



PUBLIC FINANCIAL HOLDINGS LIMITED

INTERIM REPORT 2008

stock code: 626



大眾銀行(香港)中小企貸款
助您把握商機 貨如輪轉

- 無須任何抵押品
- 貸款額高達港幣500,000元
- 可選擇分期貸款或透支服務
- 利率特低,手續簡便



大眾銀行(香港)
新界網絡增添新成員

新界分行 旺角分行 觀塘分行 葵涌分行 荃灣分行 元朗分行 天水圍分行 上水分行



大眾銀行 匯豐 渣打 花旗 匯豐 渣打 花旗

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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

Tan Sri Dato' Sri Tay Ah Lek
Dato' Chang Kat Kiam
Wong Kong Ming
Quah Poh Keat (appointed on 30 July 2008)

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) 2541 9222
Facsimile : (852) 2545 5665
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

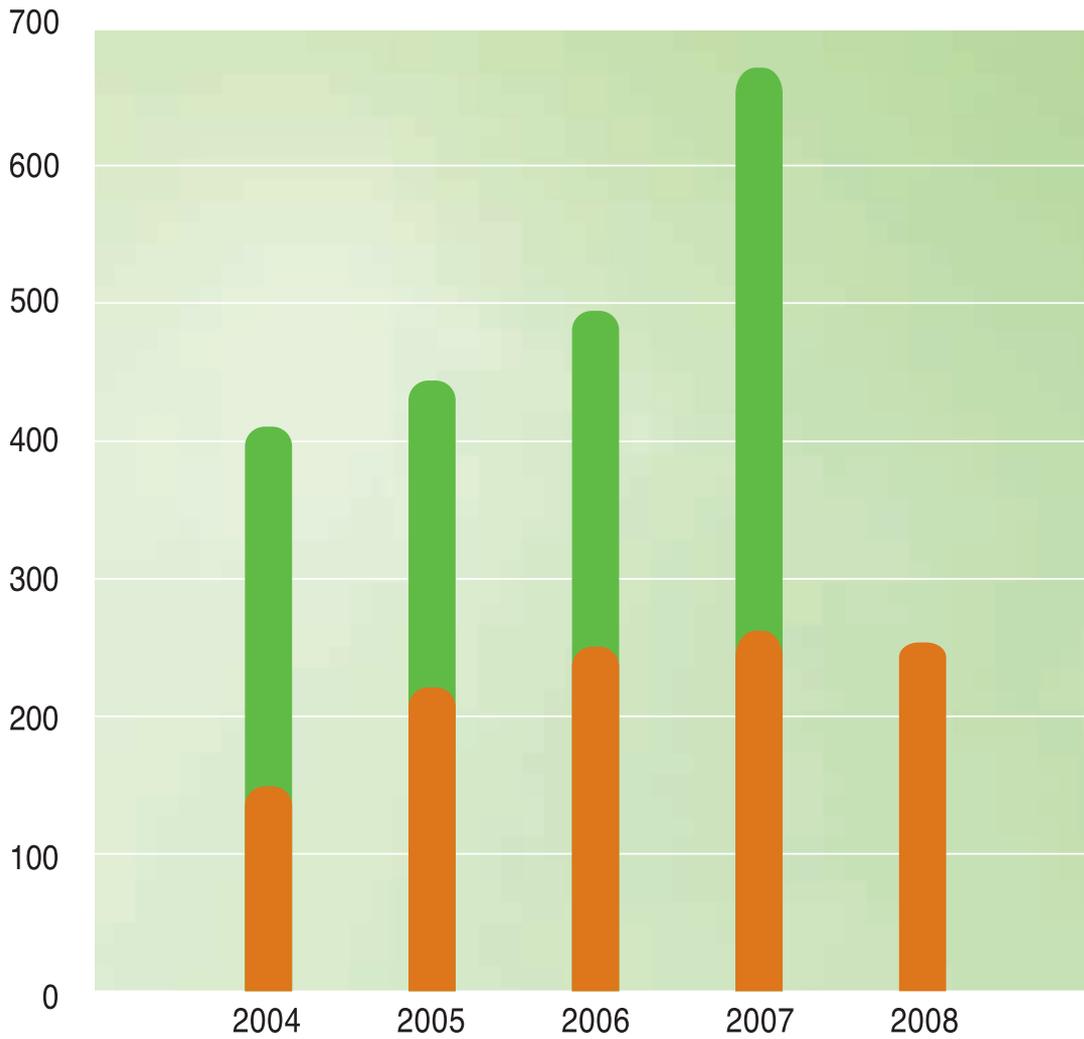
Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income	6	872,506	877,797
Interest expense	6	(340,695)	(404,919)
NET INTEREST INCOME		531,811	472,878
Gain less losses from disposal of available-for-sale financial assets		–	17,827
Other operating income	7	195,275	129,305
Non-interest income		195,275	147,132
OPERATING INCOME		727,086	620,010
Operating expenses	8	(234,250)	(214,585)
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		492,836	405,425
Impairment allowances for loans and advances and receivables, held-to-maturity investments and available-for-sale securities	9	(189,690)	(89,698)
OPERATING PROFIT		303,146	315,727
SHARE OF PROFITS AND LOSSES OF A JOINTLY-CONTROLLED ENTITY		–	–
PROFIT BEFORE TAX		303,146	315,727
Tax	10	(52,919)	(54,773)
PROFIT FOR THE PERIOD		250,227	260,954
ATTRIBUTABLE TO:			
Equity holders of the Company		250,227	260,954
DIVIDENDS			
Interim	11	54,896	54,695
EARNINGS PER SHARE (HK\$)			
Basic	12	0.229	0.239
Diluted		0.229	0.239



Five-year Profit Highlight

HK\$ Million



■ 6 months ended 30 June ■ 6 months ended 31 December

Condensed Consolidated Balance Sheet

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
ASSETS			
Cash and short term placements	13	5,131,346	5,882,235
Placements with banks and financial institutions	14	368,173	441,539
Financial assets designated at fair value through profit or loss		–	12,262
Derivative financial instruments		8,063	2,644
Loans and advances and receivables	15	22,070,515	19,165,638
Available-for-sale financial assets		29,604	51,044
Held-to-maturity investments	17	2,138,985	2,858,708
Inventories of taxi licences		21,832	25,299
Investment properties	18	165,293	146,492
Property and equipment	19	111,445	98,007
Land lease prepayments	20	625,653	628,664
Interest in a jointly-controlled entity		1,513	1,513
Deferred tax assets		9,137	5,668
Goodwill		2,774,403	2,774,403
Intangible assets		358	358
Other assets	21	250,642	584,338
TOTAL ASSETS		33,706,962	32,678,812
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		666,536	2,263,902
Derivative financial instruments		8,381	2,381
Customer deposits at amortised cost	22	23,846,900	20,501,549
Certificates of deposit issued at amortised cost		1,149,704	2,049,227
Dividend payable		54,896	273,474
Unsecured bank loans at amortised cost	23	1,474,406	1,100,000
Current tax payable		59,349	32,186
Deferred tax liabilities		72,439	69,243
Other liabilities	24	506,757	732,629
TOTAL LIABILITIES		27,839,368	27,024,591
EQUITY			
Issued capital		109,792	109,390
Reserves	25	5,757,802	5,544,831
TOTAL EQUITY		5,867,594	5,654,221
TOTAL EQUITY AND LIABILITIES		33,706,962	32,678,812

Condensed Consolidated Summary Statement of Changes in Equity

	For the six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
TOTAL EQUITY		
Balance at beginning of period	5,654,221	5,320,048
Shares issued on exercise of share options, net of expenses	25,541	–
Exchange difference	13,940	–
(Deficit)/surplus on revaluation of available-for-sale financial assets	(21,439)	17,447
Transfer to income statement for disposal of available-for-sale financial assets	–	(17,827)
Profit for the period	250,227	260,954
Dividends declared on shares	(54,896)	(54,695)
	195,331	206,259
Balance at end of period	5,867,594	5,525,927

Condensed Consolidated Cash Flow Statement

	For the six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM:		
OPERATING ACTIVITIES	(1,162,386)	5,077,608
INVESTING ACTIVITIES	5,894	(23,267)
FINANCING ACTIVITIES	100,932	(1,018,779)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,055,560)	4,035,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,070,190	3,063,456
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,014,630	7,099,018
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and short term placements repayable on demand	589,799	344,329
Money at call and short notice with original maturity within three months	2,590,825	4,686,248
Placements with banks and financial institutions with original maturity within three months	1,793,908	1,553,728
Held-to-maturity investments with original maturity within three months	1,040,098	514,713
	6,014,630	7,099,018

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 disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), and in compliance with the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements under the Banking (Disclosure) Rules 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 2007 Annual Report except for the adoption of new Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs as disclosed in note 3 below.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. Preparation of financial statements is also made reference to applicable Supervisory Policy Manual and the Guideline on the Application of the Banking (Disclosure) Rules issued by the HKMA.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land lease prepayments and investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the period ended 30 June 2008. The financial statements of the subsidiaries and a jointly-controlled entity are prepared for the same reporting period as the Group, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

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

- Public Bank (Hong Kong) Limited (“Public Bank (Hong Kong)”), Public Finance Limited (“Public Finance”), Winton (B.V.I.) Limited and their subsidiaries and a jointly-controlled entity.

2. BASIS OF PREPARATION (Continued)

Basis of capital disclosures

The Group has complied with capital requirements during the reporting period related to capital base and capital adequacy ratio as stipulated by the HKMA, and also complied with the Guideline on the Application of the Banking (Disclosure) Rules issued by the HKMA.

Should the Group have not complied with externally imposed capital requirements of the HKMA, capital management plans should be submitted to the HKMA for restoration of capital to the minimum required level as soon as possible.

The computation of consolidated capital adequacy ratio of the Group is based on the ratio of the aggregate of risk weighted exposures to the aggregate of capital bases of Public Financial Holdings Limited, Public Bank (Hong Kong) Limited and Public Finance Limited for regulatory purpose.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Company's consolidation group except that liquidity, capital and other performance indicators of Public Securities Limited and Public Financial Securities Limited should satisfy the minimum requirements of Financial Resources Rules issued by the Securities and Futures Commission. A portion of retained earnings, based on a percentage of gross loans and advances, is set aside for non-distributable regulatory reserve as part of supplementary capital included in capital base pursuant to the HKMA capital requirements.

3. IMPACT OF NEW HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs, and HKASs and Interpretations ("Int"), which are generally effective for accounting periods beginning on or after 1 January 2008. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2008 which are pertinent to its operations and relevant to these interim financial statements.

- HK(IFRIC) – Int 11 HKFRS 2 – Group and Treasury Share Transactions
- HK(IFRIC) – Int 12 Service Concession Arrangements
- HK(IFRIC) – Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

- **HK(IFRIC) Interpretation 11 "HKFRS 2 – Group and Treasury Share Transactions"**

HK(IFRIC) Interpretation 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC) Interpretation 11 also addresses the accounting for share based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or performance of the Group.

Notes to the Condensed Consolidated Financial Statements

3. IMPACT OF NEW HKFRSs AND HKASs (Continued)

- **HK(IFRIC) Interpretation 12 “Service Concession Arrangements”**

HK(IFRIC) Interpretation 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC) Interpretation 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation has had no impact on the financial position or performance of the Group.

- **HK(IFRIC) Interpretation 14 “HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”**

HK(IFRIC) Interpretation 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, the interpretation is not applicable to the Group and therefore unlikely to have any financial impact on the Group.

Adoption of these new HKFRS interpretations did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

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 accounts:

- **HKFRS 2 Amendment “Share-based Payment – Vesting Conditions and Cancellations” (effective for accounting period beginning on or after 1 January 2009)**

The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Group expects to adopt this amendment from 1 January 2009.

- **HKFRS 8 “Operating Segments” (effective for accounting period beginning on or after 1 January 2009)**

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs AND HKASs (Continued)

- **HKAS 1 (Revised) “Presentation of Financial Statements” (effective for accounting period beginning on or after 1 January 2009)**

The revised HKAS 1 was issued in June 2008. The revised standard introduces new titles for the financial statements and affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events as required by other HKFRSs. The adoption of this revised standard will affect the presentation of the Group’s financial statements.

- **HKAS 23 (Revised) “Borrowing Costs” (effective for accounting period beginning on or after 1 January 2009)**

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group’s current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

- **HK(IFRIC) Interpretation 13 “Customer Loyalty Programmes” (effective for accounting period beginning on or after 1 July 2008)**

HK(IFRIC) Interpretation 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credit is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The adoption of HK(IFRIC) Interpretation 13 is unlikely to have a significant impact on the Group’s results of operations and financial position.

- **HKAS 32 “Financial Instruments: Presentation” and HKAS 1 “Puttable Financial Instruments and Obligations Arising on Liquidation” (effective for accounting period beginning on or after 1 January 2009)**

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The standards are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs and HKASs upon initial application. It is expected that the adoption of the above pronouncements will not have significant impacts on the Group’s financial position and performance as at the date of the interim accounts.

Notes to the Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

(a) By business segments

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments:

- the retail and commercial banking and lending segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit taking and lending, interest rate risk management and the overall funding management of the Group;
- the wealth management services, stockbroking and securities management segment comprise management of investments in debts and equity securities, securities dealing and receipt of commission income and provision of authorised wealth management products and services;
- other business segments comprise taxi trading and the leasing of taxis and letting of investment properties.

The Group's inter-segment transactions during the period were mainly related to dealers' commission from referrals of taxi financing loans, and these transactions were entered into on similar terms and conditions as those contracted with third parties at the dates of the transactions.

5. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

The following tables represent revenue and profit information for these segments for the six months ended 30 June 2008 and 2007, and certain asset and liability information regarding business segments as at 30 June 2008 and 2007.

	Retail and commercial banking and lending businesses		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Restated) HK\$'000	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Restated) HK\$'000	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Restated) HK\$'000	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Restated) HK\$'000	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Restated) HK\$'000
Segment revenue										
Net interest income	531,663	472,715	148	163	-	-	-	-	531,811	472,878
Other operating income:										
Fees and commission income	82,479	81,096	88,912	26,442	2,009	433	-	-	173,400	107,971
Others	15,422	14,477	680	-	5,773	6,857	-	-	21,875	21,334
Profit on sale of available-for-sale financial assets	-	-	-	17,827	-	-	-	-	-	17,827
Elimination of inter-segment transactions	-	-	-	-	225	400	(225)	(400)	-	-
	629,564	568,288	89,740	44,432	8,007	7,690	(225)	(400)	727,086	620,010
Segment results	277,856	273,228	12,284	37,406	13,006	5,093	-	-	303,146	315,727
Share of profits and losses of a jointly-controlled entity									-	-
Profit before tax									303,146	315,727
Tax									(52,919)	(54,773)
Profit for the period									250,227	260,954
Segment assets	30,388,140	26,973,739	347,799	303,478	187,125	151,247	-	-	30,923,064	27,428,464
Unallocated assets:										
Goodwill									2,774,403	2,774,403
Intangible assets									358	358
Deferred tax assets									9,137	15,469
Total assets									33,706,962	30,218,694
Segment liabilities	27,436,836	24,339,354	201,809	149,270	14,039	20,401	-	-	27,652,684	24,509,025
Unallocated liabilities:										
Dividend payable									54,896	54,695
Deferred tax liabilities and tax payable									131,788	129,047
Total liabilities									27,839,368	24,692,767
Other segment information										
Capital expenditure	21,365	25,070	-	-	-	-	-	-	21,365	25,070
Depreciation and amortisation of land lease prepayments	10,825	8,935	-	-	-	-	-	-	10,825	8,935
Changes in fair value of investment properties	-	-	-	-	(18,801)	-	-	-	(18,801)	-
Impairment allowances for loans and advances and receivables, held-to-maturity investments and available-for-sale securities	121,474	89,698	68,216	-	-	-	-	-	189,690	89,698
Net loss/(gain) on disposal of property and equipment	54	(541)	-	-	-	-	-	-	54	(541)

Notes to the Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION (Continued)

(b) By geographical segment

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 in the financial statements.

6. INTEREST INCOME AND EXPENSES

The interest income for the six months ended 30 June 2008 amounted to HK\$872,506,000 (2007: HK\$877,797,000) and interest expenses for the six months ended 30 June 2008 amounted to HK\$340,695,000 (2007: HK\$404,919,000) pursuant to the adoption of effective interest method 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 2008 amounted to HK\$1,508,000 (2007: HK\$2,758,000).

7. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Fees and commission income:		
Retail and commercial banking	85,044	82,203
Wealth management services, stockbroking and securities management	88,912	26,442
	173,956	108,645
Less: Fees and commission expenses	(556)	(674)
Net fees and commission income	173,400	107,971
Gross rental income	6,037	6,464
Less: Direct operating expenses	(39)	(43)
Net rental income	5,998	6,421
Gain less losses arising from dealing in foreign currencies	9,389	8,189
Losses on disposal of financial assets designated at fair value through profit or loss	(1,059)	–
Net (losses)/gains on disposal of property and equipment	(54)	541
Dividends from listed investments	680	958
Dividends from unlisted investments	980	980
Net income on derivative financial instruments	1,246	1,554
Others	4,695	2,691
	195,275	129,305

The direct operating expenses included repair and maintenance expenses arising from investment properties.

7. OTHER OPERATING INCOME (Continued)

There were no net gains or losses arising from held-to-maturity investments, loans and advances and receivables, financial liabilities at amortised cost and financial liabilities designated at fair value through profit or loss for the six months ended 30 June 2008 and 2007.

All fees and commission income and expense are related to financial assets or financial liabilities which are not designated at fair value through profit or loss. No fees and commission income and expense are related to trust and other fiduciary activities.

8. OPERATING EXPENSES

	For the six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other staff costs	122,835	101,232
Pension contributions	6,725	5,833
Less: Forfeited contributions	(17)	(94)
Net retirement benefit schemes	6,708	5,739
	129,543	106,971
Other operating expenses:		
Operating lease rentals on leasehold buildings	17,744	14,640
Depreciation and amortisation of land lease prepayments	10,825	8,935
Administrative and general expenses	23,374	23,492
Impairment of intangible assets	–	367
Others	71,565	60,180
Operating expenses before changes in fair value of investment properties	253,051	214,585
Changes in fair value of investment properties	(18,801)	–
	234,250	214,585

Notes to the Condensed Consolidated Financial Statements

9. IMPAIRMENT ALLOWANCES

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Charge for/(write-back) of impairment allowances:		
– Loans and advances	121,225	96,490
– Trade bills, accrued interest and receivables	249	(6,792)
– Held-to-maturity investments	37,000	–
– Available-for-sale securities	31,216	–
	189,690	89,698
Net charge for/(write-back) of impairment losses and allowances:		
– Individually assessed	198,322	90,205
– Collectively assessed	(8,632)	(507)
	189,690	89,698
Of which:		
– new impairment losses and allowances (including any amount directly written off during the period)	254,967	171,029
– releases and recoveries	(65,277)	(81,331)
Net charge to the consolidated income statement	189,690	89,698

There were no impairment allowances for other financial assets (other than loans and advances and receivables, held-to-maturity investments and available-for-sale securities) for the six months ended 30 June 2008 and 2007.

10. TAX

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current tax charge:		
Hong Kong	47,800	52,395
Elsewhere	1,268	1,298
Under/(over)-provisions in prior years	4,124	(1,300)
Deferred tax charge	(273)	2,380
	52,919	54,773

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 2008 (Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	296,102		7,044		303,146	
Tax at the applicable tax rate	48,857	16.5	1,268	18.0	50,125	16.5
Effect on change in tax rates	(3,634)	(1.2)	-	-	(3,634)	(1.2)
Estimated tax effect of net expense that is not deductible for tax	2,316	0.8	-	-	2,316	0.8
Estimated tax losses from previous periods utilised	(14)	-	-	-	(14)	-
Estimated tax losses not recognised	2	-	-	-	2	-
Adjustments in respect of current tax of previous periods	4,124	1.4	-	-	4,124	1.4
Tax charge at the Group's effective rate	51,651	17.5	1,268	18.0	52,919	17.5

Notes to the Condensed Consolidated Financial Statements

10. TAX (Continued)

	For the six months ended 30 June 2007 (Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	307,071		8,656		315,727	
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	(1,300)	(0.4)	–	–	(1,300)	(0.4)
Tax charge at the Group's effective rate	53,475	17.4	1,298	15.0	54,773	17.3

11. DIVIDENDS

	For the six months ended 30 June			
	2008	2007	2008	2007
	HK\$ per ordinary share		HK\$'000	HK\$'000
Interim	0.05	0.05	54,896	54,695

12. 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\$250,227,000 (2007: HK\$260,954,000) and on the weighted average number of 1,094,773,602 (2007: 1,093,896,618) ordinary shares in issue during the period.

12. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

There was no diluted earnings per share for the six months period ended 30 June 2008 as the exercise price of all share options outstanding was higher than the average market price of shares issued on deemed exercise of all share options outstanding during the period. The calculation of diluted earnings per share is based on the profit for the period of HK\$250,227,000 (2007: HK\$260,954,000) and on the weighted average number of 1,094,773,602 (2007: 1,093,896,618) ordinary shares, being the weighted average number of 1,094,773,602 (2007: 1,093,896,618) 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 (2007: nil).

	For the six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Profit for the period, used in the basic and diluted earnings per share calculation <i>(HK\$'000)</i>	250,227	260,954
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,094,773,602	1,093,896,618
Weighted average number of ordinary shares assumed to be issued at no consideration on deemed exercise of all share options outstanding during the period	–	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	1,094,773,602	1,093,896,618
Diluted earnings per share <i>(HK\$)</i>	0.229	0.239

13. CASH AND SHORT TERM PLACEMENTS

	30 June	31 December
	2008	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Cash in hand	101,533	111,345
Placements with banks and financial institutions	488,266	321,740
Money at call and short notice	4,541,547	5,449,150
	5,131,346	5,882,235

The carrying amounts of 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

14. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Placements with banks and financial institutions	368,173	441,539

The carrying amounts of the placements with banks and financial institutions approximate their fair values, and over 90% of the placements were rated with grading of Baa2 or above based on the rating of an external credit agency, Moody's.

15. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Loans and advances	21,831,507	18,947,961
Trade bills	204,509	166,087
Accrued interest	22,036,016 77,174	19,114,048 88,179
Other receivables	22,113,190 60,722	19,202,227 63,272
Gross loans and advances and receivables	22,173,912	19,265,499
Less: Impairment allowances for loans and advances and receivables		
– Individually assessed	(46,158)	(33,990)
– Collectively assessed	(57,239)	(65,871)
	(103,397)	(99,861)
Loans and advances and receivables	22,070,515	19,165,638

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

The Group's loans and advances and receivables are mainly collateralised by properties, cash, securities and tax licences.

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(a) Overdue and impaired loans and advances and receivables

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Loans and advances overdue for:				
Six months or less but over three months	70,095	0.3	111,768	0.6
One year or less but over six months	41,662	0.2	7,017	–
Over one year	7,842	–	8,111	0.1
Loans and advances overdue for more than three months	119,599	0.5	126,896	0.7
Rescheduled loans and advances overdue for three months or less	215	–	2,765	–
Impaired accounts overdue for three months or less	14,048	0.1	17,459	0.1
Total overdue and impaired loans and advances	133,862	0.6	147,120	0.8

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	223	1,006
One year or less but over six months	658	468
Over one year	1,616	1,210
Total overdue and impaired accrued interest and other receivables	2,497	2,684

Impaired loans and advances and receivables are individually determined to be impaired taking into account overdue aging analysis and other qualitative factors such as bankruptcy proceedings and individual voluntary arrangements.

Notes to the Condensed Consolidated Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(b) Geographical analysis of overdue and impaired loans and advances and receivables, and individual and collective impairment allowances

	30 June 2008 (Unaudited)			31 December 2007 (Audited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue more than three months	122,096	-	122,096	129,580	-	129,580
Individual impairment allowances	37,255	-	37,255	27,532	-	27,532
Collective impairment allowances	39,779	-	39,779	42,965	-	42,965
Current market value and fair value of collateral			16,019			40,897
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	145,362	701	146,063	151,360	-	151,360
Individual impairment allowances	46,158	-	46,158	33,990	-	33,990
Collective impairment allowances	39,779	-	39,779	42,965	-	42,965
Current market value and fair value of collateral			16,510			48,878

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

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

- (c) 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 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	16,019	40,897
Covered portion of overdue loans and advances	14,634	36,644
Uncovered portion of overdue loans and advances	104,965	90,252

The eligibility of assets taken as collateral should satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified.
- The asset is marketable and there exists a readily available secondary market for disposal of the asset.
- The Group's right to repossess the asset is legally enforceable without impediment.
- The Group is able to secure control over the asset if necessary.

(d) Repossessed assets

There were no repossessed assets of the Group during the period (2007: HK\$749,000).

Notes to the Condensed Consolidated Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(e) Past due but not impaired loans and advances and receivables

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Loans overdue less than three months	762,510	3.46	624,509	3.30
Rescheduled but not impaired loans and advances	624	–	710	–
	763,134	3.46	625,219	3.30
Trade bills, accrued interest and other receivables overdue less than three months	29,129		6,055	

(f) Movements in impairment losses and allowances on loans and advances and receivables

	30 June 2008 (Unaudited)		Total HK\$'000
	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000	
At 1 January 2008	33,990	65,871	99,861
Amount written off	(169,550)	–	(169,550)
Impairment losses and allowances charged to the income statement	186,679	72	186,751
Impairment losses and allowances released to the income statement	(56,573)	(8,704)	(65,277)
Net charge of impairment losses and allowances	130,106	(8,632)	121,474
Loans and advances and receivables recovered	51,612	–	51,612
At 30 June 2008	46,158	57,239	103,397
Deducted from:			
Loans and advances	42,360	56,585	98,945
Trade bills, accrued interest and other receivables	3,798	654	4,452
	46,158	57,239	103,397

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(f) Movements in impairment losses and allowances on loans and advances and receivables (Continued)

	31 December 2007 (Audited)		
	Individual impairment allowance <i>HK\$'000</i>	Collective impairment allowance <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	104,785	157,946	262,731
Amount written off	(408,386)	–	(408,386)
Impairment losses and allowances charged to the income statement	397,043	–	397,043
Impairment losses and allowances released to the income statement	(137,795)	(92,075)	(229,870)
Net charge of impairment losses and allowances	259,248	(92,075)	167,173
Loans and advances and receivables recovered	78,343	–	78,343
At 31 December 2007	33,990	65,871	99,861
Deducted from:			
Loans and advances	29,407	64,958	94,365
Trade bills, accrued interest and other receivables	4,583	913	5,496
	33,990	65,871	99,861

Notes to the Condensed Consolidated Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(g) Finance lease receivables

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

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Amounts receivable under finance leases:				
Within one year	517,665	520,412	411,504	382,168
In the second to fifth years, inclusive	907,295	957,861	668,207	631,289
Over five years	2,559,573	2,488,574	2,007,735	1,765,148
	3,984,533	3,966,847	3,087,446	2,778,605
Less: Unearned finance income	(897,087)	(1,188,242)		
Present value of minimum lease payments receivable	3,087,446	2,778,605		

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.

16. OTHER PAST DUE AND RESCHEDULED ASSETS

There were no other overdue (for more than three months) or rescheduled advances to banks and other financial institutions or other assets (other than loans and advances and receivables) as at 30 June 2008 and 31 December 2007.

There were no impairment allowances for other assets (other than loans and advances and receivables, held-to-maturity investments and intangible asset) as at 30 June 2008 and 31 December 2007, and no impairment allowances and losses were charged to the income statement for such other assets for the six months ended 30 June 2008 and 2007.

17. HELD-TO-MATURITY INVESTMENTS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Certificates of deposit held	171,647	175,696
Treasury bills (including Exchange Fund Bills)	318,311	297,478
Other debt securities	1,649,027	2,395,334
	2,138,985	2,868,508
Less: Individual impairment allowance	–	(9,800)
	2,138,985	2,858,708
Listed or unlisted:		
– listed in Hong Kong	19,991	19,986
– unlisted	2,118,994	2,838,722
	2,138,985	2,858,708
Analysed by issuers:		
– central government	318,311	297,478
– banks and other financial institutions	1,820,674	2,412,973
– corporate entities	–	148,257
	2,138,985	2,858,708
Market value of listed held-to-maturity investments		
– Hong Kong	19,788	19,810

Notes to the Condensed Consolidated Financial Statements

17. HELD-TO-MATURITY INVESTMENTS (Continued)

Movement on impairment allowance of held-to-maturity investments

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Balance at beginning of period/year	9,800	–
Individual impairment allowance charged to the income statement for the period/year	37,000	9,800
	46,800	9,800
Less: Amount written off	(46,800)	–
Balance at end of the period/year	–	9,800

Overdue analysis of impaired held-to-maturity investments

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Gross amount HK\$'000	Percentage of total held- to-maturity investments	Gross amount HK\$'000	Percentage of total held- to-maturity investments
Overdue less than three months but impaired	–	–	77,907	2.71%

There were no held-to-maturity investments overdue more than three months.

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

18. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At valuation:	
At 1 January 2007	196,666
Transfer from owner-occupied property	137
Transfer to owner-occupied property	(73,080)
Disposals	(1,000)
	<hr/>
Carrying amount before change in fair value	122,723
Change in fair value	23,769
	<hr/>
At 31 December 2007 and 1 January 2008	146,492
Disposals	-
	<hr/>
Carrying amount before change in fair value	146,492
Change in fair value	18,801
	<hr/>
At 30 June 2008	165,293

Notes to the Condensed Consolidated Financial Statements

19. PROPERTY AND EQUIPMENT

	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 2007	65,919	85,589	2,784	154,292
Additions	–	36,769	200	36,969
Transfer to investment properties	(66)	–	–	(66)
Transfer from investment properties	2,995	–	–	2,995
Disposals/write-off	–	(8,807)	–	(8,807)
At 31 December 2007 and 1 January 2008	68,848	113,551	2,984	185,383
Additions	–	21,365	–	21,365
Disposals/write-off	–	(644)	–	(644)
At 30 June 2008	68,848	134,272	2,984	206,104
Accumulated depreciation:				
At 1 January 2007	7,762	72,915	2,612	83,289
Provided during the year	1,554	10,876	82	12,512
Transfer to investment properties	(60)	–	–	(60)
Disposals/write-off	–	(8,365)	–	(8,365)
At 31 December 2007 and 1 January 2008	9,256	75,426	2,694	87,376
Provided during the period	785	6,979	50	7,814
Exchange difference	–	59	–	59
Disposals/write-off	–	(590)	–	(590)
At 30 June 2008	10,041	81,874	2,744	94,659
Net carrying amount:				
At 30 June 2008	58,807	52,398	240	111,445
At 31 December 2007	59,592	38,125	290	98,007

20. LAND LEASE PREPAYMENTS

	<i>HK\$'000</i>
<hr/>	
Cost:	
At 1 January 2007	597,547
Transfer to investment properties	(230)
Transfer from investment properties	70,085
Exchange difference	-
	667,402
At 31 December 2007 and 1 January 2008	-
Exchange difference	-
	667,402
At 30 June 2008	667,402
Accumulated amortisation and impairment:	
At 1 January 2007	35,517
Provided during the year	5,936
Transfer to investment properties	(99)
Reversal of an impairment loss	(2,616)
Exchange difference	-
	38,738
At 31 December 2007 and 1 January 2008	38,738
Provided during the period	3,011
Exchange difference	-
	41,749
At 30 June 2008	41,749
Net carrying amount:	
At 30 June 2008	625,653
At 31 December 2007	628,664

The current and non-current portions of the land lease prepayments were HK\$6,022,000 and HK\$619,631,000 (2007: HK\$6,346,000 and HK\$622,318,000) respectively.

Notes to the Condensed Consolidated Financial Statements

21. OTHER ASSETS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Interest receivable from authorised institutions	14,090	35,764
Other debtors, deposits and prepayments	236,552	548,574
	250,642	584,338

22. CUSTOMER DEPOSITS AT AMORTISED COST

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Demand deposits and current accounts	962,241	732,912
Savings deposits	2,969,762	2,363,790
Time, call and notice deposits	19,914,897	17,404,847
	23,846,900	20,501,549

23. UNSECURED BANK LOANS AT AMORTISED COST

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Unsecured bank loans	1,474,406	1,100,000
Repayable:		
Within one year	374,406	–
In the second to fifth years, inclusive	1,100,000	1,100,000
	1,474,406	1,100,000

The unsecured bank loans are denominated in Hong Kong dollars. The carrying amounts of the unsecured bank loans approximate their fair values and bear interest at floating interest rates and at prevailing market rates.

24. OTHER LIABILITIES

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Creditors, accruals and interest payable	506,716	732,588
Amount due to the ultimate holding company	41	41
	506,757	732,629

The other liabilities were current in nature and approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

25. RESERVES

	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Employee share- based compensation reserve <i>HK\$'000</i>	Regulatory reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	3,988,219	829	96,116	68,565	45,765	95,881	915,283	-	5,210,658
Change in fair value and total income and expense recognised directly in equity	-	-	-	84,156	-	-	-	-	84,156
Profit for the year	-	-	-	-	-	-	665,331	-	665,331
Exchange difference	-	-	-	-	-	-	-	21,400	21,400
Transfer from retained profits	-	-	-	-	-	65,338	(65,338)	-	-
Transfer to income statement for disposal of available-for-sale financial assets	-	-	-	(108,545)	-	-	-	-	(108,545)
Dividends for 2007	-	-	-	-	-	-	(328,169)	-	(328,169)
At 31 December 2007 and 1 January 2008	3,988,219	829	96,116	44,176	45,765	161,219	1,187,107	21,400	5,544,831
Change in fair value and total income and expense recognised directly in equity	-	-	-	(21,439)	-	-	-	-	(21,439)
Profit for the period	-	-	-	-	-	-	250,227	-	250,227
Premium, net of expenses arising on share options exercised	25,139	-	-	-	-	-	-	-	25,139
Exchange difference	-	-	-	-	-	-	-	13,940	13,940
Transfer from retained profits	-	-	-	-	-	57,686	(57,686)	-	-
Dividends declared	-	-	-	-	-	-	(54,896)	-	(54,896)
At 30 June 2008	4,013,358	829	96,116	22,737	45,765	218,905	1,324,752	35,340	5,757,802

26. OPERATING LEASE ARRANGEMENTS

- (a) The Group leases its investment properties under operating lease arrangements, and the terms of the leases range from one to five years.

As at 30 June 2008, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	7,154	7,807
In the second to fifth years, inclusive	2,655	2,584
	9,809	10,391

- (b) The Group entered into non-cancellable operating lease arrangements with landlords, and the terms of the leases range from one to five years.

As at 30 June 2008, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	28,173	28,681
In the second to fifth years, inclusive	14,646	17,599
	42,819	46,280

Notes to the Condensed Consolidated Financial Statements

27. OFF-BALANCE SHEET EXPOSURE

Contingent liabilities and commitments and derivatives

The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments and derivatives of the Group outstanding at the balance sheet date:

	30 June 2008 (Unaudited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	Credit risk weighted amount <i>HK\$'000</i>	Positive fair value – assets <i>HK\$'000</i>	Negative fair value – liabilities <i>HK\$'000</i>
Direct credit substitutes	278,646	–	74,026	–	–
Transaction-related contingencies	2,369	–	101	–	–
Trade related contingencies	162,436	–	27,366	–	–
Forward forward deposits placed	31,198	–	6,240	–	–
Forward asset purchases	191,729	–	38,346	–	–
	666,378	–	146,079	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	6,158,025	7,472	6,986	8,063	8,381
Interest rate swaps	–	–	–	–	–
	6,158,025	7,472	6,986	8,063	8,381
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	484,633	–	242,317	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,737,704	–	–	–	–
	11,046,740	7,472	395,382	8,063	8,381
Capital commitment contracted for, but not provided in the financial statements	13,517	–	13,517	–	–

27. OFF-BALANCE SHEET EXPOSURE (Continued)

Contingent liabilities and commitments and derivatives (Continued)

	31 December 2007 (Audited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	Credit risk weighted amount <i>HK\$'000</i>	Positive fair value – assets <i>HK\$'000</i>	Negative fair value – liabilities <i>HK\$'000</i>
Direct credit substitutes	287,899	–	81,595	–	–
Transaction-related contingencies	3,844	–	958	–	–
Trade related contingencies	197,345	–	37,208	–	–
Forward asset purchases	85,898	–	17,180	–	–
	574,986	–	136,941	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	2,021,126	2,121	866	2,591	2,342
Interest rate swaps	400,000	–	–	53	39
	2,421,126	2,121	866	2,644	2,381
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	508,023	–	254,011	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,777,592	–	–	–	–
	7,281,727	2,121	391,818	2,644	2,381
Capital commitment contracted for, but not provided in the financial statements	9,284	–	9,284	–	–

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.

As at 30 June 2008 and 31 December 2007, the Group had no other material outstanding contingent liabilities and commitments save as disclosed above.

Notes to the Condensed Consolidated Financial Statements

27. OFF-BALANCE SHEET EXPOSURE (Continued)

Derivative financial instruments

The Group uses the following derivative instruments:

Currency forwards represent commitments to purchase foreign and domestic currencies, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk is negligible, as changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of interest rates (for example, fixed rate or floating rate). No exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

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	
	2008 (Unaudited) HK\$'000	2007 (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
Interest income from the ultimate holding company	3,991	15
Rental income from the ultimate holding company	387	1,128
Management fees from the ultimate holding company	320	417
Services charge paid to the ultimate holding company	–	16
Interest paid and payable to a fellow subsidiary	11,167	9,388
Interest paid and payable to the ultimate holding company	1,938	9,690
Key management personnel compensation:		
– short-term employee benefits	2,931	1,877
– post employment benefits	132	131
	3,063	2,008
Interest income received from key management personnel	11	19
Interest expense paid to key management personnel	346	296
Commission fee income from key management personnel	8	2
Post employment benefits for employees other than key management personnel	6,575	5,608
	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Related party transactions included in the assets and liabilities:		
Cash and short term placements with the ultimate holding company	13,410	223
Deposits from a fellow subsidiary, the ultimate holding company and an affiliated company	2,343,819	2,139,800
Interest payable to fellow subsidiaries and the ultimate holding company	5,263	3,284
Rental deposits from the ultimate holding company	41	41
A mortgage loan to key management personnel	876	935
Deposits from key management personnel	23,729	19,147

Notes to the Condensed Consolidated Financial Statements

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2008 (Unaudited)			31 December 2007 (Audited)		
	Carrying	Unrecognised		Carrying	Unrecognised	
	value	Fair value	gain/(loss)	value	Fair value	gain/(loss)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
Cash and short term placements	3,337,438	3,337,438	-	5,882,235	5,882,235	-
Placements with banks and financial institutions	2,162,081	2,162,081	-	441,539	441,539	-
Financial assets designated at fair value through profit or loss	-	-	-	12,262	12,262	-
Derivative financial instruments	8,063	8,063	-	2,644	2,644	-
Loans and advances and receivables	22,070,515	22,070,515	-	19,165,638	19,165,638	-
Available-for-sale financial assets (excluding unlisted equity investment, at cost)	22,800	22,800	-	44,240	44,240	-
Held-to-maturity investments	2,138,985	2,128,389	(10,596)	2,858,708	2,860,158	1,450
Other assets	250,642	250,642	-	584,338	584,338	-
Financial liabilities						
Deposits and balances of banks and other financial institutions at amortised cost	666,536	666,536	-	2,263,902	2,263,902	-
Derivative financial instruments	8,381	8,381	-	2,381	2,381	-
Customer deposits at amortised cost	23,846,900	23,846,900	-	20,501,549	20,501,549	-
Certificates of deposit issued at amortised cost	1,149,704	1,149,704	-	2,049,227	2,049,227	-
Unsecured bank loans at amortised cost	1,474,406	1,474,406	-	1,100,000	1,100,000	-
Other liabilities	506,757	506,757	-	732,629	732,629	-
Total unrecognised change in unrealised fair value			(10,596)			1,450

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets and liabilities for which fair value approximates carrying value – Liquid or/and very short term

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fixed rate financial instruments

The fair values of fixed rate financial assets and financial liabilities carried at amortised cost are based on current interest rates offered for similar financial instruments appropriate for remaining term to maturity. The estimated fair values of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates. For those certificates of deposit issued and customer deposits where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices and those involving valuation techniques where all the model inputs are observable in the market.

	30 June 2008 (Unaudited)		
	Quoted market price HK\$'000	Valuation techniques – market observable inputs HK\$'000	Total HK\$'000
Financial assets:			
Financial assets designated at fair value through profit or loss	–	–	–
Derivative financial instruments	–	8,063	8,063
Available-for-sale financial assets	22,800	–	22,800
	22,800	8,063	30,863
Financial liabilities:			
Derivative financial instruments	–	8,381	8,381

Notes to the Condensed Consolidated Financial Statements

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial instruments recorded at fair value (Continued)

	31 December 2007 (Audited)		
	Quoted market price <i>HK\$'000</i>	Valuation techniques – market observable inputs <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets:			
Financial assets designated at fair value through profit or loss	12,262	–	12,262
Derivative financial instruments	–	2,644	2,644
Available-for-sale financial assets	44,240	–	44,240
	<u>56,502</u>	<u>2,644</u>	<u>59,146</u>
Financial liabilities:			
Derivative financial instruments	–	2,381	2,381

Derivative financial instruments are recorded at fair value based on prices of similar market transactions.

Unlisted equity investment measured at cost amounted to HK\$6,804,000 (2007: HK\$6,804,000) was excluded from the fair value of financial instruments disclosure.

There were no financial assets and financial liabilities that offset against each other at the six months ended 30 June 2008 and 2007.

30. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows an analysis of financial assets and financial liabilities analysed by principal according to when they are expected to be recovered or settled.

	30 June 2008 (Unaudited)							Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	
Financial assets:								
Cash and short term placements	606,872	4,524,474	-	-	-	-	-	5,131,346
Placements with banks and financial institutions	-	-	151,125	217,048	-	-	-	368,173
Derivative financial instruments	-	3,996	3,062	1,005	-	-	-	8,063
Loans and advances and receivables	499,071	1,488,331	1,263,042	2,434,819	7,539,270	8,783,566	165,813	22,173,912
Available-for-sale financial assets	-	-	-	-	-	-	29,604	29,604
Held-to-maturity investments	-	926,231	238,629	825,567	148,558	-	-	2,138,985
Other assets	-	14,090	-	236,552	-	-	-	250,642
Total financial assets	1,105,943	6,957,122	1,655,858	3,714,991	7,687,828	8,783,566	195,417	30,100,725
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	68,909	423,640	76,850	97,137	-	-	-	666,536
Derivative financial instruments	-	4,036	3,378	967	-	-	-	8,381
Customer deposits at amortised cost	3,942,554	11,030,592	5,709,321	3,144,220	20,213	-	-	23,846,900
Certificates of deposit issued at amortised cost	-	349,988	-	799,716	-	-	-	1,149,704
Unsecured bank loans at amortised cost	-	75,000	-	299,406	1,100,000	-	-	1,474,406
Other liabilities	-	67,694	-	439,022	-	-	41	506,757
Total financial liabilities	4,011,463	11,950,950	5,789,549	4,780,468	1,120,213	-	41	27,652,684

Notes to the Condensed Consolidated Financial Statements

30. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	31 December 2007 (Audited)							Repayable within an indefinite period HK\$'000	Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Over 5 years HK\$'000		
Financial assets:									
Cash and short term placements	433,085	5,449,150	-	-	-	-	-	-	5,882,235
Placements with banks and financial institutions	-	-	301,175	140,364	-	-	-	-	441,539
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	12,262	-	12,262
Derivative financial instruments	-	475	1,580	589	-	-	-	-	2,644
Loans and advances and receivables	584,594	1,420,067	1,403,520	1,991,787	6,602,539	7,092,524	170,468	-	19,265,499
Available-for-sale financial assets	-	-	-	-	-	-	51,044	-	51,044
Held-to-maturity investments	-	1,293,378	580,093	781,431	213,606	-	-	-	2,868,508
Other assets	-	53,315	-	531,023	-	-	-	-	584,338
Total financial assets	1,017,679	8,216,385	2,286,368	3,445,194	6,816,145	7,092,524	233,774	-	29,108,069
Financial liabilities:									
Deposits and balances of banks and other financial institutions at amortised cost	36,074	2,130,542	35,244	62,042	-	-	-	-	2,263,902
Derivative financial instruments	-	1,560	285	536	-	-	-	-	2,381
Customer deposits at amortised cost	2,956,640	12,441,818	3,900,980	1,171,062	31,049	-	-	-	20,501,549
Certificates of deposit issued at amortised cost	-	-	99,995	1,149,723	799,509	-	-	-	2,049,227
Unsecured bank loans at amortised cost	-	-	-	-	1,100,000	-	-	-	1,100,000
Other liabilities	-	92,835	-	639,753	-	-	41	-	732,629
Total financial liabilities	2,992,714	14,666,755	4,036,504	3,023,116	1,930,558	-	41	-	26,649,688

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise certificates of deposit issued and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade bills, held-to-maturity investments, loans and advances and receivables, available-for-sale financial assets and financial assets designated at fair value through profit or loss, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts held for trading. The purpose is to manage or mitigate interest rate risk and currency risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk and operational risk. The board reviews and approves policies for managing each of these risks and they are summarised below.

Risk management

The Group has established systems, policies and procedures for the control and monitoring of market, credit, liquidity and operational risks, which are approved and endorsed by the board of directors and reviewed regularly by the Group's management, Credit Risk Management Committee, Asset and Liability Management Committee, Operational Risk Management Committee and other designated committees or working groups. Material risks are identified and measured by designated committees and/or working groups before the launch of new products or business activities, and monitored, documented and controlled against applicable risk limits after the implementation of new products or services or business activities. The internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures.

Market risk management

(a) Interest rate risk

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 and measured by the Asset and Liability Management Committee of Public Bank (Hong Kong) and Assets and Liabilities Committee of Public Finance against limits approved by the board of directors.

(b) Currency risk

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk positions arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures. All foreign exchange positions are managed by the Group's Treasury Department within limits approved by board of the directors of respective subsidiaries. The Group's assets and liabilities are mainly denominated in Hong Kong dollars and United States dollars of which the exchange rates have remained relatively stable among each other for the period ended 30 June 2008 and the year ended 31 December 2007.

Notes to the Condensed Consolidated Financial Statements

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk management (Continued)

(c) *Price risk*

Price risk is the risk to the Group's earnings and capital due to changes in the prices of securities including commodities, debt securities and equities.

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

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

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. Credit risk exposures are measured and monitored against credit limits and other control limits (such as connected exposures, large exposures and risk concentration limits set by the Credit Risk Management Committee and approved by the board of directors). Segregation of duties in key credit functions is in place to ensure separate credit control and monitoring. Management and recovery of problem credits 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. Its policy on connected lending defines and states connected parties, statutory and applicable connected lending limits, types of connected transactions, taking of collateral, capital adequacy treatment and detailed procedures and controls for monitoring of connected lending exposures. In general, interest rates and other terms and conditions applying to connected lending should not be more favourable than loans granted to non-connected borrowers under similar circumstances. The terms and conditions should be determined on normal commercial terms at arm's length and in the ordinary course of business of the Group.

Credit and compliance audits are periodically conducted by the Internal Audit Department to evaluate the effectiveness of the credit review, approval and monitoring processes and to ensure the established credit policies and procedures are complied with.

The Credit Committee of the Group monitors the quality of financial assets which are neither past due nor impaired by financial performance indicators (such as loan-to-value ratio, debts servicing ratio, financial soundness of borrowers and personal guarantee) through meeting discussions, management information systems and reports. Those loan borrowers subject to legal proceedings, negative comments from other counterparties and rescheduled arrangements are put under watch lists or under "special mention" grade for management oversight.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management (Continued)

The Credit Committee of the Group monitors the quality of past due or impaired financial assets by internal grading of “substandard”, “doubtful” and “loss” through the same meeting discussions and management information systems and reports. The impaired financial assets include those subject to personal bankruptcy petitions, corporate winding-up and rescheduled arrangements.

The Credit Risk Management Committee of the Group is responsible for establishing the framework for identifying, measuring, monitoring and controlling credit risk of existing and new products, and approving credit risk management policies and credit risk tolerable limits as and when necessary.

The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as cash, properties, taxi licenses and cabs and securities.

Liquidity risk management

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

The Asset and Liability Management Committee of Public Bank (Hong Kong) and Assets and Liabilities Committee of Public Finance 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 subsidiaries on a periodic basis to ensure that the liquidity structure of the subsidiaries’ assets, liabilities and commitments can meet the funding needs, and that internal liquidity trigger limits are complied with. Standby facilities are maintained to provide liquidity to meet unexpected and material cash outflows in the ordinary course of business.

Operational risk management

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group has operational risk management function in place to identify, measure, monitor and control operational risk. Its Operational Risk Management Policy Manual defines responsibilities of various committees, business units and supporting departments, highlights key operational risk cause factors and categories with loss event types to facilitate measurement and assessment of operational risks and potential impact. The operational risk exposures are monitored by appropriate key risk indicators for tracking and escalation to management for providing early warning signals of increased operational risk or a breakdown in operational risk management. Regular operational risk management reports are received and consolidated from various parties and reported to the Operational Risk Management Committee for monitoring and control of operational risk.

Notes to the Condensed Consolidated Financial Statements

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management

Capital of the Group for regulatory and risk management purpose include share capital, share premium, reserves, profit and loss, regulatory reserve and sub-ordinated debts, if any. The Finance and Control Department is responsible for monitoring the amount of capital base and capital adequacy ratio against trigger limits and for risk exposures, ensuring compliance with relevant statutory limits taking into account business growth, dividend payout and other relevant factors.

The Group's policy is to maintain a strong capital base to support the development of the Group's businesses and to meet the statutory capital adequacy ratio and other regulatory capital requirements. Capital is allocated to the various business activities of the Group depending on the risk taken by each business division and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame of three years.

Capital adequacy and core capital ratios

	30 June 2008	31 December 2007
Consolidated capital adequacy ratio	12.58%	12.66%
Consolidated core capital ratio	12.08%	12.45%

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital disclosures

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

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Core capital:		
Paid up ordinary share capital	109,792	109,390
Share premium account	4,013,358	3,988,219
Published reserves	1,213,088	887,548
Profit and loss account	154,635	369,287
Deduct:		
Goodwill	(2,774,403)	(2,774,403)
Net deferred tax assets	–	(4,948)
Core capital before deductions	2,716,470	2,575,093
Less: Deductions from shareholdings in subsidiaries	(40,031)	(33,531)
Securitisation exposures subject to deduction	–	(34,054)
Other deductions	(118,122)	(118,122)
Total core capital after deductions	2,558,317	2,389,386
Supplementary capital:		
Regulatory reserve	207,850	161,219
Collective provisions	57,083	65,719
Supplementary capital before deductions	264,933	226,938
Less: Deductions from shareholdings in subsidiaries	(40,031)	(33,531)
Securitisation exposures subject to deduction	–	(34,054)
Other deductions	(118,122)	(118,122)
Total supplementary capital after deductions	106,780	41,231
Deductions from capital base	–	–
Capital base	2,665,097	2,430,617

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, capital base and risk weighted amounts of the Group 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. Deduction from the capital base included investment in subsidiaries, securitisation and other exposures.

32. COMPARATIVE FIGURES

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

Supplementary Information (Unaudited)

ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

Gross and impaired loans and advances to customers, impairment allowances, impaired loans written off and collateral are analysed by industry sectors pursuant to HKMA guidelines as follows:

	30 June 2008								
	Gross loans and advances HK\$'000	Collective impairment allowances HK\$'000	Individual impairment allowances HK\$'000	New impairment allowances charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral	Impaired loans and advances HK\$'000	Overdue more than three months loans and advances HK\$'000
Loans for use in Hong Kong									
Manufacturing	557,761	67	12,136	5,535	-	54,097	9.7	18,205	14,683
Building & construction, property development and investment									
Property development	547,368	66	344	344	-	82,282	15.0	344	344
Property investment	4,730,680	567	-	-	-	3,487,911	73.7	-	-
Civil engineering works	94,146	11	-	-	-	6,212	6.6	-	-
Electricity and gas	35,759	4	-	-	-	-	-	-	-
Recreational activities	210	-	-	-	-	-	-	-	-
Information technology	13,295	2	-	-	-	-	-	-	-
Wholesale and retail trade	27,813	3	2,723	-	-	6,780	24.4	14,186	13,695
Transport and transport equipment	3,010,779	453	5,228	2,225	697	2,630,251	87.4	5,016	3,941
Hotels, boarding houses & catering	8,275	1	-	-	-	6,460	78.1	-	-
Financial concerns	76,556	9	-	-	-	35,643	46.6	-	-
Stockbrokers									
Margin lending	-	-	-	-	-	-	-	-	-
Others	38,585	5	-	-	-	-	-	-	-
Non-stockbroking companies & individuals for the purchase of shares									
Margin lending	279,043	33	-	-	-	-	-	-	-
Others	2,710	-	-	-	-	-	-	-	-
Professional & private individuals									
Loans for the purchase of flats covered by the guarantee issued by the Housing Authority under Home Ownership Scheme, Private Sector Participation Scheme & Tenant Purchase Scheme	234,911	28	-	-	-	234,911	100	327	276
Loans for the purchase of other residential properties	5,146,991	606	825	-	-	5,146,166	100	825	825
Loans for credit card advances	16,211	2	76	224	149	-	-	88	88
Loans for other business purposes	407,552	276	-	-	-	383,606	94.1	277	277
Loans for other private purposes	3,719,824	45,053	8,769	171,872	168,704	93,635	2.5	69,861	66,977
Trade finance	588,957	-	9,313	6,497	-	33,331	5.7	21,095	15,650
Other loans and advances	1,287,564	111	2,946	54	-	233,861	18.2	2,947	2,843
Sub-total	20,824,990	47,297	42,360	186,751	169,550	12,435,146	59.7	133,171	119,599
Loans and advances for use outside Hong Kong	1,006,517	9,288	-	-	-	321,913	32.0	691	-
Total loans and advances (excluding trade bills)	21,831,507	56,585	42,360	186,751	169,550	12,757,059	58.4	133,862	119,599

ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

	31 December 2007								
	Gross loans and advances HK\$'000	Collective impairment allowances HK\$'000	Individual impairment allowances HK\$'000	New impairment allowances charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral	Impaired loans and advances HK\$'000	Overdue more than three months loans and advances HK\$'000
Loans for use in Hong Kong									
Manufacturing	626,721	691	6,499	5,278	-	89,119	14.2	14,674	7,622
Building & construction, property development and investment									
Property development	566,999	624	-	-	-	109,583	19.3	-	-
Property investment	3,689,301	4,057	-	-	-	2,525,873	68.5	11,991	11,990
Civil engineering works	101,880	112	-	487	1,403	7,759	7.6	-	-
Electricity and gas	36,123	40	-	-	-	-	-	-	-
Recreational activities	543	1	-	-	-	-	-	-	-
Information technology	52	-	-	-	-	-	-	-	-
Wholesale and retail trade	27,082	30	5,739	5,737	-	3,919	14.5	14,139	13,695
Transport and transport equipment	2,679,605	2,570	2,896	1,535	1,258	2,271,348	84.8	2,633	697
Hotels, boarding houses & catering	9,483	10	-	-	-	6,819	71.9	-	-
Financial concerns	94,043	103	-	-	-	49,158	52.3	-	-
Stockbrokers									
Margin lending	80,000	88	-	-	-	-	-	-	-
Others	75,971	84	-	-	-	-	-	-	-
Non-stockbroking companies & individuals for the purchase of shares									
Margin lending	575,253	633	-	-	-	-	-	-	-
Others	29,941	33	-	-	-	-	-	-	-
Professional & private individuals									
Loans for the purchase of flats covered by the guarantee issued by the Housing Authority under Home Ownership Scheme, Private Sector Participation Scheme & Tenant Purchase Scheme	238,921	263	-	-	-	238,921	100	887	887
Loans for the purchase of other residential properties	4,136,299	4,517	1,405	584	-	4,134,894	100	4,032	3,281
Loans for credit card advances	17,301	19	-	306	308	-	-	-	-
Loans for other business purposes	252,385	512	-	-	-	236,514	93.7	293	-
Loans for other private purposes	3,415,251	48,678	6,032	376,137	402,725	59,543	1.7	72,366	69,349
Trade finance	602,676	-	3,917	4,122	2,392	50,853	8.4	20,814	16,533
Other loans and advances	948,947	726	2,919	2,857	300	21,227	2.2	5,291	2,842
Sub-total	18,204,777	63,791	29,407	397,043	408,386	9,805,530	53.9	147,120	126,896
Loans and advances for use outside Hong Kong	743,184	1,167	-	-	-	197,133	26.5	-	-
Total loans and advances (excluding trade bills)	18,947,961	64,958	29,407	397,043	408,386	10,002,663	52.8	147,120	126,896

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)

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 exposure HK\$'million	Off-balance sheet exposure HK\$'million	Total exposures HK\$'million	Individual impairment allowance HK\$'million
As at 30 June 2008				
Mainland entities	235	222	457	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	145	–	145	–
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	1,054	–	1,054	–
	1,434	222	1,656	–
	On-balance sheet exposure HK\$'million	Off-balance sheet exposure HK\$'million	Total exposures HK\$'million	Individual impairment allowance HK\$'million
As at 31 December 2007				
Mainland entities	231	305	536	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	132	–	132	–
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	726	–	726	–
	1,089	305	1,394	–

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 the transfer of risk. An individual country or geographical area is reported if it constitutes 10% or more of the aggregate cross-border claims and was prepared in accordance with the guidelines issued by the HKMA.

	Banks and other financial institutions HK\$'million	Public sector entities HK\$'million	Others HK\$'million	Total HK\$'million
As at 30 June 2008				
1. Asia Pacific excluding Hong Kong				
of which:	4,456	12	403	4,871
Australia	812	–	–	812
China	807	12	70	889
Malaysia	2,122	–	50	2,172
2. Western Europe				
of which:	2,119	–	92	2,211
Germany	922	–	–	922
	Banks and other financial institutions HK\$'million	Public sector entities HK\$'million	Others HK\$'million	Total HK\$'million
As at 31 December 2007				
1. Asia Pacific excluding Hong Kong				
of which:	3,444	4	322	3,770
Australia	1,012	–	–	1,012
2. Western Europe				
of which:	4,854	–	256	5,110
Germany	1,596	–	1	1,597
United Kingdom	884	–	92	976

Supplementary Information (Unaudited)

CURRENCY RISK

Foreign currency exposures with a net position which constitutes not less than 10% of the total net position in all foreign currencies of the Group are as follow:

	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net long/ (short) position	Net structural long position
As at 30 June 2008						
<i>(In HK\$'million)</i>						
US Dollars	4,435	6,082	3,893	2,224	22	
Renminbi	400	173	–	–	227	
Others	3,277	3,273	286	293	(3)	
	8,112	9,528	4,179	2,517	246	
Renminbi						228

	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net long/ (Short) position	Net structural long position
As at 31 December 2007						
<i>(In HK\$'million)</i>						
US Dollars	4,926	5,842	1,454	535	3	
Renminbi	294	72	–	–	222	
Others	2,093	2,036	135	194	(2)	
	7,313	7,950	1,589	729	223	
Renminbi						214

LIQUIDITY RATIO

	For the six months ended 30 June	
	2008	2007
Average liquidity ratio:		
Public Bank (Hong Kong)	39.14%	46.85%
Public Finance	53.99%	52.85%

The average liquidity ratio for the period is computed in accordance with the Fourth Schedule of the Banking Ordinance.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

During the period under review, the economic conditions of Hong Kong remained stable with low unemployment rate and positive economic growth. However, Hong Kong is also facing inflationary pressures amidst escalating costs which have a dampening effect on consumer sentiment. The operating environment for financial institutions in Hong Kong remains challenging and competitive. The uncertainty of the US sub-prime mortgage and broader credit crisis have led to tighter liquidity conditions in the Hong Kong market resulting in higher funding costs for financial institutions.

FINANCIAL REVIEW

Group performance

For the six months ended 30 June 2008, the Group recorded a profit after tax of HK\$250.2 million, representing a slight decrease of 4.1% or HK\$10.7 million when compared to the profit after tax of HK\$261.0 million in the corresponding period of the previous financial year, after taking into account the following significant non-recurrent items:

	For the six months ended	
	30 June	
	2008	2007
	HK\$'000	<i>HK\$'000</i>
Financial effect:		
Goodwill payment received	(47,281)	–
Revaluation of investment properties	(18,801)	–
Gain on disposal of listed securities	–	(17,827)
Impairment for a debt security	68,216	–
	2,134	(17,827)

Excluding the financial effects of these significant non-recurrent items, the Group's profit after tax for the six months ended 30 June 2008 would have been HK\$252.4 million as compared to HK\$243.1 million in the corresponding period of previous financial year.

The Group's basic earnings per share for the six months ended 30 June 2008 was HK\$0.229. The directors had declared a first interim dividend of HK\$0.05 per share on 25 June 2008, which is payable on 25 July 2008.

The Group's net interest income for the six months ended 30 June 2008 increased by 12.5% or HK\$58.9 million to HK\$531.8 million when compared to the corresponding period of the previous financial year. Interest expense decreased by 15.9% or HK\$64.2 million to HK\$340.7 million whilst interest income decreased slightly by 0.6% or HK\$5.3 million to HK\$872.5 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 2008 increased by 32.7% or HK\$48.1 million to HK\$195.3 million whilst the Group's operating expenses increased by 9.2% or HK\$19.7 million to HK\$234.2 million when compared to the corresponding period of the previous financial year. The increase in non-interest income was mainly due to the receipt of a non-recurrent goodwill payment of HK\$47.3 million arising from the Regional Strategic Alliance Agreement with ING Group to distribute insurance products, whereas there was a net gain of HK\$17.8 million on disposal of listed securities recorded in the corresponding period of the previous financial year. The continuing expansion of the branch network of the Group's banking subsidiary, Public Bank (Hong Kong), and increase in advertising and promotional activities in further building the "PB Brand" and the Group's loan business have resulted in the increase in operating expenses which has impacted the profitability of the Group.

Management Discussion and Analysis

During the period under review, the Group made further impairment allowance to provide as a one-off impairment charge of HK\$68.2 million for capital notes, which has resulted in the Group's impairment allowance increased by HK\$100.0 million to HK\$189.7 million when compared to the corresponding period of the previous year.

The Group's total loans and advances (including trade bills) increased by 15.3% or HK\$2.93 billion to HK\$22.04 billion as at 30 June 2008 from HK\$19.11 billion as at 31 December 2007. The Group's deposits from customers also increased by 16.3% or HK\$3.35 billion to HK\$23.85 billion as at 30 June 2008 from HK\$20.50 billion as at 31 December 2007. Total assets of the Group increased by 3.2% to HK\$33.71 billion as at 30 June 2008 from HK\$32.68 billion as at 31 December 2007.

Business development of Public Bank (Hong Kong) (the "Bank")

During the period under review, total loans and advances (including trade bills) of the Bank grew by 16.4% or HK\$2.53 billion to HK\$17.95 billion as at 30 June 2008 from HK\$15.42 billion as at 31 December 2007. Deposits from customers also grew by 16.2% or HK\$2.97 billion to HK\$21.36 billion as at 30 June 2008 from HK\$18.39 billion as at 31 December 2007.

The Bank continued to expand its network of branches with the opening of 2 new branches in Hong Kong in the period under review. Together with the 9 branches opened in 2007, the Bank's branch network increased to 25 branches in Hong Kong and 2 branches in the People's Republic of China (the "PRC"). The Bank will continue to open new branches during the year at suitable locations under its branch network expansion programme.

Contingent liabilities and commitments

The Group has no material contingent liabilities (other than those in the normal course of its retail and commercial banking and retail consumer financing businesses in respect of 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 2008, which was the same position as disclosed by the Group as at 31 December 2007.

Segmental information

The Group's business comprised three main segments: (i) retail and commercial banking and lending, (ii) wealth management services, stockbroking and securities management and (iii) other businesses. Over 75% of the Group's operating income and profit before tax were contributed by retail and commercial banking and lending in Hong Kong for the period under review. When compared to the first half of the previous financial year, the Group's operating income from retail and commercial banking and lending increased by 10.8% or HK\$61.3 million to HK\$629.6 million. Due to the increase in operating expenses arising from the opening of new branches as well as the brand building of the "PB Brand", profit before tax from retail and commercial banking and lending only increased slightly by 1.7% or HK\$4.6 million to HK\$277.9 million when compared to the corresponding period of the previous financial year.

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 partly finance the acquisition of Public Bank (Hong Kong), and in the form of other borrowings stood at HK\$1.47 billion with a healthy gearing ratio (based on the ratio of bank loans to equity) of 25.1% as at 30 June 2008. 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 increased to 85.0% as at 30 June 2008 from 76.4% as at 31 December 2007 as a result of growth in loans and advances during the period under review.

Asset quality

The Group's impaired loans to total loans ratio improved to 0.6% as at 30 June 2008 from 0.8% as at 31 December 2007. The Group will continue to adopt a prudent credit risk management strategy and endeavour with its best efforts in 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. In the first half of 2008, 4,021,000 options to subscribe for shares in the Company were exercised by employees of the Group. As at 30 June 2008, outstanding options to subscribe for 35,829,000 shares in the Company remained unexercised.

As at 30 June 2008, the Group's staff force stood at 1,041 employees. For the six months ended 30 June 2008, the Group's total staff and related cost amounted to HK\$129.5 million.

PROSPECTS

The economic outlook of Hong Kong is expected to be challenging in the second half of 2008 with inflationary pressures leading to rising prices of goods, in particular goods imported from the PRC due to the appreciation of the Renminbi against Hong Kong Dollars. The employment market for the banking industry is also anticipated to remain tight with keen competition for talent which will further increase costs in retaining staff and higher staff turnover rates in the banking and financing industry in Hong Kong. The PRC is expected to continue to implement macro-economic control measures to contain surging inflationary pressures which may have a dampening impact on consumer sentiment and confidence in Hong Kong. However, Hong Kong is expected to continue benefiting from the continuing economic growth in the PRC.



Management Discussion and Analysis

The Group will continue to focus on expanding its retail and commercial banking business and consumer financing business through its branch expansion programme, innovative product development and aggressive marketing strategies. The Group will continue to seek further synergies in greater economies of scale and lower operating costs through the integration of the support functions of Public Bank (Hong Kong) and Public Finance, where appropriate, enhancing efficiency of the Group organisational structure and cross-selling to the enlarged customer base of the combined branch network of Public Bank (Hong Kong) and Public Finance. 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 and financing industry is expected to remain keen with financial institutions seeking greater market share. The competitive environment will continue to add pressure on the pricing of banking and financing products. However, the Group will continue to adopt prudential risk management strategies and flexible business strategies amidst volatile market conditions.

Barring unforeseen circumstances, the Group expects to register further growth in its lending and deposit-taking businesses and achieve satisfactory performance in the second half of 2008.

Other Information

INTERIM DIVIDEND

The Board of Directors has on 25 June 2008 declared an interim dividend of HK\$0.05 (2007: HK\$0.05) per share payable on 25 July 2008 to shareholders whose names appear on the register of members of the Company on 16 July 2008.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, 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 interests in the issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporations		
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	804,017,920	804,017,920	73.2312
	Tan Sri Dato' Sri Tay Ah Lek	350,000	-	-	350,000	0.0319
	Dato' Yeoh Chin Kee	150,000	-	-	150,000	0.0137
	Dato' Chang Kat Kiam	300,000	-	-	300,000	0.0273
	Tan Yoke Kong	460,000	-	-	460,000	0.0419
	Lee Huat Oon	20,000	-	-	20,000	0.0018
	Wong Kong Ming	80,000	-	-	80,000	0.0073
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	22.8768
	Tan Sri Dato' Thong Yaw Hong	7,313,750	350,000	312,500	7,976,250	0.2258
	Tan Sri Dato' Sri Tay Ah Lek	8,610,109	200,000	139,482	8,949,591	0.2534
	Dato' Yeoh Chin Kee	300,000	100,000	-	400,000	0.0113
	Lee Chin Guan	1,010,000	-	-	1,010,000	0.0286
	Dato' Chang Kat Kiam	109,435	-	-	109,435	0.0031
	Tan Yoke Kong	85,000	-	-	85,000	0.0024
	Lee Huat Oon	55,000	-	-	55,000	0.0016
	Wong Kong Ming	199,386	-	-	199,386	0.0056
3. Winsure Company, Limited, a subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	15,500	15,500	96.8750
4. CampuBank Lonpac Insurance Plc, a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	3,850,000	3,850,000	55.0000

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

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

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his 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.

(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	Tan Sri Dato' Sri Tay Ah Lek	1,680,000	-	450,000	1,230,000	HK\$6.35	10.6.2005 to 9.6.2015
	Dato' Yeoh Chin Kee	700,000	-	150,000	550,000	HK\$6.35	10.6.2005 to 9.6.2015
	Lee Chin Guan	350,000	-	-	350,000	HK\$6.35	10.6.2005 to 9.6.2015
	Dato' Chang Kat Kiam	1,680,000	-	300,000	1,380,000	HK\$6.35	10.6.2005 to 9.6.2015
	Tan Yoke Kong	1,928,000	-	610,000	1,318,000	HK\$6.35	10.6.2005 to 9.6.2015
	Lee Huat Oon	3,170,000	-	-	3,170,000	HK\$6.35	10.6.2005 to 9.6.2015
	Wong Kong Ming	4,000,000	-	80,000	3,920,000	HK\$6.35	10.6.2005 to 9.6.2015
2. Public Bank	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
		50,000	-	50,000	-		

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)

Notes:

1. The options to subscribe for ordinary shares of HK\$0.10 each in the Company under the Employees' Share Option Scheme of the Company (the "ESOS") 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.
2. 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, the PBB ESOS has been extended for a total of five years to 25 February 2008.

Save as disclosed above, none of the directors had registered an interest or a short position in the shares, or underlying shares of the Company or any of its associated corporations that was required to be recorded 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.

SHARE OPTION SCHEME

Under the ESOS approved on 28 February 2002, the board of directors granted share options to subscribe for a total of 66,526,000 shares in the Company to eligible participants, including directors and employees of the Company and its subsidiaries pursuant to a board resolution passed on 18 May 2005. 65,976,000 share options were accepted by the directors and employees of the Group. Each share option gives the holder the right to subscribe for one ordinary share during the exercise period from 10 June 2005 to 9 June 2015. The Group is not legally bound or obliged to repurchase or settle the options in cash. No options were granted during the six months ended 30 June 2008.

Other Information

SHARE OPTION SCHEME (Continued)

Name	Number of share options				Exercise price HK\$	Weighted average closing price of the shares immediately before dates of exercise HK\$
	Outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	Outstanding at the end of the period		
Directors						
Tan Sri Dato' Sri Tay Ah Lek	1,680,000	450,000	–	1,230,000	6.35	7.25
Dato' Yeoh Chin Kee	700,000	150,000	–	550,000	6.35	6.72
Lee Chin Guan	350,000	–	–	350,000	6.35	–
Dato' Chang Kat Kiam	1,680,000	300,000	–	1,380,000	6.35	7.20
Tan Yoke Kong	1,928,000	610,000	–	1,318,000	6.35	7.26
Lee Huat Oon	3,170,000	–	–	3,170,000	6.35	–
Wong Kong Ming	4,000,000	80,000	–	3,920,000	6.35	6.54
<i>Employees working under "continuous contracts" for the purposes of the Employment Ordinance other than the directors as disclosed above</i>						
	27,056,000	2,431,000	714,000	23,911,000	6.35	7.32
	40,564,000	4,021,000	714,000	35,829,000	6.35	7.25

Notes:

- The share options are only exercisable at the exercise price of HK\$6.35 per share 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.
- The share options were opened for exercise from 14 May 2008 to 7 June 2008 during the period.
- The remaining contractual life of the 35,829,000 outstanding options was 6.94 years as at 30 June 2008.
- The share options outstanding as at 30 June 2008 can only be exercised in future open exercise periods.

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

As at 30 June 2008, 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 shareholder had interests of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of ordinary shares	Percentage of interests in the issued share capital
Substantial shareholder			
Public Bank	Beneficial owner	804,017,920	73.2312

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 a 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 2008.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In 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 three-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 73.2% 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.

As at 30 June 2008, the outstanding loan principal was HK\$1,100,000,000 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 2008.

Other Information

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 2008 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 shall be appointed for specific terms and subject to re-election. The Board is of the view that the current practice of appointing non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does 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 2008 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, 11 July 2008