

星展銀行（香港）有限公司
DBS BANK (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

**GROUP INTERIM FINANCIAL INFORMATION
DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED
30TH JUNE 2006**

DBS BANK (HONG KONG) LIMITED

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DBS BANK (HONG KONG) LIMITED

The Directors of DBS Bank (Hong Kong) Limited (the “Bank”) are pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30th June 2006 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	For the six months ended			
	30th June 2006	As restated 30th June 2005	Change	
	Note	HK\$'000	HK\$'000	%
Interest income		5,298,666	3,136,439	68.9
Interest expense		(2,722,811)	(1,195,105)	127.8
Net interest income		2,575,855	1,941,334	32.7
Other operating income	2	644,701	670,901	-3.9
Operating income		3,220,556	2,612,235	23.3
Operating expenses	3	(1,415,831)	(1,263,419)	12.1
Operating profit before impairment allowances		1,804,725	1,348,816	33.8
Impairment allowances		(177,989)	(141,138)	26.1
Operating profit		1,626,736	1,207,678	34.7
Net gain on disposal of fixed assets and lease premium for land	4	280,363	25,227	1,011.4
Impairment of fixed assets		–	(2,529)	-100.0
Fair value adjustment on investment properties		3,383	6,885	-50.9
Net gain on disposal of available-for-sale securities		52,783	53,440	-1.2
Profit before taxation		1,963,265	1,290,701	52.1
Taxation	5	(289,762)	(207,665)	39.5
Profit attributable to shareholders		1,673,503	1,083,036	54.5
Dividends		2,800,000	1,029,600	172.0

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED BALANCE SHEET

		As at 30th June 2006	As at 31st December 2005	Change %
	Note	HK\$'000	HK\$'000	
Assets				
Cash and short-term funds		28,350,457	18,950,002	49.6
Placements with banks maturing between one and twelve months		11,010,202	11,093,471	-0.8
Trade bills less impairment allowances	6	2,131,040	1,889,115	12.8
Certificates of deposit held		3,041,114	2,195,972	38.5
Trading securities		2,318,215	2,496,098	-7.1
Advances to customers less impairment allowances	7	112,348,811	109,383,928	2.7
Available-for-sale securities		29,698,413	32,877,711	-9.7
Deferred tax assets		85,803	85,920	-0.1
Fixed assets		994,093	1,203,602	-17.4
Lease premium for land		2,157,327	2,344,011	-8.0
Positive replacement values	8	1,167,489	954,453	22.3
Other assets	9	4,780,761	2,791,278	71.3
Total assets		<u>198,083,725</u>	<u>186,265,561</u>	6.3
Liabilities				
Deposits and balances of banks		2,064,386	2,277,937	-9.4
Trading liabilities		7,202,692	4,971,799	44.9
Deposits from customers	10	152,232,747	141,784,625	7.4
Certificates of deposit issued		4,536,030	6,269,719	-27.7
Negative replacement values	8	2,384,065	1,836,007	29.9
Other liabilities		9,376,719	7,730,571	21.3
Amount due to a jointly controlled entity		661,650	672,839	-1.7
Current income tax liabilities		247,774	84,808	192.2
7.75% fixed rate subordinated notes		2,032,042	2,028,445	0.2
Total liabilities		<u>180,738,105</u>	<u>167,656,750</u>	7.8
Equity				
Share capital		5,200,000	5,200,000	-
Reserves		12,145,620	13,408,811	-9.4
Total equity		<u>17,345,620</u>	<u>18,608,811</u>	-6.8
Total liabilities and equity		<u>198,083,725</u>	<u>186,265,561</u>	6.3

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Investments Revaluation Reserve HK\$'000	General Reserve HK\$'000	Retained Earnings HK\$'000 <i>(Note)</i>	Total Equity HK\$'000
Balance as at 1st January 2006	5,200,000	595,503	11,636	(267,927)	2,398,792	10,670,807	18,608,811
Change in fair value of available-for-sale securities	-	-	-	(87,182)	-	-	(87,182)
Exchange differences arising from translation of net investments in overseas branches and subsidiary companies	-	-	-	-	-	383	383
Profit attributable to shareholders	-	-	-	-	-	1,673,503	1,673,503
Reserve transferred to income statement upon disposal of available-for-sale securities	-	-	-	(49,895)	-	-	(49,895)
Dividends	-	-	-	-	-	(2,800,000)	(2,800,000)
Balance as at 30th June 2006	<u>5,200,000</u>	<u>595,503</u>	<u>11,636</u>	<u>(405,004)</u>	<u>2,398,792</u>	<u>9,544,693</u>	<u>17,345,620</u>

Note: In accordance with the guidance note from the Hong Kong Monetary Authority, an authorised institution is required to hold a regulatory reserve in excess of impairment allowances. As a result, retained earnings of HK\$288,871,000 was earmarked as at 30th June 2006 (31st December 2005: HK\$249,691,000).

DBS BANK (HONG KONG) LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Premises Revaluation Reserve <i>HK\$'000</i>	Investment Properties Revaluation Reserve <i>HK\$'000</i>	Investments Revaluation Reserve <i>HK\$'000</i>	General Reserve <i>HK\$'000</i>	Retained Earnings <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
Balance as at 31st December 2004									
– as previously reported	5,200,000	595,503	11,636	940,675	81,500	94,341	2,398,792	9,123,370	18,445,817
– adjustments due to change in accounting policies including HKAS17 and HKFRS2	–	–	–	(940,675)	–	–	–	138,409	(802,266)
– as restated	5,200,000	595,503	11,636	–	81,500	94,341	2,398,792	9,261,779	17,643,551
On adoption of HKAS39	–	–	–	–	–	52,495	–	259,103	311,598
On adoption of HKAS40	–	–	–	–	(81,500)	–	–	78,953	(2,547)
As restated at 1st January 2005	5,200,000	595,503	11,636	–	–	146,836	2,398,792	9,599,835	17,952,602
Change in fair value of available-for-sale securities	–	–	–	–	–	(369,770)	–	–	(369,770)
Exchange differences arising from translation of net investments in overseas branches and subsidiary companies	–	–	–	–	–	–	–	(57)	(57)
Profit attributable to shareholders	–	–	–	–	–	–	–	2,100,629	2,100,629
Reserve transferred to income statement upon disposal of available-for-sale securities	–	–	–	–	–	(69,321)	–	–	(69,321)
Deferred taxation	–	–	–	–	–	24,328	–	–	24,328
Dividends	–	–	–	–	–	–	–	(1,029,600)	(1,029,600)
Balance as at 31st December 2005	<u>5,200,000</u>	<u>595,503</u>	<u>11,636</u>	<u>–</u>	<u>–</u>	<u>(267,927)</u>	<u>2,398,792</u>	<u>10,670,807</u>	<u>18,608,811</u>

DBS BANK (HONG KONG) LIMITED

REVIEW OF ACTIVITIES

Hong Kong's economy continued to see robust performance and solid growth in the first half of 2006. External trade was boosted by buoyant trade flows with Mainland China and intra-regional trade. In early June, the unemployment rate fell to 4.9%, the lowest level since 2001. With the improving employment outlook and continued strong inbound tourism, consumer spending and retail sales have benefited. In spite of rising interest rates, investment expenditure on fixed assets was resilient.

With increasing interdependence of the economies of Mainland China and Hong Kong, the Bank continued its strategy to further expand its Mainland China business. The Bank opened a branch in Suzhou in April 2006 following the opening of a representative office in Hangzhou in the second half of 2005. Corporate and Investment Banking Division continued to achieve good loan growth especially in the SME business in the Pearl River Delta area. On the retail side, the Bank continued launching new products to the market.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Adoption of new and revised accounting standards

The adoption of new and revised accounting standards or interpretations effective for the annual periods beginning on or after 1st January 2006 did not result in material changes to the Group's accounting policies. This interim financial information disclosure statements have been prepared on a basis consistent with the accounting policies adopted in the audited 2005 annual financial statements.

2. Other operating income

	For the six months ended		
	30th June 2006	As restated 30th June 2005	Change
	HK\$'000	HK\$'000	%
Fees and commission income	792,537	649,582	22.0
Less: fees and commission expenses	(154,847)	(117,814)	31.4
Net fees and commission income	637,690	531,768	19.9
Net income from foreign exchange operations	316,290	252,216	25.4
Net loss from treasury related activities (<i>Note</i>)	(322,414)	(129,600)	148.8
Dividend income from listed investments	2,538	6,560	-61.3
Dividend income from unlisted investments	4,140	4,140	-
Others	6,457	5,817	11.0
	<u>644,701</u>	<u>670,901</u>	-3.9

Note: Net loss from treasury related activities includes gains and losses from financial instruments and gains from sales of treasury and treasury investment products.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Operating expenses

	For the six months ended		Change %
	30th June 2006 <i>HK\$'000</i>	As restated 30th June 2005 <i>HK\$'000</i>	
Staff costs			
– Salaries and other short term employee benefits	767,689	629,494	22.0
– Pensions	37,681	34,066	10.6
– Share based payments	7,091	25,756	-72.5
Premises and equipment expenses excluding depreciation			
– Amortisation of lease premium for land	24,146	23,893	1.1
– Rental of premises	42,768	29,745	43.8
– Others	96,490	85,257	13.2
Depreciation	67,639	72,378	-6.5
Auditors' remuneration	4,581	3,859	18.7
Other operating expenses	367,746	358,971	2.4
	<u>1,415,831</u>	<u>1,263,419</u>	12.1

4. Net gain on disposal of fixed assets and lease premium for land

On 18th May 2006, the Bank sold its office premises at 139 Queen's Road Central for a cash consideration of HK\$655 million, and the premises were derecognised on the balance sheet as at that date. A net gain of HK\$267 million, being the excess of the consideration received over the net book value and after deducting sale expenses, has been recognised in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Taxation

(a) Taxation in the consolidated income statement represents:

	For the six months ended		Change %
	30th June 2006 HK\$'000	30th June 2005 HK\$'000	
Hong Kong profits taxation			
– Current year	282,560	213,222	32.5
– Overprovision in prior years	–	(5,000)	-100.0
Overseas taxation	7,085	539	1,214.5
	<u>289,645</u>	<u>208,761</u>	38.7
Current taxation	289,645	208,761	38.7
Deferred taxation	117	(1,096)	NM
	<u>289,762</u>	<u>207,665</u>	39.5

Hong Kong profits tax has been provided at 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation for overseas subsidiaries and branches are charged at the appropriate current rates of taxation ruling in the countries in which they operate.

(b) The deferred taxation charged/ (credited) in the consolidated income statement comprises the following temporary differences:

	For the six months ended		Change %
	30th June 2006 HK\$'000	30th June 2005 HK\$'000	
Accelerated depreciation allowances	(1,834)	(5,255)	-65.1
Impairment allowances	1,359	3,408	-60.1
Fair value adjustment on investment properties	592	751	-21.2
	<u>117</u>	<u>(1,096)</u>	NM

NM: Not meaningful

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Trade bills less impairment allowances

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000	Change %
Trade bills	2,182,683	1,931,291	13.0
Impairment allowances			
– Collective impairment allowances	(22,949)	(17,394)	31.9
– Individual impairment allowances	(28,694)	(24,782)	15.8
	<u>2,131,040</u>	<u>1,889,115</u>	12.8

7. Advances to customers less impairment allowances

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000	Change %
Advances to customers			
– Corporate	66,906,783	62,367,743	7.3
– Individuals	47,065,831	48,598,800	-3.2
	113,972,614	110,966,543	2.7
Impairment allowances			
– Collective impairment allowances	(896,603)	(914,099)	-1.9
– Individual impairment allowances	(727,200)	(668,516)	8.8
	<u>112,348,811</u>	<u>109,383,928</u>	2.7

8. Positive replacement values/ negative replacement values

Positive replacement values and negative replacement values represent the replacement values of derivative financial instruments.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Other assets

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>	Change %
Accrued interest	671,770	684,202	-1.8
Other accounts	4,108,991	2,107,076	95.0
	<u>4,780,761</u>	<u>2,791,278</u>	71.3

10. Deposits from customers

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>	Change %
Demand deposits and current accounts	8,791,962	8,978,602	-2.1
Savings deposits	28,920,421	27,413,893	5.5
Time, call and notice deposits (<i>Note</i>)	114,520,364	105,392,130	8.7
	<u>152,232,747</u>	<u>141,784,625</u>	7.4

Note: Included in the time, call and notice deposits are structured deposits amounted to HK\$16,132,207,000 as at 30th June 2006 (31st December 2005: HK\$18,344,388,000) which are financial liabilities designated at fair value through profit or loss.

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment:

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>	Change %
Direct credit substitutes	1,023,601	922,049	11.0
Transaction-related contingencies	276,875	294,791	-6.1
Trade-related contingencies	6,215,990	5,190,623	19.8
Forward forward deposits placed	9,393,405	3,256,428	188.5
Other commitments with an original maturity of under one year or which are unconditionally cancellable	68,279,400	62,742,377	8.8
Other commitments with an original maturity of one year and over	57,058	73,380	-22.2
	<u>85,246,329</u>	<u>72,479,648</u>	17.6
Credit risk weighted amount	<u>4,069,289</u>	<u>2,555,339</u>	59.2

12. Derivative financial instruments

The contract/notional amounts, credit risk weighted amounts and replacement costs of derivative financial instruments are disclosed as follows:

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>	Change %
Equity contracts	6,951,494	8,438,422	-17.6
Exchange rate contracts	291,620,527	100,534,320	190.1
Interest rate contracts	134,319,182	113,683,646	18.2
	<u>432,891,203</u>	<u>222,656,388</u>	94.4
Credit risk weighted amount	<u>1,352,077</u>	<u>508,444</u>	165.9
Replacement cost	<u>2,626,456</u>	<u>2,156,115</u>	21.8

DBS BANK (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Derivative financial instruments (continued)

The above amounts are shown on a gross basis without taking into account the effect of bilateral netting arrangements and include all embedded derivatives.

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk.

The credit risk-weighted amount is the amount which has been calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amount calculated is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

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

13. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in current period.

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Capital adequacy and liquidity ratios

	As at 30th June 2006	As at 31st December 2005
Capital adequacy ratio	<u>15.37%</u>	<u>17.93%</u>
Adjusted capital adequacy ratio	<u>15.14%</u>	<u>17.71%</u>
	For the six months ended	
	30th June 2006	30th June 2005
Average liquidity ratio for the period	<u>41.97%</u>	<u>48.72%</u>

The capital adequacy ratio represents the combined ratio of the Bank as required by the Hong Kong Monetary Authority for its regulatory purposes, and is computed in accordance with the Third Schedule of the Banking Ordinance.

The adjusted capital adequacy ratio represents the capital adequacy ratio adjusted to take into account market risk as at the balance sheet date computed in accordance with the guideline "Maintenance of Adequate Capital against Market Risks" issued by the Hong Kong Monetary Authority.

The average liquidity ratio is the simple average of each calendar month's average liquidity ratio for the relevant period calculated for the Hong Kong offices of the Bank, and is in accordance with the Fourth Schedule of the Banking Ordinance.

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

2. Components of total capital base after deductions

The capital base after deductions used in the calculation of the above capital adequacy ratios as at 30th June 2006 and 31st December 2005 and reported to the Hong Kong Monetary Authority is analysed as follows:

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Core capital		
Paid up ordinary share capital	5,200,000	5,200,000
Share premium	595,503	595,503
Reserves (eligible for inclusion in core capital)	11,358,092	12,546,919
	<u>17,153,595</u>	<u>18,342,422</u>
Eligible supplementary capital		
Reserve on revaluation of land and interests in land	62,841	60,887
Reserve on revaluation of holding of securities not held for trading purposes	(417,496)	(280,062)
Collective impairment allowances and regulatory reserve	1,181,011	1,148,028
Term subordinated debt	406,408	811,378
	<u>1,232,764</u>	<u>1,740,231</u>
Total capital base before deductions	18,386,359	20,082,653
Deductions from total capital base	(239,516)	(258,941)
Total capital base after deductions	<u>18,146,843</u>	<u>19,823,712</u>

The capital base represents the capital base of the Bank as at period end computed in accordance with the Third Schedule of the Banking Ordinance.

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

3. Currency concentrations

<i>HK\$' million</i>	USD	Others	Total
As at 30th June 2006			
Hong Kong dollar equivalents			
Spot assets	43,252	18,410	61,662
Spot liabilities	(43,330)	(17,635)	(60,965)
Forward purchases	53,227	8,972	62,199
Forward sales	(54,067)	(9,801)	(63,868)
Net option position	(118)	150	32
	<u>(1,036)</u>	<u>96</u>	<u>(940)</u>
Net (short)/long non-structural position			
Net structural position	<u>–</u>	<u>247</u>	<u>247</u>
As at 31st December 2005			
Hong Kong dollar equivalents			
Spot assets	44,191	18,732	62,923
Spot liabilities	(42,872)	(18,186)	(61,058)
Forward purchases	21,499	2,795	24,294
Forward sales	(21,847)	(3,287)	(25,134)
Net option position	(21)	(18)	(39)
	<u>950</u>	<u>36</u>	<u>986</u>
Net long non-structural position			
Net structural position	<u>–</u>	<u>343</u>	<u>343</u>

The net structural position as at 30th June 2006 represented the Group's Renminbi investment of HK\$229,000,000 (31st December 2005: HK\$214,000,000) equivalent in Mainland China, and Macau Pataca (MOP) investment of HK\$18,000,000 (31st December 2005: HK\$129,000,000) equivalent in Macau.

The net option position is calculated based on the worst-case approach set out in the prudential return "Foreign Currency Position" issued by the Hong Kong Monetary Authority.

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4. Gross advances to customers * – by loan usage

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>	Change %
Loans for use in Hong Kong			
Industrial, commercial and financial			
– Property development	271,503	219,388	23.8
– Property investment	15,006,412	14,075,278	6.6
– Financial concerns	585,390	523,921	11.7
– Stockbrokers	82,940	124,795	-33.5
– Wholesale and retail trade	2,594,149	2,240,217	15.8
– Manufacturing	6,598,286	6,352,956	3.9
– Transport and transport equipment	9,907,612	9,653,793	2.6
– Others	4,812,157	4,358,549	10.4
Individuals			
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,327,647	2,500,998	-6.9
– Loans for the purchase of other residential properties	34,342,444	35,844,169	-4.2
– Credit card advances	5,087,493	5,513,423	-7.7
– Others	4,874,205	4,534,312	7.5
	<u>86,490,238</u>	<u>85,941,799</u>	0.6
Trade finance	20,359,678	18,406,410	10.6
Loans for use outside Hong Kong	<u>8,237,156</u>	<u>7,671,099</u>	7.4
	<u><u>115,087,072</u></u>	<u><u>112,019,308</u></u>	2.7

* Gross advances to customers include trade bills receivable from customers and advances to customers.

5. Gross advances to customers – by geographical areas

Over 90% of the gross advances to customers, which include trade bills receivable from customers and advances to customers, and the related overdue advances were located in Hong Kong after taking into account the transfer of risks. In general, transfer of risks applies when an advance is guaranteed by a party in a country which is different from that of the counterparty.

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

6. Cross-border claims

Cross-border claims which include financial claims on balances due from banks and other financial institutions, advances to customers, trade bills, certificates of deposit held, trading securities and available-for-sale securities by location and type of counterparty are as follows:

<i>HK\$' million</i>	Banks and other financial institutions	Public sector entities	Others	Total
As at 30th June 2006				
Asia Pacific excluding Hong Kong	28,489	582	4,591	33,662
North and South America	3,252	202	338	3,792
Europe	24,147	8	541	24,696
Others	16	–	856	872
	<u>55,904</u>	<u>792</u>	<u>6,326</u>	<u>63,022</u>
As at 31st December 2005				
Asia Pacific excluding Hong Kong	17,286	653	4,350	22,289
North and South America	3,345	277	337	3,959
Europe	31,399	8	656	32,063
Others	23	–	449	472
	<u>52,053</u>	<u>938</u>	<u>5,792</u>	<u>58,783</u>

The above analysis by geographical areas is based on the location of the counterparty after taking into account the transfer of risks. In general, transfer of risks applies when an advance is guaranteed by a party in a country which is different from that of the counterparty.

DBS BANK (HONG KONG) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

7. Impaired advances

	As at 30th June 2006 <i>HK\$'000</i>	% of gross advances to customers*	As at 31st December 2005 <i>HK\$'000</i>	% of gross advances to customers*
Gross impaired advances subject to individual impairment allowances assessment	1,953,238	1.70	1,860,457	1.66
Individual impairment allowances	<u>(755,894)</u>		<u>(693,298)</u>	
	<u><u>1,197,344</u></u>		<u><u>1,167,159</u></u>	

The individual impairment allowances were made after taking into account the value of collateral in respect of such advances.

* Gross advances to customers include trade bills receivable from customers and advances to customers.

8. Overdue and rescheduled advances

(a) Overdue advances to customers and trade bills receivable from customers

The overdue advances are analysed as follows:

	As at 30th June 2006 <i>HK\$'000</i>	% of gross advances to customers*	As at 31st December 2005 <i>HK\$'000</i>	% of gross advances to customers*
Six months or less but over three months	342,197	0.30	354,079	0.32
One year or less but over six months	368,903	0.32	267,211	0.24
Over one year	<u>494,795</u>	0.43	<u>430,251</u>	0.38
	<u><u>1,205,895</u></u>	1.05	<u><u>1,051,541</u></u>	0.94

* Gross advances to customers include trade bills receivable from customers and advances to customers.

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

8. Overdue and rescheduled advances (continued)

(b) Rescheduled advances

The rescheduled advances (net of those which have been overdue for over three months and reported in item (a) above) are analysed as follows:

	As at 30th June 2006 <i>HK\$'000</i>	% of gross advances to customers*	As at 31st December 2005 <i>HK\$'000</i>	% of gross advances to customers*
Rescheduled advances	<u>198,800</u>	0.17	<u>211,696</u>	0.19

* Gross advances to customers include trade bills receivable from customers and advances to customers.

(c) Repossessed assets

Assets acquired by repossession of collateral for realisation continue to be reported as advances. Allowance is made on the shortfall between the expected sales proceeds from realisation of the repossessed assets and the outstanding advances. At 30th June 2006, the repossessed assets of the Group amounted to HK\$74,376,000 (31st December 2005: HK\$87,736,000).

STATEMENT OF COMPLIANCE

In preparing the interim financial information disclosure statements for the first half of 2006, the Bank has fully complied with the disclosure standards set out in the "Interim Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority.

Hong Kong, 19th July 2006