



PUBLIC FINANCIAL HOLDINGS LIMITED

stock code: 626



特低樓宇按揭利率
首三年低至 3.3%
加碼優惠

樓宇按揭服務

- 利率特低
- 現金回贈
- 快速展期

大眾銀行(香港)
PUBLIC BANK (HONG KONG)



Interim Report 2007

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CORPORATE INFORMATION

Board of Directors

Non-executive Chairman

Tan Sri Dato' Sri Dr. Teh Hong Piow,
also Founder and Chairman of
Public Bank Berhad

Executive Directors

Tan Yoke Kong
Lee Huat Oon

Non-executive Directors

Dato' Sri Tay Ah Lek
Dato' Chang Kat Kiam
Wong Kong Ming

Independent Non-executive Directors

Tan Sri Dato' Thong Yaw Hong (*Co-Chairman*)
Dato' Yeoh Chin Kee
Lee Chin Guan

Joint Secretaries

Tan Yoke Kong
Chan Sau Kuen

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

1105-7 Wing On House
71 Des Voeux Road Central
Hong Kong
Telephone : (852) 2525 9351
Facsimile : (852) 2845 0681
Website : www.publicfinancial.com.hk

Share Listing

Main Board of The Stock Exchange
of Hong Kong Limited
Stock Code : 626

Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Registrar

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185

Auditors

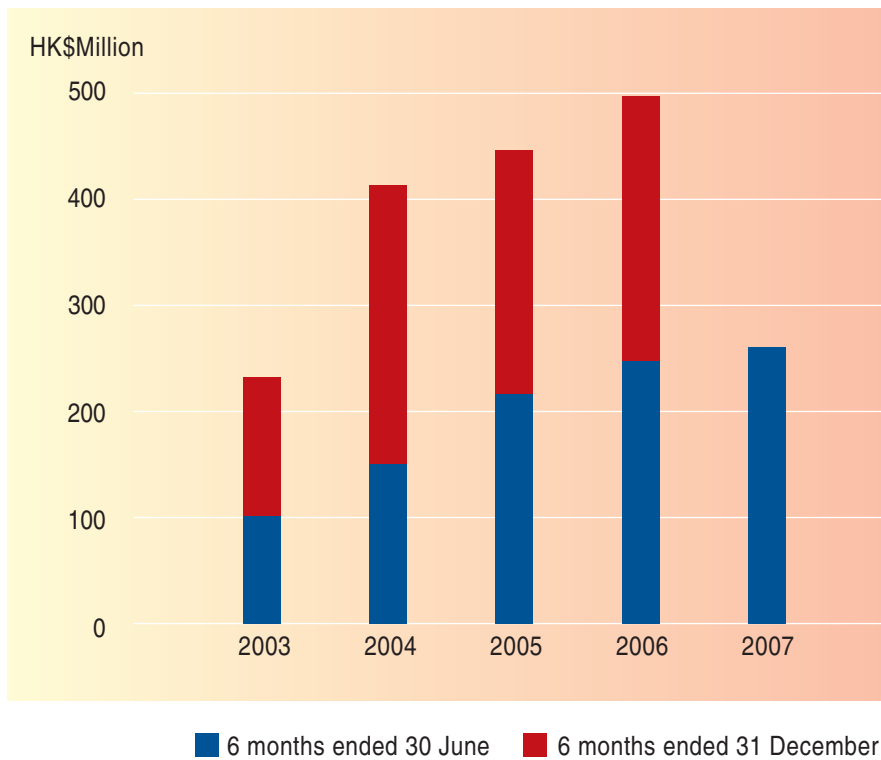
Ernst & Young
Certified Public Accountants

The Board of Directors of Public Financial Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest income		877,797	584,812
Interest expense		(404,919)	(147,112)
NET INTEREST INCOME		472,878	437,700
Gains less losses from disposal of available-for-sale security investments		17,827	–
Other operating income	5	129,305	86,471
Non-interest income		147,132	86,471
OPERATING INCOME		620,010	524,171
Operating expenses	6	(214,585)	(139,683)
OPERATING PROFIT BEFORE IMPAIRMENT LOSS AND ALLOWANCES		405,425	384,488
Impairment loss and allowances for loans and advances and receivables		(89,698)	(92,950)
OPERATING PROFIT		315,727	291,538
SHARE OF PROFITS AND LOSSES OF A JOINTLY-CONTROLLED ENTITY		–	–
PROFIT BEFORE TAX		315,727	291,538
Tax	7	(54,773)	(43,989)
PROFIT FOR THE PERIOD		260,954	247,549
ATTRIBUTABLE TO:			
Equity holders of the holding company		260,954	247,549
DIVIDENDS	8	54,695	54,695
EARNINGS PER SHARE (HK\$)	9		
Basic		0.239	0.278
Diluted		0.239	0.277

FIVE-YEAR PROFIT HIGHLIGHT



CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
ASSETS			
Cash and short term placements	10	5,147,847	2,295,219
Placements with banks and financial institutions maturing between one and twelve months	11	1,871,968	566,773
Securities designated at fair value through profit or loss		10,213	10,213
Loans and advances and receivables	12	16,123,097	13,694,636
Available-for-sale security investments		75,238	75,632
Held-to-maturity securities	13	3,086,900	3,679,604
Inventories of taxi licences		24,097	24,105
Investment properties	14	127,150	196,666
Property, plant and equipment	15	91,779	71,003
Land lease prepayments	16	626,497	562,030
Interests in jointly-controlled entity		1,676	1,676
Deferred tax assets		15,469	17,849
Other assets	17	242,002	273,863
Goodwill		2,774,403	2,774,403
Intangible assets	18	358	725
TOTAL ASSETS		30,218,694	24,244,397
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost	19	3,600,288	516,097
Customer deposits at amortised cost	20	17,173,012	14,853,655
Certificates of deposit issued at amortised cost	21	2,179,418	769,674
Declared dividend		54,695	218,779
Bank loans	22	1,200,000	2,000,000
Current tax payable		64,715	32,810
Deferred tax liabilities		64,332	64,332
Other liabilities	23	356,307	469,002
TOTAL LIABILITIES		24,692,767	18,924,349
EQUITY			
Issued capital		109,390	109,390
Reserves	24	5,416,537	5,210,658
TOTAL EQUITY		5,525,927	5,320,048
TOTAL EQUITY AND LIABILITIES		30,218,694	24,244,397

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITYFor the six months ended
30 June

2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
---------------------------------	---------------------------------

TOTAL EQUITY

Balance at beginning of period	5,320,048	2,393,434
Rights issue, net of expenses	-	2,661,135
Net movement of available-for-sale investment revaluation reserve and total income and expense recognised directly in equity	(380)	14,329
Profit for the period	260,954	247,549
Dividends declared on shares	(54,695)	(54,695)
	206,259	192,854
Balance at end of period	5,525,927	5,261,752

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM:		
OPERATING ACTIVITIES	5,077,608	511,271
INVESTING ACTIVITIES	(23,267)	(1,623,981)
FINANCING ACTIVITIES	(1,018,779)	4,369,429
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,035,562	3,256,719
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,063,456	458,009
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,099,018	3,714,728
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and short term placements	344,329	3,320,770
Short-term bank loan	–	(15,000)
Money at call and short notice with original maturity within three months	4,686,248	–
Placements with banks and financial institutions with original maturity within three months	1,553,728	408,958
Held-to-maturity securities with original maturity within three months	514,713	–
	7,099,018	3,714,728

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of compliance and accounting policies

These interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements of the “Guideline on the Application of the Banking (Disclosure) Rules” under the Supervisory Policy Manuals issued by the Hong Kong Monetary Authority (“HKMA”). The Company has complied with capital requirements related to capital base and capital adequacy ratio as stipulated by HKMA.

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2006 Annual Report except for the adoption of new HKFRSs and HKASs as disclosed in note 3 below.

2. Basis of consolidation

The subsidiaries consolidated for accounting purpose and which are members of the consolidated group are as follows:

- Public Bank (Hong Kong) Limited (“Public Bank (Hong Kong)”) and its subsidiaries including Public Bank (Nominees) Limited, PB Finance Limited, Public Investments Limited, Public Realty Limited, Public Credit Limited, Public Futures Limited, Public Pacific Securities Limited and Public Financial Securities Limited.
- Public Finance Limited (“Public Finance”) and its subsidiaries including Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited.
- Winton (B.V.I) Limited and its subsidiaries including Winton Holdings (Hong Kong) Limited, Winton Financial Limited, Winton Motors, Limited and Winsure Company Limited.

The companies included in the computation of the consolidated capital adequacy ratio of the Company for regulatory purpose are as follows:

- the Company
- Public Bank (Hong Kong)
- Public Finance

3. Impact of new HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs, and HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2007. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2007 which are pertinent to its operations and relevant to these interim financial statements.

- | | |
|----------------------|---|
| • 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 |
| • HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |

The revised HKAS 1 will affect the disclosures of qualitative information about the Group’s objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Impact of new HKFRSs and HKASs (continued)

The HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates major disclosure requirements of HKAS 32.

The HK(IFRIC)-Int 7 addresses requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and requires an entity to restate its financial statements in accordance with HKAS 29.

The HK(IFRIC)-Int 8 addresses the application of HKFRS 2 to particular transactions in which the entity cannot identify specifically some or all of the goods or services received.

The HK(IFRIC)-Int 9 addresses the application of HKAS 39 that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, and prohibits subsequent reassessment throughout the life of the contract except for exceptional circumstances.

The HK(IFRIC)-Int 10 addresses the interaction between the requirements of HKAS 34 and the recognition of impairment losses on goodwill in HKAS 36 and certain financial assets in HKAS 39 and that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

There was no material impact on the basis of preparation of the unaudited condensed consolidated balance sheet and condensed income statement arising from the above-mentioned accounting standards except for information related to disclosure requirements of HKAS 1 Amendment which had been disclosed in the interim financial statements.

4. Impact of issued but not yet effective HKFRSs and HKASs

The Group has not applied the following new and revised HKFRSs and HKASs, which have been issued but are not yet effective, in these interim financial statements:

- | | |
|----------------------|---|
| • HKFRS 8 | Operating Segments |
| • HKAS 23 (Revised) | Borrowing Costs |
| • HK(IFRIC) – Int 11 | HKFRS 2 Group and Treasury Share Transactions |
| • HK(IFRIC) – Int 12 | Service Concession Arrangements |

HKFRS 8 (effective for accounting period beginning on or after 1 January 2009) supersedes HKAS 14, Segment Reporting, under which segments were identified and reported on the basis of a risk and return analysis. Items were reported on the basis of the accounting policies used for external reporting. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker or an authorised qualified staff of the entity. Items are reported based on internal reporting.

HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 January 2009.

HK(IFRIC) – Int 11 and HK(IFRIC) – Int 12 shall be applied for annual periods beginning on or after 1 March 2007 and 1 January 2008 respectively.

The Group expects that the adoption of the above pronouncements will not have significant impact on the Group's results of operations and financial position as at the date of the interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Other operating income

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees and commission income:		
Retail and commercial banking	93,875	68,773
Securities	14,770	7,081
	108,645	75,854
Less: Fees and commission expenses	(674)	(220)
Net fees and commission income	107,971	75,634
Gross rental income	6,464	4,920
Less: Direct operating expenses	(43)	(70)
Net rental income	6,421	4,850
Gains less losses arising from dealing in foreign currencies	9,743	2,086
Gain on disposal of securities designated at fair value through profit or loss	-	223
Loss on securities designated at fair value through profit or loss	-	(52)
Gain on disposal of property, plant and equipment	541	174
Dividends from listed investments	958	549
Dividends from unlisted investments	980	780
Others	2,691	2,227
	129,305	86,471

No fees and commission income and expenses related to financial assets and liabilities designated at fair value through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Operating expenses

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other staff costs	101,232	60,126
Pension contributions	5,833	3,936
Less: Forfeited contributions	(94)	(100)
Net pension contributions	5,739	3,836
	106,971	63,962
Other operating expenses:		
Operating lease rentals on leasehold buildings	14,640	11,494
Depreciation of property, plant and equipment	5,991	4,617
Amortisation of land lease prepayments	2,944	1,385
Auditors' remuneration	1,501	988
Amortisation and write-off of commission expenses	336	40
Impairment loss of intangible asset	367	–
Administrative and general expenses	21,991	11,969
Others	59,844	45,228
	214,585	139,683

As at 30 June 2007, the Group had no material forfeited contributions available to reduce its contributions to the pension scheme in future years (2006: Nil). The current period credits arose in respect of staff who left the scheme during the period.

7. Tax

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge:		
Hong Kong	52,395	44,785
Elsewhere	1,298	622
Over provisions in prior years	(1,300)	(1,700)
Deferred tax charge	2,380	282
	54,773	43,989

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and its subsidiaries and a jointly-controlled entity are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	For the six months ended 30 June 2007					
	(Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>307,071</u>		<u>8,656</u>		<u>315,727</u>	
Tax at the applicable tax rate	53,737	17.5	1,298	15.0	55,035	17.4
Estimated tax effect of net expense that is not deductible for tax	1,865	0.6	-	-	1,865	0.6
Estimated tax losses from previous periods utilised	(898)	(0.3)	-	-	(898)	(0.3)
Estimated tax losses not recognised	71	-	-	-	71	-
Adjustments in respect of current tax of previous periods	<u>(1,300)</u>	<u>(0.4)</u>	<u>-</u>	<u>-</u>	<u>(1,300)</u>	<u>(0.4)</u>
Tax charge at the Group's effective rate	<u>53,475</u>	<u>17.4</u>	<u>1,298</u>	<u>15.0</u>	<u>54,773</u>	<u>17.3</u>

	For the six months ended 30 June 2006					
	(Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>287,391</u>		<u>4,147</u>		<u>291,538</u>	
Tax at the applicable tax rate	50,293	17.5	622	15.0	50,915	17.5
Estimated tax effect of net income that is not taxable	(5,095)	(1.7)	-	-	(5,095)	(1.7)
Estimated tax losses from previous periods utilised	(157)	(0.1)	-	-	(157)	(0.1)
Estimated tax losses not recognised	26	-	-	-	26	-
Adjustments in respect of current tax of previous periods	<u>-</u>	<u>-</u>	<u>(1,700)</u>	<u>(41.0)</u>	<u>(1,700)</u>	<u>(0.6)</u>
Tax charge at the Group's effective rate	<u>45,067</u>	<u>15.7</u>	<u>(1,078)</u>	<u>(26.0)</u>	<u>43,989</u>	<u>15.1</u>

8. Dividends

	For the six months ended 30 June			
	2007	2006	2007	2006
	HK\$ per ordinary share		HK\$'000	HK\$'000
Interim dividend	<u>0.05</u>	<u>0.05</u>	<u>54,695</u>	<u>54,695</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK\$260,954,000 (2006: HK\$247,549,000) and the weighted average number of 1,093,896,618 (2006: 890,427,818) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period of HK\$260,954,000 (2006: HK\$247,549,000) and on the weighted average number of 1,093,896,618 (2006: 892,532,909) ordinary shares, being the weighted average number of 1,093,896,618 (2006: 890,427,818) ordinary shares in issue during the period as used in the basic earnings per share calculation and nil ordinary shares was assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period (2006: weighted average number of 2,105,091).

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period, used in the basic and diluted earnings per share calculation	<u>260,954</u>	<u>247,549</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,093,896,618	890,427,818
Weighted average number of ordinary shares assumed to be issued at no consideration on deemed exercise of all share options outstanding during the period	-	2,105,091
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>1,093,896,618</u>	<u>892,532,909</u>
Diluted earnings per share (HK\$)	<u>0.239</u>	<u>0.277</u>

10. Cash and short term placements

	30 June	31 December
	2007	2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	672,970	289,424
Money at call and short notice	<u>4,474,877</u>	<u>2,005,795</u>
	<u>5,147,847</u>	<u>2,295,219</u>

The short term placements approximate their fair values, and over 90% of the placements are rated with grading of Baa2 or above based on the rating of an external credit agency, Moody's.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

11. Placements with banks and financial institutions maturing between one and twelve months

The Group's maturity profile of the placements with banks and financial institutions maturing between one and twelve months as at 30 June 2007 and 31 December 2006 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Repayable:		
Within three months or less	1,725,260	481,966
Within one year or less but over three months	146,708	84,807
	<u>1,871,968</u>	<u>566,773</u>

The placements with banks and financial institutions maturing between one and twelve months approximate their fair values, and over 90% of the placements are rated with grading of Baa2 or above based on the rating of an external credit agency, Moody's.

12. Loans and advances and receivables

(a) Advances to customers and receivables

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Loans and advances to customers	16,019,808	13,676,597
Trade bills	151,089	98,381
	<u>16,170,897</u>	<u>13,774,978</u>
Interest receivable	108,518	113,916
	<u>16,279,415</u>	<u>13,888,894</u>
Other receivables	65,898	68,473
	<u>16,345,313</u>	<u>13,957,367</u>
Impairment allowances for advances to customers and receivables:		
Individual impairment allowances	(64,777)	(104,785)
Collective impairment allowances	(157,439)	(157,946)
	<u>(222,216)</u>	<u>(262,731)</u>
	<u>16,123,097</u>	<u>13,694,636</u>

Certain loans and advances and receivables were secured by properties, taxi licences, taxi cabs, shares, cash and other collateral.

Over 90% of the loans and advances and receivables are unrated exposures. The carrying amount of loans and advances and other receivables, net of impairment allowances, approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Loans and advances and receivables (continued)

(a) Advances to customers and receivables (continued)

Included in loans and advances and receivables are receivables in respect of assets leased under finance leases as set out below:

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Amounts receivable under finance leases:				
Within one year	451,059	316,476	408,197	293,704
In the second to fifth years, inclusive	906,811	512,858	826,497	482,119
Over five years	2,945,840	1,664,776	2,466,746	1,468,776
	4,303,710	2,494,110	3,701,440	2,244,599
Less: Unearned finance income	(1,809,600)		(1,456,841)	
Present value of minimum lease payments receivable	2,494,110		2,244,599	

The Group has entered into finance lease arrangements with customers in respect of motor vehicles and equipment. The terms of the finance leases entered into range from 1 to 25 years.

The maturity profile of loans and advances to customers and receivables as at 30 June 2007 and 31 December 2006 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Repayable:		
On demand	233,417	481,847
Within three months or less	2,400,293	2,141,654
Within one year or less but over three months	2,109,738	2,009,319
Within five years or less but over one year	5,564,716	4,228,162
After five years	5,802,598	4,772,898
Undated	234,551	323,487
	16,345,313	13,957,367

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Loans and advances and receivables (continued)

(b) Gross amount of overdue and impaired loans and advances and other receivables

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Gross overdue loans and advances				
Overdue for:				
Six months or less but over three months	75,488	0.5	80,142	0.6
One year or less but over six months	42,342	0.3	49,930	0.4
Over one year	64,629	0.4	148,895	1.1
Total overdue loans and advances	182,459	1.2	278,967	2.1
Rescheduled loans and loss accounts	23,493	0.1	18,913	0.1
Total impaired loans and advances	205,952	1.3	297,880	2.2
Other receivables	21,902		26,995	
Total impaired loans and advances and other receivables	227,854		324,875	
Impairment allowances for overdue and impaired loans and advances and other receivables				
Individual impairment allowances	(31,325)		(104,785)	
Collective impairment allowances	(130,688)		(128,608)	
	(162,013)		(233,393)	
	65,841		91,482	
Rescheduled loans	45,279		2,719	
Individual impairment allowances	(33,452)		–	
	11,827		2,719	

Interest accrual of overdue and impaired loans and advances amounted to less than 1% of total gross loans and advances and is considered immaterial to the Group. Accordingly, the aforesaid interest accrual is not disclosed in the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Loans and advances and receivables (continued)

- (c) The amount of impaired loans and advances and other receivables which are individually determined to be impaired and their related individual impairment allowances and collateral are as follows:

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Individually determined impaired loans and advances	50,203	0.3	140,680	1.0
Other receivables	21,902		26,995	
	<u>72,105</u>		<u>167,675</u>	
Individual impairment allowances	<u>31,325</u>		<u>104,785</u>	
Collateral	<u>95,114</u>		<u>218,213</u>	

- (d) Impairment allowances for loans and advances and receivables

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Balance at beginning of period/year	262,731	190,679
Recoveries	36,089	67,538
Charge for the period/year	125,787	278,363
Amounts released	(36,089)	(67,538)
Net charge to the consolidated income statement	89,698	210,825
Amounts written off	(166,302)	(282,661)
Acquisition of subsidiaries	-	76,350
Balance at end of period/year	<u>222,216</u>	<u>262,731</u>

- (e) Repossessed assets

The total value of the repossessed assets of the Group amounted to HK\$25,456,000 (2006: HK\$21,679,000).

- (f) The value of collateral held in respect of its overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current market value of collateral held against the covered portion of overdue loans and advances	<u>58,951</u>	<u>180,717</u>
Covered portion of overdue loans and advances	<u>23,229</u>	<u>115,693</u>
Uncovered portion of overdue loans and advances	<u>159,230</u>	<u>163,274</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Held-to-maturity securities

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Debt securities and exchange fund bills, at amortised cost:		
– listed in Hong Kong	19,982	19,980
– listed outside Hong Kong	–	46,661
– unlisted*	3,066,918	3,612,963
	3,086,900	3,679,604
Market value of listed held-to-maturity securities	19,240	66,158

* Included certificates of deposit held of HK\$614,976,000 (2006: HK\$564,186,000) and treasury bills of HK\$177,230,000 (2006: HK\$99,224,000).

The held-to-maturity securities analysed by issuers as at 30 June 2007 and 31 December 2006 were as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Central government and central banks	177,230	99,224
Public sector entities	–	23,329
Banks and other financial institutions	2,627,826	3,214,200
Corporate entities	281,844	342,851
	3,086,900	3,679,604

The maturity profile of held-to-maturity securities as at 30 June 2007 and 31 December 2006 is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Repayable:		
Within three months or less	913,753	1,133,079
Within one year or less but over three months	1,776,864	506,222
Within five years or less but over one year	328,093	1,902,156
Over five years	68,190	138,147
	3,086,900	3,679,604

Over 90% of exposures attributed to the held-to-maturity securities are rated with grading of Baa2 or above based on credit rating of an external credit agency, Moody's.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Investment properties

	<i>HK\$'000</i>
At valuation:	
At 1 January 2006	147,987
Acquisition of subsidiaries	21,660
Disposals	(3,700)
	<hr/>
Carrying amount before change in fair value	165,947
Change in fair value	30,719
	<hr/>
At 31 December 2006 and 1 January 2007	196,666
Transfer to owner-occupied property	(69,516)
	<hr/>
At 30 June 2007	<u>127,150</u>

15. Property, plant and equipment

	Leasehold buildings <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At 1 January 2006	24,177	73,220	2,746	100,143
Acquisition of subsidiaries	41,751	10,640	696	53,087
Additions	-	6,044	-	6,044
Disposals/write-off	(9)	(4,315)	(658)	(4,982)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006 and 1 January 2007	65,919	85,589	2,784	154,292
Additions	-	25,070	-	25,070
Transfer from investment properties	2,105	-	-	2,105
Disposals/write-off	-	(14,280)	-	(14,280)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	68,024	96,379	2,784	167,187
Accumulated depreciation:				
At 1 January 2006	6,573	69,488	2,746	78,807
Provided during the year	1,194	7,274	41	8,509
Disposals/write-off	(5)	(3,847)	(175)	(4,027)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006 and 1 January 2007	7,762	72,915	2,612	83,289
Provided during the period	767	5,184	40	5,991
Disposals/write-off	-	(13,872)	-	(13,872)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	8,529	64,227	2,652	75,408
Net book value:				
At 30 June 2007	<u>59,495</u>	<u>32,152</u>	<u>132</u>	<u>91,779</u>
At 31 December 2006	<u>58,157</u>	<u>12,674</u>	<u>172</u>	<u>71,003</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Land lease prepayments

	<i>HK\$'000</i>
Cost:	
At 1 January 2006	269,130
Acquisition of subsidiaries	328,499
Disposals	(82)
	<u>597,547</u>
At 31 December 2006 and 1 January 2007	597,547
Transfer from investment properties	67,411
	<u>664,958</u>
At 30 June 2007	664,958
Accumulated amortisation and impairment:	
At 1 January 2006	35,562
Provided during the year	4,670
Disposals	(21)
Reversal of an impairment loss	(4,694)
	<u>35,517</u>
At 31 December 2006 and 1 January 2007	35,517
Provided during the period	2,944
	<u>38,461</u>
At 30 June 2007	38,461
Net book value:	
At 30 June 2007	<u>626,497</u>
At 31 December 2006	<u>562,030</u>

17. Other assets

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Interest receivable from authorised institutions	38,231	51,439
Other debtors, deposits and prepayments	185,884	209,644
Positive fair values of derivatives (Note 26(b))	17,887	12,780
	<u>242,002</u>	<u>273,863</u>

The Group's interest receivable from authorised institutions was current in nature at 30 June 2007 and 31 December 2006. The current and non-current portion of the Group's other debtors, deposits and prepayments were HK\$176,870,000 and HK\$9,014,000 (2006: HK\$201,032,000 and HK\$8,612,000) respectively.

The carrying amounts of the other debtors, deposits and prepayments approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)***18. Intangible assets**

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<hr/>		
Cost:		
At beginning of period/year	725	126
Acquisition of subsidiaries	–	599
Impairment	(367)	–
	<hr/>	<hr/>
At end of period/year	358	725
	<hr/>	<hr/>

19. Deposits and balances of banks and other financial institutions at amortised cost

The Group's maturity profile of deposits and balances of banks and other financial institutions as at 30 June 2007 and 31 December 2006 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<hr/>		
Repayable:		
On demand	26,887	12,811
Within three months or less	989,567	493,324
Within one year or less but over three months	28,753	9,962
	<hr/>	<hr/>
	1,045,207	516,097
Connected deposits	2,555,081	–
	<hr/>	<hr/>
	3,600,288	516,097
	<hr/>	<hr/>

The connected deposits were repayable and subject to renewal by the ultimate holding company within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Customer deposits at amortised cost

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Demand deposits and current accounts	596,769	640,534
Savings deposits	2,039,874	2,016,059
Time, call and notice deposits	14,536,369	12,197,062
	<u>17,173,012</u>	<u>14,853,655</u>

The Group's maturity profile of customer deposits as at 30 June 2007 and 31 December 2006 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Repayable:		
On demand	2,643,191	2,662,221
Within three months or less	12,866,552	10,582,550
Within one year or less but over three months	1,146,487	1,083,649
Within five years or less but over one year	31,961	40,414
	<u>16,688,191</u>	<u>14,368,834</u>
Connected deposits	484,821	484,821
	<u>17,173,012</u>	<u>14,853,655</u>

The connected deposits were repayable and subject to renewal by a fellow subsidiary within one year.

21. Certificates of deposit issued at amortised cost

All the certificates of deposit issued are measured at amortised cost. The Group's maturity profile of certificates of deposit issued as at 30 June 2007 and 31 December 2006 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Repayable:		
Within three months or less	420,300	249,979
Within one year or less but over three months	959,806	419,751
Within five years or less but over one year	799,312	99,944
	<u>2,179,418</u>	<u>769,674</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

22. Bank loans

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Unsecured bank loans	<u>1,200,000</u>	<u>2,000,000</u>
Repayable: In the second to fifth years, inclusive	<u>1,200,000</u>	<u>2,000,000</u>

The bank loans are denominated in Hong Kong dollars. The carrying amounts of the bank loans approximate to their fair values and bear interests at floating interest rates and the effective interest rate at 5.13% (2006: 4.74%) per annum.

23. Other liabilities

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Creditors, accruals and interest payable	336,848	454,834
Amount due to the ultimate holding company	41	541
Provision for long service payments	3,085	3,892
Negative fair values of derivatives (Note 26(b))	16,333	9,735
	<u>356,307</u>	<u>469,002</u>

As the trade payables were immaterial to the Group, the maturity profile thereof has not been disclosed. The other liabilities, other than the provision for long service payments, were current in nature.

The carrying amounts of the creditors, accruals and interest payable approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

24. Reserves

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Share premium account:		
At beginning of period/year	3,988,219	1,364,179
Premium, net of expense, arising on rights issue	-	2,624,040
At end of period/year	3,988,219	3,988,219
Capital redemption reserve	829	829
Contributed surplus	96,116	96,116
Available-for-sale investment revaluation reserve:		
At beginning of period/year	68,565	25,618
Transfer to income statement for the disposal of available-for-sale security investments	(17,827)	-
Change in fair value	17,447	42,947
At end of period/year	68,185	68,565
Employee share-based compensation reserve	45,765	45,765
Regulatory reserve:		
At beginning of period/year	95,881	85,400
Transfer from retained profits	27,511	10,481
At end of period/year	123,392	95,881
Retained profits:		
At beginning of period/year	915,283	702,601
Profit for the period/year	260,954	496,637
Dividend declared and paid	(54,695)	(273,474)
Transfer to regulatory reserve	(27,511)	(10,481)
At end of period/year	1,094,031	915,283
	5,416,537	5,210,658

25. Operating lease arrangements

As at 30 June 2007, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	26,998	25,804
In the second to fifth years, inclusive	18,770	18,225
	45,768	44,029

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)***26. Off-balance sheet exposures**

- (a) Contingent liabilities and commitments

The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments of the Group outstanding:

	30 June 2007		Risk weighted amount (Unaudited) HK\$'000
	Contractual amount (Unaudited) HK\$'000	Replacement cost (Unaudited) HK\$'000	
Direct credit substitutes	144,690	–	82,815
Transaction-related contingencies	4,923	–	1,435
Trade-related contingencies	124,892	–	23,327
Forward deposits placed	39,714	–	7,943
Forward asset purchases	23,452	–	4,690
Foreign exchange rate contracts	5,257,367	14,422	–
Interest rate swap and future contracts	550,000	–	–
Other commitments with an original maturity of:			
Not more than one year	–	–	–
More than one year	365,399	–	182,699
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,862,963	–	–
Capital commitments contracted for, but not provided in the financial statements	12,807	–	12,807
	10,386,207	14,422	315,716

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk weighted amounts are calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments and from 0% to 50% for exchange rate contracts. Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market.

As at 30 June 2007 and 31 December 2006, the Company had no other material outstanding contingent liabilities and commitments save as disclosed above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

26. Off-balance sheet exposures (continued)

(b) Derivatives

The following tables set out the summary of the contractual amounts, fair values and credit risk weighted amounts of each significant type of derivatives:

	30 June 2007 (Unaudited)		
	Contractual amount HK\$'000	Fair values of assets HK\$'000	Fair values of liabilities HK\$'000
Derivatives held for trading:			
Foreign exchange rate contracts	5,257,367	16,467	14,686
Interest rate swaps	550,000	1,420	1,647
	<u>5,807,367</u>	<u>17,887</u>	<u>16,333</u>
	31 December 2006 (Audited)		
	Contractual amount HK\$'000	Fair values of assets HK\$'000	Fair values of liabilities HK\$'000
Derivatives held for trading:			
Foreign exchange rate contracts	5,286,409	11,434	8,129
Interest rate swaps and future contracts	227,780	1,346	1,606
	<u>5,514,189</u>	<u>12,780</u>	<u>9,735</u>
			30 June 2007 (Unaudited) Credit risk weighted amount HK\$'000
Derivatives held for trading:			
Foreign exchange rate contracts			-
Interest rate swaps			-
			<u>-</u>

Risk weighted amounts with corresponding contractual amount and replacement cost of off-balance sheet exposures for 31 December 2006 are not disclosed for comparison purpose as they are not computed in accordance with the Banking (Capital) Rules issued by HKMA.

27. The interest income for the six months ended 30 June 2007 amounted to HK\$877,797,000 (2006: HK\$584,812,000) and interest expenses for the six months ended 30 June 2007 amounted to HK\$404,919,000 (2006: HK\$147,112,000) for financial assets and liabilities which are not designated at fair value through profit or loss. The interest income of the impaired loans and advances for the six months ended 30 June 2007 amounted to HK\$2,758,000 (2006: HK\$8,114,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

28. Related party transactions

During the period, the Group had the following major transactions with related parties, which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers:

	For the six months ended	
	30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Related party transactions included in the income statement:		
Commission income from the ultimate holding company		
for referrals of taxi financing loans	29	64
Interest income from the ultimate holding company	15	15,121
Rental income from the ultimate holding company	1,128	1,212
Management fees from the ultimate holding company	417	439
Service charge paid to the ultimate holding company	16	12
Interest paid and payable to a fellow subsidiary	9,388	9,603
Interest paid and payable to the ultimate holding company	9,690	–
Dividend paid to the ultimate holding company	40,201	40,201
Key management personnel compensation:		
– Short-term employee benefits	1,877	1,678
– Post employment benefits	131	115
	2,008	1,793
Interest income received from key management personnel	19	21
Interest expense paid to key management personnel	296	7
Commission fee income from key management personnel	2	5
Post employment benefits for employees other than key management personnel	5,608	3,721
	30 June	31 December
	2007	2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000

Related party transactions included in the assets and liabilities:

Cash and short term funds with the ultimate holding company	371	8,446
Deposits from a fellow subsidiary	484,821	484,821
Deposits from the ultimate holding company	2,555,081	–
Interest payable to fellow subsidiaries	2,365	2,792
Interest payable to the ultimate holding company	9,343	–
Dividend payable to the ultimate holding company	40,201	160,804
Rental deposits from the ultimate holding company	41	541
A mortgage loan to key management personnel	986	1,037
Deposits from key management personnel	16,975	10,254

29. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

SUPPLEMENTARY INFORMATION (UNAUDITED)

Segmental information

(a) By business segments

	For the six months ended		
	30 June 2007	30 June 2007	30 June 2007
	Operating	Profit	Total
	income	before tax	assets
	HK\$'000	HK\$'000	HK\$'000
Retail and commercial banking and lending	579,625	284,565	26,973,739
Other businesses	40,785	31,162	454,725
Inter-segment transactions	(400)	–	–
	620,010	315,727	27,428,464
Goodwill and intangible assets	–	–	2,774,761
Deferred tax assets	–	–	15,469
	620,010	315,727	30,218,694
	For the six months ended		
	30 June 2006	30 June 2006	30 June 2006
	Operating	Profit	Total
	income	before tax	assets
	HK\$'000	HK\$'000	HK\$'000
Retail and commercial banking and lending	506,912	278,922	20,750,062
Other businesses	17,308	12,616	381,335
Inter-segment transactions	(49)	–	–
	524,171	291,538	21,131,397
Goodwill and intangible assets	–	–	2,621,094
Deferred tax assets	–	–	2,572
	524,171	291,538	23,755,063

(b) By geographical segments

Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented herein.

SUPPLEMENTARY INFORMATION (UNAUDITED) (continued)**Segmental information** (continued)

(c) Gross and impaired loans and advances to customers by industry sectors and basis of classification

	30 June 2007				
	Gross loans and advances	Collective impairment allowances	Individual impairment allowances	Collateral	Impaired loans and advances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial:					
Property development	554,124	942	-	129,871	-
Property investment	2,485,882	4,133	761	1,820,213	3,110
Financial concerns	92,595	157	-	50,584	-
Stockbrokers	129,089	219	-	-	-
Telecommunication	15,754	27	-	-	-
Wholesale and retail trade	29,857	51	-	11,003	-
Manufacturing	606,473	1,078	1,833	94,604	8,256
Transport and transport equipment	2,376,468	3,638	1,388	1,978,559	1,541
Others	1,647,409	2,579	2,912	323,768	2,912
Individuals:					
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	243,122	413	-	243,122	887
Loans for the purchase of other residential properties	3,087,632	5,216	1,472	3,086,160	5,038
Credit card advances	13,681	23	64	-	64
Others	3,400,906	136,398	2,312	193,383	158,017
Trade finance	668,933	-	2,751	61,707	3,141
Loans for use outside Hong Kong	667,883	1,870	33,452	195,405	22,986
	<u>16,019,808</u>	<u>156,744</u>	<u>46,945</u>	<u>8,188,379</u>	<u>205,952</u>

SUPPLEMENTARY INFORMATION (UNAUDITED) (continued)**Segmental information** (continued)

(c) Gross and impaired loans and advances to customers by industry sectors and basis of classification (continued)

	31 December 2006				
	Gross loans and advances	Collective impairment allowances	Individual impairment allowances	Collateral	Impaired loans and advances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial:					
Property development	291,630	671	–	130,727	–
Property investment	1,770,464	3,945	409	1,549,833	4,599
Financial concerns	74,066	170	–	21,048	–
Stockbrokers	66,018	152	–	1,241	–
Telecommunication	51,578	117	–	–	–
Wholesale and retail trade	16,355	38	–	–	–
Manufacturing	484,588	1,295	3,496	88,484	4,867
Transport and transport equipment	2,139,575	4,167	898	1,808,867	1,399
Others	1,190,590	2,739	2,825	88,110	4,234
Individuals:					
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	257,769	593	–	257,769	640
Loans for the purchase of other residential properties	2,676,947	6,119	655	2,529,050	4,469
Credit card advances	12,467	29	–	–	–
Others	3,255,512	134,648	1,894	250,535	161,442
Trade finance	727,657	–	10,093	5,029	32,716
Loans for use outside Hong Kong	661,381	2,476	59,452	208,736	83,514
	<u>13,676,597</u>	<u>157,159</u>	<u>79,722</u>	<u>6,939,429</u>	<u>297,880</u>

The advances to customers are classified by industry sectors based on the industry in which the loans granted were used. In those cases where loans cannot be classified with reasonable certainty, they are classified according to the known principal activity of the borrowers or by reference to the assets financed according to the loan documentation.

SUPPLEMENTARY INFORMATION (UNAUDITED) (continued)**Segmental information** (continued)

- (d) Geographical analysis of gross loans and advances, overdue and impaired loans and advances and other receivables

	30 June 2007			31 December 2006		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Overdue loans and advances and other receivables	<u>170,335</u>	<u>34,026</u>	<u>204,361</u>	<u>209,851</u>	<u>96,111</u>	<u>305,962</u>
Individual impairment allowances	<u>31,325</u>	<u>-</u>	<u>31,325</u>	<u>45,333</u>	<u>59,452</u>	<u>104,785</u>
Collective impairment allowances	<u>123,530</u>	<u>-</u>	<u>123,530</u>	<u>123,108</u>	<u>6</u>	<u>123,114</u>
Impaired loans and advances and other receivables	<u>186,478</u>	<u>41,376</u>	<u>227,854</u>	<u>223,050</u>	<u>101,825</u>	<u>324,875</u>
Individual impairment allowances	<u>31,325</u>	<u>-</u>	<u>31,325</u>	<u>45,333</u>	<u>59,452</u>	<u>104,785</u>
Collective impairment allowances	<u>130,688</u>	<u>-</u>	<u>130,688</u>	<u>128,608</u>	<u>-</u>	<u>128,608</u>

Over 90% of the Group's gross loans and advances and their related impairment allowances are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented herein.

Cross-border claims

The following table illustrates the geographical disclosure of the Group's cross-border claims by type of counterparties on which the ultimate risk lies, and is shown according to the location of the counterparties after taking into account any recognised risk transfer. An individual country or geographical segment is reported if it constitutes not less than 10% of the aggregate cross-border claims.

	Banks and other financial institutions HK\$'million	Public sector entities HK\$'million	Others HK\$'million	Total HK\$'million
As at 30 June 2007				
1. Asia Pacific excluding Hong Kong	3,894	3	149	4,046
of which:				
China	1,039	3	26	1,068
2. Western Europe	4,291	0	388	4,679
of which:				
Germany	1,164	0	0	1,164

SUPPLEMENTARY INFORMATION (UNAUDITED) (continued)**Cross-border claims** (continued)

	Banks and other financial institutions HK\$'million	Public sector entities HK\$'million	Others HK\$'million	Total HK\$'million
As at 31 December 2006				
1. Asia Pacific excluding Hong Kong	2,087	7	154	2,248
of which:				
Australia	899	–	23	922
2. Western Europe	2,953	–	308	3,261

Currency risk

Foreign currency exposures with a net position (in absolute terms) which constitute not less than 10% of the total net position in all foreign currencies of the Group are as follows:

	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net long position	Net structural long position
As at 30 June 2007						
<i>(In HK\$'million)</i>						
US Dollars	6,862	(6,983)	2,593	(2,420)	52	
Renminbi	271	(59)	–	–	212	
Others	1,422	(1,588)	839	(684)	(11)	
	<u>8,555</u>	<u>(8,630)</u>	<u>3,432</u>	<u>(3,104)</u>	<u>253</u>	
Renminbi						<u>205</u>
	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net long position	Net structural long position
As at 31 December 2006						
<i>(In HK\$'million)</i>						
US Dollars	3,762	(4,320)	2,944	(2,319)	67	
Renminbi	260	(51)	–	–	209	
Others	1,072	(1,768)	902	(205)	1	
	<u>5,094</u>	<u>(6,139)</u>	<u>3,846</u>	<u>(2,524)</u>	<u>277</u>	
Renminbi						<u>199</u>

SUPPLEMENTARY INFORMATION (UNAUDITED) (continued)**Non-bank Mainland exposures**

The following table illustrates the disclosure required to make in respect of its Mainland exposures to non-bank counterparties.

	On-balance sheet exposures HK\$'million	Off-balance sheet exposures HK\$'million	Total exposures HK\$'million	Specific provisions HK\$'million
As at 30 June 2007				
Mainland entities	-	-	-	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	166	-	166	33
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	618	-	618	-
	<u>784</u>	<u>-</u>	<u>784</u>	<u>33</u>
	On-balance sheet exposures HK\$'million	Off-balance sheet exposures HK\$'million	Total exposures HK\$'million	Specific provisions HK\$'million

As at 31 December 2006				
Mainland entities	-	-	-	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	180	-	180	59
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	513	-	513	-
	<u>693</u>	<u>-</u>	<u>693</u>	<u>59</u>

Capital adequacy, core capital and liquidity ratios

	30 June 2007	
Consolidated capital adequacy ratio:	<u>14.00%</u>	
Consolidated core capital ratio:	<u>13.29%</u>	
	For the six months ended 30 June	
	2007	2006
Average liquidity ratio:		
Public Bank (Hong Kong)	<u>46.85%</u>	<u>51.79%</u>
Public Finance	<u>52.85%</u>	<u>67.73%</u>

SUPPLEMENTARY INFORMATION (UNAUDITED) *(continued)***Capital adequacy, core capital and liquidity ratios** *(continued)*

The components of the Group's total capital base include the following items:

	30 June 2007 HK\$'000
Core capital:	
Paid up ordinary share capital	109,390
Share premium account	3,988,219
Published reserves	933,233
Profit and loss account	228,615
Deduct:	
Goodwill	(2,774,403)
Core capital before deductions	2,485,054
Less: Deductions from shareholdings in subsidiaries	(33,531)
Other deductions	(123,123)
Total core capital	2,328,400
Supplementary capital:	
Regulatory reserve	123,392
Collective provisions	157,153
Supplementary capital before deductions	280,545
Less: Deductions from shareholdings in subsidiaries	(33,531)
Other deductions	(123,123)
Total supplementary capital after deductions	123,891
Capital base	2,452,291

Capital adequacy ratio, core capital ratio and capital base for 31 December 2006 are not disclosed for comparison purpose as they are not computed in accordance with the Banking (Capital) Rules issued by HKMA.

The capital adequacy ratio of the Group is computed on a consolidated basis including the Company, Public Bank (Hong Kong) and Public Finance.

The subsidiaries not included in the computation of the capital adequacy ratio of the Group and the investment costs therein deducted from the capital base are Public Bank (Nominees) Limited, PB Finance Limited, Public Investments Limited, Public Realty Limited, Public Credit Limited, Public Futures Limited, Public Pacific Securities Limited, Public Financial Securities Limited, Public Financial Limited, Public Securities Limited, Public Securities (Nominees) Limited, Winton (B.V.I) Limited, Winton Holdings (Hong Kong) Limited, Winton Financial Limited, Winton Motors, Limited and Winsure Company Limited.

The capital adequacy, core capital and liquidity ratios for the period are computed in accordance with the Third Schedule and the Fourth Schedule of the Banking Ordinance.

SUPPLEMENTARY INFORMATION (UNAUDITED) *(continued)*

Risk management

The Group has established policies and procedures for the control and monitoring of credit, liquidity, capital, foreign currency, interest rate and market risks, which are reviewed regularly by the Group's management, Credit Committees, the Assets and Liabilities Committee and Asset and Liability Management Committee. The internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures.

(a) Interest rate risk management

Interest rate risk is the risk that the Group's position may be adversely affected by a change of market interest rates. The Group's interest rate risk arises primarily from the timing difference in the maturity and the repricing of the Group's interest bearing assets, liabilities and off-balance sheet commitments. The primary objective of interest rate risk management is to limit the potential adverse effects of interest rate movements in net interest income by closely monitoring the net repricing gap of the Group's assets and liabilities. The interest rate risk is managed by the Group's Treasury Department and monitored by management under limits approved by the directors.

(b) Credit risk management

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

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

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

Credit and compliance audits are periodically conducted to evaluate the effectiveness of the credit review, approval and monitoring processes and to test the compliance of the established credit policies and procedures.

(c) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligation. To manage liquidity risk, the Group has established the liquidity management policy which is reviewed by management and approved by the directors. The Group measures its liquidity using the statutory liquidity ratio, loan-to-deposit ratio and maturity mismatch portfolio.

The Assets and Liabilities Committee of Public Finance and the Asset and Liability Management Committee of Public Bank (Hong Kong) monitor the liquidity position as part of the ongoing assets and liabilities management, and set up trigger limits to monitor liquidity risk. They also closely monitor the liquidity of the respective subsidiaries on a periodic basis to ensure that the liquidity structure of the respective subsidiaries' assets, liabilities and commitments can meet the funding needs, and that the statutory liquidity ratio is always complied with. Standby facilities are maintained to provide liquidity to meet unexpected material cash outflows in the ordinary course of business.

SUPPLEMENTARY INFORMATION (UNAUDITED) *(continued)*

Risk management *(continued)*

(d) Capital management

The Group's policy is to maintain a strong capital base to support the development and growth of the Group's businesses and to meet the statutory capital adequacy ratio requirement and other capital requirements of regulatory bodies including the HKMA, The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), etc. Capital is allocated to the various activities of the Group depending on the risk taken by each business unit and in accordance with the requirements of relevant regulatory bodies.

Capital is defined as either equity under accounting convention or as capital base pursuant to the Banking (Capital) Rules of HKMA. The non-compliance with externally imposed capital requirements may result in reprimands or warnings from relevant regulatory bodies.

(e) Market risk management

Market risk is the risk to the Group's earnings and capital due to changes in the market level of interest rates, securities, foreign exchange and equities as well as the volatilities of those prices.

The Group monitors market risk principally by limits established for transactions and open positions. These limits are reviewed and approved by the directors and are monitored on a daily basis.

The Group does not actively trade in financial instruments and in the opinion of the directors, the market risk related to trading activities to which the Group is exposed is not material. Accordingly, no quantitative market risk disclosures have been prepared.

All foreign exchange positions are managed by the Group's Treasury Department within limits approved by the directors.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Overview

During the period under review, the economic conditions in Hong Kong continued to show improvement with a stable unemployment rate and healthy gross domestic product growth, as well as a moderate increase in property prices and a significant increase in stock market activities. The banking sector is expected to benefit from the liberalization policies of the Government of the People's Republic of China ("PRC") such as the launch of the Qualifying Domestic Institutional Investors Scheme ("QDII") permitting PRC investors to invest in the Hong Kong equity market and the relaxation at the qualifying criteria for Hong Kong incorporated banks under the Closer Economic Partnership Arrangement ("CEPA") to further develop their banking business in the PRC. However, the operating environment for financial institutions remains challenging and highly competitive particularly in the consumer and mortgage financing businesses, resulting in narrowing of interest margins. In addition, rising human resources cost and rentals will also adversely affect corporate earnings, including that of financial institutions.

Financial review

Group performance

For the six months ended 30 June 2007, the Group recorded a profit after tax of HK\$261.0 million, representing an increase of 5.4% or HK\$13.5 million when compared to the profit after tax of HK\$247.5 million in the corresponding period of the previous financial year. The Group's profit after tax for the six months ended 30 June 2007 has consolidated the six months operating results of its new subsidiary, Public Bank (Hong Kong) as compared to the consolidation of two months results from May 2006 to June 2006 for the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial review *(continued)*

Group performance *(continued)*

The Group's basic earnings per share for the six months ended 30 June 2007 decreased to HK\$0.239 per share from HK\$0.278 per share due to the dilutive effect of the rights issue carried out in April 2006. The directors had declared a first interim dividend of HK\$0.05 per share in June 2007.

The Group's net interest income for the six months ended 30 June 2007 increased by 8.0% or HK\$35.2 million to HK\$472.9 million when compared to the corresponding period of the previous year. Interest income increased by 50.1% or HK\$293.0 million to HK\$877.8 million whilst interest expense increased by 175.2% or HK\$257.8 million to HK\$404.9 million when compared to the corresponding period of the previous financial year.

The Group's non-interest income for the six months ended 30 June 2007 increased by 70.2% or HK\$60.7 million to HK\$147.1 million whilst the Group's operating expenses increased by 53.6% or HK\$74.9 million to HK\$214.6 million when compared to the corresponding period of the previous financial year.

The Group's impairment allowances for financial assets decreased by 3.5% or HK\$3.3 million to HK\$89.7 million on higher bad debt recoveries as a result of active debt collection and restructuring efforts.

The Group's total loans and advances (including trade bills) increased by 17.4% or HK\$2.40 billion to HK\$16.17 billion as at 30 June 2007 from HK\$13.77 billion as at 31 December 2006. The Group's deposits from customers also increased by 15.6% or HK\$2.32 billion to HK\$17.17 billion as at 30 June 2007 from HK\$14.85 billion as at 31 December 2006. The aggregate of deposits from customers, deposits from banks and financial institutions and issuance of certificates of deposit stood at HK\$22.95 billion as at 30 June 2007. Total assets of the Group increased to HK\$30.22 billion as at 30 June 2007 from HK\$24.24 billion as at 31 December 2006.

Business development of Public Bank (Hong Kong)

During the period under review, total loans and advances (including trade bills) of Public Bank (Hong Kong) grew by 23.9% or HK\$2.43 billion to HK\$12.59 billion as at 30 June 2007 from HK\$10.16 billion as at 31 December 2006. Deposits from customers also grew by 12.9% or HK\$1.73 billion to HK\$15.16 billion as at 30 June 2007 from HK\$13.43 billion as at 31 December 2006.

In the first half of 2007, Public Bank (Hong Kong) opened 6 new branches in Hong Kong and a new sub-branch in Shenzhen in the PRC, bringing Public Bank (Hong Kong)'s branch network to 21 in Hong Kong and 2 in Shenzhen in the PRC. The increase in overheads from the opening of new branches, and increase in advertising and promotional expense to develop the "Public Bank" brand and its loan business had affected the profit after tax of Public Bank (Hong Kong) which declined slightly by 9.9% or HK\$7.27 million to HK\$66.02 million for the six months ended 30 June 2007 from HK\$73.29 million for the six months ended 30 June 2006. The branch network expansion programme has also given rise to a higher cost to operating income ratio for the Group of 34.6% for the six months ended 30 June 2007 as compared to 26.6% for the six months ended 30 June 2006.

Segmental information

The Group's business comprised two main segments: (i) retail and commercial banking and (ii) other businesses. Over 90% of the Group's operating income and profit before tax was contributed by retail and commercial banking for the six months ended 30 June 2007. When compared to the corresponding period of the previous year, the Group's operating income from retail and commercial banking increased by HK\$72.7 million or 14.3% to HK\$579.6 million. Profit before tax from retail and commercial banking for the six months ended 30 June 2007 increased marginally by HK\$5.6 million or 2.0% to HK\$284.6 million when compared to the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial review *(continued)*

Contingent liabilities and commitments

The Group has no material contingent liabilities (other than those related to treasury, trade finance and loan commitments disclosed in the notes to the financial statements) at the end of the period under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the period under review. The Group also had not created any charge over the assets of the Group as at 30 June 2007, which was the same position as disclosed by the Group as at 31 December 2006.

Operational review

Funding and capital management

The main objective of the Group's funding activities and capital management is to ensure the availability of funds at reasonable cost to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be self-reliant in funding their business growth.

The Group relied principally on its internally generated capital, deposits from customers, deposits from financial institutions and the issuance of certificates of deposit to fund its retail consumer financing business and commercial banking business. The Group's bank borrowings in the form of a three-year term loan denominated in Hong Kong dollars at floating interest rates to finance the investment in Public Bank (Hong Kong) was reduced by HK\$0.8 billion to HK\$1.2 billion during the period under review. The loan repayment has reduced the Group's gearing ratio from 37.6% as at 31 December 2006 to 21.7% as at 30 June 2007. In the normal course of its commercial banking business, the Group has entered into foreign exchange and interest rate swap and forward contracts to reduce foreign exchange risk and interest rate risk exposures.

The loan to deposit ratio of the Group decreased to 69.8% as at 30 June 2007 compared to 84.7% as at 31 December 2006 as a result of the growth in deposits from customers and the issuance of certificates of deposit during the period under review.

Asset quality

The Group's impaired loan ratio improved from 2.2% as at 31 December 2006 to 1.3% as at 30 June 2007. The asset quality of Public Bank (Hong Kong) had also improved with its overdue and impaired loan ratio reduced from 0.8% as at 31 December 2006 to 0.4% as at 30 June 2007 as a result of prudent credit risk management and the recovery of impaired loans.

Human resources management

The objective of the Group's human resources management activities is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff are enrolled for external training courses, seminars, professional and technical courses with appropriate sponsorship from the Group in order to update their technical knowledge and skills, to increase their awareness of the market and technological changes, and to improve their management and business skills. Staff are also encouraged to participate in social activities organised by the Group to promote team spirit and build a cohesive workforce.

Options to subscribe for 66,526,000 shares in the Company were granted to employees of the Group in May 2005 pursuant to the Company's share option scheme approved by shareholders on 28 February 2002. As at 30 June 2007, options to subscribe for 41,562,000 shares in the Company remained unexercised.

As at 30 June 2007, the Group's staff force stood at 877 employees. For the six months ended 30 June 2007, the Group's total staff and related cost amounted to HK\$107.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects

The economic outlook of Hong Kong is expected to remain positive in the second half of 2007. The employment market is anticipated to improve further with employees enjoying higher income and better career opportunities in line with the growth momentum of the Hong Kong economy. The positive economic outlook in Hong Kong and the PRC is anticipated to drive consumers' appetite for consumption and investments which is expected to lead to stronger demand for consumer financing.

The Group will focus on expanding its retail and commercial banking business through its branch expansion programme, innovative product development and aggressive marketing strategies along with the building of its "Public Bank" brandname. The Group will continue to seek further synergies in lowering operating costs and greater economies of scale through the integration of the support functions of Public Bank (Hong Kong) and Public Finance where appropriate, restructuring of the Group organisational structure and cross-selling through the combined branch network of Public Bank (Hong Kong) and Public Finance as well as the Group's enlarged customer base. The Group will continue to target selected market segments of Public Bank (Hong Kong) and Public Finance to grow its retail and commercial banking and consumer financing businesses.

Competition in the banking industry is expected to remain keen with financial institutions seeking to gain market share which will add further pressure on the interest margin for banking and financing products.

Barring unforeseen circumstance, the Group expects to register further growth in its loan and deposits taking businesses and achieve satisfactory performance in the second half of 2007.

OTHER INFORMATION

Interim dividend

The Board of Directors has on 22 June 2007 declared an interim dividend of HK\$0.05 (2006: HK\$0.05) per share payable on 17 July 2007 to shareholders whose names appear on the register of members of the Company on 11 July 2007.

OTHER INFORMATION *(continued)***Directors' interests and short positions in shares and underlying shares**

As at 30 June 2007, the directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company and associated corporations

Interests in	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	804,017,920	804,017,920	73.5004
	Tan Sri Dato' Thong Yaw Hong	498,000	-	-	498,000	0.0455
	Dato' Yeoh Chin Kee	80,000	-	-	80,000	0.0073
	Tan Yoke Kong	80,000	-	-	80,000	0.0073
	Lee Huat Oon	20,000	-	-	20,000	0.0018
2. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	-	786,468,596	807,992,846	23.0264
	Tan Sri Dato' Thong Yaw Hong	6,313,750	350,000	312,500	6,976,250	0.1988
	Dato' Sri Tay Ah Lek	7,610,109	200,000	139,482	7,949,591	0.2265
	Dato' Yeoh Chin Kee	1,050,000	300,000	-	1,350,000	0.0385
	Lee Chin Guan	1,625,000	-	-	1,625,000	0.0463
	Dato' Chang Kat Kiam	109,435	-	-	109,435	0.0031
	Tan Yoke Kong	55,000	-	-	55,000	0.0016
	Lee Huat Oon	5,000	-	-	5,000	0.0001
	Wong Kong Ming	199,386	-	-	199,386	0.0057
3. Winsure Company, Limited, a subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	15,500	15,500	96.8750

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interest of 807,992,846 shares in Public Bank, is deemed to be interested in the shares of the Company and its associated corporations as disclosed above, to the extent Public Bank has interests.

OTHER INFORMATION (continued)**Directors' interests and short positions in shares and underlying shares** (continued)

(b) Long positions in underlying shares of the Company and an associated corporation

Interests in	Name of director	Number of ordinary shares attached to the share options				Exercise price	Exercise period
		At the beginning of the period	Granted during the period	Exercised during the period	At the end of the period		
1. The Company	Dato' Sri Tay Ah Lek	<u>1,680,000</u>	<u>-</u>	<u>-</u>	<u>1,680,000</u>	HK\$6.35	10.6.2005 to 9.6.2015
	Dato' Yeoh Chin Kee	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>	HK\$6.35	10.6.2005 to 9.6.2015
	Lee Chin Guan	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	HK\$6.35	10.6.2005 to 9.6.2015
	Dato' Chang Kat Kiam	<u>1,680,000</u>	<u>-</u>	<u>-</u>	<u>1,680,000</u>	HK\$6.35	10.6.2005 to 9.6.2015
	Tan Yoke Kong	<u>1,928,000</u>	<u>-</u>	<u>-</u>	<u>1,928,000</u>	HK\$6.35	10.6.2005 to 9.6.2015
	Lee Huat Oon	<u>3,170,000</u>	<u>-</u>	<u>-</u>	<u>3,170,000</u>	HK\$6.35	10.6.2005 to 9.6.2015
	Wong Kong Ming	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>	HK\$6.35	10.6.2005 to 9.6.2015
2. Public Bank	Tan Sri Dato' Thong Yaw Hong	<u>2,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	RM6.37	24.2.2005 to 24.2.2008
	Dato' Sri Tay Ah Lek	<u>4,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>2,000,000</u>	RM6.37	24.2.2005 to 24.2.2008
	Dato' Yeoh Chin Kee	2,025,000	-	-	2,025,000	RM6.37	24.2.2005 to 24.2.2008
		2,000,000	-	1,900,000	100,000	RM5.67	5.12.2005 to 24.2.2008
		<u>4,025,000</u>	<u>-</u>	<u>1,900,000</u>	<u>2,125,000</u>		
	Lee Chin Guan	1,125,000	-	1,125,000	-	RM6.37	24.2.2005 to 24.2.2008
		650,000	-	650,000	-	RM5.67	5.12.2005 to 24.2.2008
	<u>1,775,000</u>	<u>-</u>	<u>1,775,000</u>	<u>-</u>			

OTHER INFORMATION *(continued)***Directors' interests and short positions in shares and underlying shares** *(continued)*(b) Long positions in underlying shares of the Company and an associated corporation *(continued)*

Interests in	Name of director	Number of ordinary shares attached to the share options				Exercise price	Exercise period
		At the beginning of the period	Granted during the period	Exercised during the period	At the end of the period		
2. Public Bank (continued)	Dato' Chang Kat Kiam	123,000	-	123,000	-	RM6.37	24.2.2005 to 24.2.2008
		130,000	-	130,000	-	RM5.67	5.12.2005 to 24.2.2008
		<u>253,000</u>	<u>-</u>	<u>253,000</u>	<u>-</u>		
	Tan Yoke Kong	30,000	-	-	30,000	RM6.37	15.2.2005 to 24.2.2008
		40,000	-	40,000	-	RM5.67	5.12.2005 to 24.2.2008
		<u>70,000</u>	<u>-</u>	<u>40,000</u>	<u>30,000</u>		
	Lee Huat Oon	20,000	-	-	20,000	RM6.37	15.2.2005 to 24.2.2008
		30,000	-	-	30,000	RM5.67	5.12.2005 to 24.2.2008
		<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>		
	Wong Kong Ming	8,000	-	8,000	-	RM4.92	17.6.2004 to 24.2.2008
		10,000	-	10,000	-	RM6.37	16.2.2005 to 24.2.2008
		25,000	-	25,000	-	RM5.67	5.12.2005 to 24.2.2008
<u>43,000</u>		<u>-</u>	<u>43,000</u>	<u>-</u>			

Notes:

- The options to subscribe for ordinary shares of HK\$0.10 each in the Company under the Share Option Scheme of the Company (the "Scheme") are only exercisable during certain periods as notified by the board or the Share Option Committee to each grantee which it may in its absolute discretion determine from time to time before the expiry of the share options on 9 June 2015.
- The options to subscribe for ordinary shares of RM1.00 each in Public Bank were first granted on 10 April 1998 under the Public Bank Berhad Employees' Share Option Scheme (the "PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank at the extraordinary general meetings held on 20 May 2002, 20 April 2004 and 30 March 2005, the PBB ESOS has been extended for a total of five years to 25 February 2008. Hence, the exercise period of the options has also been extended up to and including 24 February 2008. The options are exercisable subject to the terms of the PBB ESOS.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, or underlying shares of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the balance sheet date.

OTHER INFORMATION (continued)**Share option scheme**

Since the adoption of the share option scheme on 28 February 2002, share options to subscribe for a total of 65,976,000 shares of HK\$0.10 each in the Company have been granted to and accepted by eligible participants, including directors and employees of the Company and its subsidiaries in 2005.

Date of grant	Exercise price	Outstanding at the beginning of the period	Number of the share options			Outstanding at the end of the period	Exercise period
			Granted and accepted during the period	Lapsed during the period	Exercised during the period		
Directors (note 1)							
18.5.2005	HK\$6.35	14,208,000	-	700,000	-	13,508,000	10.6.2005 to 9.6.2015 (note 3)
Employees (note 2)							
18.5.2005	HK\$6.35	28,860,000	-	806,000	-	28,054,000	10.6.2005 to 9.6.2015 (note 3)
		43,068,000	-	1,506,000	-	41,562,000	

Notes:

- Details of share options granted to each director of the Company are shown under sub-paragraph (b) of the heading "Directors' interests and short positions in shares and underlying shares".
- Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Employment Ordinance of Hong Kong.
- The share options are only exercisable during certain periods as notified by the board or the Share Option Committee to each grantee which it may in its absolute discretion determine from 10 June 2005 to 9 June 2015.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 June 2007, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of the SFO showed that, other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of ordinary shares	Percentage of interest in issued share capital
Substantial shareholder			
1. Public Bank	Beneficial owner	804,017,920	73.5004
Other person			
2. JP Morgan Chase & Co	Custodian corporation/ approved lending agent	65,704,945	6.0065

All the interests stated above represent long positions. Save as disclosed above and under the heading "Directors' interests and short positions in shares and underlying shares", no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO as at 30 June 2007.

OTHER INFORMATION *(continued)*

Loan agreement with covenants relating to specific performance of the controlling shareholder

On 21 July 2006, the Company entered into a facility agreement (the "Facility Agreement") with Barclays Capital and others as mandated lead arrangers and Barclays Bank PLC as agent and financial institutions as stipulated in the Company's announcement dated 21 July 2006 as the original lenders for a 3-year term loan facility in an aggregate amount of HK\$2,000,000,000.

The Facility Agreement provides, among other things, that it is an event of default if Public Bank, the controlling shareholder (currently holding approximately 73.5% interest) of the Company, does not or ceases to beneficially own, directly or indirectly, at least 51% of the issued share capital of, and ownership interests in the Company free from any charge or other security interest, or does not or ceases to exercise management control over the Company.

If an event of default occurs, Barclays Bank PLC as agent may, among other things, demand immediate repayment of all or any of the loans made to the Company together with accrued interest.

During the period under review, repayments amounting to HK\$800,000,000 were made. As at 30 June 2007, the outstanding loan principal was HK\$1,200,000,000 and the circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continued to exist.

Purchase, sale or redemption of listed shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2007.

Corporate governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2007 interim report, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Under code provision A.4.1 of the Listing Rules, non-executive directors should be appointed for specific terms and subject to re-election. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and did not intend to change the current practice at the moment.

The Board will keep on reviewing the relevant Bye-laws and propose any amendment, if necessary, to ensure compliance with the Code on Corporate Governance Practices as set out in the Listing Rules.

Model Code for securities transactions by directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code of the Listing Rules. All directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

Review by Audit Committee

The 2007 interim report has been reviewed by the Company's Audit Committee which comprises three Independent Non-executive Directors and one Non-executive Director.

By Order of the Board
Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

Hong Kong, 13 July 2007