大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 626; Website: www.publicfinancial.com.hk)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Board of Directors of Public Financial Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June **2009** **(Unaudited)** **HK$'000**	 2008 (Unaudited) HK$'000
Interest income	6	**758,655**	872,506
Interest expense	6	**(182,565)**	(340,695)
NET INTEREST INCOME		**576,090**	531,811
Gain less losses from disposal of available-for-sale financial assets		**26,035**	-
Other operating income	7	**101,626**	195,275
Non-interest income		**127,661**	195,275
OPERATING INCOME		**703,751**	727,086
Operating expenses	8	**(268,973)**	(234,250)
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		**434,778**	492,836
Impairment allowances for loans and advances and receivables, held-to-maturity investments and available-for-sale securities	9	**(294,415)**	(189,690)
OPERATING PROFIT		**140,363**	303,146
SHARE OF PROFITS AND LOSSES OF A JOINTLY-CONTROLLED ENTITY		**-**	-
PROFIT BEFORE TAX		**140,363**	303,146
Tax	10	**(22,708)**	(52,919)
PROFIT FOR THE PERIOD		**117,655**	250,227
ATTRIBUTABLE TO:			
Owners of the Company		**117,655**	250,227
DIVIDENDS	11		
Interim		**54,896**	54,896
EARNINGS PER SHARE (HK$)	12		
Basic		**0.107**	0.229
Diluted		**0.107**	0.229

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**117,655**	250,227
OTHER COMPREHENSIVE INCOME / (LOSS):		
Exchange (loss)/ gain on translating foreign operations	**(340)**	13,940
Gain/(deficit) on revaluation of available-for-sale financial assets	**11,379**	(21,439)
Transfer to income statement for disposal of available-for-sale financial assets	**(26,035)**	-
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(14,996)**	(7,499)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**102,659**	242,728
ATTRIBUTABLE TO:		
Owners of the Company	**102,659**	242,728

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2009 (Unaudited) HK$'000**	31 December 2008 (Audited) HK$'000
ASSETS			
Cash and short term placements		**5,546,851**	5,785,272
Placements with banks and financial institutions		**432,298**	173,099
Derivative financial instruments		**515**	1,151
Loans and advances and receivables	13	**24,278,658**	24,384,943
Available-for-sale financial assets		**6,804**	21,524
Held-to-maturity investments	14	**3,451,558**	969,216
Inventories of taxi licences		**18,806**	21,805
Investment properties		**181,118**	165,346
Property and equipment		**123,908**	119,110
Land lease prepayments		**664,390**	667,990
Interest in a jointly-controlled entity		**1,513**	1,513
Deferred tax assets		**8,958**	9,168
Goodwill		**2,774,403**	2,774,403
Intangible assets		**358**	358
Other assets		**344,853**	234,767
TOTAL ASSETS		**37,834,991**	35,329,665
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		**931,060**	641,732
Derivative financial instruments		**3,223**	4,150
Customer deposits at amortised cost		**27,244,192**	24,184,416
Certificates of deposit issued at amortised cost		**79,999**	879,850
Dividend payable		**54,896**	197,625
Unsecured bank loans at amortised cost		**2,949,969**	3,249,219
Current tax payable		**7,281**	6,403
Deferred tax liabilities		**26,653**	24,122
Other liabilities		**720,449**	372,642
TOTAL LIABILITIES		**32,017,722**	29,560,159
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**109,792**	109,792
Reserves	15	**5,707,477**	5,659,714
TOTAL EQUITY		**5,817,269**	5,769,506
TOTAL EQUITY AND LIABILITIES		**37,834,991**	35,329,665

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
TOTAL EQUITY		
Balance at beginning of period	**5,769,506**	5,654,221
Profit for the period	**117,655**	250,227
Other comprehensive loss	**(14,996)**	(7,499)
Total comprehensive income for the period	**102,659**	242,728
Proceeds from issuance of shares upon exercise of share options, net of expense	**-**	25,541
Dividends declared on shares	**(54,896)**	(54,896)
Balance at end of period	**5,817,269**	5,867,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

These consolidated 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 unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company's 2008 Annual Report.

The accounting policies adopted in these consolidated interim financial statements are consistent with those adopted in the Company's 2008 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

The consolidated interim 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 interim financial statements comprise the interim financial statements of the Group as at and for the period ended 30 June 2009. The interim 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 followed capital requirements during the reporting period related to capital base and capital adequacy ratio as stipulated by the HKMA, and also followed 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 the Company, Public Bank (Hong Kong) and Public Finance for regulatory purpose.

There are no major restrictions on 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 Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission of Hong Kong. A portion of retained profits, 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 2009. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2009 which are pertinent to its operations and relevant to these interim financial statements.

• HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
• HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment- Vesting Conditions and Cancellations
• Amendments to HKFRS 7	Financial Instruments: Disclosures
• HKFRS 8	Operating Segments
• HKAS 1 (Revised)	Presentation of Financial Statements
• HKAS 10	Events after the Balance Sheet Date
• HKAS 18	Revenue
• HKAS 23 (Revised)	Borrowing Costs
• HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation
• Amendments to HK(IFRIC)-Int 9 and HKAS 39	Reassessment of Embedded Derivative
• HK(IFRIC)-Int 13	Customer Loyalty Programmes
• HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
• HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

HKAS 27 Amendment removes the definition of the cost method and requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. HKFRS 1 Amendment allows a first-time adopters of HKFRSs to measure its investments in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements.

HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only, both of which include a requirement for the counterparty to complete a specified period of service. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award of a share option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 7 Amendments requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurement is now required, as well as significant transfer between level 1 and level 2 fair value measurements. The amendments also clarify the requirement for liquidity risk disclosures.

3. Impact of new HKFRSs and HKASs *(continued)*

HKFRS 8 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.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. This revised standard also requires an entity to include three "statements of financial position" whenever the entity applies an accounting policy retrospectively or makes a retrospective restatement, or when it makes a reclassification. The revised standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 10 clarifies that if dividends are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with HKAS 1 Presentation of Financial Statements.

HKAS 18 clarifies that the recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument. The description of fees for financial services may not be indicative of the nature and substance of the services provided. Therefore, it is necessary to distinguish between fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

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 operation does not involve in acquisition, construction, or production of qualifying assets, the revised standard is unlikely to have any financial impact on the Group. In accordance with the transitional provisions in the revised standard, the Group applies the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

3. Impact of new HKFRSs and HKASs *(continued)*

Amendments to HK(IFRIC)- Int 9 introduces new condition under which the Group should perform subsequent reassessment on whether embedded derivative should be separated from host contract.

In addition to a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract, the amendments require a subsequent reassessment to be performed when there is a reclassification of a financial asset out of the fair value through profit or loss category, which shall be made on the basis of the circumstances existed on the later date of: (a) when the entity first became a party to the contract; and a change in the terms of the contract; and (b) a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract. The amendments to the interpretation are unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. 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 credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no applicable customer loyalty award credits, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 15 replaces HK Interpretation 3 Revenue – Pre-completion Contracts for the Sale of Development Properties and the current guidance for real estate. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 Revenue. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment, the interpretation is unlikely to have any financial impact on the Group.

In October 2008, the HKICPA issued its first Improvements to HKFRSs which sets out 35 amendments to 20 HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group adopts the following amendments to HKFRSs from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

(a) HKFRS 7 Financial Instruments: Disclosures: It removes the reference to “total interest income” as a component of finance costs.

(b) HKAS 1 Presentation of Financial Statements: It clarifies that assets and liabilities classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Impact of new HKFRSs and HKASs *(continued)*

(c) HKAS 16 Property, Plant and Equipment: It replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is calculated as the higher of an asset's fair value less costs to sell and its value in use.

In addition, items held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventories when rental ceases and they are held for sale.

(d) HKAS 27 Consolidated and Separate Financial Statements: It requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

(e) HKAS 28 Investment in Associates: It clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

(f) HKAS 36 Impairment of Assets: When discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, which shall be consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

(g) HKAS 40 Investment Property: It revises the scope such that property that is being constructed or developed for future as an investment property is classified as investment property.

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, that have been issued but are not yet effective, in these interim financial statements:

• HKFRS 3 (Revised)	Business Combinations
• HKFRS 5 Amendments	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Classification of non-current assets (or disposal groups) as held for sale
• HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
• HKAS 27 (Revised)	Consolidated and Separate Financial Statements
• HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. These changes, include, but are not limited to (i) introducing an option to measure non-controlling interests (currently minority interests) at fair value; (ii) recognising gains or losses from remeasuring to the fair value the interest in the acquiree held by the entity immediately before the business combination, in a step acquisition; (iii) expensing acquisition costs as incurred; (iv) recognising the fair value of contingent considerations at the acquisition date with subsequent changes generally reflected in the income statement; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree.

HKFRS 5 Amendments clarifies that an entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when certain criteria are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. Also, an entity that is committed to a sale plan involving loss of control of a subsidiary shall have relevant disclosures when the subsidiary is a disposal group that meets the definition of a discontinued operation.

HK(IFRIC)-Int 17 standardises practice in the accounting for all non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. This new Interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 Events after the Statement of Financial Position Date and HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. While the adoption of the interpretation may result in changes in accounting policy, the interpretation is unlikely to have any material financial impact on the Group.

4. Impact of issued but not yet effective HKFRSs and HKASs *(continued)*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 Cash Flows Statements, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rate, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no financial impact on the Group, as the Group has not entered into any such hedges.

In May 2009, the HKICPA issued Improvements to HKFRSs which set out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group expects to adopt the amendments to HKFRSs from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

HKFRS 2 Share –based Payment: It clarifies in the scope that transaction in which entity acquires goods as part of the net assets acquired in a business combination, in a combination of entities or business under common controls, or the contribution of a business on the formation of a joint venture does not fall under the scope of this HKFRS.

HKFRS 8 Operating Segments: It clarifies that a measure of total assets for each reportable segment should be reported only if such information is regularly provided to the chief operating decision maker.

HKAS 7 Statement of Cash Flows: It specifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

HKAS 17 Lease: It removes the previous classification on leases with both land and building elements and requires separate assessment of each element as a finance or an operating lease accordingly.

HKAS 18 Revenue: It gives additional example to illustrate how to determine whether an entity is acting as a principal or as an agent.

HKAS 36 Impairment of Assets: It clarifies that each unit or group of units to which the goodwill is so allocated should not be larger than an operating segment before aggregation.

HKAS 38 Intangible Assets: It introduces amendments to measurement of fair value of an intangible asset acquired in a business combination. Intangible asset acquired in business combination might be separable together with a related contract and identifiable liability in addition to identifiable asset. Additional consequential amendments to this HKAS arising from revised HKFRS 3 were also incorporated.

Amendment to HKAS 39 Financial Instruments: Recognition and Measurement: It clarifies that this HKAS is not applicable to forward contract between acquirer and selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. It also replaces the term "assets acquired or liability assumed" under Cash Flow Hedges with "hedged forecast cash flows".

HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives: It clarifies in the scope that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control, or the formation of a joint venture.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 2009 and 2008, and certain asset and liability information regarding business segments as at 30 June 2009 and 2008.

	Retail and commercial banking and lending businesses		**Wealth management services, stockbroking and securities management**		**Other businesses**		**Eliminated on consolidation**		**Total**	
	30 June 2009 (Unaudited) HK$'000	30 June 2008 HK$'000	**30 June 2009 (Unaudited) HK$'000**	30 June 2008 HK$'000	**30 June 2009 (Unaudited) HK$'000**	30 June 2008 HK$'000	**30 June 2009 (Unaudited) HK$'000**	30 June 2008 HK$'000	**30 June 2009 (Unaudited) HK$'000**	30 June 2008 HK$'000
Segment revenue										
Net interest income	**576,042**	531,663	**48**	148	**-**	-	**-**	-	**576,090**	531,811
Other operating income:										
Fees and commission income	**53,983**	82,479	**32,081**	88,912	**257**	2,009	**-**	-	**86,321**	173,400
Others	**7,698**	15,422	**360**	680	**7,247**	5,773	**-**	-	**15,305**	21,875
Profit on sale of available-for-sale financial assets	**-**	-	**26,035**	-	**-**	-	**-**	-	**26,035**	-
Elimination of inter-segment transactions	**-**	-	**-**	-	**33**	225	**(33)**	(225)	**-**	-
	637,723	629,564	**58,524**	89,740	**7,537**	8,007	**(33)**	(225)	**703,751**	727,086
Segment results	**83,534**	277,856	**48,992**	12,284	**7,837**	13,006	**-**	-	**140,363**	303,146
Share of profits and losses of a jointly-controlled entity									**-**	-
Profit before tax									**140,363**	303,146
Tax									**(22,708)**	(52,919)
Profit for the period									**117,655**	250,227
Segment assets other than interests in a jointly-controlled entity and intangible assets	**34,495,981**	30,386,627	**353,854**	347,799	**199,924**	187,125	**-**	-	**35,049,759**	30,921,551
Interests in a jointly-controlled entity	**1,513**	1,513	**-**	-	**-**	-	**-**	-	**1,513**	1,513
Intangible assets	**-**	-	**358**	358	**-**	-	**-**	-	**358**	358
	34,497,494	30,388,140	**354,212**	348,157	**199,924**	187,125	**-**	-	**35,051,630**	30,923,422
Unallocated assets:										
Deferred tax assets									**8,958**	9,137
Goodwill									**2,774,403**	2,774,403
Total assets									**37,834,991**	33,706,962
Segment liabilities	**31,563,850**	27,436,836	**343,823**	201,809	**21,219**	14,039	**-**	-	**31,928,892**	27,652,684
Unallocated liabilities:										
Deferred tax liabilities and tax payable									**33,934**	131,788
Dividend payable									**54,896**	54,896
Total liabilities									**32,017,722**	27,839,368
Other segment information										
Additions to non-current assets - capital expenditure	**18,401**	21,365	**-**	-	**-**	-	**-**	-	**18,401**	21,365
Depreciation and amortisation of land lease prepayments	**14,475**	10,825	**-**	-	**-**	-	**-**	-	**14,475**	10,825
Changes in fair value of investment properties	**-**	-	**-**	-	**(15,772)**	(18,801)	**-**	-	**(15,772)**	(18,801)
Impairment allowances for loans and advances and receivables, held-to-maturity investments and available-for-sale securities	**294,415**	121,474	**-**	68,216	**-**	-	**-**	-	**294,415**	189,690
Net loss on disposal of property and equipment	**21**	54	**-**	-	**-**	-	**-**	-	**21**	54

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.

(c) Operating income or revenue from major customers

Operating income or revenue from transactions with a single external customer amounts to less than 10 percent of the Group's total operating income or revenue.

6. Interest income and expense

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from:		
Loans and advances and receivables	**696,819**	718,852
Short term placements and placements with banks	**36,964**	91,504
Held-to-maturity investments	**24,872**	62,150
	758,655	872,506
Interest expense on:		
Deposit from banks and financial institutions	**5,840**	14,328
Deposit from customers	**166,877**	310,724
Bank loans	**9,848**	15,643
	182,565	340,695

The interest income for the six months ended 30 June 2009 amounted to HK$758,655,000 (2008: HK$872,506,000) and interest expenses for the six months ended 30 June 2009 amounted to HK$182,565,000 (2008: HK$340,695,000) 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 2009 amounted to HK$3,009,000 (2008: HK$1,508,000).

7. Other operating income

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees and commission income:		
Retail and commercial banking	**54,810**	85,044
Wealth management services, stockbroking and securities management	**32,081**	88,912
	86,891	173,956
Less : Fees and commission expenses	**(570)**	(556)
Net fees and commission income	**86,321**	173,400
Gross rental income	**6,500**	6,037
Less: Direct operating expenses	**(42)**	(39)
Net rental income	**6,458**	5,998
Gain less losses arising from dealing in foreign currencies	**7,889**	9,389
Losses on disposal of financial assets designated at fair value through profit or loss	**-**	(1,059)
Net losses on disposal of property and equipment	**(21)**	(54)
Dividends from listed investments	**360**	680
Dividends from unlisted investments	**980**	980
Net (expense)/income on derivative financial instruments	**(2,708)**	1,246
Others	**2,347**	4,695
	101,626	195,275

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

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 2009 and 2008.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Operating expenses

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Staff costs:		
Salaries and other staff costs	**138,385**	122,835
Pension contributions	**8,014**	6,725
Less : Forfeited contributions	**(4)**	(17)
Net retirement benefit schemes	**8,010**	6,708
	146,395	129,543
Other operating expenses:		
Operating lease rentals on leasehold buildings	**22,346**	17,744
Depreciation and amortisation of land lease prepayments	**14,475**	10,825
Administrative and general expenses	**29,635**	23,374
Others	**71,894**	71,565
Operating expenses before changes in fair value of investment properties	**284,745**	253,051
Changes in fair value of investment properties	**(15,772)**	(18,801)
	268,973	234,250

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

9. Impairment allowances

	For the six months ended 30 June 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Net charge for/(write-back) of impairment allowances:		
- Loans and advances	**298,081**	121,225
- Trade bills, accrued interest and receivables	**(3,666)**	249
- Held-to-maturity investments	**-**	37,000
- Available-for-sale securities	**-**	31,216
	294,415	189,690
Net charge for/(write-back) of impairment losses and allowances:		
- Individually assessed	**246,053**	198,322
- Collectively assessed	**48,362**	(8,632)
	294,415	189,690
Of which:		
- new impairment losses and allowances (including any amount directly written off during the period)	**354,254**	254,967
- releases and recoveries	**(59,839)**	(65,277)
Net charge to the consolidated income statement	**294,415**	189,690

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 2009 and 2008.

10. Tax

	For the six months ended 30 June 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Current tax charge:		
Hong Kong	**18,601**	47,800
Elsewhere	**1,365**	1,268
Under-provisions in prior years	**-**	4,124
Deferred tax charge/(credit)	**2,742**	(273)
	22,708	52,919

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. Tax *(continued)*

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

	For the six months ended 30 June 2009 (Unaudited)					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**133,541**		**6,822**		**140,363**	
Tax at the applicable tax rate	**22,033**	**16.5**	**1,365**	**20.0**	**23,398**	**16.7**
Estimated tax effect of net income that is not taxable	**(690)**	**(0.5)**	**-**	**-**	**(690)**	**(0.5)**
Tax charge at the Group's effective rate	**21,343**	**16.0**	**1,365**	**20.0**	**22,708**	**16.2**

	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 taxable	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

11. Dividends

	For the six months ended 30 June			
	2009	2008	**2009**	2008
	HK$ per ordinary share	HK$ per ordinary share	**HK$'000**	HK$'000
Interim	**0.05**	0.05	**54,896**	54,896

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$117,655,000 (2008: HK$250,227,000) and on the weighted average number of 1,097,917,618 (2008: 1,094,773,602) ordinary shares in issue during the period.

(b) Diluted earnings per share

The share options outstanding during the periods ended 30 June 2009 and 2008 had an anti-dilutive effect on the basic earnings per share for these periods. The calculation of diluted earnings per share for the period ended 30 June 2009 was based on the profit for the period of HK$117,655,000 (2008: HK$250,227,000) and on the weighted average number of 1,097,917,618 (2008: 1,094,773,602) ordinary shares, being the weighted average number of 1,097,917,618 (2008: 1,094,773,602) ordinary shares in issue during the period as used in the basic earnings per share calculation.

13. Loans and advances and receivables

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Loans and advances	**24,303,454**	24,377,507
Trade bills	**83,744**	50,861
	24,387,198	24,428,368
Accrued interest	**75,170**	86,165
	24,462,368	24,514,533
Other receivables	**57,225**	58,138
Gross loans and advances and receivables	**24,519,593**	24,572,671
Less: Impairment allowances for loans and advances and receivables		
- Individually assessed	**(113,279)**	(108,432)
- Collectively assessed	**(127,656)**	(79,296)
	(240,935)	(187,728)
Loans and advances and receivables	**24,278,658**	24,384,943

Over 90% of the loans and advances and receivables are unrated exposures. The Group's loans and advances and receivables are mainly collateralised by properties, cash, securities and taxi licences.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Loans and advances and receivables *(continued)*

(a) (i) Overdue and impaired loans and advances

	30 June 2009 (Unaudited) Gross amount HK$'000	**30 June 2009 (Unaudited) Percentage of total loans and advances**	31 December 2008 (Audited) Gross amount HK$'000	31 December 2008 (Audited) Percentage of total loans and advances
Loans and advances overdue for:				
Six months or less but over three months	**141,828**	**0.58**	183,494	0.76
One year or less but over six months	**117,536**	**0.48**	9,551	0.04
Over one year	**16,220**	**0.07**	12,843	0.05
Loans and advances overdue for more than three months	**275,584**	**1.13**	205,888	0.85
Rescheduled loans and advances overdue for three months or less	**58,779**	**0.24**	298	-
Impaired accounts overdue for three months or less	**81,824**	**0.34**	47,198	0.19
Total overdue and impaired loans and advances	**416,187**	**1.71**	253,384	1.04

(ii) Overdue and impaired trade bills, accrued interest and other receivables

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**1,000**	3,251
One year or less but over six months	**6,085**	437
Over one year	**2,593**	2,113
Trade bills, accrued interest and other receivables overdue for more than three months	**9,678**	5,801
Impaired accounts overdue for three months or less	**434**	3,063
Total overdue and impaired trade bills, accrued interest and other receivables	**10,112**	8,864

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Loans and advances and receivables *(continued)*

Impaired loans and advances and receivables are individually determined to be impaired after considering overdue ageing analysis and other qualitative factors such as bankruptcy proceedings and individual voluntary arrangements.

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

	30 June 2009 (Unaudited)			31 December 2008 (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	**213,067**	**72,195**	**285,262**	151,411	60,278	211,689
Individual impairment allowances	**44,351**	**18,495**	**62,846**	68,306	16,311	84,617
Collective impairment allowances	**72,259**	**-**	**72,259**	50,455	-	50,455
Current market value and fair value of collateral			**49,639**			19,085
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	**354,104**	**72,195**	**426,299**	198,950	63,298	262,248
Individual impairment allowances	**94,784**	**18,495**	**113,279**	91,526	16,906	108,432
Collective impairment allowances	**99,368**	**-**	**99,368**	50,455	-	50,455
Current market value and fair value of collateral			**59,985**			31,371

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. 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 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**49,207**	19,085
Covered portion of overdue loans and advances	**42,955**	7,624
Uncovered portion of overdue loans and advances	**232,629**	198,264

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

As at 30 June 2009, the total value of repossessed assets of the Group amounted to HK$13,780,000 (2008: Nil).

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

	30 June 2009 (Unaudited)		31 December 2008 (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 less than three months	**791,239**	**3.26**	718,268	2.95
Rescheduled but not impaired loans and advances	**-**	**-**	505	-
	791,239	**3.26**	718,773	2.95
Trade bills, accrued interest and other receivables overdue less than three months	**2,246**		6,939	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Loans and advances and receivables *(continued)*

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

	30 June 2009 (Unaudited)		
	Individual impairment allowance HK$'000	**Collective impairment allowance HK$'000**	**Total HK$'000**
At 1 January 2009	**108,432**	**79,296**	**187,728**
Amount written off	**(294,882)**	**-**	**(294,882)**
Impairment losses and allowances charged to the income statement	**305,892**	**48,362**	**354,254**
Impairment losses and allowances released to the income statement	**(59,839)**	**-**	**(59,839)**
Net charge of impairment losses and allowances	**246,053**	**48,362**	**294,415**
Loans and advances and receivables recovered	**53,706**	**-**	**53,706**
Exchange difference	**(30)**	**(2)**	**(32)**
At 30 June 2009	**113,279**	**127,656**	**240,935**
Deducted from:			
Loans and advances	**110,597**	**127,262**	**237,859**
Trade bills, accrued interest and other receivables	**2,682**	**394**	**3,076**
	113,279	**127,656**	**240,935**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Loans and advances and receivables *(continued)*

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

	31 December 2008 (Audited) Individual impairment allowance HK$'000	Collective impairment allowance HK$'000	Total HK$'000
At 1 January 2008	33,990	65,871	99,861
Amount written off	(393,087)	-	(393,087)
Impairment losses and allowances charged to the income statement	471,793	13,248	485,041
Impairment losses and allowances released to the income statement	(111,723)	-	(111,723)
Net charge of impairment losses and allowances	360,070	13,248	373,318
Loans and advances and receivables recovered	107,459	-	107,459
Exchange difference	-	177	177
At 31 December 2008	108,432	79,296	187,728
Deducted from:			
Loans and advances	101,893	79,093	180,986
Trade bills, accrued interest and other receivables	6,539	203	6,742
	108,432	79,296	187,728

13. 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 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000	**30 June 2009 (Unaudited) HK$'000**	31 December 2008 (Audited) HK$'000
Amounts receivable under finance leases:				
Within one year	**378,438**	504,367	**274,816**	402,799
In the second to fifth years, inclusive	**1,070,962**	984,264	**787,930**	712,678
Over five years	**3,086,660**	3,020,088	**2,429,776**	2,390,931
	4,536,060	4,508,719	**3,492,522**	3,506,408
Less: Unearned finance income	**(1,043,538)**	(1,002,311)		
Present value of minimum lease payments receivable	**3,492,522**	3,506,408		

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.

14. Held-to-maturity investments

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Certificates of deposit held	**820,981**	40,000
Treasury bills (including Exchange Fund Bills)	**319,521**	319,721
Other debt securities	**2,311,056**	609,495
	3,451,558	969,216
Listed or unlisted:		
- listed in Hong Kong	**19,997**	19,994
- unlisted	**3,431,561**	949,222
	3,451,558	969,216
Analysed by issuers:		
- central government	**319,521**	319,720
- banks and other financial institutions	**3,132,037**	649,496
	3,451,558	969,216
Market value of listed held-to-maturity investments		
- Hong Kong	**20,218**	20,214

Movement on impairment allowance of held-to-maturity investments

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Balance at beginning of period/year	**-**	9,800
Individual impairment allowance charged to the income statement for the period/year	**-**	37,000
	-	46,800
Less: Amount written off	**-**	(46,800)
Balance at end of the period/year	**-**	-

There were no overdue held-to-maturity investments.

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.

15. Reserves

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Regulatory reserve HK$'000	Retained profits HK$'000	Translation reserve HK$'000	Total HK$'000
At 1 January 2008	3,988,219	829	96,116	44,176	45,765	161,219	1,187,107	21,400	5,544,831
Profit for the year	-	-	-	-	-	-	358,187	-	358,187
Other comprehensive gains/ (losses)	-	-	-	(29,520)	-	-	-	13,660	(15,860)
Premium, net of expenses, arising on share options exercised	25,077	-	-	-	-	-	-	-	25,077
Transfer from retained profits	-	-	-	-	-	143,332	(143,332)	-	-
Dividends for 2008	-	-	-	-	-	-	(252,521)	-	(252,521)
At 31 December 2008 and 1 January 2009	**4,013,296**	**829**	**96,116**	**14,656**	**45,765**	**304,551**	**1,149,441**	**35,060**	**5,659,714**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**117,655**	**-**	**117,655**
Other comprehensive losses	**-**	**-**	**-**	**(14,656)**	**-**	**-**	**-**	**(340)**	**(14,996)**
Transfer to retained profits	**-**	**-**	**-**	**-**	**-**	**(27,071)**	**27,071**	**-**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(54,896)**	**-**	**(54,896)**
At 30 June 2009	**4,013,296**	**829**	**96,116**	**-**	**45,765**	**277,480**	**1,239,271**	**34,720**	**5,707,477**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Other past due and rescheduled assets

There were no other overdue or rescheduled advances to banks and other financial institutions or other assets (other than loans and advances and receivables and held-to-maturity investments) as at 30 June 2009 and 31 December 2008.

There were no impairment allowances for other assets (other than loans and advances and receivables, held-to-maturity investments and intangible assets) as at 30 June 2009 and 31 December 2008, and no impairment allowances and losses were charged to the income statement for such other assets for the six months ended 30 June 2009 and 2008.

17. 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 2009, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Within one year	**9,206**	8,559
In the second to fifth years, inclusive	**3,718**	3,532
	12,924	12,091

(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 2009, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Within one year	**39,579**	37,759
In the second to fifth years, inclusive	**31,836**	32,391
	71,415	70,150

18. Off-balance sheet exposure

(a) 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 as at 30 June 2009:

	30 June 2009 (Unaudited)				
	Contractual amount HK$'000	**Credit equivalent amount HK$'000**	**Credit risk weighted amount HK$'000**	**Positive fair value - assets HK$'000**	**Negative fair value - liabilities HK$'000**
Direct credit substitutes	**306,573**	**306,574**	**87,897**	**-**	**-**
Transaction-related contingencies	**1,422**	**711**	**105**	**-**	**-**
Trade related contingencies	**123,756**	**24,750**	**21,395**	**-**	**-**
Forward forward deposits placed	**315,154**	**315,154**	**63,031**	**-**	**-**
Forward asset purchases	**45,549**	**45,549**	**9,110**	**-**	**-**
	792,454	**692,738**	**181,538**	**-**	**-**
Derivatives held for trading:					
Foreign exchange rate contracts	**485,315**	**6,379**	**-**	**515**	**3,223**
Interest rate swaps	**-**	**-**	**-**	**-**	**-**
	485,315	**6,379**	**-**	**515**	**3,223**
Other commitments with original maturity of:					
Not more than one year	**-**	**-**	**-**	**-**	**-**
More than one year	**270,096**	**135,048**	**135,048**	**-**	**-**
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	**3,281,831**	**-**	**-**	**-**	**-**
	4,829,696	**834,165**	**316,586**	**515**	**3,223**
Capital commitment contracted for, but not provided in the financial statements	**5,223**				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Off-balance sheet exposure *(continued)*

(a) Contingent liabilities and commitments and derivatives *(continued)*

	31 December 2008 (Audited)				
	Contractual amount HK$'000	Credit equivalent amount HK$'000	Credit risk weighted amount HK$'000	Positive fair value - assets HK$'000	Negative fair value - liabilities HK$'000
Direct credit substitutes	313,464	313,464	99,130	-	-
Transaction-related contingencies	3,238	1,619	563	-	-
Trade related contingencies	70,505	14,101	9,195	-	-
Forward forward deposits placed	8,596	8,596	1,719	-	-
Forward asset purchases	23,346	23,346	4,669	-	-
	419,149	361,126	115,276	-	-
Derivatives held for trading:					
Foreign exchange rate contracts	1,925,319	15,988	68	1,151	4,150
Interest rate swaps	-	-	-	-	-
	1,925,319	15,988	68	1,151	4,150
Other commitments with original maturity of:					
Not more than one year	-	-	-	-	-
More than one year	259,096	129,548	129,548	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,862,542	-	-	-	-
	6,466,106	506,662	244,892	1,151	4,150
Capital commitment contracted for, but not provided in the financial statements	5,192				

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 2009 and 31 December 2008, the Group had no other material outstanding contingent liabilities and commitments save as disclosed above.

18. Off-balance sheet exposure *(continued)*

(b) 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 statement of financial position 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.

19. 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 2009 (Unaudited)							
	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$'000	Total HK$'000
Financial assets :								
Cash and short term placements	467,907	5,078,944	-	-	-	-	-	5,546,851
Placements with banks and financial institutions	-	-	273,339	158,959	-	-	-	432,298
Derivative financial instruments	-	415	100	-	-	-	-	515
Loans and advances and receivables	666,012	1,957,804	1,131,268	2,433,055	7,546,392	10,420,220	364,842	24,519,593
Available-for-sale financial assets	-	-	-	-	-	-	6,804	6,804
Held-to-maturity investments	-	1,987,167	1,057,190	369,382	37,819	-	-	3,451,558
Other assets	-	2,247	-	-	-	-	342,606	344,853
Total financial assets	1,133,919	9,026,577	2,461,897	2,961,396	7,584,211	10,420,220	714,252	34,302,472
Financial liabilities :								
Deposits and balances of banks and other financial institutions at amortised cost	66,248	479,719	236,460	148,633	-	-	-	931,060
Derivative financial instruments	-	2,291	932	-	-	-	-	3,223
Customer deposits at amortised cost	5,841,696	9,868,979	7,829,049	3,691,169	13,299	-	-	27,244,192
Certificates of deposit issued at amortised cost	-	79,999	-	-	-	-	-	79,999
Unsecured bank loans at amortised cost	-	2,649,964	300,005	-	-	-	-	2,949,969
Other liabilities	-	51,649	-	-	-	-	668,800	720,449
Total financial liabilities	5,907,944	13,132,601	8,366,446	3,839,802	13,299	-	668,800	31,928,892

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Maturity analysis of financial assets and financial liabilities *(continued)*

	31 December 2008 (Audited)							
	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$'000	Total HK$'000
Financial assets :								
Cash and short term placements	475,138	5,310,134	-	-	-	-	-	5,785,272
Placements with banks and financial institutions	-	-	34,089	139,010	-	-	-	173,099
Derivative financial instruments	-	877	274	-	-	-	-	1,151
Loans and advances and receivables	537,303	1,379,984	1,305,662	2,571,270	8,296,139	10,269,581	212,732	24,572,671
Available-for-sale financial assets	-	-	-	-	-	-	21,524	21,524
Held-to-maturity investments	-	217,410	230,973	417,631	103,202	-	-	969,216
Other assets	-	13,489	-	-	-	-	221,278	234,767
Total financial assets	1,012,441	6,921,894	1,570,998	3,127,911	8,399,341	10,269,581	455,534	31,757,700
Financial liabilities :								
Deposits and balances of banks and other financial institutions at amortised cost	30,324	398,546	161,297	51,565	-	-	-	641,732
Derivative financial instruments	-	4,026	124	-	-	-	-	4,150
Customer deposits at amortised cost	3,902,302	10,238,254	6,518,751	3,509,886	15,223	-	-	24,184,416
Certificates of deposit issued at amortised cost	-	-	-	879,850	-	-	-	879,850
Unsecured bank loans at amortised cost	-	-	-	3,249,219	-	-	-	3,249,219
Other liabilities	-	105,451	1,277	-	-	-	265,914	372,642
Total financial liabilities	3,932,626	10,746,277	6,681,449	7,690,520	15,223	-	265,914	29,332,009

20. Comparative figures

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

INTERIM DIVIDEND

The Board of Directors has on 30 June 2009 declared an interim dividend of HK$0.05 (2008: HK$0.05) per share payable on 7 August 2009 to shareholders whose names appear on the register of members of the Company on 24 July 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

During the period under review, the economic conditions in Hong Kong continued to be affected by the global economic slow down and tight credit markets. Faced with a rising unemployment rate which rosed from 4.1% as at the end of 2008 to 5.3% as at the end of May 2009, declining retail sales and exports, and an increase in personal bankruptcy petitions, the economic conditions in Hong Kong remains challenging. Likewise the Group's operating environment during the period under review was also very challenging with intense competition for customers and deteriorating credit quality.

Financial Review

Group performance

Revenue and Earnings
For the six months ended 30 June 2009, the Group recorded a profit after tax of HK$117.7 million, representing a decline of 53.0% or HK$132.5 million when compared to the profit after tax of HK$250.2 million in the corresponding period in 2008.

The Group's basic earnings per share for the six months ended 30 June 2009 was HK$0.107. The directors had declared an interim dividend of HK$0.05 per share on 30 June 2009, payable on 7 August 2009.

The Group's operating income decreased by 3.2% or HK$23.3 million to HK$703.8 million for the six months ended 30 June 2009 as compared to HK$727.1 million in the corresponding period in 2008 due to a decrease in non-interest income of HK$67.6 million. However, net interest income increased by 8.3% or HK$44.3 million to HK$576.1 million from widening net interest margins. As a result of the decline in interest rates, interest expense decreased by 46.4% or HK$158.1 million to HK$182.6 million whilst interest income decreased by 13.0% or HK$113.9 million to HK$758.7 million, giving rise to an increase in net interest income. The decrease in sales of wealth management products in the period under review, and the one-off income in relation to the goodwill payment of HK$47.3 million received for the Regional Strategic Alliance Agreement with ING Group to distribute insurance products in the first half of the previous year had caused the Group's non-interest income for the six months ended 30 June 2009 to decline by 34.6% or HK$67.6 million to HK$127.7 million.

The Group's operating expenses increased by 14.8% or HK$34.7 million to HK$269.0 million when compared to the corresponding period in 2008. The rapid expansion of the branch network of the Company's banking subsidiary, Public Bank (Hong Kong) Limited ("Public Bank (Hong Kong)"), in the last two years had resulted in a significant increase in staff costs and branch premises related costs, contributed to the overall increase in the operating expenses of the Group.

The increase in personal bankruptcies and debt restructuring of consumer loans had resulted in the Group's impairment allowances for financial assets to increase by HK$104.7 million to HK$294.4 million for the period under review from HK$189.7 million for the corresponding period in 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Loans and Advances, Customer Deposits and Total Assets
The Group's total loans and advances (including trade bills) decreased marginally by 0.2% or HK$41.0 million to HK$24.39 billion as at 30 June 2009 from HK$24.43 billion as at 31 December 2008. The Group's deposits from customers increased by 12.7% or HK$3.06 billion to HK$27.24 billion as at 30 June 2009 from HK$24.18 billion as at 31 December 2008. Total assets of the Group increased by 7.1% to HK$37.83 billion as at 30 June 2009 from HK$35.33 billion as at 31 December 2008.

Branch Network
During the period under review, Public Bank (Hong Kong) opened 2 new branches in Hong Kong bringing its branch network to 30 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China ("PRC"). Together with the 42 branches of Public Bank (Hong Kong)'s subsidiary, Public Finance Limited ("Public Finance"), the Public Bank (Hong Kong) Group has a combined branch network of 75 branches. The Company's other subsidiary, Winton Financial Limited, which operates with a money lenders licence, also expanded its branch network to 6 branches in Hong Kong to provide personal financing to its selected market segment.

Business development of Public Bank (Hong Kong)

During the period under review, total loans and advances (including trade bills) of Public Bank (Hong Kong) increased marginally by 0.3% or HK$60.0 million to HK$20.14 billion as at 30 June 2009 from HK$20.08 billion as at 31 December 2008. Deposits from customers grew strongly by 14.6% or HK$3.03 billion to HK$23.82 billion as at 30 June 2009 from HK$20.79 billion as at 31 December 2008.

The consolidated capital adequacy ratio of Public Bank (Hong Kong) stood at over 19% and there were no exposures attributed to structured investment vehicles and US-subprime mortgages as at 30 June 2009.

Public Bank (Hong Kong) will continue to expand its branch network with the opening of new branches at suitable locations in the development of its banking and related financial services business.

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. As at 30 June 2009, the Group had a charge over a bank deposit of HK$60 million by Public Bank (Hong Kong)'s Shenzhen Branch to secure a RMB loan to fund its lending business in the PRC. Other than as disclosed, there was no charge over the assets of the Group as at 31 December 2008.

Segmental information

The Group's business comprised three main segments: (i) retail and commercial banking and lending, (ii) wealth management services and stockbroking and (iii) other businesses. Over 50% of the Group's operating income and profit before tax (excluding gains on disposal of available-for sale securities) were contributed by retail and commercial banking and lending in Hong Kong for the period under review. When compared to the first half of 2008, the Group's operating income from retail and commercial banking and lending increased by 1.3% or HK$8.2 million to HK$637.7 million. Due to the significant increase in impairment allowance for loans and advances, profit before tax from retail and commercial banking and lending decreased by 69.9% or HK$194.3 million to HK$83.5 million when compared to the corresponding period in 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 bank borrowings to fund its retail consumer financing business and commercial banking business. The Group's bank borrowings in the form of term loans denominated in Hong Kong dollars at floating rates stood at HK$2.95 billion as at 30 June 2009. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio stood at a healthy level of 0.51 times as compared to 0.55 times as at 31 December 2008. The bank loans of HK$2.95 billion will mature within one year, and will be refinanced by new bank borrowings of HK$2.2 billion denominated in Hong Kong dollars in July 2009. The new bank borrowings will have maturity periods in the range of 1 year to 3 years. In the normal course of its commercial banking business, Public Bank (Hong Kong) has entered into foreign exchange and interest rate swap and forward contracts to reduce foreign exchange risk and interest rate risk exposures of the Group.

Asset quality

The Group's impaired loans to total loans ratio increased to 1.7% as at 30 June 2009 from 1.0% as at 31 December 2008 due to deterioration of asset quality of the Group's consumer financing loans amidst global financial crisis and economic recession. 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 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 2009, no share options to subscribe for shares in the Company were exercised by employees of the Group. As at 30 June 2009, options to subscribe for 30,359,000 shares in the Company remained unexercised.

As at 30 June 2009, the Group's staff force stood at 1,228 employees. For the six months ended 30 June 2009, the Group's total staff and related cost amounted to HK$146.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects

The economic outlook of Hong Kong is expected to be challenging in the second half of 2009. Consumer sentiment and demand for consumer financing are not expected to recover significantly and the employment market remains subdue. Faced with the risk of deterioration in asset quality and an anticipated slower recovery in the Hong Kong economy, the banking business is expected to adopt a cautious approach in its lending business in particular to the commercial sector. However, Hong Kong is expected to continue to benefit from the continuing economic growth momentum in the PRC, and the strengthening of its financial status and position with further integration of Hong Kong's businesses with other cities in Guangzhou and Pearl River delta in the PRC.

The Group will continue to focus on expanding its retail and commercial banking business and consumer financing business through its expanded branch network, innovative products development and aggressive marketing strategies. 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 be very challenging with financial institutions seeking greater market share. The competitive environment will continue to add pressure in the pricing of banking and financing products. However, the Group will continue to adopt prudential risk management and flexible business strategies amidst the volatile market conditions.

Barring unforeseen circumstances, the Group is expected to register growth in its lending and deposit-taking businesses, and a stable performance in the second half of 2009.

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 2009.

CORPORATE GOVERANCE

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 2009 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.

REVIEW BY AUDIT COMMITTEE

The 2009 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, 14 July 2009

As at the date of this announcement, the Board of the Company comprises Tan Sri Dato' Sri Dr. Teh Hong Piow, Tan Sri Dato' Sri Tay Ah Lek, Dato' Chang Kat Kiam and Mr. Chong Yam Kiang as Non-executive Directors, Mr. Tan Yoke Kong and Mr. Lee Huat Oon as Executive Directors, and Tan Sri Dato' Thong Yaw Hong, Mr. Lee Chin Guan and Mr. Quah Poh Keat as Independent Non-executive Directors.

* *For identification purpose only*