank’s listed securities for the year ended 30 June 2006.

CORPORATE GOVERNANCE

The directors confirm that, for the accounting period for the six months ended 30 June 2006, the Bank has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Corporate Governance Code”) except, under the Bank’s Articles of Association, one-third (or, if the quotient resulting from the division of the number of directors by three is not a whole number, the number nearest one-third) of the directors for the time being, who have been longest in office since their last election, shall be subject to retirement by rotation and re-election at each annual general meeting. As between persons who became directors on the same day, those to retire shall (unless they otherwise agree between themselves) be determined by drawing lots. And as to those persons additionally appointed as directors or appointed as directors to fill casual vacancies by the board, they shall hold office only until the next following annual general meeting and shall then be eligible for re-election (but not to be taken into account in determining the directors or the number of directors who are to retire by rotation) at that annual general meeting. The directors consider the Bank’s practice to be an appropriate alternative to that recommended under A.4.1 and A.4.2 of the Corporate Governance Code in respect of the appointment of non-executive directors for a specific term and the retirement by rotation of directors.

Furthermore, the Bank has adopted a code for securities transactions by directors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Model Securities Transactions Code”). After specific enquiry by the Bank, all of the directors confirmed that, for the accounting period for the six months ended 30 June 2006, they had complied with the required standards as set out in both the Model Securities Transactions Code and the Bank’s own code in question.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Bank’s Interim Report 2006, as well as this announcement of interim results, containing the relevant information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

REVIEW AND PROSPECTS

The Hong Kong economy continued to grow robustly in the first half of 2006. The gross domestic product of the territory increased noticeably, marking the upward trend for the eleventh quarter in a row. The economy expanded rapidly over a wide spectrum, tending towards a full recovery. On the external front: although the business environment still faces various unknowns, Hong Kong's export trades continued to grow on the back of the flourishing markets in both the Euro zone and the United States. Re-export trades continued to surge, evidencing that Hong Kong plays a major role in promoting the flow of commerce between the mainland and other parts of the world. The service industry, having performed well in 2005, continued to boom. The inbound tourism industry led the pack, fuelling the sustained vitality of the transit and transportation, hotel, restaurant, and retail industries, among others. On the internal front: the growth in personal consumption figures expanded in the first half of the year, thanks mainly to the boost brought about by the improvement in the employment situation as well as the increase in income, and partly to the improvement in the quality of the assets held by the populace and the effect of the resultant wealth occasioned by the increase in stock values and the rebound of the property market. Although interest rates were further raised during the period, consumption sentiment remained optimistic in the light of consistently moderate inflationary pressure.

The United States started to raise interest rates more than two years ago. This rate-hiking cycle, which affects the whole world, is currently showing signs of gradually reaching the peak. The changing of the guard at the helm of the US Federal Reserve Board earlier this year only saw the continued implementation of its already established monetary policy. With the exception of the decision earlier this August to leave the federal funds rate unchanged, the US Federal Reserve Board had consistently raised rates by 25 basis points after each of its policy meetings. This had an adverse effect on the interest rates of the local currency, which is pegged to the greenback. Investment sentiment subsided and the property market gradually simmered down. Property developers had hardly launched any new developments for sale in the first half of the year, thereby shackling banks' mortgage business in the area of primary market properties. Banks, in order to maintain their bread and butter, had to settle for mortgages for secondary market properties and mortgage refinancing while reducing mortgage rates to attract customers. The intensity of the competition, therefore, calls for no further elaboration. On the other hand, ever since the deregulation of the interest rate rules some years ago, banks, large and small, have competed fiercely for customer deposits by offering higher rates. Deposit rates published by banks are merely for reference only and banks would generally volunteer to offer rates higher than those published so as to lure customers. This has substantially increased funding costs for banks. Competition in the area of lending business has also intensified, squeezing interest margins even further. It is, therefore, easy to see that banks' profits have been affected under these difficult operating conditions.

The Bank's unaudited, consolidated results for the first half of this year improved markedly in comparison with those of the corresponding period last year. Net interest income rose 24.45 percent to HK\$441.396 million. Operating profit before impairment allowances increased 37.05 percent to HK\$299.901 million. Impairment allowances newly made for the first half of this year rose significantly by 115.91 percent to HK\$69.544 million from HK\$32.209 million for the corresponding period last year. However, the impairment allowances reversed during the period increased sharply by 69.50 percent to HK\$31.255 million from HK\$18.44 million for the corresponding period last year. As such, impairment allowances for the first half of this year increased 178.08 percent to HK\$38.289 million. Profit attributable to shareholders amounted to HK\$248.841 million, an increase of 29.61 percent. As of 30 June 2006, total customers' deposits increased 14.99 percent to HK\$47.728 billion compared with the corresponding figure as of 31 December 2005. Total loans and advances to customers (after impairment allowances) increased 4.99 percent over the corresponding figure as of 31 December 2005 to HK\$25.520 billion. Total assets amounted to HK\$54.927 billion, an increase of 9.91 percent over the corresponding figure as of 31 December 2005. As of 30 June 2006, unadjusted capital adequacy ratio fell 2.70 percent to 14.79 percent against the corresponding ratio as of 31 December 2005. Average liquidity ratio for the six months ended 30 June 2006 rose 13.67 percent to 55.39 percent against the corresponding ratio last year. As of 30 June 2006, loan-to-deposit ratio stood at 47.91 percent, a drop of 5.48 percent against the corresponding ratio as of 31 December 2005. Earnings per share for the first half of 2006 amounted to HK\$0.57, a 29.61 percent increase (amounting to a rise of HK\$0.13 per share) over the corresponding figure for the first half of 2005. The increase in profit is due mainly to the continual recovery of the local economy and the satisfactory growth of our deposit-taking and lending business, not to mention the benefits reaped from our having a large pool of liquid funds in a rising interest rate environment.

The once rather thriving property market and the hi-tech fad have both cooled down. In the light of the gradual slackening of economic growth and the coming under control of inflationary pressure, the US Federal Reserve Board has hinted that the rate-hiking cycle is nearing its end soon. It is expected that interest rate-sensitive industries, such as the securities, real estate and banking industries, would be on the go. The stock markets have recently risen from their lows and the property developers have also been positioning themselves to launch their new development projects to the market shortly. Mortgage business can thus be expected to resume picking up momentum gradually. Competition will, however, continue to be keen. Banks will have to operate by a "large-volume-yet-slim-profit" policy in order to increase their market share. Looking ahead, the banking industry can expect to have a more stable development. We have hence capitalized on the current good economic environment by vigorously expanding our branch network so as to serve a broader clientele.

BOARD OF DIRECTORS

As of the date of this announcement, the executive directors of the Bank are Mr Liu Lit Man (Executive Chairman), Dr Liu Lit Mo (Vice Chairman), Mr Liu Lit Chi (Managing Director & Chief Executive Officer), Mr Don Tit Shing Liu (Executive Director & Deputy Chief Executive Officer), Mr Wilfred Chun Ning Liu, Mr Lau Wai Man, Mr Frank Shui Sang Jin, Mr Andrew Chiu Wing Tsang and Mr George Har Kar Wong; the non-executive directors are Mr Timothy George Freshwater, Mr Toshiaki Arai, Mr Andrew Liu, Mr Sun Jiakang, Mr Christopher Kwun Shing Liu, Mr Alfred Cheuk Yu Chow and Mr Wang Zhi; and the independent non-executive directors are Dr Robin Yau Hing Chan, Mr Wanchai Chiranakhorn and Mr Cheng Yuk Wo.

By Order of the Board

Liu Lit Man

Executive Chairman

16 August 2006

Please also refer to the published version of this announcement in SCMP.