大眾金融控股有限公司
PUBLIC FINANCIAL HOLDINGS LIMITED
Stock Code: 626

Excellence is Our Commitment

Annual Report 2010

Contents

Corporate Information

Board of Directors

Non-executive Chairman

Tan Sri Dato' Sri Dr. Teh Hong Piow (Chairman),
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
Chong Yam Kiang

Independent Non-executive Directors

Tan Sri Dato' Thong Yaw Hong (Co-Chairman)
Lee Chin Guan
Quah Poh Keat

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 Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
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

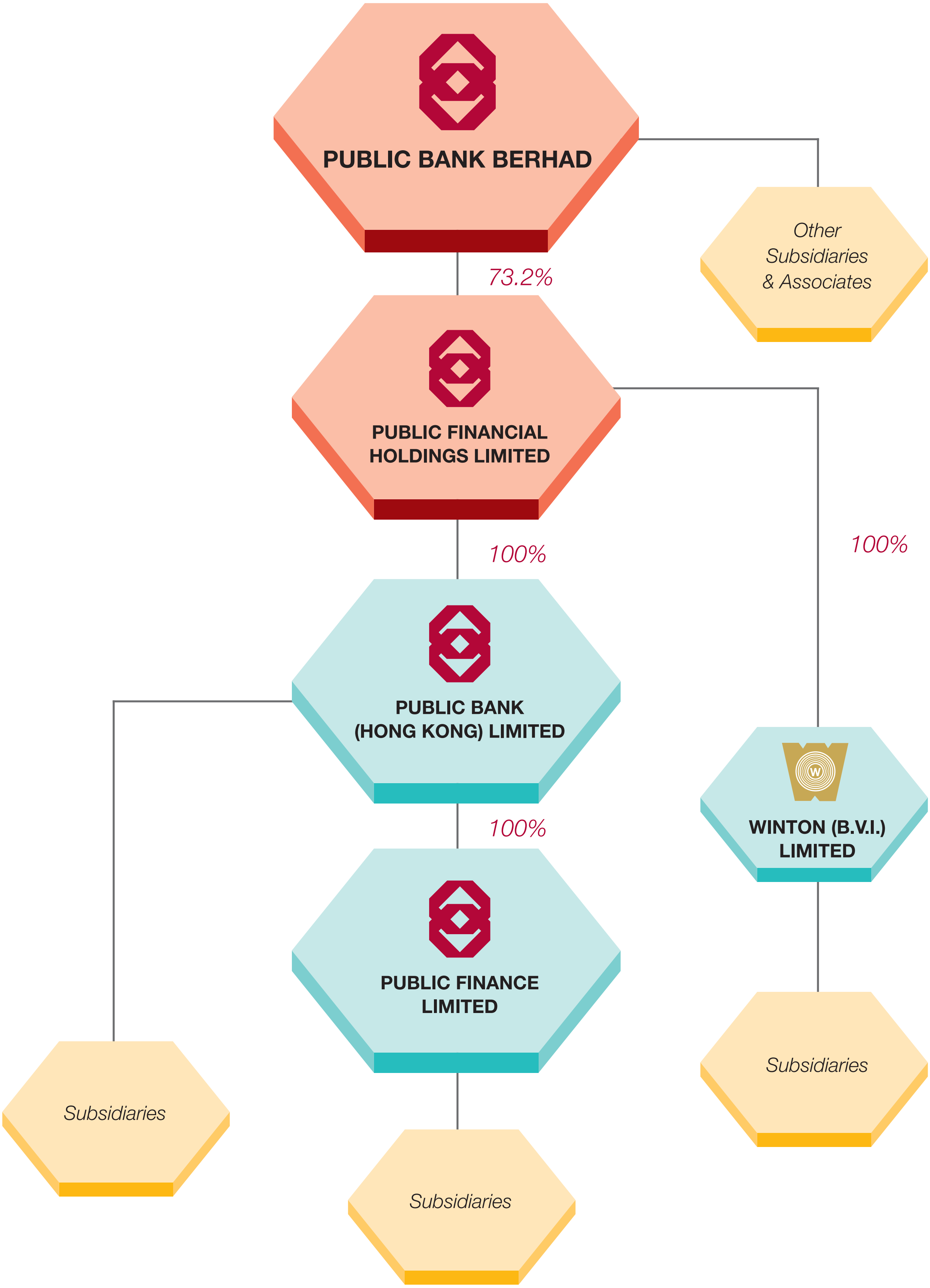
Legal Advisers

Charles Yeung Clement Lam Liu & Yip
Deacons
Siao, Wen and Leung
Woo Kwan Lee & Lo

Principal Bankers

Bangkok Bank Public Company Limited
Bank of China
CIMB Bank Berhad
CITIC Bank International Limited
Malayan Banking Berhad
Mizuho Corporate Bank, Ltd
Oversea-Chinese Banking Corporation Limited
Public Bank Berhad
Public Bank (L) Ltd
Standard Chartered Bank
Tai Yau Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Group Structure



Public Bank (Hong Hong) Limited Branch Network

Head Office and Branches

Head Office
Public Bank Centre, 120 Des Voeux Road Central

Tel	:	2541 9222	Telex	:	73085 CBHK HKHH
P.O. BOX	:	G.P.O. BOX 824	Fax	:	2541 0009
Website	:	www.publicbank.com.hk			

Hong Kong Island

1 Main Branch
G/F, Public Bank Centre
120 Des Voeux Road Central
Tel: 2541 9222 Fax: 2545 2866
Manager: So Wai Ming, Aubrey

2 Western Branch
Shop 2-3, G/F, Kam Kwan Building
163-173 Des Voeux Road West
Tel: 2858 2220 Fax: 2858 2638
Manager: Pang Ching Fan, Fanny

3 Wanchai Commercial Centre
Unit A, 9/F, China Overseas Building
139 Hennessy Road, Wanchai
Tel: 2891 4171 Fax: 2834 1012
Manager: Wong Lap Kee, Martin

4 North Point Branch
Shop 2, G/F, Two Chinachem Exchange Square,
338 King's Road, North Point
Tel: 2568 5141 Fax: 2567 0655
Manager: Yam Oi Yin, Pauline

5 Shek Tong Tsui Branch
Shop B1, G/F, Hong Kong Plaza
369-375 Des Voeux Road West
Tel: 2546 2055 Fax: 2559 7962
Manager: Ting Lai May, May

6 Causeway Bay Branch
G/F and M/F, 447 Hennessy Road
Causeway Bay
Tel: 2572 2363 Fax: 2572 3033
Manager: Leung Siu Ying, Fanny

7 Central Branch
Unit A, G/F, Wing On House
71 Des Voeux Road Central
Tel: 2147 2140 Fax: 2147 2244
Manager: Ngan Pui Shan, Sandy

8 Aberdeen Branch
Shop C, G/F, Kong Kai Building
184 Aberdeen Main Road, Aberdeen
Tel: 2871 0928 Fax: 2871 0383
Manager: Wong Chun Hoi, Wilson

9 Shau Kei Wan Branch
Shop 2, G/F, Hong Tai Building
326-332 Shaukeiwan Road
Tel: 2884 3993 Fax: 2885 9283

10 Quarry Bay Branch
Shop 8, G/F, Oceanic Mansion
1010-1026 King's Road, Quarry Bay
Tel: 2856 3880 Fax: 2856 0833
Manager: Chui King Yan, Connie

Kowloon

11 Yaumatei Branch
Shop 6, G/F, Wing Kiu Building
530-538 Nathan Road
Tel: 2381 1678 Fax: 2395 6398
Manager: Wong Mun Yu, Moon

12 Kowloon City Branch
G/F, 15 Nga Tsin Wai Road, Kowloon City
Tel: 2382 0147 Fax: 2718 4281
Manager: Lau Yiu Fai, Lawrence

13 Hung Hom Branch
G/F, Hunghom Commercial Centre
37 Ma Tau Wai Road, Hung Hom
Tel: 2363 9213 Fax: 2363 3195
Manager: Lee Wai Kwan, Luceta

14 Kwun Tong Branch
Unit 2310, Tower 1, Millennium City 1
388 Kwun Tong Road
Tel: 2389 9119 Tel: 2389 9969
Manager: Chiu Ka Leung, Henry

15 Mongkok Branch
G/F, JCG Building, 16 Mongkok Road
Tel: 2391 8393 Fax: 2391 6909
Manager: Chan Chun Chuen, Raymond

16 San Po Kong Branch
Shop B, G/F, Perfect Industrial Building
31 Tai Yau Street, San Po Kong
Tel: 2326 8318 Fax: 2326 9180
Manager: Kwong Hon Wun, Peter

17 Cheung Sha Wan Branch
Unit C2, G/F, 746 Cheung Sha Wan Road
Tel: 2786 9858 Fax: 2786 9506
Manager: Lai Siu Yee, Flora

18 Wong Tai Sin Branch
Shop 641-642, 6/F,
Tsz Wan Shan Shopping Centre,
Wong Tai Sin
Tel: 2328 7332 Fax: 2328 7991
Manager: Lau Keung Fai, David

19 To Kwa Wan Branch
Shop D, G/F, In House, No. 307 To Kwa Wan Road
To Kwa Wan
Tel: 2362 0238 Fax: 2362 3999
Manager: Choi Kam Yee, Catalina

20 Prince Edward Branch
G/F, 751 Nathan Road
Tel: 2397 3830 Fax: 2397 1006
Manager: Leung Yuen Fan, Maggie

21 Tai Kok Tsui Branch
Shop 2B, G/F, Tai Chuen Building
88-102 Ivy Street, Tai Kok Tsui
Tel: 2392 1538 Fax: 2392 1101
Manager: So Tak Fai, Peter

New Territories

22 Yuen Long Branch
Shop 5, G/F, Fu Ho Building
3-7 Kau Yuk Road, Yuen Long
Tel: 2479 4265 Fax: 2473 3934
Manager: Lam Wong Kan, Kent

23 Tsuen Wan Branch
G/F, Victory Court, 185-187 Castle Peak Road
Tsuen Wan
Tel: 2490 4191 Fax: 2490 4811
Manager: Kan Pak Ling, Lucia

24 Kwai Chung Branch
Shop 88B of Trendy Place, 3/F, Kwai Chung Plaza,
7-11 Kwai Foo Road, Kwai Chung
Tel: 2480 0002 Fax: 2401 2367
Manager: Wong Sze Mui, Rhoda

25 Tai Po Branch
Shop B, G/F, 18-24 Kwong Fuk Road, Tai Po
Tel: 2657 2861 Fax: 2657 7389
Manager: Tsang Wai Chor

26 Fanling Branch
G/F, 11 Wo Lung Street
Luen Wo Market, Fanling
Tel: 2669 1559 Fax: 2669 8780
Manager: Kee Ka Wai

27 Sheung Shui Branch
G/F, 73 San Fung Avenue, Sheung Shui
Tel: 2639 0307 Fax: 3124 0091
Manager: Yan Yi Kam, Patrick

28 Tuen Mun Branch
Shop E, G/F, Kam Lai Building
Nos. 1-7 Kai Man Path, Tuen Mun
Tel: 2440 1298 Fax: 2440 1398
Manager: Fong Fung Mei, Marisa

29 Sai Kung Branch
G/F, 16 Yi Chun Street, Sai Kung
Tel: 2792 8588 Fax: 2791 0077
Manager: Chong Mei Kuen, Joe

30 Tseung Kwan O Branch
G105-106, G/F, Metro City Plaza I, Tseung Kwan O
Tel: 2701 7688 Fax: 2701 7628
Manager: Lau Chi Kai, Thomas

31 Shatin Branch
Shop Nos. 4-6B, Lucky Plaza Commercial Centre, Shatin
Tel: 2601 6308 Fax: 2601 3686

Greater China

32 Shenzhen Branch
Shop No. 1, G/F, Carrianna Friendship Square
Renminnan Road, Shenzhen
People's Republic of China
Tel : (86-755) 2518 2822
Fax : (86-755) 2518 2327
Manager : Cheung Po Tung, David

33 Futian Sub-branch
1-3 Jinrun Mansion, No. 6019 Shennan Road
Futian District, Shenzhen
People's Republic of China
Tel : (86-755) 8280 0026
Fax : (86-755) 8280 0016
Manager : Ye Jun Liang, Leo

34 Shekou Sub-branch
Shop No. 155-156, Coastal Building (East Block)
Hai De San Dao, Nanshan District, Shenzhen
People's Republic of China
Tel : (86-755) 8627 1388
Fax : (86-755) 8627 0699
Manager : Pun Man Por

Shenyang Representative Office
Unit A, 18/F, Sunwah I Hi-tech Building
No. 262 Shifu Road, Shenhe District, Shenyang
Liaoning Province, People's Republic of China
Tel : (86-24) 2279 1368
Fax : (86-24) 2279 1369
Representative : Li Yu Jie

Shanghai Representative Office
Room G, 8/F Majesty Building
138 Pu Dong Avenue, Shanghai
People's Republic of China
Tel : (86-21) 5887 8851
Fax : (86-21) 5887 9951
Representative : Chen Li Hang

Taipei Representative Office
Room 905, No. 18 Chan-An E. Road Section 1, Taipei, Taiwan
Tel : (886-2) 2563 8789
Fax : (886-2) 2564 2047
Representative : Lu Chia Nan, Deanna

Public Finance Limited Branch Network

Hong Kong Island

1 World-Wide House Branch
Rm 2, 3 and 5, 20/F, World-Wide House
19 Des Voeux Road Central
Tel: 2522 4067 Fax: 2537 3623
Manager: Caponpon D.C. Felisa

2 Queen Victoria Street Central Branch
G/F, 14 Queen Victoria Street, Central
Tel: 2526 6415 Fax: 2877 9088
Manager: Louie Kin Cheong, Daniel

3 Central Branch
M/F, Chung Nam House
59 Des Voeux Rd Central
Tel: 2524 8676 Fax: 2877 9084
Manager: Leung Kwok Fai Eric

4 Wing On House Branch
Room 1109-10, Wing On House
71 Des Voeux Road Central
Tel: 2524 5603 Fax: 2537 2909
Manager: Sze Jane M

5 Wanchai Branch
G/F, 170 Hennessy Road
Tel: 2574 6245 Fax: 2893 6653
Manager: Ho Wai Ming Ian

6 Tin Lok Lane Branch
G/F, Foo Tak Building, 365 Hennessy Road
Tel: 2891 7028 Fax: 2893 3769
Manager: Chan Wing Kit Jimmy

7 Causeway Bay Branch
G/F, 449 Hennessy Road, Causeway Bay
Tel: 2893 6575 Fax: 2893 2770
Manager: Chan Chiu Ming Peter

8 North Point Branch
Shop No. 1, G/F, Wah Hing Building
449-455 King's Road
Tel: 2561 0160 Fax: 2856 3647
Manager: Lai Yu Tong

9 Shaukeiwan Branch
G/F, 134 Shaukeiwan Road
Tel: 2567 0461 Fax: 2885 8501
Manager: Miu Ka Lok, Patrick

10 Shek Tong Tsui Branch
Shop G1, Hong Kong Plaza
188 Connaught Road West
Tel: 2817 6125 Fax: 2817 7618
Manager: Hui Kam Tong, Samson

11 Western District Branch
G/F, 161 Des Voeux Road West
Tel: 2547 9148 Fax: 2546 1142
Manager: Kong Tsan Wing, Murphy

12 Aberdeen Branch
Shop A, G/F, Kong Kai Bldg
184-188 Aberdeen Main Road
Tel: 2553 8231 Fax: 2554 3897
Manager: Tong Ka Ling, Tony

13 Chai Wan Branch
G/F, Flat B, 77 Walton Estate
341-343 Chai Wan Road
Tel: 2557 8003 Fax: 2557 4088
Manager: Choi Wai Man

14 Quarry Bay Branch
G/F, 14 Hoi Kwong Street
Tel: 2516 6368 Fax: 2579 0084
Manager: Chow Koon Ping, Danny

15 Admiralty Branch
Shop 2010, 2/F, United Centre
95 Queensway, Admiralty
Tel: 2520 1323 Fax: 2520 6889
Manager: Chan Siu Sung Jeffrey

Kowloon

16 Star House Branch
Basement, Shop B9-B10, Star House Plaza, TST
Tel: 2730 8395 Fax: 2730 2346
Manager: Li Chu Wai, Frankie

17 Tsimshatsui Branch
Shop No. 51-53, 1/F, Harbour Crystal Centre
100 Granville Rd, TST East
Tel: 2369 3236 Fax: 2311 0433
Manager: Tong Woon Shing

18 Jordan Road Branch
Shop B, G/F, Dao Hing Building, 34 Jordan Rd
Tel: 2736 4711 Fax: 2314 8432
Manager: Li Wai Yin

19 Nathan Road Branch
G/F, 480 Nathan Road
Tel: 2771 5285 Fax: 2770 4127
Manager: Ho Kwok Sin Tom

20 Mongkok Branch
Flat B, 1/F, JCG Building, 16 Mongkok Rd
Tel: 2394 0253 Fax: 2787 5630
Manager: Cheng Ho Fat Ricky

21 Shamshuipo Branch
G/F, 27 Castle Peak Road
Tel: 2728 2347 Fax: 2729 9685
Manager: Wu Kin Sang Wilson

22 Cheung Sha Wan Branch
Unit C1, G/F, 746 Cheung Sha Wan Road
Tel: 2744 5416 Fax: 2785 3634
Manager: Cheung Chu Ming, Albert

23 Hunghom Branch
G/F, 130 Ma Tau Wai Road
Tel: 2334 4307 Fax: 2764 4876
Manager: Kam Ying Wah

24 Sanpokong Branch
G/F, 92 Shung Ling Street
Tel: 2328 3175 Fax: 2325 4504
Manager: Ng Chung Tak

25 Kowloon City Branch
Shop B, G/F, 45-47 Lung Kong Road, Kowloon City
Tel: 2382 4893 Fax: 2716 4819
Manager: Li Kit Shing Joe

26 Tokwawan Branch
G/F, 289 Tokwawan Road
Tel: 2365 7061 Fax: 2764 2832
Manager: Man Wing Sun Ethan

27 Kwun Tong Branch
G/F, 367 Ngau Tau Kok Road
Tel: 2344 0264 Fax: 2763 5427
Manager: Lee Man Fai Eric

28 Wong Tai Sin Branch
G/F, 89 Fung Tak Road
Tel: 2320 5112 Fax: 2726 0106
Manager: Lai Wing Yee Maggie

29 Prince Edward Branch
G/F, 19 Ki Lung Street
Tel: 2380 3260 Fax: 2380 4100
Manager: Leung Sze Wan Irene

30 Ngau Tau Kok Branch
Shop 29, G/F, Wang Kwong House
33 Ngau Tau Kok Road
Tel: 2757 8299 Fax: 2757 8737
Manager: Lam Kwan Chee Evans

31 Kowloon Bay Branch
Shop No. 7, G/F, Exchange Tower
33 Wang Chiu Road, Kowloon Bay
Tel: 2756 7320 Fax: 2758 5706
Manager: Wong Shing To Alfred

32 Tseung Kwan O Branch
Shop G29, G/F, Metro City Plaza, Phase II
Tel: 3194 4312 Fax: 3194 4377
Manager: Leung Kwok Chung Solomon

New Territories

33 Kwai Chung Branch
Shop 86A and 88A, 3/F, Kwai Chung Plaza
7-11 Kwai Foo Road
Tel: 2420 0121 Fax: 2485 0590
Manager: Chan Ching Yeung

34 Tsuen Wan Branch
G/F, 281 Sha Tsui Road
Tel: 2493 4187 Fax: 2417 4497
Manager: Kwan Wai Choi Samuel

35 Tuen Mun Branch
Shop 7, G/F, Mei Hang Bldg, Kai Man Path
Tel: 2457 2901 Fax: 2440 2503
Manager: Wong Wai Keung Thomas

36 Yuen Long Branch
G/F, 182 Main Road
Tel: 2476 2146 Fax: 2475 9903
Manager: Ho Kam Ming

37 Tai Po Branch
Shop B, G/F, 18-24 Kwong Fuk Road
Tel: 2656 5207 Fax: 2657 7019
Manager: Kan Yuk Lun Taylor

38 Shatin Branch
Portion of Shop 4-6B, Lucky Plaza Commercial Centre
Tel: 2699 5633 Fax: 2691 4588
Manager: Cheng Man Kwong Ringo

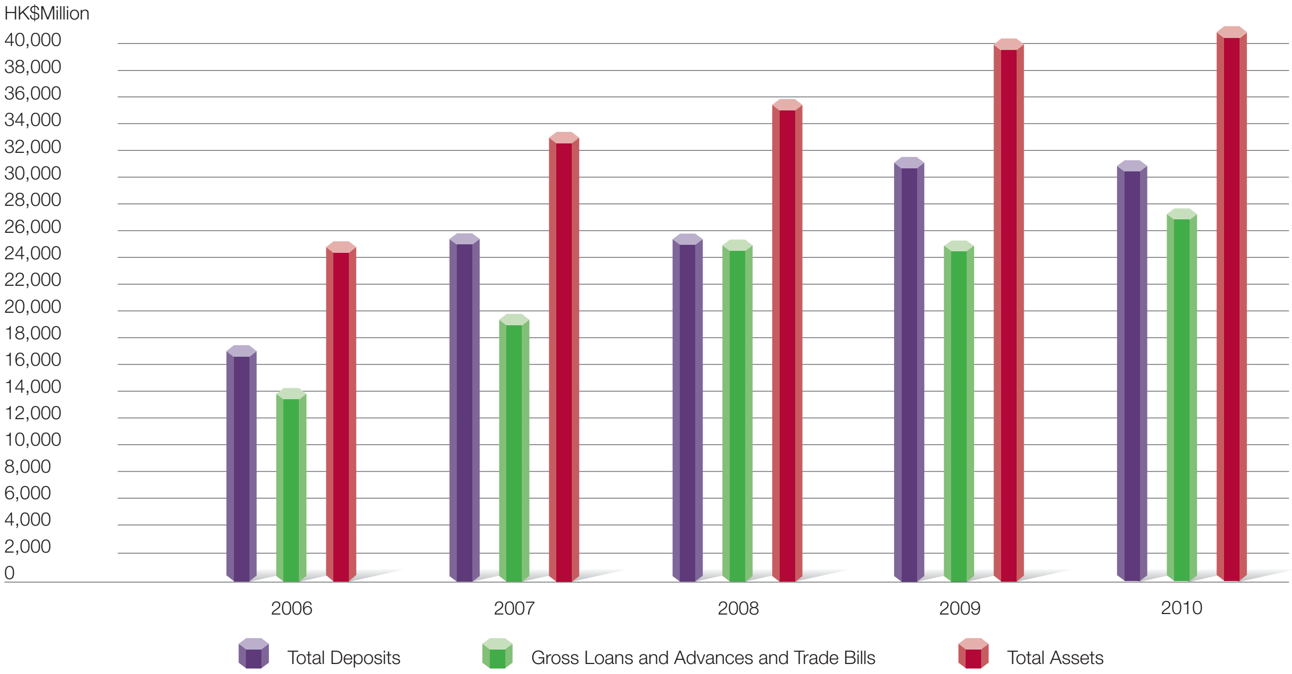
39 Sheung Shui Branch
G/F, 99 San Fung Avenue
Tel: 2673 2729 Fax: 2673 9278
Manager: Law Shue Sum, Dennis

40 Tai Wai Branch
Shop 2C, G/F, 11-13 Chik Fai Street
Tel: 2609 2611 Fax: 2609 4088
Manager: Cheung Wa Wai Victor

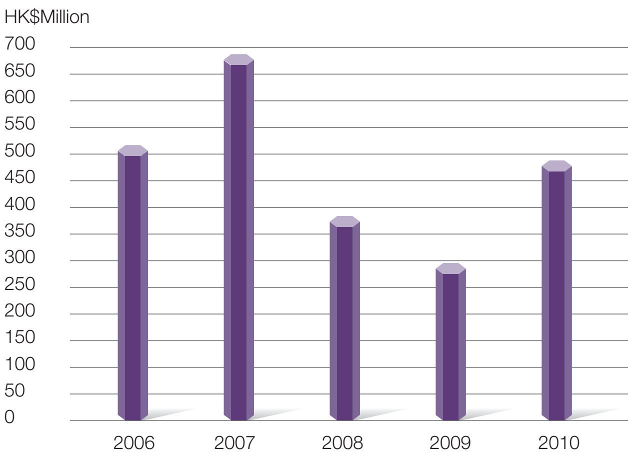
41 Nan Fung Centre Branch
Rm 1523, Nan Fung Centre
264-298 Castle Peak Road, Tsuen Wan
Tel: 2414 1198 Fax: 2413 1624
Manager: Chan Sze Mou Ken

42 Fanling Branch
Shop 1, G/F, Wo Fung Court
8 Wo Fung Street, Luen Wo Market
Tel: 2669 0260 Fax: 2669 1187
Manager: Lau Lai Kan, Caren

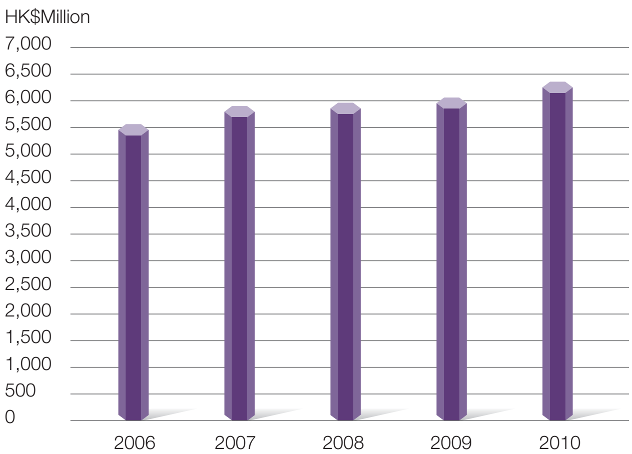
Five-year Financial Summary



Profit



Equity



2010 Financial Highlights

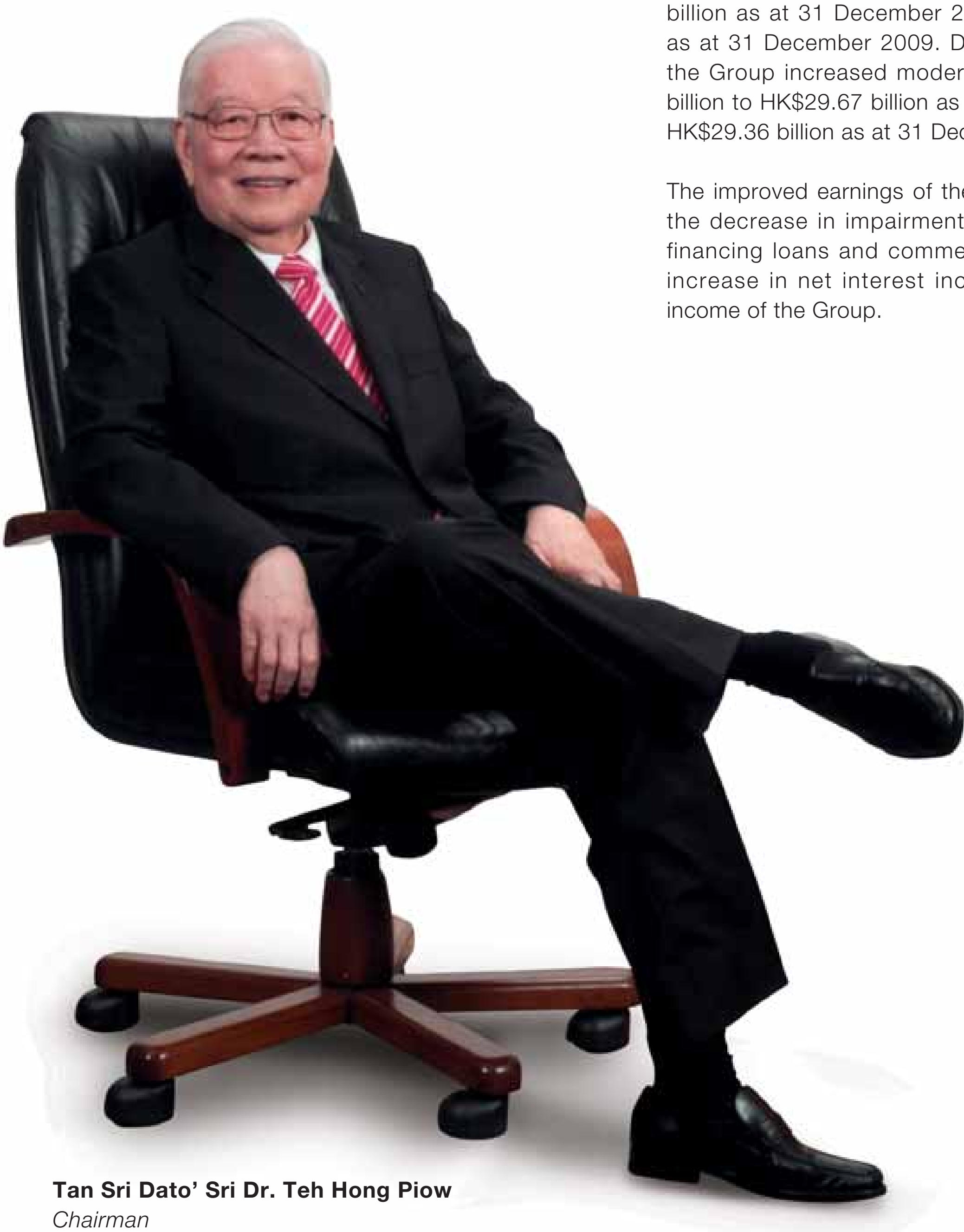
Profit for the year:	**HK$450.5 million**
Gross loans and advances and trade bills:	**HK$26,882.1 million**
Total deposits:	**HK$30,551.2 million**
Equity:	**HK$6,065.4 million**
Earnings per share:	
Basic	**HK$0.410**
Diluted	**HK$0.410**
Total dividends per share:	**HK$0.210**

A summary of the results and of the assets and liabilities of Public Financial Holdings Limited and its subsidiaries for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash and short term placements, and placements with banks and financial institutions	**6,745,080**	6,474,103	5,958,371	6,323,774	2,861,992
Gross loans and advances and trade bills	**26,882,121**	24,587,228	24,428,368	19,114,048	13,774,978
Held-to-maturity investments	**2,709,776**	4,216,634	969,216	2,858,708	3,679,604
Other assets	**3,992,661**	4,095,089	3,973,710	4,382,282	3,927,823
Total assets	**40,329,638**	39,373,054	35,329,665	32,678,812	24,244,397
Deposits and balances of banks and other financial institutions at amortised cost	**680,382**	1,024,628	641,732	2,263,902	516,097
Customer deposits at amortised cost	**29,670,825**	29,364,238	24,184,416	20,501,549	14,853,655
Certificates of deposit issued at amortised cost	**200,000**	–	879,850	2,049,227	769,674
Dividend payable	**175,667**	142,729	197,625	273,474	218,779
Unsecured bank loans at amortised cost	**3,038,991**	2,178,679	3,249,219	1,100,000	2,000,000
Other liabilities	**498,416**	830,562	407,317	836,439	566,144
Total liabilities	**34,264,281**	33,540,836	29,560,159	27,024,591	18,924,349
Equity	**6,065,357**	5,832,218	5,769,506	5,654,221	5,320,048
Profit for the year	**450,497**	275,073	358,187	665,331	496,637
Basic earnings per share (HK$)	**0.410**	0.251	0.327	0.608	0.500
Diluted earnings per share (HK$)	**0.410**	0.251	0.327	0.608	0.500

Chairman's Statement

I am pleased to present a review of the performance of the Group for the financial year ended 31 December 2010.



Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

Group Financial Performance

The Group recorded a significant increase in profit after tax by 63.8% or HK$175.4 million to HK$450.5 million for the financial year ended 31 December 2010. Total assets of the Group recorded a growth of 2.4% or HK$0.96 billion to HK$40.33 billion as at 31 December 2010 from HK$39.37 billion as at the end of the previous year. Total loans and advances (including trade bills) of the Group grew by 9.3% or HK$2.29 billion to HK$26.88 billion as at 31 December 2010 from HK$24.59 billion as at 31 December 2009. Deposits from customers of the Group increased moderately by 1.0% or HK$0.31 billion to HK$29.67 billion as at 31 December 2010 from HK$29.36 billion as at 31 December 2009.

The improved earnings of the Group was mainly due to the decrease in impairment allowances for consumer financing loans and commercial loans, as well as the increase in net interest income and other operating income of the Group.

The Group's basic earnings per share for 2010 was HK$0.41. The Board of Directors had declared a first interim and a second interim dividend of HK$0.05 per share and HK$0.16 per share in June 2010 and in December 2010 respectively. The Board of Directors does not recommend the payment of a final dividend, making a total dividend of HK$0.21 per share for 2010 (2009: HK$0.18 per share). The total dividend declared for the year amounted to HK$230.6 million, representing approximately 51.2% of the Group's net earnings for 2010.

Business Development of the Group

In 2010, Public Bank (Hong Kong) Limited ("Public Bank (Hong Kong)"), which operates 30 branches (an additional new branch will be opened for business in late January 2011) in Hong Kong and 3 branches in Shenzhen in the People's Republic of China ("the PRC"), continued to focus on its market segments and provide a broad range of commercial and retail banking services. Public Finance Limited ("Public Finance"), a subsidiary of Public Bank (Hong Kong), which operates a network of 42 branches in Hong Kong, continued to focus on its core business in personal lending. Another subsidiary of the Company, Winton Financial Limited ("Winton Financial"), which operates under a money lenders licence, expanded its network to 9 branches in Hong Kong to provide personal financing to its target customer segment. The Group has a combined network of 84 branches.

During the year under review, the Group registered a growth in total loans and advances (including trade bills) of 9.3% or HK$2.29 billion to HK$26.88 billion as at 31 December 2010. The Group's total customer deposits registered a growth of 1.0% or HK$0.31 billion to HK$29.67 billion as at 31 December 2010. Total assets of the Group grew by 2.4% or HK$0.96 billion to HK$40.33 billion as at 31 December 2010.

The Group will continue to adopt flexible and prudent business strategies and adjust to market changes accordingly in growing its customer base and business. The Group will continue to provide quality, professional and comprehensive financial services to its customers in the expansion of its business.

Financial Review

For the year under review, the Group's net interest income increased by 5.3% or HK$62.2 million to HK$1,235.2 million from HK$1,173.0 million in the previous year, mainly due to the growth in loans and advances. Other operating income (excluding gains on disposal of available-for-sale financial assets in 2009) of the Group increased by 19.3% or HK$44.9 million to HK$276.9 million when compared to the previous year, mainly due to an increase in fee income from the Group's stock broking business and loans related fee income.

The Group's impairment allowances for financial assets improved significantly by HK$231.4 million to HK$280.5 million from HK$511.9 million in the previous year, resulted from the recovery of defaulted commercial loans and the decrease in impairment allowances for consumer financing loans.

Total operating costs and overheads (before change in fair value of investment properties) of the Group increased by 17.7% or HK$105.3 million, mainly due to the increase in staff and premises related costs in the year under review.

Loans and Deposits

The Group will continue to focus on expanding its retail and commercial banking and consumer loans businesses through the expanded branch network of the Group, offering innovative products and pursuing aggressive marketing activities, providing excellent quality customer service and competitive pricing strategies.

The Group will continue to seek further synergies in developing the Group's businesses as well as to enhance its operating costs efficiency through cross selling of loans and wealth management products, and streamline the supporting operations of the combined branch network of Public Bank (Hong Kong) and Public Finance.

Acknowledgement

On behalf of the Board of Directors, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, dedication and perseverance, and sincere gratitude to our customers for their invaluable patronage, and to the shareholders for their continued confidence in and their support of the Group, and to the Hong Kong Monetary Authority, the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and other relevant authorities for their invaluable advice, guidance and support.

Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

Management Discussion and Analysis

Business Review

Overview

For the year under review, the economy of Hong Kong had shown moderate recovery with unemployment rate continued to improve further. The residential property market was robust during the year, but showed signs of slowing down towards the end of the year after the implementation of prudential measures by the Hong Kong Government to address concerns over a property price bubble caused by speculative investments in the property sector. Due to the close economic ties with other nations globally which are still experiencing slow growth and economic uncertainties, there remains uncertainties in the economic and market conditions in Hong Kong and the PRC. With intense competition for the loan business, the operating environment in the banking industry in Hong Kong and the PRC was challenging in the year under review.

During the year under review, retail sales activities and the unemployment rate in Hong Kong showed encouraging signs of improvement. Earnings and loan asset quality of financial institutions in Hong Kong had shown favourable improvement generally. The Group had benefited from these factors and recorded a significant increase in earnings by 63.8% or HK$175.4 million to HK$450.5 million for the year ended 31 December 2010 as compared to 2009.

Group Financial Performance

Loans and advances, deposits from customers and total assets

The Group's total loans and advances (including trade bills) increased by 9.3% or HK$2.29 billion to HK$26.88 billion as at 31 December 2010 from HK$24.59 billion as at 31 December 2009. Deposits from customers increased by 1.0% or HK$0.31 billion to HK$29.67 billion as at 31 December 2010 from HK$29.36 billion as at 31 December 2009.

Total assets of the Group increased by HK$0.96 billion to HK$40.33 billion as at 31 December 2010 from HK$39.37 billion as at 31 December 2009.

Revenue and earnings

For the year ended 31 December 2010, the Group recorded a profit after tax of HK$450.5 million, representing a significant increase of 63.8% or HK$175.4 million when compared to the profit after tax of HK$275.1 million in the previous year. The increase in profit after tax was mainly attributed to lower bad debt charge for impaired loans in the consumer financing business. Impairment allowances for loans and advances decreased by 45.2% or HK$231.4 million to HK$280.5 million in 2010 when compared to HK$511.9 million in the previous year.

The Group's basic earnings per share for 2010 was HK$0.41. The Board of Directors had declared a first interim and a second interim dividend of HK$0.05 per share and HK$0.16 per share in June 2010 and December 2010 respectively. The Board of Directors does not recommend the payment of a final dividend, making a total dividend for the year of HK$0.21 per share (2009: HK$0.18 per share).

For the year under review, the Group recorded an increase in total operating income of 5.7% or HK$81.1 million to HK$1,512.2 million from HK$1,431.1 million in the previous year, contributed by an increase in net interest income and fee income from the Group's stock brokering and loans related businesses.

The Group's net interest income increased by 5.3% or HK$62.2 million to HK$1,235.2 million. Interest expense decreased by 7.0% or HK$21.5 million to HK$286.6 million whilst interest income increased by 2.7% or HK$40.7 million to HK$1,521.9 million. The Group's non-interest income (excluding gains on disposal of available-for-sale financial assets) increased by 19.3% or HK$44.9 million to HK$276.9 million when compared to the previous year.

Total operating costs and overheads (before change in the fair value of investment properties) increased by 17.7% or HK$105.3 million, mainly due to increase in staff and premises related costs. The gain in the change in the fair value of investment properties decreased by HK$18.7 million to HK$9.03 million when compared to the previous year.

Branch network

Public Bank (Hong Kong) has 30 branches (not including an additional new branch which will be opened for business in late January 2011) in Hong Kong and 3 branches in Shenzhen in the PRC to provide a broad range of commercial and retail banking services. Public Finance, a subsidiary of Public Bank (Hong Kong), has a network of 42 branches in Hong Kong. Winton Financial, another operating subsidiary of the Company, which operates under a money lenders licence, expanded its network by 1 branch in 2010 to 9 branches in Hong Kong to provide personal financing to its target customer segment. Accordingly, the Group has a combined branch network of 84 branches to serve its customers.

Group Financial Performance (Continued)

Business development of Public Bank (Hong Kong)

During the year under review, total loans and advances (including trade bills) of Public Bank (Hong Kong) recorded a moderate increase of 10.6% or HK$2.14 billion to HK$22.43 billion as at 31 December 2010 from HK$20.29 billion as at 31 December 2009 in a highly competitive and challenging banking industry in Hong Kong. Deposits from customers grew by 2.6% or HK$0.67 billion to HK$26.73 billion as at 31 December 2010 from HK$26.06 billion as at 31 December 2009.

The consolidated capital adequacy ratio of Public Bank (Hong Kong) stood at over 18% and it had no exposure attributed directly to structured investment vehicles, US-subprime mortgages and the five "PIIGS" countries as at the end of 2010.

Public Bank (Hong Kong) will continue to identify suitable locations for the relocation and opening of new branches to expand its reach and develop its banking and banking related financial services businesses and expand its customer base.

Segmental information

The Group's businesses comprise three main segments: (i) retail and commercial banking and lending, (ii) stockbroking and wealth management services, and (iii) other businesses. In 2010, over 80% of the Group's operating income and profit before tax was contributed by retail and commercial banking and lending in Hong Kong. When compared to the previous year, the Group's operating income from retail and commercial banking and lending business increased by 7.0% or HK$90.8 million to HK$1,395.5 million. Profit before tax from retail and commercial banking and lending business for 2010 increased by 67.4% or HK$188.2 million to HK$467.3 million mainly due to a significant improvement in impairment allowances for impaired loans and advances.

Contingent liabilities and commitments

The Group has no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments disclosed in the notes to the financial statements) as at the end of the year under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the year under review. As at 31 December 2009, there was a charge over bank deposits of HK$27 million created by Public Bank (Hong Kong)'s Shenzhen Branch to secure a floating-rate loan of RMB20 million to fund its lending business in the PRC. During the year under review, this charge over the deposits was released and there was no charge over the assets of the Group as at 31 December 2010.

Operational Review

Funding and capital management

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

The Group relies 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 retail and commercial banking business. The Group's bank borrowings in the form of term loans denominated in Hong Kong dollars at floating interest rates stood at HK$3.0 billion as at the end of 2010. 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 0.5 times as at 31 December 2010. The bank borrowings have remaining maturity periods of less than 4 years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange and interest rate swap and forward contracts to reduce foreign exchange rate risk and interest rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates and interest rates were minimal during the year under review.

Asset quality

The Group's impaired loans to total loans ratio improved to 1.2% as at 31 December 2010 from 2.2% as at 31 December 2009 with improvement in the asset quality of the Group's unsecured consumer financing loans. The Group will continue to adopt a prudent credit risk management strategy and pursue the recovery of impaired loans diligently.

Operational Review (Continued)

Human resource management

The objectives of the Group's human resource management activities are 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 and internal training courses and seminars, as well as professional and technical courses with appropriate sponsorship by the Group, to update their technical knowledge and skills, to increase their awareness of the market place and technological changes, and to improve their management skills and understanding of business strategies. 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 employees share option scheme approved by shareholders on 28 February 2002. In 2010, no share options to subscribe for shares in the Company were exercised by employees of the Group. As at 31 December 2010, options to subscribe for 28,509,000 shares in the Company remained unexercised.

As at 31 December 2010, the Group's staff force stood at 1,388 employees. The Group's total staff and staff related costs for 2010 amounted to HK$387.7 million.

Prospects

The economic and labour market conditions in Hong Kong are anticipated to improve further with strengthening consumer confidence. The positive economic policies and measures implemented in Hong Kong and in the PRC are expected to continue benefiting the consumer financing and commercial lending businesses of the Group. However, there is a degree of uncertainty in the outlook on the sustainability of the economic growth in Hong Kong and the PRC in 2011, as well as in the recovery of the global economy. The potential impact of the second round of quantitative easing in the US and the vulnerabilities of the global economy and financial systems will have an impact on the Hong Kong economy. An overheated property market in Hong Kong and in the PRC will remain a concern. The rise in property prices and rentals in Hong Kong may bring along inflationary pressures and may impact the profitability of financial institutions in Hong Kong in 2011.

Notwithstanding the aforesaid, the Group will continue to focus on expanding its retail and commercial banking business and consumer finance business cautiously with innovative new products and sound marketing strategies, and improvement in customer service to increase market share. The Group will continue to seek greater synergies within its business operations by increasing cross-selling of products and services throughout the combined branch network of Public Bank (Hong Kong), Public Finance and Winton Financial in the year ahead.

Competition in the banking and financing industry in Hong Kong is expected to intensify further with financial institutions seeking greater market share in loans and advances, customer deposits and fee income. The competitive environment will continue to exert pressure on the pricing of banking and financing products.

The exit of the full deposit guarantee scheme by the Hong Kong Government at the end of 2010 is anticipated to have some impact on increasing the cost of customer deposits and thus on the net interest margin of financial institutions in 2011. The Group will continue to safeguard its financial strength and capital adequacy, manage risks cautiously and set prudent yet flexible business development strategies to strike a balance between business growth and risk management. The Group will continue to pursue long term business growth objectives and take steps to align business strategies with future expansion plans, maintain profitability growth with prudent capital and funding management in meeting the challenges in the banking industry.

Barring unforeseen circumstances, the Group expects to register moderate growth in its businesses and in its financial performance. The Group is also committed to fostering a healthy and strong corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

Corporate Governance Report

Corporate Governance Practices

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code on CGP"), except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

Public Bank (Hong Kong) and Public Finance, both being major subsidiaries of the Company, are a licensed bank and a deposit taking company respectively. They are incorporated in Hong Kong and are under the supervision of the Hong Kong Monetary Authority ("HKMA"). The respective boards of directors are fully committed to adopting and implementing the principles and best practices in corporate governance as set out in the guidelines on "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the HKMA. Specialised committees with clear terms of references and specific authorities delegated by the boards of directors have been set up by Public Bank (Hong Kong) and Public Finance.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

Board of Directors

The board of directors of the Company for the year comprises:

Non-executive Directors	:	Tan Sri Dato' Sri Dr. Teh Hong Piow, *Chairman* Tan Sri Dato' Sri Tay Ah Lek Dato' Chang Kat Kiam Chong Yam Kiang
Independent Non-executive Directors	:	Tan Sri Dato' Thong Yaw Hong, *Co-Chairman* Lee Chin Guan Quah Poh Keat
Executive Directors	:	Tan Yoke Kong Lee Huat Oon

The non-executive directors provide the Group with a wide range of expertise and knowledge in the banking and finance sector. The independent non-executive directors are persons of high calibre; with academic and professional qualifications in the fields of accounting, law, banking and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the board. All the independent non-executive directors who served in 2010 have given annual confirmations of their independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

Corporate Governance Practices (Continued)

Board of Directors (Continued)

During the year, ten full board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of board meetings attended in 2010	Attendance rate
Tan Sri Dato' Sri Dr. Teh Hong Piow, *Chairman* (Note 1)	8	80%
Tan Sri Dato' Thong Yaw Hong, *Co-Chairman* (Note 2)	9	90%
Tan Yoke Kong	10	100%
Lee Huat Oon	10	100%
Chong Yam Kiang	10	100%
Tan Sri Dato' Sri Tay Ah Lek	10	100%
Dato' Chang Kat Kiam	10	100%
Lee Chin Guan	10	100%
Quah Poh Keat	10	100%

Notes:

1. Tan Sri Dato' Sri Dr. Teh Hong Piow attended 8 of the Company's board meetings and was on medical leave for the remaining 2 meetings.
2. Tan Sri Dato' Thong Yaw Hong attended 9 of the Company's board meetings and was on medical leave for the remaining 1 meeting.

The board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The schedule of board meeting for a year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

Chairman, Co-Chairman and Chief Executive

The Chairman and the Chief Executive of the Company are Tan Sri Dato' Sri Dr. Teh Hong Piow and Mr. Tan Yoke Kong respectively. Tan Sri Dato' Thong Yaw Hong, an independent non-executive director, is the Co-Chairman of the Company.

The roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the board is responsible for the leadership and effective running of the board, while the Chief Executive is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive has been clearly established and set out in writing.

Corporate Governance Practices (Continued)

Appointment and Re-election of Directors

The Company has not fixed the terms of appointment for non-executive directors. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws. This deviates from the provision of A.4.1 of the Code on CGP which requires that non-executive directors be appointed for a specific term. 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.

Remuneration Committee

The Remuneration Committee of the Company comprises two non-executive directors and three independent non-executive directors.

The Remuneration Committee was formed in January 2005 and meetings shall be held at least once a year. Two meetings were held in 2010. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2010	Attendance rate
Tan Sri Dato' Sri Dr. Teh Hong Piow, *Chairman*	2	100%
Tan Sri Dato' Thong Yaw Hong	2	100%
Tan Sri Dato' Sri Tay Ah Lek	2	100%
Lee Chin Guan	2	100%
Quah Poh Keat	2	100%

At the meetings held during the year, the recommendation of annual salary increment for staff, the progress of formulating the Remuneration Policy and the opening of new branches were reviewed and noted.

The Company has adopted a share option scheme on 28 February 2002, which serves as an incentive to attract, retain and motivate talented eligible staff, including the directors. Details of the share option scheme are set out in note 34 to the financial statements. The emolument payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' emoluments are set out in note 9 to the financial statements.

The major roles and functions of the Company's Remuneration Committee are as follows:

1. To review annually and recommend to the board the overall remuneration policy for the directors, the Chief Executive and key senior management officers.

2. To review annually the performance of the executive directors, the Chief Executive and key senior management officers and recommend to the board specific adjustments in remuneration and/or reward payments.

3. To ensure that the level of remuneration for non-executive directors and independent non-executive directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the boards of the respective companies in the Group.

4. To keep abreast of the terms and conditions of service of the executive directors, the Chief Executive and key senior management officers. Review and recommend changes to the board whenever necessary.

5. To review and approve the compensation payable to executive directors, the Chief Executive and key senior management officers in connection with any loss or termination of their office or appointment.

6. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.

7. To ensure that no director or any of his associates is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee are posted on the Company's website.

Corporate Governance Practices (Continued)

Nomination Committee

The Nomination Committee of the Company comprises two non-executive directors and three independent non-executive directors.

The Nomination Committee was formed in January 2005 and meetings shall be held at least once a year. Two meetings were held in 2010. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2010	Attendance rate
Tan Sri Dato' Sri Dr. Teh Hong Piow, *Chairman*	2	100%
Tan Sri Dato' Thong Yaw Hong	2	100%
Tan Sri Dato' Sri Tay Ah Lek	2	100%
Lee Chin Guan	2	100%
Quah Poh Keat	2	100%

At the meetings held during the year, the movement of senior staff in the Group, new organisation chart of Public Bank (Hong Kong) and results of annual assessment on effectiveness of the board as a whole and each of the directors for the year 2009 were reviewed and noted.

The major roles and functions of the Company's Nomination Committee are as follows:

1. To assess and recommend the appointment and re-appointment of directors and Chief Executive.

2. To oversee the overall composition of the respective boards of the Company, Public Bank (Hong Kong) and Public Finance, in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent non-executive directors through annual review.

3. To assess the independence of independent non-executive directors.

4. To establish a mechanism for the formal assessment on the effectiveness of the respective boards as a whole and the performance of each director, the Chief Executive and other key senior management officers.

5. To oversee the appointment, management succession planning and performance evaluation of key senior management officers.

The terms of reference of the Nomination Committee are posted on the Company's website.

Accountability and Audit

The directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2010, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

Audit Committee

The Audit Committee of the Company comprises one non-executive director and three independent non-executive directors.

The Audit Committee shall meet at least twice a year. Eight meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the board for noting and for action by the board where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2010	Attendance rate
Tan Sri Dato' Thong Yaw Hong, *Chairman* (Note)	7	87.5%
Tan Sri Dato' Sri Tay Ah Lek	8	100%
Lee Chin Guan	8	100%
Quah Poh Keat	8	100%

Note: Tan Sri Dato' Thong Yaw Hong attended 7 of the Company's Audit Committee meetings and was on medical leave for the remaining 1 meeting.

Accountability and Audit (Continued)

Audit Committee (Continued)

During the meetings held in 2010, the Audit Committee had performed the following work:

(i) Reviewed the financial reports for the year ended 31 December 2009 and for the six months ended 30 June 2010;

(ii) Reviewed the findings and recommendations of the Internal Audit Department on the operations and performance of the branches and departments of Public Bank (Hong Kong), Public Finance and other subsidiaries of the Group;

(iii) Approved the audit plan for 2010 prepared by Internal Audit Department;

(iv) Reviewed the effectiveness of internal control system;

(v) Reviewed the examination reports issued by the HKMA and the management's replies;

(vi) Reviewed the external auditors' statutory audit plan and engagement letters;

(vii) Reviewed and recommended for approval by the board the 2010 interim and annual audit scope and fees;

(viii) Agreed and recommended the revised terms of reference of Audit Committees (for the Company and Public Bank (Hong Kong)) for approval by the board;

(ix) Reviewed a letter from external auditors regarding the declaration of independence pursuant to the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants for the 2009 audit;

(x) Reviewed the external auditors' reports issued pursuant to Sections 63(3) and 63(3A) of the Banking Ordinance;

(xi) Reviewed the external auditors' management letter regarding the audit of Public Securities Limited for the year ended 31 December 2009; and

(xii) Noted the change of auditors for Shenzhen Branches of Public Bank (Hong Kong).

The major roles and functions of the Company's Audit Committee are as follows:

1. To draw up, review and update periodically a written charter for the board of directors' approval.

2. To appoint a suitably qualified Head of Internal Audit.

3. To approve the Audit Charter drawn up and updated periodically by the Head of Internal Audit.

4. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Group.

5. To discuss with the external auditors the nature and scope of the audit.

6. To review the interim and annual financial statements before submission to the board of directors.

7. To discuss problems and reservations arising from the interim audit review and final audits, and any matters the auditors may wish to discuss.

8. To review the Group's financial controls, internal control and risk management systems.

9. To approve the audit plan and review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

10. To consider the major findings of internal investigations and management's response and significant recommendations made by Internal Audit Department.

11. To review the external auditors' management letters and management's response.

12. To report to the board of directors on the matters set out in the "Code on Corporate Governance Practices" under the Listing Rules and on the work performed by the Audit Committee and its significant findings.

Accountability and Audit (Continued)

Audit Committee (Continued)

13. To review arrangements by which employees of the Group may raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure fair and independent investigations and appropriate follow-up actions on such matters.

The terms of reference of the Audit Committee are posted on the Company's website.

Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs Ernst & Young, is set out as follows:

Services rendered	**Fees paid/ payable HK$'000**
Audit services	3,258
Non-audit services	251
Total:	3,509

Internal Control

The board is responsible for the Group's system of internal controls and its effectiveness. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to business environment or regulatory guidelines. The board also reviews annually the effectiveness of the system of internal control of the Group and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report is sound and is sufficient to safeguard the interests of shareholders, customers and employees, and the Group's assets. The resources, qualifications and experience of staff of the Group's accounting and financial functions, and their training programmes and budget are adequate.

The management assists the board in the implementation of the board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- Board Executive Committees under Public Bank (Hong Kong) and Public Finance consist of executive directors and non-executive directors and are responsible for the management of the businesses of Public Bank (Hong Kong) and Public Finance in all aspects and the implementation of strategic business plans and policies approved and formulated by the respective boards of directors.

- Management Committees are established by the respective boards of Public Bank (Hong Kong) and Public Finance to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- Audit Committees are established at the Group level as well as at the bank level to review internal control issues identified by Internal Audit Department, external auditors, regulatory authorities and management, and evaluate the adequacy and effectiveness of the Group's risk management and internal control systems. They also conduct review of the internal audit functions with particular emphasis on the scope of audits, quality of internal audits and independence of Internal Audit Department. The minutes of Audit Committee meetings are tabled to the respective boards for noting and further action, where appropriate.

Accountability and Audit (Continued)

Internal Control (Continued)

- Internal Audit Departments of Public Bank (Hong Kong) and Public Finance monitor compliance with policies and procedures and the effectiveness of the internal control systems, and highlight significant findings in respect of any non-compliance. Audits are carried out on all branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on the operational and management activities of these branches. The annual audit plans are reviewed and approved by the respective Audit Committees and the findings of the audits are submitted to the respective Audit Committees for review.

- Credit Committees under Public Bank (Hong Kong) and Public Finance are responsible for making decision on loan applications for all types of loan facilities within their discretionary powers, assisting the respective boards of directors in formulating policy guidelines for Public Bank (Hong Kong)'s banking business and Public Finance's lending business, and recommending applications for loan facilities exceeding the discretionary powers of the Credit Committees to the respective boards for approval.

- Credit Risk Management Committee under Public Bank (Hong Kong) reviews and assesses independently the credit risk profile, conducts stress-testing and post-mortem analysis on credit risk, sets concentration risk limits of Public Bank (Hong Kong), provides advice to Public Finance and other group companies, and implements credit risk management policies approved by the board of Public Bank (Hong Kong).

- Assets and Liabilities Management Committees under Public Bank (Hong Kong) and Public Finance review and assess the market risk profile, capital adequacy and capital structure of Public Bank (Hong Kong) and Public Finance, set the objectives for the asset and liability management function and implement the risk management policies approved by the respective boards of Public Bank (Hong Kong) and Public Finance.

- Operational Risk Management Committees under Public Bank (Hong Kong) and Public Finance review and assess operational risk profile, impact of operational loss events and set operational risk limits, if applicable, of Public Bank (Hong Kong) and Public Finance, and implement operational risk management policies approved by the respective boards of Public Bank (Hong Kong) and Public Finance.

- Operational committees have also been established under Public Bank (Hong Kong) and Public Finance with appropriate authorities to ensure effective management and supervision of the Group's core areas of business operations. These committees include Human Resources Committees and Information Technology Committees.

  Human Resources Committees assist the respective boards of directors in formulating and implementing human resources policies including staff recruitment, promotion, career development, performance appraisal and remuneration of all staff.

  Information Technology (I.T.) Steering Committee under Public Bank (Hong Kong) and Information Technology Committee under Public Finance are responsible for establishing objectives, policies and strategies for the computerisation of the Group, recommending to the respective boards of directors on major acquisitions of computer hardware and software, and monitoring the progress of implementation of all information technology related projects.

- Finance Committees under Public Bank (Hong Kong) and Public Finance assist the respective boards of directors in the financial planning and budgeting process of the business of Public Bank (Hong Kong) and Public Finance and the review of the business performance, statutory and half year accounts.

Accountability and Audit (Continued)

Internal Control (Continued)

- Compliance Review Group and Compliance Department of Public Bank (Hong Kong) and Compliance Working Group of Public Finance are established to review the relevant policies and guidelines issued from time to time by the HKMA and other regulatory authorities, to assess the impact of the relevant regulatory requirements on Public Bank (Hong Kong) and Public Finance and to ensure that the relevant business units and/or departments comply with the relevant regulatory requirements and internal policy guidelines of business units and departments.

Management of Risks

The respective boards of directors of the subsidiaries are responsible for the oversight of risks and approval of risk management policies. Internal Audit Departments of Public Bank (Hong Kong) and Public Finance perform regular audits to ensure compliance with the policies and report directly to Audit Committees of the Company and Public Bank (Hong Kong). In addition, various committees were formed to mitigate and monitor various kinds of risks within the Group. Risk Management Committee of the Company was established to oversee the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management of the Group. Details of the objectives and policies of the Group's financial risk management are set out in note 42 to the financial statements.

Communications with Shareholders and Investors

The board recognises the importance of good communications with all shareholders. The Company's annual general meeting ("AGM") is a valuable forum for the board to communicate directly with the shareholders. The Chairman of the board as well as Chairmen of the Audit, Nomination and Remuneration Committees together with the external auditors are present to answer shareholders' questions. The AGM circulars were distributed to all shareholders 20 clear business days before the 2010 AGM.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner within 20 days after the end of the relevant periods in 2010, which were well before the time limits as laid down in the Listing Rules.

The management personnel responsible for investor relations held regular meetings with equity research analysts, fund managers and institutional shareholders and investors.

The market capitalisation of the Company as at 31 December 2010 was HK$6,192,255,366 (issued share capital: 1,097,917,618 shares at closing market price: HK$5.64 per share). The public float is around 26.8%.

The 2011 AGM will be held at Kowloon Room, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 4 March 2011 at 3:00 p.m.

Brief Biography of Directors and Senior Management

Tan Sri Dato' Sri Dr. Teh Hong Piow

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 80, is the Founder and Chairman and a substantial shareholder of Public Bank Berhad ("Public Bank"), a commercial bank listed on the Malaysian stock exchange, and the holding company of the Company. He has 61 years of experience in the banking and finance industry. He was appointed a Non-executive Director and the Chairman of the Company in September 1991. He is currently the Chairman of the Remuneration Committee and the Nomination Committee of the Company. He is also the Chairman of Public Bank (Hong Kong) and Public Finance. He also holds directorships in several other companies in the Public Bank Group and is the Chairman of LPI Capital Berhad which is a public listed company in Malaysia.

In recognition of his contributions to society and the economy, he was conferred the Doctor of Laws (Honorary) from University of Malaya in 1989.

Tan Sri Dato' Sri Dr. Teh Hong Piow had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council of Malaysia. He is a Fellow of several institutes which include the Institute of Bankers Malaysia; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; the Institute of Chartered Secretaries and Administrators, Australia; and the Malaysian Institute of Management.

Tan Sri Dato' Thong Yaw Hong

Tan Sri Dato' Thong Yaw Hong, aged 80, was appointed an Independent Non-executive Co-Chairman of the Company in July 2006 and is the Chairman of the Audit Committee and Risk Management Committee, and a member of the Remuneration Committee and Nomination Committee. He is the Independent Non-executive Co-Chairman of Public Bank, Public Bank (Hong Kong) and Public Finance. He also holds directorships in several other companies in the Public Bank Group.

Tan Sri Dato' Thong Yaw Hong's directorships in other public listed companies are in Berjaya Sports Toto Berhad (Chairman), LPI Capital Berhad (Co-Chairman), Batu Kawan Berhad (Director), Kuala Lumpur Kepong Berhad (Director), Glenealy Plantations (Malaya) Berhad (Director) which are listed in Malaysia.

He graduated with a Bachelor of Arts (Hons) degree in Economics from University of Malaya and a Master's degree in Public Administration from Harvard University. He attended the Advanced Management Program at Harvard Business School. In September 2006, he was conferred the Doctor of Economics (Honorary) from University Putra Malaysia.

Tan Sri Dato' Thong Yaw Hong has had a distinguished career with the Government of Malaysia, primarily in the fields of socio-economic development planning and finance. He had served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978 and served as Secretary-General, Ministry of Finance from 1979 until his retirement in 1986.

Mr. Tan Yoke Kong

Mr. Tan Yoke Kong, aged 58, has 29 years of experience in the banking and finance industry. He was appointed an Executive Director of the Company in February 1992 and is the Chief Executive/Executive Director of Public Bank (Hong Kong). He is a member of the Risk Management Committee of the Company. Prior to his transfer to the current appointment in Public Bank (Hong Kong), Mr. Tan held the position of Chief Executive/Executive Director of Public Finance, and had served as the Vice Chairman of The DTC Association and as a member of The Deposit-taking Companies Advisory Committee for several years. Mr. Tan is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom.

Brief Biography of Directors and Senior Management

Mr. Lee Huat Oon

Mr. Lee Huat Oon, aged 48, has 23 years of experience in the banking and finance industry. He was appointed an Executive Director of the Company in June 1996 and is currently the General Manager/Chief Executive and an Executive Director of Public Finance. He holds a degree in Accounting from the University of Malaya and is a Chartered Accountant of the Malaysian Institute of Accountants.

He is currently a Vice Chairman of The DTC Association and a member of The Deposit-taking Companies Advisory Committee.

Tan Sri Dato' Sri Tay Ah Lek

Tan Sri Dato' Sri Tay Ah Lek, aged 68, has 50 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in January 1995 and is a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. He is the Managing Director/Chief Executive Officer of Public Bank and a Non-executive Director of Public Bank (Hong Kong) and Public Finance. He also holds directorships in several other companies in the Public Bank Group.

Tan Sri Dato' Sri Tay Ah Lek holds a Master's degree in Business Administration from Henley, United Kingdom and attended the Advanced Management Program at Harvard Business School. He is a Fellow of the Financial Services Institute of Australasia, the Institute of Bankers Malaysia and the Malaysian Institute of Management.

He is presently the Chairman of the Association of Finance Companies of Malaysia and the Association of Hire Purchase Companies Malaysia. He is a member of the National Payments Advisory Board in Malaysia.

Dato' Chang Kat Kiam

Dato' Chang Kat Kiam, aged 56, has 36 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in March 2004. He is also a Non-executive Director of Public Bank (Hong Kong) and Public Finance and a member of the Risk Management Committee of the Company. He is currently a Chief Operating Officer of Public Bank. He also holds directorships in several other companies in the Public Bank Group. He holds a Master's degree in Business Administration.

Mr. Lee Chin Guan

Mr. Lee Chin Guan, aged 52, has 18 years of experience in the legal practice, principally in commercial and corporate matters. He was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. He is also an Independent Non-executive Director of Public Bank (Hong Kong) and Public Finance. He qualified as a Barrister-at-Law from the Middle Temple, United Kingdom in 1982. He also holds a Bachelor Degree in Science (Hons) from the University of Manchester Institute of Science and Technology, England and Degrees in Law from Cambridge University, Oxford University and Chicago-Kent College of Law.

Mr. Quah Poh Keat

Mr. Quah Poh Keat, aged 58, has 35 years of experience in auditing, tax and insolvency practices and had worked in Malaysia and United Kingdom. He was appointed a Non-executive Director of the Company in July 2008 and was re-designated as an Independent Non-executive Director on 13 January 2009. He is currently a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. He is also an Independent Non-executive Director of Public Bank, Public Bank (Hong Kong) and Public Finance. He also holds directorships in several other companies in the Public Bank Group.

Mr. Quah is also an Independent Non-executive Director of LPI Capital Berhad, IOI Corporation Berhad, PLUS Expressways Berhad and Telekom Malaysia Berhad, which are public listed companies in Malaysia. His previous directorships in public listed companies over the last 3 year was in IOI Properties Berhad (resigned on 15 May 2009).

Mr. Quah is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants. He is also a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. He was a partner of KPMG Malaysia since 1 October 1982 and appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007.

Mr. Chong Yam Kiang

Mr. Chong Yam Kiang, aged 60, has 41 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in January 2009 and is an Executive Director of Public Bank (Hong Kong) and a Non-executive Director of Public Finance. He is currently the Alternate Chief Executive of Public Bank (Hong Kong).

Our Corporate Family

Corporate Events & Recreational Activities

Fanling Branch of Public Bank (Hong Kong) relocated to a better location in June 2010.

The Company's 2010 Annual General Meeting held at Kowloon Shangri-La Hotel on 1 March 2010.

Winton Financial opened its Sheung Wan Branch in July 2010.

Senior Management of Public Bank, Malaysia at a business dialogue with the Heads of Business Units and Branch Managers during their visit to Public Bank (Hong Kong) in July 2010.

Branch Managers and Heads of Business Units actively participated at the business dialogue.

Mr. Tan Yoke Kong, Executive Director and Chief Executive, delivered his opening address at the Group's Annual Dinner 2010.

The contestants of Miss Public Bank Group (Hong Kong) at the Annual Dinner.

The Group's grand choir singing the Public Bank Corporate Song at the Annual Dinner 2010.

Mr. Tan posing with all the beauties of "Public Bank Group (Hong Kong) Beauty Pageant 2010".

Our Corporate Family

Corporate Events & Recreational Activities

The “gunmen” and “gunwomen” were ready for action in the War Game organised in October 2010.

Participants of the “Inter-House Snooker Competition” organised by the Group’s Sports Club in July 2010.

Participants taking part in the “Inter-House Christmas Bowling Competition 2010”.

Staff enjoying the “BBQ and Golf Fun Day” at Whitehead Golf Driving Range in November 2010.

Group photo of staff attending the “2010 National Sales Convention” held at the Sunway Lagoon Resort Hotel in Malaysia in January 2010.

Staff and their family members enjoyed a pleasant trip during the Group’s Annual Outing 2010 to Ocean Spring Resort in Zhuhai, PRC.

Staff took a photo with Mr. Tan during the Group’s Annual Outing 2010 to Zhuhai.

Our Corporate Family

Marketing & Promotions


大眾銀行(香港)稅務貸款
人人要交稅 大眾銀行幫您笑住面對
0.0355%
HK$1,000,000
「2人同行申請」
現金即時存入
大眾銀行(香港)
PUBLIC BANK
8107 0818


大眾財務
智慳錢
私人貸款
息率為您度身訂造
消數減壓好輕鬆
6
$0.6
0.18%
95%
大眾財務有限公司
PUBLIC FINANCE LIMITED
2848 1888


轉戶至大眾
0.23%
4%
2,000
50萬
大眾財務有限公司
PUBLIC FINANCE LIMITED
2848 1888


稅…
識得揀 唔使煩
4%
HK$50萬
0.16%
8倍
大眾財務有限公司
PUBLIC FINANCE LIMITED
2848 1888

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2010.

Principal activities

The Company is an investment and property holding company. The principal activities of its subsidiaries during the year were the provision of retail and commercial banking and lending services, stockbroking, the letting of investment properties, the provision of financing to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences and the leasing of taxis.

Details of the principal activities of the Company's subsidiaries are set out in note 23 to the financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 41 to 123.

The first interim dividend of HK$0.05 (2009: HK$0.05) per ordinary share was paid on 6 August 2010. The second interim dividend of HK$0.16 (2009: HK$0.13) per ordinary share was declared on 28 December 2010 and will be payable on 18 February 2011 to shareholders of the Company whose names appear on the register of members on 26 January 2011. The directors do not recommend the payment of a final dividend for the year (2009: Nil).

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 9.

Investment properties, property and equipment and land held under finance leases

Details of movements in the investment properties, property and equipment and land held under finance leases of the Company and of the Group are set out in notes 20, 21, and 22 to the financial statements, respectively.

Share capital and share options

Details of movements of the Company's share capital and share options are set out in notes 33 and 34 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 to the financial statements and the consolidated statement of changes in equity.

Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2010, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK$1,295,083,000 (inclusive of the Company's contributed surplus) are set out in note 36 to the financial statements as computed in accordance with generally accepted accounting principles of Hong Kong SAR. In addition, the Company's share premium account in the amount of approximately HK$4,013,344,000 may be distributed in the form of fully paid bonus shares.

Major customers

During the year, the five largest customers of the Group accounted for less than 30% of the total interest income and other operating income of the Group.

Directors

The directors of the Company during the year and up to the date of this report were as follows:

Non-executive Directors:
Tan Sri Dato' Sri Dr. Teh Hong Piow, *Chairman*
Tan Sri Dato' Sri Tay Ah Lek
Dato' Chang Kat Kiam
Chong Yam Kiang

Independent Non-executive Directors:
Tan Sri Dato' Thong Yaw Hong, *Co-Chairman*
Lee Chin Guan
Quah Poh Keat

Executive Directors:
Tan Yoke Kong
Lee Huat Oon

In accordance with the Bye-laws, Dato' Chang Kat Kiam, Mr. Lee Chin Guan and Mr. Quah Poh Keat shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' remuneration and the five highest paid individuals

Details of directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements, respectively.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' interests in contracts

Except as detailed in note 39 to the financial statements, no director had a beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

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

In August 2010, the Company entered into a facility agreement (the "Facility Agreement") with a total of eight banks as the original lenders, Mizuho Corporate Bank, Ltd. as mandated lead arranger and Mizuho Corporate Bank, Ltd., Hong Kong Branch as the agent (the "Agent") for a transferable term loan facility in an aggregate amount of up to HK$870,000,000 (the "Facility") to refinance the Company's indebtedness under the facility agreement dated 27 May 2009 relating to a HK$1,500,000,000 term loan facility and finance the general corporate funding requirements. The final maturity date of the Facility shall be 48 months after the date of utilisation of the Facility.

The Facility Agreement provides, among other things, that it is an event of default if Public Bank Berhad ("Public Bank"), the controlling shareholder (currently holding approximately 73.2% interest) of the Company does not or ceases to beneficially own, directly or indirectly, more than 50% of the issued share capital of, and ownership interests in, the Company free from any security, or Public Bank does not or ceases to exercise management control over the Company.

If an event of default occurs, the Agent may, and shall if so directed, by the Majority Lenders (as defined in the Facility Agreement), demand immediate repayment of all or any of the loans made to the Company together with accrued interest. The circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

The aggregate level of facilities entered into with the Company and its subsidiaries which may be affected by such a breach and required to be disclosed under Rule 13.18 of the Listing Rules amounts to HK$2,270,000,000.

Directors' interests and short positions in shares and underlying shares

At 31 December 2010, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

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

		Number of ordinary shares				
Interests in	**Name of director**	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporations**	**Total**	**Percentage of interests in the issued share capital**
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' Chang Kat Kiam	300,000	–	–	300,000	0.0273
	Tan Yoke Kong	540,000	–	–	540,000	0.0492
	Lee Huat Oon	20,000	–	–	20,000	0.0018
	Chong Yam Kiang	20,000	–	–	20,000	0.0018
2. Public Bank, the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	–	820,835,261	843,300,063	23.8765
	Tan Sri Dato' Thong Yaw Hong	7,633,342	365,294	326,154	8,324,790	0.2357
	Tan Sri Dato' Sri Tay Ah Lek	6,898,951	208,739	145,576	7,253,266	0.2054
	Lee Chin Guan	700,028	–	–	700,028	0.0198
	Dato' Chang Kat Kiam	114,215	–	–	114,215	0.0032
	Tan Yoke Kong	40,588	–	–	40,588	0.0011
	Lee Huat Oon	57,402	–	–	57,402	0.0016
	Chong Yam Kiang	17,128	–	–	17,128	0.0005

Directors' interests and short positions in shares and underlying shares (Continued)

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

Interests in	Name of director	Number of ordinary shares: Directly beneficially owned	Through spouse or minor children	Through controlled corporations	Total	Percentage of interests in the issued share capital
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

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his direct and indirect interest of 843,300,063 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

Name of director	Number of ordinary shares attached to the share options: At the beginning of the year	Granted during the year	Exercised during the year	At the end of the year	Exercise price	Exercise period
Tan Sri Dato' Sri Tay Ah Lek	1,230,000	–	–	1,230,000	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	1,380,000	–	–	1,380,000	HK$6.35	10.6.2005 to 9.6.2015
Tan Yoke Kong	1,318,000	–	–	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

Note: 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.

Directors' interests and short positions in shares and underlying shares (Continued)

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 end of the reporting period.

Directors' rights to acquire shares or debentures

Save as disclosed in the heading "Directors' interests and short positions in shares and underlying shares" above and set out in note 34 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

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

At 31 December 2010, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of the SFO showed that, other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above, the following shareholders had 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			
1. Public Bank	Beneficial owner	804,017,920	73.2312
Other person			
2. Aberdeen Asset Management Plc and its subsidiaries (together "the AA Group") on behalf of accounts managed by the AA Group	Investment manager	87,888,000	8.0050

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 at the end of the reporting period.

Donations

During the year, the Group did not make charitable donations (2009: HK$2,000).

Compliance with Supervisory Policy Manual

The Group has followed the disclosure requirements of the "Guideline on the Application of the Banking (Disclosure) Rules" and "Corporate Governance of Locally Incorporated Authorised Institutions" under the Supervisory Policy Manuals issued by the HKMA. The Company has complied with capital requirements related to capital base and capital adequacy ratio stipulated by the HKMA.

Report of the Directors

Corporate governance

The Group is committed to maintaining a high level of corporate governance practices. A detailed Corporate Governance Report is set out on pages 15 to 22 in the annual report.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules as at the latest practicable date prior to the issue of the annual report.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Tan Yoke Kong
Director

Hong Kong
14 January 2011

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of Public Financial Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Public Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors’ Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Hong Kong

14 January 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Interest income	5	**1,521,866**	1,481,193
Interest expense	5	**(286,617)**	(308,145)
NET INTEREST INCOME		**1,235,249**	1,173,048
Gains less losses from disposal of available-for-sale financial assets		**–**	26,035
Other operating income	6	**276,939**	232,048
Non-interest income		**276,939**	258,083
OPERATING INCOME		**1,512,188**	1,431,131
Operating expenses	7	**(700,805)**	(595,490)
Changes in fair value of investment properties		**9,031**	27,689
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		**820,414**	863,330
Impairment allowance in relation to the Lehman Brothers Minibonds repurchased		**–**	(42,962)
		820,414	820,368
Impairment allowances for loans and advances and receivables	8	**(280,486)**	(511,879)
OPERATING PROFIT		**539,928**	308,489
SHARE OF PROFITS AND LOSSES OF A JOINTLY-CONTROLLED ENTITY	24	**–**	–
PROFIT BEFORE TAX		**539,928**	308,489
Tax	11	**(89,431)**	(33,416)
PROFIT FOR THE YEAR		**450,497**	275,073
ATTRIBUTABLE TO:			
Owners of the Company	12	**450,497**	275,073
EARNINGS PER SHARE (HK$)	14		
Basic		**0.410**	0.251
Diluted		**0.410**	0.251

Details of dividends paid/payable are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**450,497**	275,073
OTHER COMPREHENSIVE INCOME/(LOSS):			
Exchange gain/(loss) on translating foreign operations		**13,205**	(80)
Gain on revaluation of available-for-sale financial assets		**–**	11,379
Transfer to consolidated income statement for disposal of available-for-sale financial assets		**–**	(26,035)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	Note	**13,205**	(14,736)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**463,702**	260,337
ATTRIBUTABLE TO:			
Owners of the Company		**463,702**	260,337

Note: There were no tax effects arising from "Other comprehensive income/(loss)" in years 2010 and 2009.

Consolidated Statement of Financial Position

31 December 2010

	Notes	Group 31/12/2010 HK$'000	Group 31/12/2009 (Restated) HK$'000	Group 1/1/2009 (Restated) HK$'000	Company 31/12/2010 HK$'000	Company 31/12/2009 (Restated) HK$'000	Company 1/1/2009 (Restated) HK$'000
ASSETS							
Cash and short term placements	15	**6,021,365**	5,605,620	5,785,272	**35,082**	74,243	309,081
Placements with banks and financial institutions maturing after one month but not more than twelve months	16	**723,715**	868,483	173,099	**–**	–	–
Derivative financial instruments		**10,167**	11,657	1,151	**–**	–	–
Loans and advances and receivables	17	**26,817,872**	24,444,780	24,384,943	**–**	–	–
Available-for-sale financial assets	18	**6,804**	6,804	21,524	**–**	–	–
Held-to-maturity investments	19	**2,709,776**	4,216,634	969,216	**–**	–	–
Inventories of taxi licences		**15,084**	15,084	21,805	**–**	–	–
Investment properties	20	**188,665**	184,342	165,346	**1,132,190**	1,078,190	982,980
Property and equipment	21	**119,615**	124,130	119,110	**490**	228	–
Land held under finance leases	22	**665,400**	668,590	667,990	**–**	–	–
Interests in subsidiaries	23	**–**	–	–	**6,663,710**	6,667,998	6,660,283
Interest in a jointly-controlled entity	24	**1,513**	1,513	1,513	**–**	–	–
Deferred tax assets	31	**10,810**	16,234	9,168	**19**	2,129	–
Goodwill	26	**2,774,403**	2,774,403	2,774,403	**–**	–	–
Intangible assets	27	**718**	718	358	**–**	–	–
Other assets	25	**263,731**	434,062	234,767	**1,329**	1,483	7,014
TOTAL ASSETS		**40,329,638**	39,373,054	35,329,665	**7,832,820**	7,824,271	7,959,358
EQUITY AND LIABILITIES							
LIABILITIES							
Deposits and balances of banks and other financial institutions at amortised cost		**680,382**	1,024,628	641,732	**–**	–	–
Derivative financial instruments		**5,435**	1,668	4,150	**–**	–	–
Customer deposits at amortised cost	29	**29,670,825**	29,364,238	24,184,416	**–**	–	–
Certificates of deposit issued at amortised cost		**200,000**	–	879,850	**–**	–	–
Dividends payable	13	**175,667**	142,729	197,625	**175,667**	142,729	197,625
Unsecured bank loans at amortised cost	30	**3,038,991**	2,178,679	3,249,219	**2,160,052**	2,178,679	2,150,000
Current tax payable		**40,907**	2,726	6,403	**12**	–	–
Deferred tax liabilities	31	**23,165**	21,562	24,122	**28,137**	19,227	4,800
Other liabilities	32	**428,909**	804,606	372,642	**4,968**	5,158	3,401
TOTAL LIABILITIES		**34,264,281**	33,540,836	29,560,159	**2,368,836**	2,345,793	2,355,826

Consolidated Statement of Financial Position

31 December 2010

		Group			Company		
		31/12/2010	31/12/2009	1/1/2009	**31/12/2010**	31/12/2009	1/1/2009
			(Restated)	(Restated)		(Restated)	(Restated)
	Notes	**HK$'000**	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY							
Issued capital	33	**109,792**	109,792	109,792	**109,792**	109,792	109,792
Reserves	36	**5,955,565**	5,722,426	5,659,714	**5,354,192**	5,368,686	5,493,740
TOTAL EQUITY		**6,065,357**	5,832,218	5,769,506	**5,463,984**	5,478,478	5,603,532
TOTAL EQUITY AND LIABILITIES		**40,329,638**	39,373,054	35,329,665	**7,832,820**	7,824,271	7,959,358

Tan Yoke Kong
Director

Lee Huat Oon
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
TOTAL EQUITY		
Balance at the beginning of the year	5,832,218	5,769,506
Profit for the year	450,497	275,073
Other comprehensive income/(loss)	13,205	(14,736)
Total comprehensive income for the year	463,702	260,337
Dividends declared on shares	(230,563)	(197,625)
Balance at the end of the year	6,065,357	5,832,218

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 (Restated) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	539,928	308,489
Depreciation of property and equipment and land held under finance leases	31,626	30,274
Net losses on disposal of property and equipment	108	46
(Decrease)/increase in impairment allowances for loans and advances and receivables	(66,746)	82,922
Gains less losses from disposal of available-for-sale financial assets	–	(26,035)
Dividends income from listed investments	(13)	(360)
Dividends income from unlisted investments	(980)	(994)
Increase in fair value of investment properties	(9,031)	(27,689)
Exchange differences	14,175	(80)
Profits tax paid	(44,223)	(46,719)
Operating profit before changes in operating assets and liabilities	464,844	319,854
Increase in operating assets:		
Decrease/(increase) in cash and short term placements	411,634	(411,634)
Decrease/(increase) in placements with banks and financial institutions	120,535	(546,371)
Increase in loans and advances and receivables	(2,307,316)	(142,759)
Decrease in held-to-maturity investments	275,524	159,606
Decrease/(increase) in other assets	170,331	(199,295)
Decrease/(increase) in derivative financial instruments	1,490	(10,506)
Decrease in inventories of taxi licences	–	6,721
	(1,327,802)	(1,144,238)
(Decrease)/increase in operating liabilities:		
(Decrease)/increase in deposits and balances of banks and other financial institutions at amortised cost	(344,246)	382,896
Increase in customer deposits at amortised cost	306,587	5,179,822
Increase/(decrease) in certificates of deposit issued at amortised cost	200,000	(879,850)
Increase/(decrease) in derivative payables	3,767	(2,482)
(Decrease)/increase in other liabilities	(375,697)	432,012
Decrease in an amount due to the ultimate holding company	–	(47)
	(209,589)	5,112,351
Net cash (outflow)/inflow from operating activities	(1,072,547)	4,287,967

	Note	2010 HK$'000	2009 (Restated) HK$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		**(1,072,547)**	4,287,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Exchange differences		**41**	–
Purchases of property and equipment		**(19,362)**	(29,956)
Sales proceeds of property and equipment		**–**	2,709
Dividends received from listed investments		**13**	360
Dividends received from unlisted investments		**980**	994
Purchase of an intangible asset		**–**	(360)
Sales proceeds of available-for-sale financial assets		**–**	26,099
Net cash outflow from investing activities		**(18,328)**	(154)
CASH FLOWS FROM FINANCING ACTIVITIES			
New unsecured bank loans		**2,338,991**	–
Repayment of unsecured bank loans		**(1,478,679)**	(1,070,540)
Dividends paid on shares		**(197,625)**	(252,521)
Net cash inflow/(outflow) from financing activities		**662,687**	(1,323,061)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(428,188)**	2,964,752
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**8,971,532**	6,006,780
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**8,543,344**	8,971,532
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand	41	**684,703**	726,251
Money at call and short notice with original maturity within three months		**5,336,662**	4,467,735
Placements with banks and financial institutions with original maturity within three months		**158,869**	183,102
Held-to-maturity investments with original maturity within three months		**2,363,110**	3,594,444
		8,543,344	8,971,532

Notes to Financial Statements

1. Corporate Information

The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

The Company is a limited liability company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK") (stock code: 626).

During the year, the Group's principal activities were the provision of banking, financial and related services, stockbroking, the letting of investment properties, the provision of financing to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis.

Details of the principal activities of the Company's subsidiaries are set out in note 23 to the financial statements.

In the opinion of the directors, the ultimate holding company of the Company is Public Bank Berhad ("Public Bank"), which was incorporated in Malaysia.

2.1 Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The preparation of the consolidated financial statements has also made reference to the applicable Supervisory Policy Manual and the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (the "HKMA").

2.2 Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of 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

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries and a jointly-controlled entity are prepared for the same reporting year as the Group, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

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 year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Losses within a subsidiary are attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 Basis of Preparation (Continued)

Basis of consolidation (Continued)

Basis of consolidation from 1 January 2010 (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest, and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained, and (iii) any surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

The subsidiaries consolidated for accounting purposes 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 set out in note 24 to the financial statements.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

(a) Acquisition of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

(b) Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

(c) Upon loss of control, the Group accounted for the investment retained at its proportionate share of net assets value at the date control was lost. The carrying values of such investments at 1 January 2010 have not been restated.

Basis of capital disclosures

The Group has complied with the capital requirements during the annual reporting period related to the 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 the 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 purposes.

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 the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission of Hong Kong. A portion of retained profits is set aside for non-distributable regulatory reserve as part of supplementary capital included in the capital base pursuant to the HKMA capital requirements.

2.3 Changes in Accounting Policy and Disclosures

The HKICPA has issued a number of new HKFRSs, which are generally effective for current accounting periods. The Group has adopted the following HKFRSs and HKASs issued up to 31 December 2010 which are pertinent to its operations and relevant to these financial statements.

- HKFRS 1 Amendments — Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters
- HKFRS 1 (Revised) — First-time Adoption of Hong Kong Financial Reporting Standards
- HKFRS 2 Amendments — Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions
- HKFRS 3 (Revised) — Business Combinations
- HKAS 27 (Revised) — Consolidated and Separate Financial Statements
- HKAS 39 Amendment — Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items
- HK(IFRIC)-Int 17 — Distributions of Non-cash Assets to Owners
- HK-Int 4 Amendment — Amendment to HK-Int 4 Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
- HK-Int 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008 — Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary
- Improvements to HKFRSs 2009 — Amendments to a number of HKFRSs issued in May 2009

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 1 Amendments address the retrospective application of HKFRSs to particular situations (such as exempt entities using the full cost method from the retrospective application of HKFRSs for oil and gas assets or existing leasing contracts from reassessing the classification of those contracts in accordance with HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease when the application of their other accounting requirement produced the same result) and are aimed at ensuring that entities applying HKFRSs will not face undue cost or effort in the transition process. The amendments have no financial impact on the Group.

HKFRS 1 (Revised) is issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the revisions have no financial impact on the Group.

HKFRS 2 Amendments clarify its scope and the accounting for group companies' cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transactions. The amendments have no financial impact on the Group.

2.3 Changes in Accounting Policy and Disclosures (Continued)

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 (previously minority interests) at fair value; (ii) recognising gains or losses from re-measuring 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 consolidated income statement; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree. The amendments have no financial impact on the Group.

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 are made to HKAS 7 Statement of Cash Flows, 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 amendments have no financial impact on the Group.

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 has no financial impact on the Group, as the Group has not entered into any such hedges.

HK(IFRIC)-Int 17 standardises practice in the accounting for all non-reciprocal distributions of non-cash assets to owners. 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 are made to HKAS 10 Events after the Reporting Period 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 has no material financial impact on the Group.

HK-Int 4 was revised in December 2009 as a consequence of amendment to HKAS 17 made by Improvements to HKFRSs issued in May 2009. The amendment to HKAS 17 removes the specific guidance which states that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. The new guidance, paragraph 15A, indicates that entities should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. A lease of land is therefore classified as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the lessee. Following this amendment, the scope of this Interpretation has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of properties accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2.3 Changes in Accounting Policy and Disclosures (Continued)

The adoption of HK-Int 4 has resulted in a change in accounting policy, disclosure and presentation relating to leasehold land. A leasehold land has been re-classified from operating lease to finance lease, and the land lease continues to be depreciated over its lease term on straight line basis with no significant financial impact on the Group. The corresponding amortisation has also been reclassified to depreciation. The effect of the above changes are summarised below:

The amortisation of prepaid land lease will decrease and there will be a corresponding increase in depreciation of land held under finance leases. The impact to income is offset by each other.

As a result of retrospective application of the amendments which results in restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 January 2009, and the related notes affected by the amendments have been presented in these financial statements.

HK-Int 5 addresses the classification of term loans with repayment on demand clause as current or non-current liabilities by entities reporting under HKFRSs. The adoption of HK-Int 5 has resulted in a change in disclosure that the entire term loan has been re-classified from repayable within one year to repayment on demand when a repayment on demand clause provides the lender with a clear and unambiguous unconditional right to demand repayment at any time at its sole discretion and a borrower does not have unconditional right to defer payment for at least 12 months after the reporting date. The effect of the above changes is summarised below:

The impact is to reclassify the unsecured bank loans of HK$80,000,000 from repayable within one year to repayment on demand. The details are shown in note 30.

HKFRS 5 Amendments clarify that 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. The amendments have no financial impact on the Group.

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. There is a separate transitional provision for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments have a material financial impact on the Group.

HKFRS 2 Share-based Payment: It revises the scope that transactions in which an 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 do 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 1 Presentation of Financial Statements: It provides guidance on the classification of current or non-current convertible instruments.

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

HKAS 17 Leases: 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 provides additional guidance to determine whether an entity is acting as principal or agent.

2.3 Changes in Accounting Policy and Disclosures (Continued)

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 may be separable together with a related contract and identifiable liability in addition to identifiable asset. Additional consequential amendments to this HKAS arising from the revised HKFRS 3 are also incorporated.

Amendment to HKAS 39 Financial Instruments: Recognition and Measurement: It 1) clarifies that prepayment option is considered closely related to the host contract when the exercise price of prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; 2) 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; and 3) 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 revises 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.

2.4 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

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

•	HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
•	HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets[4]
•	HKFRS 9	Financial Instruments[5]
•	HKAS 24 (Revised)	Related Party Disclosures[3]
•	HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues[1]
•	Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement[3]
•	HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there is a separate transitional provision for each standard or interpretation.

1 effective for annual periods beginning on or after 1 February 2010
2 effective for annual periods beginning on or after 1 July 2010
3 effective for annual periods beginning on or after 1 January 2011
4 effective for annual periods beginning on or after 1 July 2011
5 effective for annual periods beginning on or after 1 January 2013

2.4 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 1 Amendment relieves first-time adopters of HKFRSs from providing the additional disclosures in HKFRS 7 Amendments. As the Group is not a first-time adopter of HKFRSs, the amendment will not have any financial impact on the Group.

HKFRS 7 Amendments require an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets. The Group expects to adopt HKFRS 7 from 1 July 2011. As the Group does not have continuing involvement in the derecognised assets, the amendments will not have any financial impact on the Group.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions"). The changes only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2011 subject to the completion date of accounting system enhancements.

HKAS 24 (Revised) simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Government-related entities are now defined as entities that are controlled, jointly-controlled or significantly influenced by the government. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are significant. The amendments are unlikely to have any financial impact on the Group.

Amendments to HKAS 32 address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendments contained in this update require that, provided that certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendments are unlikely to have any financial impact on the Group.

The amendments to HK(IFRIC)-Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

2.4 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are re-negotiated and resulted in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the Interpretation from 1 January 2011. As the Group has not re-negotiated the terms of a financial liability and issued equity instruments to settle the financial liability, the Interpretation is unlikely to have any material financial impact on the Group.

In May 2010, 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 2011. There is a separate transitional provision for each standard. While the adoption of some of them may result changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

(a) HKFRS 1 Amendment: It addresses the presentation and disclosure requirements for entity which changes its accounting policies or its uses of the exemptions contained in this HKFRS. It also introduces the use of revaluation basis as deemed cost and extends the use of the deemed cost exemption to entities with operations subject to rate regulation.

(b) HKFRS 3 Amendments clarify that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also add explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(c) HKAS 1 (Revised) clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(d) HKAS 27 clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

(e) HKAS 34 Amendments: It requires the update of relevant information related to significant events and transactions in the most recent annual financial report. HKAS 34 now specifies events and transactions for which disclosures are required, and guidance has been added covering the application of the requirements for financial instruments.

(f) HK(IFRIC)-Int 13 clarifies that fair value of award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

2.5 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

(1) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rates of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to "Other operating income" or "Other operating expenses" in the consolidated income statement with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity which is taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries and overseas branches are translated into the Group's presentation currency at the rates of exchange ruling at the end of the reporting period, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement as part of gain or loss on disposal.

2.5 Summary of Significant Accounting Policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Derivatives are recognised on the trade date basis.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments are acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivative financial instruments

Derivatives include interest rate swaps and futures, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in "Net gain or loss on derivative financial instruments".

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host contract are carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated income statement.

(iv) Financial assets designated at fair value through profit or loss

Financial assets classified in this category are held for trading or are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets designated at fair value through profit or loss". Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other operating income" when the right to the payment has been established.

2.5 Summary of Significant Accounting Policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(v) Held-to-maturity investments

Held-to-maturity investments at amortised cost are those which carry fixed or determinable payments and have fixed maturity and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in “Interest income” in the consolidated income statement. The losses arising from impairment of such investments are recognised in the consolidated income statement as “Impairment allowances for loans and advances and receivables, held-to-maturity investments and available-for-sale financial assets”.

(vi) Cash and short term placements, placements with banks and financial institutions, and loans and advances and receivables

Cash and short term placements, placements with banks and financial institutions, and loans and advances and receivables are categorised as loans and advances. They are carried at amortised cost and are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short term resale. After initial measurement, amounts due from banks and loans and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in “Interest income” in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in “Impairment allowances for loans and advances and receivables”.

(vii) Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity investments or loans and advances. They include equity instruments, investments in mutual funds and money markets and other debt instruments.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the “Available-for-sale financial asset revaluation reserve”.

When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement in “Other operating income” or “Other operating expenses”. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in, first-out basis. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate method. Dividends earned whilst holding available-for-sale financial assets are recognised in the consolidated income statement as “Other operating income” when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the consolidated income statement in “Impairment allowances for loans and advances and receivables, held-to-maturity investments and available-for-sale financial assets” and removed from the “Available-for-sale financial asset revaluation reserve”.

2.5 Summary of Significant Accounting Policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(viii) Certificates of deposit

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under "Certificates of deposit issued at amortised cost" where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number or own equity shares. The components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the assets, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the assets and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the new asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.5 Summary of Significant Accounting Policies (Continued)

(3) Derecognition of financial assets and financial liabilities (Continued)

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

(4) Determination of fair value

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flow analysis, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

(5) Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the present value of estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, that it is possible that they will enter bankruptcy or other financial reorganisation and that there are observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with default.

(i) Placements with banks and financial institutions, and loans and advances and receivables

For amounts due from banks and loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.5 Summary of Significant Accounting Policies (Continued)

(5) Impairment of financial assets (Continued)

(i) Placements with banks and financial institutions, and loans and advances and receivables (Continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral had been realised or had been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. If a future write-off is later recovered, the recovery is credited to "Impairment losses and allowances" in the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit risk-based system that considers credit risk characteristics such as asset type, industry, collateral type, economic factors and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Held-to-maturity investments

For held-to-maturity investments, the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

2.5 Summary of Significant Accounting Policies (Continued)

(5) Impairment of financial assets (Continued)

(ii) Held-to-maturity investments (Continued)

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to "Impairment allowances for held-to-maturity investments", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(iii) Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement, is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "Interest income". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

(6) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item other than legal titles, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and classified as "Property and equipment" but represented on a separate line with the corresponding liability to the lessor included in "Other liabilities". Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in "Interest expense" in the consolidated income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are not recognised in the consolidated statement of financial position. Any rentals payable are accounted for on a straight-line basis over the lease term and are included in "Operating expenses".

2.5 Summary of Significant Accounting Policies (Continued)

(6) Leases (Continued)

(i) Group as a lessee (Continued)

Land held under finance leases are stated at cost less accumulated depreciation and any impairment, and are depreciated over the remaining lease terms on a straight-line basis to the consolidated income statement.

Medium term leases are leases with remaining lease period of more than 10 years but not more than 50 years. Long term leases are leases with remaining lease period of more than 50 years.

(ii) Group as a lessor

Leases where the Group remains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group leases out all of its investment properties as operating leases, thus generating rental income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The amounts due from the lessees under finance leases are recorded in the consolidated statement of financial position as loans and advances to customers. The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods. The total gross earnings under finance leases are allocated to the accounting periods over the duration of the underlying agreements so as to produce an approximately constant periodic rate of return on the net cash investment for each accounting period.

(7) Recognition of revenue and expenditure

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income and expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

Once the value of a financial asset or a group of similar financial assets had been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

2.5 Summary of Significant Accounting Policies (Continued)

(7) Recognition of revenue and expenditure (Continued)

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(a) Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

(b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

(iv) Net trading income

Net trading income arising from trading activities includes all gains and losses from changes in fair value for financial assets and financial liabilities held for trading. Gains and losses on foreign exchange trading and other transactions are also reported as "Net trading income" except for those gains and losses on translation of foreign currencies recognised in the translation reserve.

(v) Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the consolidated income statement as "Other operating income".

(8) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, and amounts due from banks on demand or with an original maturity period of three months or less.

(9) Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

2.5 Summary of Significant Accounting Policies (Continued)

(9) Business combinations and goodwill (Continued)

Business combinations from 1 January 2010 (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with HKAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in consolidated income statement as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 Summary of Significant Accounting Policies (Continued)

(9) Business combinations and goodwill (Continued)

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above mentioned requirements which were applied on a prospective basis, the following differences applied to business combination prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(10) Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

(11) Joint venture companies and jointly-controlled entities

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.5 Summary of Significant Accounting Policies (Continued)

(11) Joint venture companies and jointly-controlled entities (Continued)

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's interest in jointly-controlled entities is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Group's consolidated income statement to the extent of dividends received and receivable. The Group's interest in jointly-controlled entities is treated as non-current asset and is stated at cost less any impairment losses.

(12) Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

2.5 Summary of Significant Accounting Policies (Continued)

(12) Related parties (Continued)

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(13) Property and equipment, and depreciation

The building component of owner-occupied properties and other property and equipment, other than investment properties, is stated at cost, except for certain buildings transferred from investment properties, which are stated at deemed cost at the date of transfer, less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 4%
Leasehold improvements:	
Own leasehold buildings	20% to $33^1/_3$%
Others	Over the shorter of the remaining lease terms and seven years
Furniture, fixtures and equipment	10% to $33^1/_3$%
Motor vehicles	20% to 25%
Land held under finance leases	Over the lease term

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each end of the reporting period.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Land held under finance leases are stated at cost less accumulated depreciation and any impairment, and are depreciated over the remaining lease terms on a straight-line basis to the consolidated income statement.

Medium term leases are leases with remaining lease period of more than 10 years to 50 years. Long term leases are leases with remaining lease period of more than 50 years.

2.5 Summary of Significant Accounting Policies (Continued)

(14) Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment, and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation.

(15) Intangible assets

Intangible assets, representing eligibility rights to trade on or through Hong Kong Exchanges and Clearing Limited, are stated at cost less impairment as at 1 January 2008. The carrying amount of intangible assets is subject to an annual impairment test, and impairment, if any, is charged to the consolidated income statement.

(16) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the actual cost for taxi cabs and taxi licences. Net realisable value is based on estimated selling prices less any estimated costs to be incurred on disposal.

(17) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) the Group considered impaired is written down to its recoverable amount.

For assets excluding goodwill, deferred tax assets and inventories of taxi licences, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period it arises.

2.5 Summary of Significant Accounting Policies (Continued)

(18) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements in "Other liabilities" at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contact, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement in "Impairment losses and allowances for financial guarantees". The premium received is recognised in the consolidated income statement in "Net fees and commission income" under other operating income on a straight line basis over the life of the guarantee.

(19) Repossessed assets and valuation of collateral

Collateral assets for loans and advances and receivables are repossessed by the Group when the borrowers are unable to service their repayments, and would be realised in satisfaction of outstanding debts. Advances with repossessed collateral assets will continue to be accounted for as customer advances, except for those where the Group has taken the legal title with control of the repossessed collateral assets, in which cases the repossessed assets are shown under other accounts at the predetermined value with a corresponding reduction in the related advances. Individual impairment allowance is made on the shortfall between the expected net realisable value of repossessed assets and the outstanding advances.

Collateral assets (including repossessed assets and assets not yet repossessed) are recognised at the lower of their carrying amount of the related loans and advances and receivables and fair value less costs to sell.

(20) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Operating expenses" in the consolidated income statement.

(21) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 Summary of Significant Accounting Policies (Continued)

(21) Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credit and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(22) Employee benefits

(a) Retirement benefit schemes

The Group participates in two defined contribution retirement benefit schemes for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds.

Contributions are made based on a percentage of the participating employees' relevant monthly income from the Group, and are charged to the consolidated income statement as they become payable in accordance with the rules of the respective schemes. When an employee leaves the Occupational Retirement Scheme Ordinance Scheme prior to his/her interest in the Group's employer non-mandatory contributions vesting with the employee, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. When an employee leaves the Mandatory Provident Fund, the Group's mandatory contributions vest fully with the employee.

2.5 Summary of Significant Accounting Policies (Continued)

(22) Employee benefits (Continued)

(b) Share option scheme

The Company operates an employees' share option scheme (the "ESOS") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions whereby employees render services as consideration for equity-settled transactions.

For share options granted under the ESOS, the fair value of the employee's services rendered in exchange for the grant of the options is recognised as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each end of the reporting period, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the consolidated income statement, and a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(c) Employee leave entitlements

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

(23) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within reserves in the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

3. Significant Accounting Estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment allowances on loans and advances and receivables, and held-to-maturity investments

The Group reviews its portfolios of loans and advances and receivables and held-to-maturity investments to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the discounted estimated future cash flows from a portfolio of loans and held-to-maturity investments before the decrease can be identified with an individual loan or held-to-maturity investment in those portfolios. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group.

For loans and advances and receivables for which no individual impairment is observed, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the loan portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 and 2009 was HK$2,774,403,000, of which HK$1,942,082,000 was attributed to Public Finance and HK$832,321,000 was attributed to Public Bank (Hong Kong). Further details are set out in note 26 to the financial statements.

4. Segment Information

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar economic characteristics, products and services and delivery methods. The operating segments are identified by Senior Management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance. Summary details of the operating segments are as follows:

– 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 comprises management of investments in debt and equity securities, securities dealing and receipt of commission income and provision of authorised wealth management products and services; and

– other business segments comprise taxi trading and the leasing of taxis and letting of investment properties.

The Group's inter-segment transactions during the year 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.

4. Segment Information (Continued)

The following tables represent revenue and profit information for these segments for the years ended 31 December 2010 and 2009, and certain asset and liability information regarding business segments as at 31 December 2010 and 2009.

	Retail and commercial banking and lending		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue										
External:										
Net interest income	**1,235,209**	1,172,988	**40**	60	**–**	–	**–**	–	**1,235,249**	1,173,048
Other operating income:										
Fees and commission income	**144,691**	117,396	**101,703**	84,218	**425**	612	**–**	–	**246,819**	202,226
Others	**15,570**	14,299	**–**	360	**14,550**	15,163	**–**	–	**30,120**	29,822
Gains less losses from disposal of available-for-sale financial assets	**–**	–	**–**	26,035	**–**	–	**–**	–	**–**	26,035
Inter-segment transactions:										
Fee and commission income	**–**	–	**–**	–	**714**	245	**(714)**	(245)	**–**	–
Operating income	**1,395,470**	1,304,683	**101,743**	110,673	**15,689**	16,020	**(714)**	(245)	**1,512,188**	1,431,131
Segment results	**467,319**	279,118	**50,620**	17,289	**21,989**	12,082	**–**	–	**539,928**	308,489
Share of profits and losses of a jointly-controlled entity									**–**	–
Profit before tax									**539,928**	308,489
Tax									**(89,431)**	(33,416)
Profit for the year									**450,497**	275,073
Segment assets other than interest in a jointly-controlled entity and intangible assets	**36,958,536**	35,730,967	**377,117**	649,793	**205,640**	199,426	**–**	–	**37,541,293**	36,580,186
Interest in a jointly-controlled entity	**1,513**	1,513	**–**	–	**–**	–	**–**	–	**1,513**	1,513
Intangible assets	**–**	–	**718**	718	**–**	–	**–**	–	**718**	718
Goodwill	**2,774,403**	2,774,403	**–**	–	**–**	–	**–**	–	**2,774,403**	2,774,403
	39,734,452	38,506,883	**377,835**	650,511	**205,640**	199,426	**–**	–	**40,317,927**	39,356,820
Unallocated assets:										
Deferred tax assets and tax recoverable									**11,711**	16,234
Total assets									**40,329,638**	39,373,054
Segment liabilities	**33,731,692**	32,831,767	**228,923**	526,033	**63,927**	16,019	**–**	–	**34,024,542**	33,373,819
Unallocated liabilities:										
Deferred tax liabilities and tax payable									**64,072**	24,288
Dividends payable									**175,667**	142,729
Total liabilities									**34,264,281**	33,540,836
Other segment information										
Additions to non-current assets – capital expenditure	**19,362**	29,956	**–**	–	**–**	–	**–**	–	**19,362**	29,956
Depreciation of property and equipment and land held under finance leases	**31,626**	30,274	**–**	–	**–**	–	**–**	–	**31,626**	30,274
Changes in fair value of investment properties	**–**	–	**–**	–	**(9,031)**	(27,689)	**–**	–	**(9,031)**	(27,689)
Impairment allowances for loans and advances and receivables, held-to-maturity investments and available-for-sale financial assets	**280,486**	511,879	**–**	–	**–**	–	**–**	–	**280,486**	511,879
Net losses on disposal of property and equipment	**108**	46	**–**	–	**–**	–	**–**	–	**108**	46

4. Segment Information (Continued)

Geographical information

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.

Operating income or revenue from major customers

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

5. Interest Income and Expense

	2010 **HK$'000**	2009 HK$'000
Interest income from:		
Loans and advances and receivables	**1,419,480**	1,379,815
Short term placements and placements with banks	**29,319**	47,958
Held-to-maturity investments	**73,067**	53,420
	1,521,866	1,481,193
Interest expense on:		
Deposits from banks and financial institutions	**18,176**	41,720
Deposits from customers	**218,146**	238,038
Bank loans	**50,295**	28,387
	286,617	308,145

Interest income and interest expenses for the year ended 31 December 2010, calculated using effective interest method, on financial assets and financial liabilities which are not designated at fair value through profit or loss amounted to HK$1,521,866,000 and HK$286,617,000, respectively (2009: HK$1,481,193,000 and HK$308,145,000). The interest income of the impaired loans and advances for the year ended 31 December 2010 amounted to HK$10,850,000 (2009: HK$10,645,000).

6. Other Operating Income

	2010 HK$'000	2009 HK$'000
Fees and commission income:		
Retail and commercial banking	**146,213**	119,087
Wealth management services, stockbroking and securities management	**101,703**	84,218
	247,916	203,305
Less : Fees and commission expense	**(1,097)**	(1,079)
Net fees and commission income	**246,819**	202,226
Gross rental income	**12,880**	13,336
Less : Direct operating expenses	**(77)**	(89)
Net rental income	**12,803**	13,247
Gains less losses arising from dealing in foreign currencies	**6,958**	272
Net losses on disposal of property and equipment	**(108)**	(46)
Dividend income from listed investments	**13**	360
Dividend income from unlisted investments	**980**	994
Net income on derivative financial instruments	**4,710**	9,989
Others	**4,764**	5,006
	276,939	232,048

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 years ended 31 December 2010 and 2009.

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.

7. Operating Expenses

	2010 HK$'000	2009 HK$'000
Staff costs:		
Salaries and other staff costs	**371,055**	297,178
Pension contributions	**16,640**	15,541
Less : Forfeited contributions	**(44)**	(8)
Net retirement benefit schemes	**16,596**	15,533
	387,651	312,711
Other operating expenses:		
Operating lease rentals on leasehold buildings	**49,872**	45,743
Depreciation of property and equipment and land held under finance leases (Restated)	**31,626**	30,274
Auditors' remuneration	**3,409**	3,490
Administrative and general expenses	**67,005**	56,372
Others	**161,242**	146,900
Operating expenses before changes in fair value of investment properties	**700,805**	595,490

As at 31 December 2010, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil). The current year credits arose in respect of staff who left the schemes during the year.

8. Impairment Allowances

	2010 HK$'000	2009 HK$'000
Net charge for/(write-back of) impairment allowances:		
– loans and advances	**278,172**	516,571
– trade bills, accrued interest and receivables	**2,314**	(4,692)
	280,486	511,879
Net charge for/(write-back of) impairment losses and allowances:		
– individually assessed	**357,407**	481,393
– collectively assessed	**(76,921)**	30,486
	280,486	511,879
Of which:		
– new impairment losses and allowances (including any amount directly written off during the year)	**514,834**	631,562
– releases and recoveries	**(234,348)**	(119,683)
Net charge to the consolidated income statement	**280,486**	511,879

There were no impairment allowances for financial assets other than loans and advances and receivables for the years ended 31 December 2010 and 2009.

9. Directors' Remuneration

The remuneration of each director for the years ended 31 December 2010 and 2009 is set out below:

Group

Name of director	Fees HK$'000	Salaries and other benefits HK$'000 (Note 1)	Bonuses HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
		2010			
Tan Sri Dato' Sri Dr. Teh Hong Piow	325	–	–	–	325
Tan Sri Dato' Thong Yaw Hong	240	–	–	–	240
Tan Yoke Kong (Note 2)	100	1,630	565	178	2,473
Lee Huat Oon	50	1,179	411	131	1,771
Chong Yam Kiang	100	1,440	338	75	1,953
Tan Sri Dato' Sri Tay Ah Lek	285	–	–	–	285
Dato' Chang Kat Kiam	150	–	–	–	150
Lee Chin Guan	200	–	–	–	200
Quah Poh Keat	200	–	–	–	200
	1,650	4,249	1,314	384	7,597

Group

Name of director	Fees HK$'000	Salaries and other benefits HK$'000 (Note 1)	Bonuses HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
		2009			
Tan Sri Dato' Sri Dr. Teh Hong Piow	325	–	–	–	325
Tan Sri Dato' Thong Yaw Hong	240	–	–	–	240
Tan Yoke Kong (Note 2)	100	1,571	353	170	2,194
Lee Huat Oon	50	1,116	257	123	1,546
Chong Yam Kiang	100	1,406	187	64	1,757
Tan Sri Dato' Sri Tay Ah Lek	200	–	–	–	200
Dato' Chang Kat Kiam	150	–	–	–	150
Dato' Yeoh Chin Kee (Resigned on 15 January 2009)	8	–	–	–	8
Lee Chin Guan	200	–	–	–	200
Quah Poh Keat	200	–	–	–	200
	1,573	4,093	797	357	6,820

Notes:

1. Salaries and other benefits included basic salaries, housing allowances, other allowances, and benefits in kind and employee share option benefits. No employee share option benefits were paid in 2010 (2009: Nil) and the employee share option benefits represented the fair value at the date of share options granted and accepted under the ESOS amortised to the consolidated income statement in the prior year disregarding whether the options have been exercised or not.

2. The director occupies a property of the Group rent free. The estimated monetary value of the accommodation provided to him during the year which was not charged to the consolidated income statement was HK$780,000 (2009: HK$780,000).

10. Five Highest Paid Individuals

The five highest paid individuals during the year included three (2009: three) directors, details of whose remuneration are set out in note 9 above.

Details of the remaining two (2009: two) highest paid individuals' remuneration in 2010 are as follows:

	Group 2010 HK$'000	2009 HK$'000
Basic salaries, housing, other allowances and benefits in kind	**2,518**	2,018
Bonuses paid and payable	**337**	407
Retirement benefit scheme contributions	**142**	171
	2,997	2,596

The number of highest paid individuals in 2010 whose remuneration fell within the bands set out below is as follows:

	2010 Number of individuals	2009 Number of individuals
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	2	2

11. Tax

	Group 2010 HK$'000	2009 HK$'000
Current tax charge:		
Hong Kong	**84,203**	40,185
Elsewhere	**5,324**	3,905
Over-provisions in prior years	**(7,123)**	(1,048)
Deferred tax charge/(credit) (note 31)	**7,027**	(9,626)
	89,431	33,416

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

11. Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company, 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:

	2010					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**507,912**		**32,016**		**539,928**	
Tax at the applicable tax rate	**83,806**	**16.5**	**7,044**	**22.0**	**90,850**	**16.8**
Effect on change in tax rates	**–**	**–**	**40**	**0.1**	**40**	**–**
Estimated tax effect of net expense/ (income) that is not deductible/(taxable)	**6,809**	**1.3**	**(420)**	**(1.3)**	**6,389**	**1.2**
Estimated tax losses not recognised	**3**	**–**	**–**	**–**	**3**	**–**
Estimated tax losses from previous periods utilised	**(14)**	**–**	**–**	**–**	**(14)**	**–**
Adjustments in respect of deferred tax of previous periods	**(714)**	**(0.1)**	**–**	**–**	**(714)**	**(0.1)**
Adjustments in respect of current tax of previous periods	**(3,696)**	**(0.7)**	**(3,427)**	**(10.7)**	**(7,123)**	**(1.3)**
Tax charge at the Group's effective rate	**86,194**	**17.0**	**3,237**	**10.1**	**89,431**	**16.6**

	2009					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	284,045		24,444		308,489	
Tax at the applicable tax rate	46,867	16.5	4,889	20.0	51,756	16.8
Effect on change in tax rates	–	–	119	0.5	119	–
Estimated tax effect of net (income)/ expenses that is not (taxable)/deductible	(443)	(0.2)	17	0.1	(426)	(0.1)
Estimated tax losses not recognised	13	–	–	–	13	–
Estimated tax losses from previous periods utilised	(2,346)	(0.8)	–	–	(2,346)	(0.8)
Adjustments in respect of deferred tax of previous periods	(12,787)	(4.5)	(1,865)	(7.6)	(14,652)	(4.7)
Adjustments in respect of current tax of previous periods	(71)	–	(977)	(4.0)	(1,048)	(0.4)
Tax charge at the Group's effective rate	31,233	11.0	2,183	9.0	33,416	10.8

12. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 included a profit of HK$216,069,000 (2009: HK$72,571,000) which has been dealt with in the financial statements of the Company (note 36).

13. Dividends

	2010 HK$ per ordinary share	2009 HK$ per ordinary share	**2010 HK$'000**	2009 HK$'000
Interim:				
First	**0.05**	0.05	**54,896**	54,896
Second	**0.16**	0.13	**175,667**	142,729
	0.21	0.18	**230,563**	197,625

14. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of HK$450,497,000 (2009: HK$275,073,000) and the weighted average number of ordinary shares of 1,097,917,618 (2009: 1,097,917,618) in issue during the year.

(b) Diluted earnings per share

The share options outstanding during the years ended 31 December 2010 and 2009 had nil effect on the basic earnings per share for these years. The calculation of diluted earnings per share for the year ended 31 December 2010 was based on the profit for the year of HK$450,497,000 (2009: HK$275,073,000) and on the weighted average number of ordinary shares of 1,097,917,618 (2009: 1,097,917,618), being the weighted average number of ordinary shares of 1,097,917,618 (2009: 1,097,917,618) in issue during the year as used in the basic earnings per share calculation.

15. Cash and Short Term Placements

	Group		**Company**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Cash in hand	**123,469**	122,412	**–**	–
Placements with banks and financial institutions	**561,234**	603,840	**35,082**	24,032
Money at call and short notice	**5,336,662**	4,879,368	**–**	50,211
	6,021,365	5,605,620	**35,082**	74,243

Over 90% of the placements are rated with a grading of Baa2 or above based on the credit rating of an external credit agency, Moody's.

There were no overdue or rescheduled placements with banks and financial institutions, and no impairment allowances for such placements, accordingly.

16. Placements with Banks and Financial Institutions Maturing After One Month But Not More Than Twelve Months

	Group 2010 HK$'000	2009 HK$'000
Placements with banks and financial institutions	**723,715**	868,483

Over 90% of the placements were rated with a grading of Baa2 or above based on the rating of an external credit agency, Moody's.

There were no overdue or rescheduled placements with banks and financial institutions, and no impairment allowances for such placements, accordingly.

17. Loans and Advances and Receivables

	Group 2010 HK$'000	2009 HK$'000
Loans and advances to customers	**26,850,951**	24,516,942
Trade bills	**31,170**	70,286
Loans and advances, and trade bills	**26,882,121**	24,587,228
Accrued interest	**83,672**	72,955
	26,965,793	24,660,183
Other receivables	**56,953**	55,247
Gross loans and advances and receivables	**27,022,746**	24,715,430
Less: Impairment allowances for loans and advances and receivables		
– individually assessed	**(171,967)**	(160,868)
– collectively assessed	**(32,907)**	(109,782)
	(204,874)	(270,650)
Loans and advances and receivables	**26,817,872**	24,444,780

Over 90% of the loans and advances and receivables are unrated exposures. Collateral for the Group's secured loans and advances and receivables include properties, cash, listed shares, taxi licences, public light bus licences and car bodies.

17. Loans and Advances and Receivables (Continued)

Loans and advances and receivables are summarised as follows:

	Group 2010 HK$'000	2009 HK$'000
Neither past due nor impaired loans and receivables	**26,150,795**	23,703,256
Past due but not impaired loans and advances and receivables	**540,761**	478,537
Individually impaired loans and advances	**315,715**	527,166
Individually impaired receivables	**15,475**	6,471
Total loans and advances and receivables	**27,022,746**	24,715,430

About 63% of "Neither past due nor impaired loans and receivables" were residential property mortgage loans, commercial property mortgage loans and hire purchase loans secured by cash, properties, taxi licences and vehicles.

(a)(i) Ageing analysis of overdue and impaired loans and advances

	Group			
	2010		2009	
	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	**90,673**	**0.34**	175,862	0.72
One year or less but over six months	**5,790**	**0.02**	72,266	0.30
Over one year	**175,927**	**0.66**	103,731	0.42
Loans and advances overdue for more than three months	**272,390**	**1.02**	351,859	1.44
Rescheduled loans and advances overdue for three months or less	**39,413**	**0.15**	79,383	0.32
Impaired accounts overdue for three months or less	**3,912**	**0.01**	95,924	0.39
Total overdue and impaired loans and advances	**315,715**	**1.18**	527,166	2.15

17. Loans and Advances and Receivables (Continued)

(ii) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables

	Group 2010 HK$'000	2009 HK$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**12**	2,492
One year or less but over six months	**1,778**	329
Over one year	**13,683**	3,573
Trade bills, accrued interest and other receivables overdue for more than three months	**15,473**	6,394
Impaired accounts overdue for three months or less	**2**	77
Total overdue and impaired trade bills, accrued interest and other receivables	**15,475**	6,471

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.

17. Loans and Advances and Receivables (Continued)

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

	Group					
	2010			2009		
	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	154,018	133,845	287,863	227,420	130,833	358,253
Individual impairment allowances	92,671	55,942	148,613	68,888	37,739	106,627
Collective impairment allowances	–	–	–	72,375	–	72,375
Current market value and fair value of collateral			252,189			182,720
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	197,345	133,845	331,190	402,804	130,833	533,637
Individual impairment allowances	116,025	55,942	171,967	123,129	37,739	160,868
Collective impairment allowances	–	–	–	72,375	–	72,375
Current market value and fair value of collateral			253,689			262,374

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.

17. 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:

	Group 2010 HK$'000	2009 HK$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**252,189**	182,720
Covered portion of overdue loans and advances	**88,701**	91,885
Uncovered portion of overdue loans and advances	**183,689**	259,974

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.

The main types of guarantors for credit risk mitigation are as follows:

– Central government with grading of Aa3 or above

– Unrated public sector enterprises

– Banks with grading of Baa2 or above

– Unrated corporation

– Individual shareholders and directors of corporate customers

(d) Repossessed assets

As at 31 December 2010, the total value of repossessed assets of the Group amounted to HK$26,190,000 (2009: HK$ 25,715,000).

17. Loans and Advances and Receivables (Continued)

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

	Group 2010 Gross amount HK$'000	Group 2010 Percentage of total loans and advances	Group 2009 Gross amount HK$'000	Group 2009 Percentage of total loans and advances
Loans and advances overdue less than three months	539,829	2.01	476,162	1.94
Rescheduled but not impaired loans and advances	–	–	–	–
	539,829	2.01	476,162	1.94
Trade bills, accrued interest and other receivables overdue less than three months	932		2,375	

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

Group

	2010 Individual impairment allowance HK$'000	2010 Collective impairment allowance HK$'000	2010 Total HK$'000
At 1 January 2010	160,868	109,782	270,650
Amount written off	(484,172)	–	(484,172)
Impairment losses and allowances charged to the consolidated income statement	514,834	–	514,834
Impairment losses and allowances released to the consolidated income statement	(157,427)	(76,921)	(234,348)
Net charge of impairment losses and allowances	357,407	(76,921)	280,486
Loans and advances and receivables recovered	136,940	–	136,940
Exchange difference	924	46	970
At 31 December 2010	171,967	32,907	204,874
Deducted from:			
Loans and advances	167,812	32,698	200,510
Trade bills, accrued interest and other receivables	4,155	209	4,364
	171,967	32,907	204,874

Impairment for some overdue consumer financing loans of Public Finance, which was collectively assessed in prior years, was assessed individually in 2010. This resulted in an increase in individual impairment allowance of HK$62,618,000 and corresponding reduction in collective impairment allowance.

17. Loans and Advances and Receivables (Continued)

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

Group

	2009		
	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	(538,870)	–	(538,870)
Impairment losses and allowances charged to the consolidated income statement	600,998	30,564	631,562
Impairment losses and allowances released to the consolidated income statement	(119,605)	(78)	(119,683)
Net charge of impairment losses and allowances	481,393	30,486	511,879
Loans and advances and receivables recovered	109,921	–	109,921
Exchange difference	(8)	–	(8)
At 31 December 2009	160,868	109,782	270,650
Deducted from:			
Loans and advances	159,254	109,346	268,600
Trade bills, accrued interest and other receivables	1,614	436	2,050
	160,868	109,782	270,650

(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:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Amounts receivable under finance leases:				
Within one year	**437,537**	372,656	**340,354**	273,611
In the second to fifth years, inclusive	**1,157,354**	1,072,706	**889,179**	789,937
Over five years	**3,853,487**	3,218,630	**3,287,420**	2,559,516
	5,448,378	4,663,992	**4,516,953**	3,623,064
Less: Unearned finance income	**(931,425)**	(1,040,928)		
Present value of minimum lease payments receivable	**4,516,953**	3,623,064		

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.

18. Available-for-Sale Financial Assets

	Group 2010 HK$'000	2009 HK$'000
Listed security investment in Hong Kong, at quoted market price:		
At the beginning of the year	–	14,720
Disposals	–	(26,035)
Change in fair value	–	11,315
Sub-total	–	–
Unlisted equity investments, at fair value:		
At the beginning and the end of the year	**6,804**	6,804
Total at the end of the year	**6,804**	6,804
Analysed by type of issuer:		
– Corporate entities	**6,804**	6,804

The unlisted investment is measured at fair value based on the present value of cash flows over a period of 10 years.

The carrying amount of Lehman Brothers Minibonds amounted to nil as full impairment has been made for the Lehman Brothers Minibonds repurchased from eligible customers in the year 2009.

19. Held-to-Maturity Investments

	Group 2010 HK$'000	2009 HK$'000
Unlisted:		
Certificates of deposit held	**147,767**	812,130
Treasury bills (including Exchange Fund Bills)	**1,099,681**	499,746
Other debt securities	**1,462,328**	2,904,758
	2,709,776	4,216,634
Analysed by type of issuers:		
– Central government	**1,099,681**	499,746
– Banks and other financial institutions	**1,610,095**	3,716,888
	2,709,776	4,216,634

Impairment allowances of held-to-maturity investments were nil as at 31 December 2010 and 2009. There were no movement in impairment allowances for the years ended 31 December 2010 and 2009.

There were neither impaired nor overdue held-to-maturity investments as at 31 December 2010 and 2009. There were no listed held-to-maturity investments as at 31 December 2010 and 2009.

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

20. Investment Properties

	Group HK$'000	Company HK$'000
At valuation:		
At 1 January 2009	165,346	982,980
Additions	–	7,900
Legal cost	6	6
Transfer to property and equipment	(803)	–
Transfer to land held under finance leases	(7,896)	–
Change in fair value	27,689	87,304
At 31 December 2009 and 1 January 2010	**184,342**	**1,078,190**
Transfer to property and equipment	**(443)**	**–**
Transfer to land held under finance leases	**(4,265)**	**–**
Change in fair value	**9,031**	**54,000**
At 31 December 2010	**188,665**	**1,132,190**

The Group's investment properties are all situated in Hong Kong and are held under the following lease terms:

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
At valuation:				
Medium term leases	**179,995**	67,099	**322,798**	165,344
Long term leases	**8,670**	117,243	**809,392**	912,846
	188,665	184,342	**1,132,190**	1,078,190

At 31 December 2009, the carrying amounts of the investment properties were transferred to owner-occupied properties on the basis of their fair values at the date of transfer.

At 31 December 2010, investment properties with a carrying amount of HK$179,634,000 (2009: HK$156,653,000) were revalued at HK$188,665,000 (2009: HK$184,342,000) according to a revaluation report issued by C S Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value, existing use basis. The increase in the fair value of HK$9,031,000 (2009: HK$27,689,000) resulting from the above valuation has been credited to the consolidated income statement.

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in note 37(a) to the financial statements.

21. Property and Equipment

	Group				Company
	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000
Cost:					
At 1 January 2009	70,254	144,519	2,984	217,757	–
Additions	–	29,947	–	29,947	485
Transfer from investment properties	803	–	–	803	–
Disposals/write-off	–	(13,214)	–	(13,214)	–
At 31 December 2009 and 1 January 2010	**71,057**	**161,252**	**2,984**	**235,293**	**485**
Additions	**–**	**19,362**	**–**	**19,362**	**434**
Transfer from investment properties	**443**	**–**	**–**	**443**	**–**
Disposals/write-off	**–**	**(17,155)**	**–**	**(17,155)**	**–**
At 31 December 2010	**71,500**	**163,459**	**2,984**	**237,943**	**919**
Accumulated depreciation:					
At 1 January 2009	10,830	85,024	2,793	98,647	–
Provided during the year	1,616	21,328	33	22,977	257
Exchange difference	–	–	–	–	–
Disposals/write-off	–	(10,461)	–	(10,461)	–
At 31 December 2009 and 1 January 2010	**12,446**	**95,891**	**2,826**	**111,163**	**257**
Provided during the year	**1,586**	**22,565**	**20**	**24,171**	**172**
Exchange difference	**41**	**–**	**–**	**41**	**–**
Disposals/write-off	**–**	**(17,047)**	**–**	**(17,047)**	**–**
At 31 December 2010	**14,073**	**101,409**	**2,846**	**118,328**	**429**
Net carrying amount:					
At 31 December 2010	**57,427**	**62,050**	**138**	**119,615**	**490**
At 31 December 2009	58,611	65,361	158	124,130	228

No valuation has been made for the above property and equipment for the years ended 31 December 2010 and 2009.

22. Land held under Finance Leases

	Group (Restated) HK$'000
Cost:	
At 1 January 2009	712,849
Transfer from investment properties	7,896
At 31 December 2009 and 1 January 2010	**720,745**
Transfer from investment properties	**4,265**
At 31 December 2010	**725,010**
Accumulated depreciation and impairment:	
At 1 January 2009	44,859
Depreciation provided during the year	7,296
At 31 December 2009 and 1 January 2010	**52,155**
Depreciation provided during the year	**7,455**
At 31 December 2010	**59,610**
Net carrying amount:	
At 31 December 2010	**665,400**
At 31 December 2009	668,590
At 1 January 2009	667,990

The land held under finance leases of the Group are situated in Hong Kong and held under the following lease terms:

	Group		
	31/12/2010 HK$'000	31/12/2009 HK$'000	1/1/2009 HK$'000
Net book value:			
Medium term leases	**245,576**	227,307	225,353
Long term leases	**419,824**	441,283	442,637
	665,400	668,590	667,990

Following the adoption of HK-Int 4, land leases were classified from "Land lease prepayments held under operating leases" to "Land held under finance leases".

The land leases are stated at their recoverable amount subject to an impairment test pursuant to HKAS 36, which is based on the higher of fair value less costs to sell and value in use.

23. Interests in Subsidiaries

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**6,593,507**	6,593,507
Amounts due from subsidiaries	**70,203**	74,491
	6,663,710	6,667,998

The amounts due from subsidiaries were unsecured, and had no fixed terms of repayment. No interest-bearing amounts were due from subsidiaries as at 31 December 2010 and 2009. The non-interest-bearing amounts due from subsidiaries were HK$70,203,000 (2009: HK$74,491,000) and non-current in nature.

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued ordinary share capital HK$	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Public Bank (Hong Kong) Limited	1,481,600,000	100	–	Provision of banking, financial and related services
Public Bank (Nominees) Limited	100,000	–	100	Provision of nominee services
Public Investments Limited	200	–	100	Dormant
Public Realty Limited	100,000	–	100	Dormant
Public Credit Limited	5,000,000	–	100	Dormant
Public Futures Limited	2	–	100	Dormant
Public Pacific Securities Limited	12,000,000	–	100	Dormant
Public Financial Securities Limited	48,000,000	–	100	Securities brokerage
Public Finance Limited	258,800,000	–	100	Deposit-taking and financing
Public Financial Limited	10,100,000	–	100	Investment holding
Public Securities Limited	10,000,000	–	100	Securities brokerage
Public Securities (Nominees) Limited	10,000	–	100	Provision of nominee services
Winton (B.V.I.) Limited	61,773	100	–	Investment holding
Winton Holdings (Hong Kong) Limited	20	–	100	Dormant

23. Interests in Subsidiaries (Continued)

Name	Nominal value of issued ordinary share capital HK$	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Winton Financial Limited	4,000,010	–	100	Provision of financing for licensed public vehicles and provision of personal and short term loans and mortgage loans
Winton Motors, Limited	78,000	–	100	Trading of taxi licences and taxi cabs, and leasing of taxis
Winsure Company, Limited	1,600,000	–	96.9	Dormant

Note: Except for Winton (B.V.I.) Limited, which was incorporated in the British Virgin Islands, all subsidiaries were incorporated in Hong Kong. Except for Public Bank (Hong Kong) Limited, which operates in Hong Kong, Mainland China and Taiwan, all subsidiaries operate in Hong Kong.

24. Interest in a Jointly-Controlled Entity

	Group 2010 HK$'000	2009 HK$'000
Share of net assets other than goodwill	**1,513**	1,513

Particulars of the Group's jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership, interest and profit sharing	Voting power	Principal activity
Net Alliance Co. Limited	Corporate	Hong Kong	17.6	2 out of 8*	Provision of electronic banking support services

* Representing the number of votes on the board of directors attributable to the Group

24. Interest in a Jointly-Controlled Entity (Continued)

The following table illustrates the summarised financial information of the Group's interest in a jointly-controlled entity which is accounted for using the equity method:

	Group 2010 HK$'000	2009 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Assets	**1,774**	1,893
Liabilities	**(261)**	(380)
Net assets	**1,513**	1,513
Share of the jointly-controlled entity's profit or loss:		
Total income	**1,614**	1,440
Total expenses	**(1,614)**	(1,440)
Profit/(loss) after tax	**–**	–

25. Other Assets

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Interest receivable from authorised institutions	**3,108**	2,187	**–**	1
Other debtors, deposits and prepayments	**259,722**	431,875	**1,329**	1,482
Tax recoverable	**901**	–	**–**	–
	263,731	434,062	**1,329**	1,483

There were no other overdue or rescheduled assets, and no impairment allowances for such other assets, accordingly.

26. Goodwill

	Group 2010 HK$'000	2009 HK$'000
Cost:		
At the beginning and at the end of the year	**2,774,403**	2,774,403

Impairment test of goodwill

There are two cash-generating units (the "CGUs") namely Public Finance and Public Bank (Hong Kong) which represent the main operating entities within the business segment "Retail and commercial banking and lending businesses" identified by the Group. Goodwill acquired through business combinations is allocated on pro-rata basis to the two CGUs based on the ratio of recoverable amounts of a CGU to those of the other CGU at the date of acquisition. The recoverable amounts of the CGUs at each subsequent reporting date are determined based on the value in use using the present value of cash flows taking into account the expected operating synergy and profitability and growth of businesses arising from the acquisition of Public Bank (Hong Kong) and its subsidiaries. The cash flow projections are based on financial budgets approved by management covering a 10-year period and assumed growth rates are used to extrapolate the cash flows in the following 40 years. The financial budgets are prepared based on a 10-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments, long term economic cycle and achievement of business targets extrapolated from a track record of financial results. All cash flows are discounted at a discount rate of 3% and 7% under baseline and stressed scenarios, respectively. Management's financial model assumes an average growth rates from 5% to 6% per annum from the eleventh to fiftieth year taking into account long term gross domestic product growth and other relevant economic factors. The discount rates used are based on the rates which reflect specific risks relating to the CGUs.

No impairment loss has been recognised in respect of goodwill for the years ended 31 December 2010 and 2009 as its value in use exceeds the carrying amount.

27. Intangible Assets

	Group 2010 HK$'000	2009 HK$'000
Cost:		
At the beginning of the year	**1,085**	725
Addition	**–**	360
At the end of the year	**1,085**	1,085
Accumulated impairment:		
At the beginning of the year and at the end of the year	**(367)**	(367)
Net carrying amount:		
At the end of the year	**718**	718

The trading rights are retained for stock trading and stockbroking activities, and have indefinite useful lives. They represent five units (2009: five units) of Stock Exchange Trading Right and one unit (2009: one unit) of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited.

28. Loans to Directors and Officers

Loans granted by the Group to directors and officers disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	Group 2010 HK$'000	2009 HK$'000
Aggregate amount of principal and interest outstanding at the end of the year	**634**	752
Maximum aggregate amount of principal and interest outstanding during the year	**1,173**	1,381

The loans to directors and officers are granted on essentially the same terms as those to other customers, and/or at prevailing market rates and have no fixed terms of repayment, apart from a loan of HK$576,339 to a director, which is repayable on 25 December 2015 and was secured by a property at a fair value of HK$4,100,000 as at 31 December 2010.

The carrying amounts of these loans approximate to their fair value.

29. Customer Deposits at Amortised Cost

	Group 2010 HK$'000	2009 HK$'000
Demand deposits and current accounts	**2,012,896**	1,430,609
Savings deposits	**4,528,561**	5,938,345
Time, call and notice deposits	**23,129,368**	21,995,284
	29,670,825	29,364,238

30. Unsecured Bank Loans at Amortised Cost

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Unsecured bank loans	**3,038,991**	2,178,679	**2,160,052**	2,178,679
Repayable:				
On demand or within a period not exceeding one year	**1,578,939**	700,000	**700,000**	700,000
Within a period of more than two years but not exceeding five years	**1,460,052**	1,478,679	**1,460,052**	1,478,679
	3,038,991	2,178,679	**2,160,052**	2,178,679

The amount repayable on demand was a term loan of HK$80,000,000 at 31 December 2010 (2009: Nil). The term loan is callable by the lender, but management does not expect the lender to exercise its right to demand repayment in normal circumstances.

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

31. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Group

Deferred tax assets:

	At 1 January 2009 HK$'000	Effect of change in tax rates charged to income statement HK$'000	Deferred tax credited/ (charged) to income statement HK$'000	At 31 December 2009 and 1 January 2010 HK$'000	Effect of change in tax rates charged to income statement HK$'000	Deferred tax credited/ (charged) to income statement HK$'000	At 31 December 2010 HK$'000
Impairment allowances for loans and advances and receivables	4,633	–	3,585	8,218	71	1,405	9,694
Recoverable tax loss	4,200	–	3,574	7,774	–	(6,939)	835
Unrealised profit in inventories	335	–	(93)	242	–	(21)	221
Decelerated tax depreciation of property and equipment	–	–	–	–	–	60	60
	9,168	–	7,066	16,234	71	(5,495)	10,810

Deferred tax liabilities:

	At 1 January 2009 HK$'000	Effect of change in tax rates charged to income statement HK$'000	Deferred tax credited to income statement HK$'000	At 31 December 2009 and 1 January 2010 HK$'000	Effect of change in tax rates charged to income statement HK$'000	Deferred tax charged to income statement HK$'000	At 31 December 2010 HK$'000
Accelerated tax depreciation and revaluation surplus of investment properties	24,122	119	(2,679)	21,562	111	1,492	23,165

31. Deferred Tax (Continued)

Company

Deferred tax assets:

	At 1 January 2009 HK$'000	Deferred tax credited to income statement HK$'000	At 31 December 2009 and 1 January 2010 HK$'000	Deferred tax charged to income statement HK$'000	At 31 December 2010 HK$'000
Recoverable tax loss	–	2,129	**2,129**	**(2,110)**	**19**

Deferred tax liabilities:

	At 1 January 2009 HK$'000	Deferred tax charged to income statement HK$'000	At 31 December 2009 and 1 January 2010 HK$'000	Deferred tax charged to income statement HK$'000	At 31 December 2010 HK$'000
Accelerated tax depreciation and revaluation surplus of investment properties	4,800	14,427	**19,227**	**8,910**	**28,137**

The Group has tax losses arising in Hong Kong of HK$36,524,000 (2009: HK$36,593,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have incurred losses for some time and it is not considered probable that taxable profit will be available against which tax losses can be utilised.

There are no significant income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. Other Liabilities

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Creditors, accruals and interest payable	**428,909**	804,606	**4,968**	5,158

33. Share Capital

	Company	
	2010	2009
	HK$'000	HK$'000
Ordinary shares		
Authorised:		
2,000,000,000 (2009: 2,000,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000

Issued and fully paid:	Number of ordinary shares of HK$0.10 each		Share capital		Share premium	
	2010	2009	**2010**	2009	**2010**	2009
			HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January and 31 December	**1,097,917,618**	1,097,917,618	**109,792**	109,792	**4,013,296**	4,013,296

34. Share Option Scheme

Under the Employees' Share Option Scheme (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. Each share option gives the holder the right to subscribe for one ordinary share. 65,976,000 share options were accepted by the directors and employees of the Group. The Group is not legally bound or obliged to repurchase or settle the options in cash.

Pursuant to the terms of the ESOS, an adjustment was required to be made to the exercise price and/or the number of shares falling to be issued upon exercise of the outstanding share options as a result of a rights issue. After the completion of the one for two rights issue in April 2006, the exercise price of the outstanding share options was adjusted from HK$7.29 per share to HK$6.35 per share on 14 June 2006 and there was no adjustment to the number of shares falling to be issued.

34. Share Option Scheme (Continued)

Particulars in relation to the ESOS of the Company that are required to be disclosed under Rules 17.07 to 17.09 of Chapter 17 of the Listing Rules and HKAS 19 "Employee Benefits" are as follows:

(a) Summary of the ESOS

Purpose	:	To attract, retain and motivate talented eligible participants.
Participants	:	Eligible participants include: (i) any employee and director of the Company or any subsidiary or any associate or controlling shareholder; (ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants; (iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and (iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Group or controlling shareholder determined by the board of directors as having contributed or may contribute to the development and growth of the Group.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of this annual report	:	109,389,661 ordinary shares which represent 9.96% of the issued share capital.
Maximum entitlement of each participant	:	Shall not exceed 1% of the ordinary shares of the Company in issue in the 12-month period up to and including the date of grant.
Period within which the ordinary shares must be taken up under an option	:	Exercisable within open exercise periods determined by the board of directors within 10 years from the commencement date on which the option is granted and accepted.
Amount payable on acceptance	:	HK$1.00

34. Share Option Scheme (Continued)

(a) Summary of the ESOS (Continued)

Basis of determining the exercise price	:	Determined by the directors at their discretion based on the highest of: (i) the closing price of the ordinary shares on the Stock Exchange at the offer date; (ii) the average closing price of the ordinary shares on the Stock Exchange for five business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.
Vesting condition	:	Nil, subject to open exercise periods to be determined by the board of directors or the Share Option Committee.
The remaining life of the ESOS	:	The ESOS remains in force until 27 February 2012.

(b) Movement of share options

	Number of share options				
Name	**Outstanding at the beginning of the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at the end of the year**	**Exercise price HK$**
Directors					
Tan Sri Dato' Sri Tay Ah Lek	1,230,000	–	–	1,230,000	6.35
Lee Chin Guan	350,000	–	–	350,000	6.35
Dato' Chang Kat Kiam	1,380,000	–	–	1,380,000	6.35
Tan Yoke Kong	1,318,000	–	–	1,318,000	6.35
Lee Huat Oon	3,170,000	–	–	3,170,000	6.35
Employees working under "continuous contracts" for the purposes of the Employment Ordinance other than the directors as disclosed above	21,877,000	–	816,000	21,061,000	6.35
	29,325,000	–	816,000	28,509,000	6.35

Notes:

(i) 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.

(ii) There was no open exercise period during the year.

(iii) There were no options granted during the year.

(iv) The remaining contractual life of the 28,509,000 outstanding options was 4.44 years as at 31 December 2010.

(v) The share options outstanding at the end of 2010 can only be exercised in future open exercise periods.

34. Share Option Scheme (Continued)

(c) Had all the outstanding share options been fully exercised on 31 December 2010, the last trading date of 2010, the Group would have received proceeds of HK$181,032,150 (2009: HK$186,213,750). The market value of the shares issued based on the closing price of HK$5.64 (2009: HK$4.44) per share on that date would have been HK$160,790,760 (2009: HK$130,203,000). The directors and employees concerned under the ESOS would have made no gain from the exercise of the share options (2009: Nil).

35. Employee Share-Based Compensation Reserve

	Group 2010 HK$'000	Group 2009 HK$'000
Employee share option benefits	**45,765**	45,765

There was no movement in the reserve during the years ended 31 December 2010 and 2009.

36. Reserves

Group

	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 2009	4,013,296	829	96,116	14,656	45,765	304,551	1,149,441	35,060	5,659,714
Profit for the year	–	–	–	–	–	–	275,073	–	275,073
Other comprehensive loss	–	–	–	(14,656)	–	–	–	(80)	(14,736)
Transfer to retained profits	–	–	–	–	–	(38,170)	38,170	–	–
Dividends for 2009 (note 13)	–	–	–	–	–	–	(197,625)	–	(197,625)
At 31 December 2009 and 1 January 2010	**4,013,296**	**829**	**96,116**	**–**	**45,765**	**266,381**	**1,265,059**	**34,980**	**5,722,426**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**450,497**	**–**	**450,497**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,205**	**13,205**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**55,943**	**(55,943)**	**–**	**–**
Dividends for 2010 (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**(230,563)**	**–**	**(230,563)**
At 31 December 2010	**4,013,296**	**829**	**96,116**	**–**	**45,765**	**322,324**	**1,429,050**	**48,185**	**5,955,565**

Company

	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$'000	Total HK$'000
At 1 January 2009	4,013,344	829	194,176	–	45,765	–	1,239,626	5,493,740
Dividends for 2009 (note 13)	–	–	–	–	–	–	(197,625)	(197,625)
Profit for the year	–	–	–	–	–	–	72,571	72,571
At 31 December 2009 and 1 January 2010	**4,013,344**	**829**	**194,176**	**–**	**45,765**	**–**	**1,114,572**	**5,368,686**
Dividends for 2010 (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**(230,563)**	**(230,563)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**216,069**	**216,069**
At 31 December 2010	**4,013,344**	**829**	**194,176**	**–**	**45,765**	**–**	**1,100,078**	**5,354,192**

36. Reserves (Continued)

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Deducted from the contributed surplus of the Group as at 31 December 2010 was positive goodwill of HK$98,406,000 (2009: HK$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

Note: In accordance with the HKMA's guideline "Impact of the New Hong Kong Accounting Standards on Authorised Institutions' Capital Base and Regulatory Reserve" (the "Guideline"), the regulatory reserve, together with the Group's collective impairment allowances, were included as supplementary capital on the Group's capital base at 31 December 2010 as defined in the Guideline.

37. 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 31 December 2010 and 2009, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**5,951**	7,349
In the second to fifth years, inclusive	**4,107**	2,003
	10,058	9,352

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

As at 31 December 2010 and 2009, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**41,839**	38,580
In the second to fifth years, inclusive	**22,521**	27,183
	64,360	65,763

38. Off-Balance Sheet Exposure

(a) Contingent liabilities, commitments and derivatives

The following is a summary of the contractual amount of each significant class of contingent liabilities, commitments and derivatives of the Group outstanding at the end of the reporting period:

Group

	2010				
	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	249,122	249,122	29,633	–	–
Transaction-related contingencies	7,278	3,639	2,800	–	–
Trade-related contingencies	108,931	21,785	16,055	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	9,356	9,356	1,871	–	–
	374,687	283,902	50,359	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	579,220	14,888	47	10,145	5,435
Interest rate swaps	200,000	–	–	22	–
	779,220	14,888	47	10,167	5,435
Other commitments with original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	261,004	130,502	130,502	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	4,166,068	–	–	–	–
	5,580,979	429,292	180,908	10,167	5,435
Capital commitment contracted for, but not provided in the financial statements	7,160				

38. Off-Balance Sheet Exposure (Continued)

(a) Contingent liabilities, commitments and derivatives (Continued)

Group

	2009				
	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	256,225	256,225	50,611	–	–
Transaction-related contingencies	2,653	1,327	197	–	–
Trade-related contingencies	100,655	20,131	16,203	–	–
Forward forward deposits placed	186,651	186,651	37,330	–	–
Forward asset purchases	21,570	21,570	4,314	–	–
	567,754	485,904	108,655	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	1,542,301	25,920	59	11,657	1,668
Interest rate swaps	–	–	–	–	–
	1,542,301	25,920	59	11,657	1,668
Other commitments with original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	185,230	92,615	92,615	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,677,481	–	–	–	–
	4,972,766	604,439	201,329	11,657	1,668
Capital commitment contracted for, but not provided for in the financial statements	6,723				

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 31 December 2010 and 2009, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

38. 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 used for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the consolidated 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 risk. 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.

39. Related Party Transactions

During the year, 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.

		Group	
		2010	2009
	Notes	HK$'000	HK$'000
Related party transactions included in the consolidated income statement:			
Interest income from the ultimate holding company	(a)	1,311	20,818
Rental income from the ultimate holding company	(b)	20	711
Management fees from the ultimate holding company	(c)	–	241
Interest paid and payable to fellow subsidiaries, an affiliated company and the ultimate holding company	(d)&(j)	11,344	31,062
Key management personnel compensation:	(e)		
– short-term employee benefits		7,213	6,464
– post-employment benefits		384	356
		7,597	6,820
Interest income received from key management personnel	(f)	9	6
Interest expense paid to key management personnel	(g)	47	2
Commission fee income from key management personnel	(h)	17	35
Post-employment benefits for employees other than key management personnel	(i)	16,212	15,177
Related party transactions included in the consolidated statement of financial position:			
Cash and short term funds with the ultimate holding company	(a)	13,070	736,218
Bank placements with the ultimate holding company	(a)	–	620,408
Interest receivable from the ultimate holding company	(a)	–	541
Deposits from the ultimate holding company, fellow subsidiaries and an affiliated company	(d)	697,065	828,258
Bank loan from a fellow subsidiary	(j)	700,000	700,000
Interest payable to fellow subsidiaries, an affiliated company and the ultimate holding company	(d)&(j)	521	251
Loans to key management personnel	(f)	634	696
Deposits from key management personnel	(g)	4,610	18,421

39. Related Party Transactions (Continued)

Notes:

(a) The Group placed deposits with Public Bank, the ultimate holding company, at prevailing market rates. Interest income was received/receivable by the Group for the year from Public Bank in respect of the placements which was included in cash and short term placements in the consolidated statement of financial position.

(b) Rental income was derived from property rented to Public Bank as its office under a lease arrangement which was extended from 1 January 2010 to 17 January 2010 charged pro-rata on the monthly rental of HK$35,775.

(c) Management fees arose from administrative services provided by the Group to the ultimate holding company, Public Bank. They were charged based on the cost incurred by the Group during 2009.

(d) Fixed deposits were also accepted from PB Trust (L) Ltd ("PB Trust"), Public Bank and an affiliated company in the ordinary course of business by Public Bank (Hong Kong). Interest was paid/payable to PB Trust, Public Bank and the affiliated company by Public Bank (Hong Kong) in respect of the placements. Balances of the said fixed deposits accepted from PB Trust, Public Bank and the affiliated company and interest payable were included in customer deposits, deposits from banks and financial institutions and other liabilities, respectively, in the consolidated statement of financial position. Interest was also paid/payable to Public Bank (L) Ltd for the year for a loan granted to the Group and interest payable was included in other liabilities in the consolidated statement of financial position.

(e) Further details of the post-employment benefits and directors' remuneration are included in notes 7 and 9 to the financial statements, respectively.

(f) The balance represented a mortgage loan granted to a director of Public Finance and a tax loan and credit card receivables due from directors of Public Bank (Hong Kong). Interest income was received in respect of the mortgage loan and tax loan.

(g) During the year, fixed deposits and deposits to savings accounts were accepted from directors of Public Bank (Hong Kong). Interests were paid to the directors.

(h) Commission income was received from the key management personnel of the Group for securities dealings through the Group companies.

(i) The Group's post-employment benefit plan for the benefits of employees was detailed in note 7 to the financial statements.

(j) During the year, a bank loan was borrowed from Public Bank (L) Ltd, a fellow subsidiary. Interest was paid/payable to Public Bank (L) Ltd for the year by the Group and interest payable was included in other liabilities in the consolidated statement of financial position.

In addition, certain banking facilities of the Group are supported by letters of comfort issued by the ultimate holding company.

40. 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.

Group

	2010			2009		
	Carrying value HK$'000	Fair value HK$'000	Unrecognised loss HK$'000	Carrying value HK$'000	Fair value HK$'000	Unrecognised loss HK$'000
Financial assets						
Cash and short term placements	6,021,365	6,021,365	–	5,605,620	5,605,620	–
Placements with banks and financial institutions	723,715	723,715	–	868,483	868,483	–
Derivative financial instruments	10,167	10,167	–	11,657	11,657	–
Loans and advances and receivables	26,817,872	26,817,872	–	24,444,780	24,444,780	–
Available-for-sale financial assets	6,804	6,804	–	6,804	6,804	–
Held-to-maturity investments	2,709,776	2,708,954	(822)	4,216,634	4,214,088	(2,546)
Other assets	263,731	263,731	–	434,062	434,062	–
Financial liabilities						
Deposits and balances of banks and other financial institutions at amortised cost	680,382	680,382	–	1,024,628	1,024,628	–
Derivative financial instruments	5,435	5,435	–	1,668	1,668	–
Customer deposits at amortised cost	29,670,825	29,670,825	–	29,364,238	29,364,238	–
Certificates of deposit issued at amortised cost	200,000	200,000	–	–	–	–
Unsecured bank loans at amortised cost	3,038,991	3,038,991	–	2,178,679	2,178,679	–
Other liabilities	428,909	428,909	–	804,606	804,606	–
Total unrecognised loss			(822)			(2,546)

(a) Assets and liabilities for which fair value approximates to carrying value

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:

Liquid or/and very short term and variable rate financial instruments

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 to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

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 the remaining term to maturity. The estimated fair values of fixed interest-bearing deposits are 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.

40. Fair Value of Financial Instruments (Continued)

(b) Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2010			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets:				
Derivative financial instruments	**–**	**10,167**	**–**	**10,167**
Available-for-sale financial assets	**–**	**–**	**6,804**	**6,804**
	–	**10,167**	**6,804**	**16,971**
Financial liabilities:				
Derivative financial instruments	**–**	**5,435**	**–**	**5,435**

	2009			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Derivative financial instruments	–	11,657	–	11,657
Available-for-sale financial assets	–	–	6,804	6,804
	–	11,657	6,804	18,461
Financial liabilities:				
Derivative financial instruments	–	1,668	–	1,668

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

There were no issues and settlements related to the Level 3 financial instruments. Lehman Brothers Minibonds were purchased during 2009, and they were fully impaired as at 31 December 2009.

There was no gain or loss and nil comprehensive income reported in consolidated income statement and consolidated statement of comprehensive income respectively related to the Level 3 financial instruments for the year ended 31 December 2010.

There was a loss of HK$42,962,000 and nil comprehensive income reported in consolidated income statement and consolidated statement of comprehensive income respectively related to the Level 3 financial instruments for the year ended 31 December 2009.

40. Fair Value of Financial Instruments (Continued)

(b) Determination of fair value and fair value hierarchy (Continued)

For fair value measurements in Level 3, changing one or more of the inputs to reasonably possible alternative assumptions would not change fair value significantly.

There were no financial assets and financial liabilities that offset against each other at 31 December 2010 and 2009.

41. Maturity Analysis of Financial Assets and Financial Liabilities

The tables below show an analysis of financial assets and financial liabilities analysed by principal according to the period that they are expected to be recovered or settled. The Group's contractual undiscounted repayment obligations are shown in the section "Liquidity Risk Management" in note 42 to the consolidated financial statements.

Group

	2010							
	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	684,703	5,336,662	–	–	–	–	–	6,021,365
Placements with banks and financial institutions	–	–	527,254	196,461	–	–	–	723,715
Loans and advances and receivables	606,792	1,643,747	790,748	2,814,346	8,365,811	12,598,319	202,983	27,022,746
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	1,720,179	839,863	147,375	2,359	–	–	2,709,776
Other assets	447	212,516	396	649	10	–	49,713	263,731
Foreign exchange contracts (gross)	–	573,001	6,219	–	–	–	–	579,220
Net interest rate swaps	–	–	22	–	–	–	–	22
Total financial assets	1,291,942	9,486,105	2,164,502	3,158,831	8,368,180	12,598,319	259,500	37,327,379
Financial liabilities :								
Deposits and balances of banks and other financial institutions at amortised cost	199,250	291,132	115,000	75,000	–	–	–	680,382
Customer deposits at amortised cost	6,551,816	11,278,914	9,274,125	2,427,200	138,770	–	–	29,670,825
Certificates of deposit issued at amortised cost	–	–	200,000	–	–	–	–	200,000
Unsecured bank loans at amortised cost	80,000	–	–	1,498,939	1,460,052	–	–	3,038,991
Other liabilities	1,607	227,165	14,733	9,759	6,747	–	168,898	428,909
Foreign exchange contracts (gross)	–	568,229	6,281	–	–	–	–	574,510
Total financial liabilities	6,832,673	12,365,440	9,610,139	4,010,898	1,605,569	–	168,898	34,593,617

41. Maturity Analysis of Financial Assets and Financial Liabilities (Continued)

Group

	2009							
	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	726,251	4,879,369	–	–	–	–	–	5,605,620
Placements with banks and financial institutions	–	–	779,485	88,998	–	–	–	868,483
Loans and advances and receivables	963,795	1,560,843	1,115,379	2,920,641	7,076,453	10,736,956	341,363	24,715,430
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	2,859,338	903,823	411,646	41,827	–	–	4,216,634
Other assets	12	385,687	749	276	162	–	47,176	434,062
Foreign exchange contracts (gross)	–	949,956	592,345	–	–	–	–	1,542,301
Total financial assets	1,690,058	10,635,193	3,391,781	3,421,561	7,118,442	10,736,956	395,343	37,389,334
Financial liabilities :								
Deposits and balances of banks and other financial institutions at amortised cost	273,574	364,312	345,383	41,359	–	–	–	1,024,628
Customer deposits at amortised cost	7,289,672	10,726,313	8,109,281	3,234,638	4,334	–	–	29,364,238
Certificates of deposit issued at amortised cost	–	–	–	–	–	–	–	–
Unsecured bank loans at amortised cost	–	–	–	700,000	1,478,679	–	–	2,178,679
Other liabilities	47	656,481	14,939	13,195	534	–	119,410	804,606
Foreign exchange contracts (gross)	–	946,802	585,510	–	–	–	–	1,532,312
Total financial liabilities	7,563,293	12,693,908	9,055,113	3,989,192	1,483,547	–	119,410	34,904,463

42. 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. The Group's accounting policies in relation to derivatives are set out in note 2.5 to the financial statements.

42. Financial Risk Management Objectives and Policies (Continued)

Risk management

The Group has established systems, policies and procedures for the control and monitoring of interest rate, foreign currency price, credit, liquidity, capital, market 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, Assets and Liabilities Management Committee, Operational Risk Management Committee and other designated committees or working groups. Material risks are identified and assessed 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 introduction of new products or services or implementation of new business activities. 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 Assets and Liabilities Management Committees of Public Bank (Hong Kong) and Public Finance against limits approved by the respective boards of directors.

Interest rate risk exposures in the banking book:
The relevant interest rate risk arises from repricing risk and basis risk.

Repricing risk is one of the sources of interest rate risk which arises from timing differences in interest rate changes and cash flows that occur in the repricing and maturity of fixed and floating rate assets, liabilities and off-balance sheet financial instruments. Should the interest rate increase/decrease by 200 basis points and the positive net interest gap be HK$1,337 million (2009: HK$668 million) up to 12 months, profit before tax would increase/decrease by HK$35 million or 0.57% of equity (2009: HK$35 million or 0.60% of equity). Profit before tax would increase/decrease by HK$37 million or 0.62% of equity (2009: HK$30 million or 0.51% of equity) for the next 12 months after the reporting date.

Based on the positive net interest gap of HK$3,086 million (2009: HK$2,745 million) up to five years, the economic value would increase positively by HK$56 million (2009: HK$61 million).

Basis risk is one of the sources of interest rate risk which arises from the difference in the changes of interest rates earned and paid on different financial instruments with similar repricing characteristics. The Group adopts two stress-testing scenarios for the sensitivity analysis:

(i) Interest rates on managed-rate assets would decrease by 200 basis points whilst interest rates on other interest-bearing assets and interest-bearing liabilities would be kept unchanged. Based on this scenario assumption, profit before tax would decrease by HK$270 million or 4.45% of equity (2009: HK$278 million or 4.77% of equity). Profit before tax would decrease by HK$238 million or 3.92% of equity (2009: HK$300 million or 5.14% of equity) for the next 12 months after the reporting date.

(ii) Interest rates on interest-bearing assets and liabilities, except for interest rates on fixed rate assets and managed-rate assets would increase by 200 basis points. Based on this scenario assumption, profit before tax would decrease by HK$430 million or 7.09% of equity (2009: HK$408 million or 6.99% of equity). Profit before tax would decrease by HK$389 million or 6.42% of equity (2009: HK$480 million or 8.23% of equity) for the next 12 months after the reporting date.

42. Financial Risk Management Objectives and Policies (Continued)

Market risk management (Continued)

(a) Interest rate risk (Continued)

The carrying amounts, or notional amounts if applicable, of financial instruments exposed to interest rate risk based on the earlier of maturity dates and contractual repricing as at 31 December 2010 and 2009 are detailed as follows:

Group

	2010							
	1 year or less HK$'000	Over 1 year but not more than 2 years HK$'000	Over 2 years but not more than 3 years HK$'000	Over 3 years but not more than 4 years HK$'000	Over 4 years but not more than 5 years HK$'000	Over 5 years HK$'000	Non-interest-bearing HK$'000	Total HK$'000
Assets:								
Fixed rate financial assets								
Cash and short term placements	5,336,662	–	–	–	–	–	684,703	6,021,365
Placements with banks and financial institutions	723,715	–	–	–	–	–	–	723,715
Derivative financial instruments	–	–	–	–	–	–	10,167	10,167
Loans and advances and receivables	2,295,405	1,082,033	571,325	193,241	39,707	36,474	135,449	4,353,634
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	2,659,962	–	2,359	–	–	–	–	2,662,321
Interest rate swap (notional amount)	200,000	–	–	–	–	–	–	200,000
	11,215,744	1,082,033	573,684	193,241	39,707	36,474	837,123	13,978,006
Floating rate financial assets								
Loans and advances and receivables	22,564,871	–	–	–	–	–	104,241	22,669,112
Held-to-maturity investments	47,455	–	–	–	–	–	–	47,455
	22,612,326	–	–	–	–	–	104,241	22,716,567
Less:								
Liabilities:								
Fixed rate financial liabilities								
Deposits and balances of banks and other financial institutions at amortised cost	561,132	–	–	–	–	–	119,250	680,382
Certificate of deposit issued at amortised cost	200,000	–	–	–	–	–	–	200,000
Derivative financial instruments	–	–	–	–	–	–	5,435	5,435
Customer deposits at amortised cost	22,879,752	136,372	2,204	–	195	–	–	23,018,523
	23,640,884	136,372	2,204	–	195	–	124,685	23,904,340
Floating rate financial liabilities								
Customer deposits at amortised cost	5,611,651	–	–	–	–	–	1,040,651	6,652,302
Unsecured bank loans at amortised cost	3,038,991	–	–	–	–	–	–	3,038,991
Interest rate swap (notional amount)	200,000	–	–	–	–	–	–	200,000
	8,850,642	–	–	–	–	–	1,040,651	9,891,293
Total interest sensitivity gap	1,336,544	945,661	571,480	193,241	39,512	36,474	(223,972)	2,898,940

42. Financial Risk Management Objectives and Policies (Continued)

Market risk management (Continued)

(a) Interest rate risk (Continued)

Group

	2009							
	1 year or less HK$'000	Over 1 year but not more than 2 years HK$'000	Over 2 years but not more than 3 years HK$'000	Over 3 years but not more than 4 years HK$'000	Over 4 years but not more than 5 years HK$'000	Over 5 years HK$'000	Non-interest-bearing HK$'000	Total HK$'000
Assets:								
Fixed rate financial assets								
Cash and short term placements	4,879,369	–	–	–	–	–	726,251	5,605,620
Placements with banks and financial institutions	868,483	–	–	–	–	–	–	868,483
Derivative financial instruments	–	–	–	–	–	–	11,657	11,657
Loans and advances and receivables	2,508,866	1,193,211	616,437	224,562	46,985	107,810	242,785	4,940,656
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	4,094,190	–	–	–	–	–	–	4,094,190
	12,350,908	1,193,211	616,437	224,562	46,985	107,810	987,497	15,527,410
Floating rate financial assets								
Loans and advances and receivables	19,774,334	–	–	–	–	–	440	19,774,774
Held-to-maturity investments	122,444	–	–	–	–	–	–	122,444
	19,896,778	–	–	–	–	–	440	19,897,218
Less:								
Liabilities:								
Fixed rate financial liabilities								
Deposits and balances of banks and other financial institutions at amortised cost	751,054	–	–	–	–	–	273,574	1,024,628
Derivative financial instruments	–	–	–	–	–	–	1,668	1,668
Customer deposits at amortised cost	21,913,785	3,678	244	409	–	–	–	21,918,116
	22,664,839	3,678	244	409	–	–	275,242	22,944,412
Floating rate financial liabilities								
Customer deposits at amortised cost	6,736,280	–	–	–	–	–	709,842	7,446,122
Unsecured bank loans at amortised cost	2,178,679	–	–	–	–	–	–	2,178,679
	8,914,959	–	–	–	–	–	709,842	9,624,801
Total interest sensitivity gap	667,888	1,189,533	616,193	224,153	46,985	107,810	2,853	2,855,415

42. Financial Risk Management Objectives and Policies (Continued)

Market risk management (Continued)

(a) Interest rate risk (Continued)

The table below summarises the effective average interest rates as at 31 December for monetary financial instruments:

	Group	
	2010	2009
	Rate	Rate
	(%)	(%)
Assets		
Cash and short term placements	**0.55**	0.27
Placements with banks and financial institutions	**1.25**	0.56
Loans and advances and receivables (including trade bills)	**5.31**	5.65
Held-to-maturity investments	**1.99**	1.94
Liabilities		
Deposits and balances of banks and other financial institutions at amortised cost	**0.48**	1.32
Customer deposits at amortised cost	**1.01**	0.63
Certificates of deposit issued at amortised cost	**0.73**	–
Unsecured bank loans at amortised cost	**1.30**	1.45

(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 the directors. The Group has no significant foreign currency risk as 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 years ended 31 December 2010 and 2009. Accordingly, no quantitative market risk disclosures for currency risk have been prepared.

(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 price risk principally by limits established for transactions and open positions. These limits are reviewed and approved by the directors and are monitored on a daily basis.

The Group does not actively trade in financial instruments and in the opinion of the directors, the 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.

42. Financial Risk Management Objectives and Policies (Continued)

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 is handled by an independent work-out team.

The Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and its capital resources. Its policy on connected lending defines and states connected parties, statutory and applicable connected lending limits, types of connected transactions, the taking of collateral, the 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 the use of 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 Group's Internal Audit Department to evaluate the effectiveness of the credit review, approval and monitoring processes and to ensure 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 guarantees) 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 the "special mention" grade for management oversight.

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 licences and cabs and securities.

The "Neither past due nor impaired loans and receivables" are shown in note 17.

Loans and advances and receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

42. Financial Risk Management Objectives and Policies (Continued)

Credit risk management (Continued)

Maximum credit exposures without taking into account the fair value of collateral are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Loans and advances and receivables	27,022,746	24,715,430
Credit related contingent liabilities	365,331	359,533
Loan commitment and other credit related commitments	4,427,072	3,070,932
Placements with banks and financial institutions	723,715	868,483
Short term placements (excluding cash in hand)	5,897,896	5,483,208
Held-to-maturity investments	2,709,776	4,216,634
Derivative financial instruments	10,167	11,657
Interest in a jointly-controlled entity	1,513	1,513

Concentrations of credit risk attributed to loans and advances managed by industry sector and geographical region are detailed in "Advances to customers by industry sector" of the Supplementary Information.

Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations. To manage liquidity risk, the Group has established a liquidity management policy which is reviewed by management and approved by the 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 Assets and Liabilities Management Committees of Public Bank (Hong Kong) and 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 their funding needs, and that internal liquidity trigger limits are complied with. Standby facilities are maintained to provide liquidity to meet unexpected, material cash outflows in the ordinary course of business.

42. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk management (Continued)

Maturity analysis of financial liabilities, based on the contractual undiscounted cash flows, is as follows:

Group

	2010							
	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
Forward assets purchase	–	9,356	–	–	–	–	–	9,356
Foreign currency contracts (gross)	–	568,229	6,281	–	–	–	–	574,510
Credit related contingent liabilities	80,653	35,790	49,201	193,683	6,004	–	–	365,331
Loan commitments and other credit related commitments	2,707,238	1,339,303	114,746	67,281	198,504	–	–	4,427,072
Customer deposits at amortised cost	6,553,492	11,296,724	9,308,584	2,450,310	146,789	–	–	29,755,899
Deposits and balances of banks and other financial institutions at amortised cost	199,252	291,397	115,212	75,115	–	–	–	680,976
Certificates of deposit issued at amortised cost	–	–	201,600	–	–	–	–	201,600
Unsecured bank loans at amortised cost	80,020	–	–	1,507,054	1,461,641	–	–	3,048,715
Other liabilities	–	213,851	–	–	–	–	168,898	382,749
	9,620,655	13,754,650	9,795,624	4,293,443	1,812,938	–	168,898	39,446,208

Group

	2009							
	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
Forward assets purchase	–	21,570	–	–	–	–	–	21,570
Foreign currency contracts (gross)	–	946,802	585,510	–	–	–	–	1,532,312
Credit related contingent liabilities	89,474	4,426	38,834	220,595	6,204	–	–	359,533
Loan commitments and other credit related commitments	2,513,980	291,260	53,110	152,282	60,300	–	–	3,070,932
Customer deposits at amortised cost	7,289,721	10,731,685	8,125,099	3,269,041	13,631	–	–	29,429,177
Deposits and balances of banks and other financial institutions at amortised cost	273,574	364,526	349,914	41,568	–	–	–	1,029,582
Certificates of deposit issued at amortised cost	–	–	–	–	–	–	–	–
Unsecured bank loans at amortised cost	–	–	–	700,512	1,502,333	–	–	2,202,845
Other liabilities	–	644,680	–	–	–	–	119,410	764,090
	10,166,749	13,004,949	9,152,467	4,383,998	1,582,468	–	119,410	38,410,041

42. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk management (Continued)

Following the adoption of HK-Int 5, some liabilities such as unsecured bank loans, are included in the bucket of "Repayable on demand", resulting in a larger amount in this time bucket. This arises when the lender has the right to demand repayment of a term loan at any time, and the management does not expect the lender to exercise its rights to demand repayment.

Operational risk management

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

The Group has an 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 factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their 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 the monitoring and control of operational risk.

Capital management

Capital of the Group for regulatory and risk management purposes includes share capital, share premium, reserves, retained profits, regulatory reserve and sub-ordinated debts, if any. Finance and Control Department is responsible for monitoring the amount of the 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.

More detailed quantitative disclosure of the capital adequacy ratio, core capital ratio and capital base is disclosed in the section "Capital Disclosures" of the Supplementary Information.

Capital adequacy and core capital ratios

	2010	2009
Group:		
Consolidated capital adequacy ratio	**11.9%**	11.9%
Consolidated core capital ratio	**11.0%**	11.0%
Public Bank (Hong Kong):		
Consolidated capital adequacy ratio	**18.8%**	19.1%
Consolidated core capital ratio	**17.7%**	18.0%

43. Comparative Amounts

As explained in note 2.3 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2009 has been presented.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 14 January 2011.

Supplementary Information (Unaudited)

Advances to Customers by Industry Sector

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

Group

	31 December 2010								
	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$'000	Loans and advances overdue for more than three months HK$'000
Loans for use in Hong Kong									
Manufacturing	206,444	161	1,270	1,368	3,398	154,224	74.7	1,270	1,270
Building & construction, property development and investment									
Property development	455,361	359	–	–	–	27,112	6.0	–	–
Property investment	6,647,512	5,231	–	–	–	5,533,717	83.2	–	–
Civil engineering works	105,189	82	–	–	–	22,380	21.3	–	–
Electricity and gas	–	–	–	–	–	–	–	–	–
Recreational activities	2,795	2	–	–	–	2,795	100.0	–	–
Information technology	50,391	40	–	–	–	1,469	2.9	–	–
Wholesale and retail trade	85,070	56	435	21	–	70,236	82.6	1,656	29
Transport and transport equipment	4,490,085	3,168	3,289	680	432	4,384,582	97.7	3,306	3,165
Hotels, boarding houses & catering	358,539	282	–	–	–	17,259	4.8	–	–
Financial concerns	251,789	198	–	–	–	219,689	87.3	–	–
Stockbrokers									
Margin lending	119,725	94	–	–	–	119,725	100.0	–	–
Others	20,972	17	–	–	–	972	4.6	–	–
Non-stockbroking companies & individuals for the purchase of shares									
Margin lending	41,276	33	–	–	–	8,366	20.3	–	–
Others	95,197	75	–	5,222	5,222	95,197	100.0	–	–
Professional & private individuals									
Loans for the purchase of flats covered by the guarantee issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme & Tenant Purchase Scheme	174,410	137	–	–	–	174,410	100.0	248	–
Loans for the purchase of other residential properties	7,249,571	5,459	–	–	153	7,174,568	99.0	–	–
Loans for credit card advances	15,713	12	15	606	637	–	–	15	4
Loans for other business purposes	351	–	–	–	–	351	100.0	–	–
Loans for other private purposes	3,872,952	13,088	91,669	456,764	410,446	187,791	4.8	136,033	94,735
Trade finance	403,383	318	14,374	8,645	223	283,571	70.3	32,286	32,286
Other loans and advances	101,688	80	–	8,963	43,166	93,927	92.4	–	–
Sub-total	24,748,413	28,892	111,052	482,269	463,677	18,572,341	75.0	174,814	131,489
Loans and advances for use outside Hong Kong	2,102,538	3,806	56,760	20,592	20,495	790,138	37.6	140,901	140,901
Total loans and advances (excluding trade bills)	26,850,951	32,698	167,812	502,861	484,172	19,362,479	72.1	315,715	272,390

Advances to Customers by Industry Sector (Continued)

Group

31 December 2009

	Gross loans and advances	Collective impairment allowances	Individual impairment allowances	New impairment allowances charged to income statement	Amount of impaired loans and advances written off	Collateral	Percentage of gross advances covered by collateral	Impaired loans and advances	Loans and advances overdue for more than three months
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	(%)	HK$'000	HK$'000
Loans for use in Hong Kong									
Manufacturing	679,618	826	41,755	43,683	38,455	317,442	46.7	79,403	64,628
Building & construction, property development and investment									
Property development	570,549	634	–	–	–	60,658	10.6	–	–
Property investment	5,446,731	6,045	–	–	–	4,547,101	83.5	907	–
Civil engineering works	112,441	124	–	–	–	30,456	27.1	–	–
Electricity and gas	27,765	31	–	–	–	–	–	–	–
Recreational activities	3,039	3	–	–	–	3,039	100.0	–	–
Information technology	2,992	3	–	–	–	2,505	83.7	–	–
Wholesale and retail trade	90,760	101	461	461	–	73,329	80.8	1,872	9
Transport and transport equipment	3,595,266	3,470	3,066	2,610	3,204	3,477,280	96.7	3,362	3,190
Hotels, boarding houses & catering	306,399	340	–	–	–	17,444	5.7	–	–
Financial concerns	453,249	503	–	–	–	387,419	85.5	–	–
Stockbrokers									
Margin lending	87,019	97	–	–	–	33,235	38.2	–	–
Others	56,771	63	–	–	–	1,316	2.3	–	–
Non-stockbroking companies & individuals for the purchase of shares									
Margin lending	49,015	54	–	–	–	11,666	23.8	–	–
Others	87,519	97	–	–	–	87,519	100.0	–	–
Professional & private individuals									
Loans for the purchase of flats covered by the guarantee issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme & Tenant Purchase Scheme	204,443	227	–	–	43	204,443	100.0	292	292
Loans for the purchase of other residential properties	6,656,486	7,241	413	258	258	6,631,499	99.6	2,696	1,497
Loans for credit card advances	18,110	20	91	760	690	–	–	91	45
Loans for other business purposes	409	–	–	–	–	409	100.0	–	–
Loans for other private purposes	4,207,486	84,671	46,065	524,324	461,988	547,290	13.0	183,652	105,713
Trade finance	537,736	597	9,960	12,754	29,532	455,373	84.7	107,460	29,054
Other loans and advances	109,933	122	–	24,443	3,006	103,984	94.6	–	–
Sub-total	23,303,736	105,269	101,811	609,293	537,176	16,993,407	72.9	379,735	204,428
Loans and advances for use outside Hong Kong	1,213,206	4,077	57,443	21,240	–	497,394	41.0	147,431	147,431
Total loans and advances (excluding trade bills)	24,516,942	109,346	159,254	630,533	537,176	17,490,801	71.3	527,166	351,859

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

Non-Bank Mainland Exposures

The following table illustrates the disclosure required to be made in respect of the Group's Mainland exposures to non-bank counterparties:

Group

	On-balance sheet exposure HK$'million	Off-balance sheet exposure HK$'million	Total exposure HK$'million	Individual impairment allowance HK$'million
As at 31 December 2010				
Mainland entities	**1,153**	**34**	**1,187**	**55**
Companies and individuals outside Mainland where the credit is granted for use in Mainland	**665**	**175**	**840**	**2**
Other counterparties to which the exposures are considered by the Group to be non-bank Mainland exposures	**–**	**–**	**–**	**–**
	1,818	**209**	**2,027**	**57**

Group

	On-balance sheet exposure HK$'million	Off-balance sheet exposure HK$'million	Total exposure HK$'million	Individual impairment allowance HK$'million
As at 31 December 2009				
Mainland entities	98	142	240	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	124	–	124	–
Other counterparties to which the exposures are considered by the Group to be non-bank Mainland exposures	741	–	741	38
	963	142	1,105	38

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 the table has been prepared in accordance with the guidelines issued by the HKMA.

Group

	Banks and other financial institutions HK$'million	Public sector entities HK$'million	Others HK$'million	Total HK$'million
As at 31 December 2010				
1. Asia Pacific excluding Hong Kong				
of which:	**3,605**	**53**	**397**	**4,055**
China	**940**	**53**	**83**	**1,076**
Japan	**793**	**–**	**26**	**819**
2. Western Europe of which:	**3,591**	**–**	**89**	**3,680**
France	**1,210**	**–**	**–**	**1,210**

Group

	Banks and other financial institutions HK$'million	Public sector entities HK$'million	Others HK$'million	Total HK$'million
As at 31 December 2009				
1. Asia Pacific excluding Hong Kong				
of which:	4,426	9	372	4,807
Malaysia	1,971	–	93	2,064
2. Western Europe of which:	4,526	–	135	4,661
France	1,181	–	–	1,181

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 follows:

Group

	Spot assets HK$'million	Spot liabilities HK$'million	Forward purchases HK$'million	Forward sales HK$'million	Net long/(short) position HK$'million	Structural assets HK$'million
As at 31 December 2010						
United States dollars	**2,913**	**3,033**	**250**	**119**	**11**	**–**
Renminbi	**222**	**225**	**–**	**–**	**(3)**	**590**
Others	**2,067**	**2,106**	**290**	**257**	**(6)**	**–**
	5,202	**5,364**	**540**	**376**	**2**	**590**

Group

	Spot assets HK$'million	Spot liabilities HK$'million	Forward purchases HK$'million	Forward sales HK$'million	Net long/(short) position HK$'million	Structural assets HK$'million
As at 31 December 2009						
United States dollars	4,105	3,579	511	1,028	9	–
Renminbi	143	133	–	–	10	227
Others	3,257	3,141	154	275	(5)	–
	7,505	6,853	665	1,303	14	227

Liquidity Ratios

	2010	2009
Average liquidity ratio for the year:		
Public Bank (Hong Kong)	**43.5%**	48.0%
Public Finance	**115.9%**	111.5%

The average liquidity ratios above are computed on a solo basis using the arithmetic mean of each calendar month's average liquidity ratio as reported in the return relating to liquidity position submitted by the Group to the HKMA pursuant to Section 63 of the Banking Ordinance in respect of the annual reporting period.

Capital Disclosures

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

Group

	2010	2009
	HK$'000	HK$'000
Core capital:		
Paid up ordinary share capital	**109,792**	109,792
Share premium account	**4,013,296**	4,013,296
Published reserves	**1,223,933**	1,187,568
Consolidated Income statement	**177,442**	79,103
Deduct:		
Goodwill	**(2,774,403)**	(2,774,403)
Net deferred tax assets	**–**	–
Core capital before deductions	**2,750,060**	2,615,356
Less: Deductions from shareholdings in subsidiaries	**(33,749)**	(33,054)
Other deductions	**(40,253)**	(42,397)
Total core capital after deductions	**2,676,058**	2,539,905
Supplementary capital:		
Regulatory reserve	**273,610**	180,987
Collective impairment allowances	**32,876**	109,654
Supplementary capital before deductions	**306,486**	290,641
Less: Deductions from shareholdings in subsidiaries	**(33,749)**	(33,054)
Other deductions	**(40,253)**	(42,397)
Total supplementary capital after deductions	**232,484**	215,190
Capital base	**2,908,542**	2,755,095

Capital Disclosures (Continued)

The consolidated 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 consolidated capital adequacy ratio of the Group are Public Bank (Nominees) 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. Deductions from the capital base include investments in subsidiaries and other exposures.

Group	2010					
	Exposures*			Risk-weighted amounts		
Class of exposures	Rated# HK$'000	Unrated HK$'000	Total HK$'000	Rated HK$'000	Unrated HK$'000	Total HK$'000
On-balance sheet:						
Sovereign	1,290,889	–	1,290,889	–	–	–
Public sector entity	–	275,409	275,409	–	55,082	55,082
Bank	7,604,827	476,229	8,081,056	1,703,329	134,223	1,837,552
Securities firm	–	154,423	154,423	–	77,212	77,212
Corporate	500,079	5,827,187	6,327,266	500,079	5,827,187	6,327,266
Cash items	–	736,862	736,862	–	79,367	79,367
Regulatory retail	–	8,422,116	8,422,116	–	6,316,587	6,316,587
Residential mortgage	–	9,802,049	9,802,049	–	4,585,036	4,585,036
Past due exposures	–	154,412	154,412	–	226,730	226,730
Other non-past due exposures	–	2,012,690	2,012,690	–	2,012,691	2,012,691
Off-balance sheet:						
OTC derivative transactions						
– foreign exchange contracts	–	480,047	480,047	–	47	47
Other off-balance sheet items	–	5,001,759	5,001,759	–	180,861	180,861
	9,395,795	33,343,183	42,738,978	2,203,408	19,495,023	21,698,431

Capital Disclosures (Continued)

Group

	2009					
	Exposures*			Risk-weighted amounts		
Class of exposures	Rated# HK$'000	Unrated HK$'000	Total HK$'000	Rated HK$'000	Unrated HK$'000	Total HK$'000
On-balance sheet:						
Sovereign	773,342	–	773,342	–	–	–
Public sector entity	–	336,416	336,416	–	67,283	67,283
Bank	9,881,660	–	9,881,660	2,307,857	–	2,307,857
Securities firm	–	142,608	142,608	–	71,304	71,304
Corporate	450,000	5,589,531	6,039,531	450,000	5,589,531	6,039,531
Cash items	–	798,027	798,027	–	61,998	61,998
Regulatory retail	–	7,559,839	7,559,839	–	5,669,880	5,669,880
Residential mortgage	–	8,796,448	8,796,448	–	4,022,952	4,022,952
Past due exposures	–	281,395	281,395	–	414,278	414,278
Other non-past due exposures	–	1,896,111	1,896,111	–	1,896,111	1,896,111
Off-balance sheet:						
OTC derivative transactions						
– foreign exchange contracts	–	1,438,553	1,438,553	–	59	59
Other off-balance sheet items	–	3,680,465	3,680,465	–	201,270	201,270
	11,105,002	30,519,393	41,624,395	2,757,857	17,994,666	20,752,523

The Group did not enter into OTC derivative transactions other than foreign exchange contracts and interest rate swaps and futures with counterparties during 2010 and 2009. The credit exposures attributed to these transactions are considered insignificant.

* Principal amount or credit equivalent amount, net of individual impairment allowance before and after credit risk mitigation.

\# Exposures are rated by the Group's ECAI ("External Credit Assessment Institutions"), Moody's, with ECAI issue-specific ratings or with ECAI inferred ratings. Risk weights are determined based on ECAI ratings pursuant to the Banking (Capital) Rules.

Capital Disclosures (Continued)

Group

	2010	
	Risk-weighted exposures HK$'000	Capital requirements/ charge HK$'000
Credit risk	**21,698,431**	**1,735,875**
Market risk – foreign exchange exposures	**587,600**	**47,008**
Operational risk	**2,232,838**	**178,627**
Deduction	**(48,714)**	**–**
	24,470,155	**1,961,510**

Group

	2009	
	Risk-weighted exposures HK$'000	Capital requirements/ charge HK$'000
Credit risk	20,752,523	1,660,202
Market risk – foreign exchange exposures	238,250	19,060
Operational risk	2,260,488	180,839
Deduction	(85,394)	–
	23,165,867	1,860,101

The Group has adopted a standardised approach for the calculation of credit risk-weighted exposures and the market risk-weighted exposures. The Group has adopted a basic indicator approach and a standardised approach for the calculation of operational risk-weighted exposures of Public Bank (Hong Kong) and Public Finance, respectively, for the years ended 31 December 2010 and 2009.

For internal monitoring purpose, calculation of capital requirements/charge for credit risk weighted exposure was disclosed based on 100% of such exposure of 31 December 2009. In current year, the Group has revisited their internal monitoring procedures and believed the adoption of 8% in the calculation of capital requirements/charges better reflected the Group's exposure to various risks and provided a more consistent approach in calculation with reference to standardised approach under the Banking (Capital) Rules. Accordingly, comparative amounts of relevant disclosure were re-stated to conform with the current year's presentation.

List of Properties

List of properties owned by the Group as at 31 December 2010

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2010 (HK$'000)
Shop 7, Ground Floor Mei Hang Building 15/17, 21/25, 29/33, 37/41 & 45 Kai Man Path Tuen Mun New Territories Hong Kong	A shop unit on the ground floor of a 5-storey composite building	Public Finance's Tuen Mun Branch	Leasehold 149 Years	37 Years (30-6-2047)	37 Years	84	30-6-1980	1,346
Shop A, Ground Floor Kong Kai Building 184 Aberdeen Main Road Aberdeen Hong Kong	A shop unit on the ground floor of a 22-storey residential building built on a 2-storey commercial podium	Public Finance's Aberdeen Branch	Leasehold 999 Years	849 Years (26-12-2859)	21 Years	68	9-3-1990	3,856
Ground Floor Yue Yee Mansion 92 Shung Ling Street San Po Kong Kowloon Hong Kong	Ground floor of a 7-storey Chinese tenement building	Public Bank (Hong Kong)'s San Po Kong Branch	Leasehold 149 Years	37 Years (30-6-2047)	46 Years	94	9-6-1990	2,260
Flat F, 29th Floor Pine Mansion Harbour View Gardens 26 Taikoo Wan Road Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 30-storey residential building	Staff quarters for the Group	Leasehold 999 Years	889 Years (18-4-2899)	27 Years	91	3-10-1990 (R)	8,670
Units 1003-1005 10th Floor Fortress Tower 250 King's Road North Point Hong Kong	3 office units on the 10th floor of a 20-storey office building built on a 4-storey commercial podium	Public Finance's IT Centre	Leasehold 150 Years	116 Years (26-8-2126)	27 Years	293	18-3-1992	7,788
Apartment A 14th Floor, Tower II Regent on The Park 9A Kennedy Road Wanchai Hong Kong	A residential unit on the 14th floor of a 34-storey residential building	Staff quarters for the Group	Leasehold 150 Years	120 Years (19-10-2130)	25 Years	253	5-3-1993	8,947
Ground Floor & Open Yard Golden Dragon Mansion 751 Nathan Road Mongkok Kowloon Hong Kong	Ground floor of a 14-storey composite building	Public Bank (Hong Kong)'s Prince Edward Branch	Leasehold 150 Years	69 Years (18-8-2079)	40 Years	130	24-5-1993	13,042
11th Floor Wing On House 71 Des Voeux Road Central Central Hong Kong	11th floor of a 31-storey office building built on a 2-storey podium	The Group's office	Leasehold 999 Years	892 Years (14-8-2902)	43 Years	1,464	11-6-1993	89,078

List of Properties

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2010 (HK$'000)
Shop B, Ground Floor and Office B 1st to 17th Floors JCG Building 16 Mongkok Road Mongkok Kowloon Hong Kong	A shop unit on the ground floor and all B units on the 1st to 17th floors of an 18-storey commercial building with shops and offices	Public Bank (Hong Kong)'s and Public Finance's Mongkok Branch; the Group's Storeroom; office space leased to third parties	Leasehold 150 Years	40 Years (27-5-2050)	23 Years	2,215	30-6-1994 (R)	104,563
Flat F, 24th Floor Ngan Sing Mansion Sing Fai Terrace 1 Tai Fung Avenue Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 26-storey residential building built on a podium	Staff quarters for Winton	Leasehold 999 Years	889 Years (18-4-2899)	26 Years	76	1-8-1995	4,528
Ground Floor Ruby Commercial Building 480 Nathan Road Yau Ma Tei Kowloon Hong Kong	Ground floor of a 16-storey commercial building	Public Finance's Nathan Road Branch	Leasehold 150 Years	57 Years (22-10-2067)	28 Years	110	14-1-2000	10,221
Shop Nos. 51 to 53 1st Floor Harbour Crystal Centre 100 Granville Road Tsimshatsui Kowloon Hong Kong	3 commercial units on the 1st floor of a 16-storey commercial building	Public Finance's Tsimshatsui Branch	Leasehold 150 Years	118 Years (10-12-2128)	28 Years	131	1-11-2000	2,372
Ground Floor Section B Lot No. 3704 DD120 Yuen Long New Territories Hong Kong	Ground floor of a 5-storey composite building	Public Finance's Yuen Long Branch	Leasehold 149 Years	37 Years (30-6-2047)	53 Years	102	23-4-2001	13,707
Unit A, Ground Floor Wing On House 71 Des Voeux Road Central Central Hong Kong	Ground floor of a 31-storey office building built on a 2-storey podium	Public Bank (Hong Kong)'s Central Branch	Leasehold 999 Years	892 Years (14-8-2902)	43 Years	113	15-10-2003	52,745
Workshops A, B and C Ground Floor and Flat E, 9th Floor Hung Cheong Factory Building 742-748 Cheung Sha Wan Road 3 Kwong Cheung Street Cheung Sha Wan Kowloon Hong Kong	3 workshop units on the ground floor and a unit on the 9th floor of a 12-storey industrial building	A portion of workshops on the ground floor is leased to third parties and another portion and whole flat E at 9th floor being occupied by the Group as office	Leasehold 149 Years	37 Years (27-6-2047)	45 Years	Workshops A, B and C 682 Flat E 68	24-7-1992 (R)	20,983
Workshops E1 and F1 10th Floor Hang Fung Industrial Building Phase 1 2G Hok Yuen Street Hunghom Kowloon Hong Kong	2 workshops on the 10th floor of a 13-storey industrial building	Occupied by the Group as storerooms	Leasehold 150 Years	37 Years (15-9-2047)	31 Years	962	24-7-1992	1,403

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2010 (HK$'000)
11th Floor Argyle Centre, Phase 1 688 Nathan Road 65 Argyle Street Mongkok Kowloon Hong Kong	Office space on the 11th floor of a 21-storey commercial building	The Group's office; office space leased to third parties	Leasehold 150 Years	50 Years (18-5-2060)	28 Years	1,465	2-5-1994 (R)	135,466
4th Floor 581 Nathan Road Mongkok Kowloon Hong Kong	4th floor of a 7-storey composite building with shops and residential flats	Leased to third parties	Leasehold 150 Years	27 Years (25-12-2037)	41 Years	55	14-6-1984	1,348
Unit 3, 5th Floor Telford House 16 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	An office unit on the 5th floor of a 23-storey commercial building	Leased to third parties	Leasehold 149 Years	37 Years (30-6-2047)	16 Years	90	30-5-2006** (R)	6,404
Shop 3C, 1st Floor Telford House 16 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	A shop unit on the 1st floor of a 23-storey commercial building	Leased to third parties	Leasehold 149 Years	37 Years (30-6-2047)	16 Years	47	30-5-2006** (R)	15,645
Ground Floor 17 South Wall Road and the whole block of 19 South Wall Road Kowloon Hong Kong	A shop unit on the ground floor of a 5-storey tenement block and the whole block of a 5-storey tenement block	Public Bank (Hong Kong)'s Kowloon City Branch on ground floor; and another portion as Public Bank (Hong Kong)'s staff quarters	Leasehold 149 Years	37 Years (30-6-2047)	33 Years	432	30-5-2006**	17,242
Shop 5, Ground Floor Fu Ho Building 3-7 Kau Yuk Road Yuen Long New Territories Hong Kong	A shop unit on the ground floor of a 14-storey composite building	Public Bank (Hong Kong)'s Yuen Long Branch	Leasehold 149 Years	37 Years (30-6-2047)	31 Years	82	30-5-2006**	11,084
Shop B, Ground Floor Victory Court 185-187 Castle Peak Road Tsuen Wan New Territories Hong Kong	A shop unit on the ground floor of a 14-storey composite building	Public Bank (Hong Kong)'s Tsuen Wan Branch	Leasehold 149 Years	37 Years (30-6-2047)	30 Years	149	30-5-2006**	11,876
Units 801, 808-812 Metroplaza, Tower 2 223 Hing Fong Road Kwai Fong New Territories Hong Kong	6 office units on level 8 of a 35-storey office building on a 9-storey commercial carpark podium	Public Bank (Hong Kong)'s Backup office, Personal Loan Centre and Direct Sales office	Leasehold 149 Years	37 Years (30-6-2047)	18 Years	527	30-5-2006**	20,497
Units 1-5, 24th Floor Luen Cheong Can Centre Tuen Mun New Territories Hong Kong	5 industrial units on the 24th floor of a 26-storey industrial building	Public Bank (Hong Kong)'s warehouse	Leasehold 149 Years	37 Years (30-6-2047)	18 Years	1,053	30-5-2006**	2,287

List of Properties

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2010 (HK$'000)
Basement, Ground Floor, 1st-12th Floors, Flats A & B on 14th Floor, 17th Floor, Flat A on 19th Floor, 21st Floor and Main Roof Public Bank Centre 120 Des Voeux Road Central Central Hong Kong	A shop unit on the ground floor and basement and office floors of a 23-storey commercial building	Public Bank (Hong Kong)'s Main Branch and branch office	Leasehold 999 Years	832 Years (26-6-2842)	33 Years	5,451	30-5-2006**	247,554
Units 40-41, Ground Floor Hung Hom Commercial Centre 37-39 Ma Tau Wai Road Kowloon Hong Kong	2 shop units on the ground floor of a 14-storey commercial building	Public Bank (Hong Kong)'s Hung Hom Branch	Leasehold 149 Years	37 Years (15-9-2047)	28 Years	184	30-5-2006**	14,083
Shop B1, Ground Floor Hong Kong Plaza 369-375 Des Voeux Road West Hong Kong	A shop unit on the ground floor of a 42-storey commercial building	Public Bank (Hong Kong)'s Shek Tong Tsui Branch	Leasehold 150 Years (for Lot No. 289) Leasehold 999 Years (for Lot No. 302)	44 Years (27-12-2054) 892 Years (3-9-2902)	27 Years	180	30-5-2006**	13,309
Shop 1, Ground Floor Carrianna Friendship Square Renminnan Road Shenzhen PRC	A shop unit on the ground floor of a 33-storey composite building	Public Bank (Hong Kong)'s Shenzhen Branch	Leasehold 50 Years	31 Years (17-12-2041)	13 Years	168	30-5-2006**	24,866
Shops Nos. 4, 5A, 5B, 6A and 6B on Level 1 of Shatin New Town, Nos.1-15 Wang Pok Street Shatin New Territories Hong Kong	5 shops on level 1 of a commercial podium under eight blocks of 22-storey residential buildings	Public Bank (Hong Kong) and Public Finance's Shatin Branch	Leasehold 149 Years	37 Years (30-6-2047)	27 Years	203	1-12-2008	44,322

Notes:

(R) Revaluation was performed as at 31 December 2010.

** The acquisition date for those properties vested over from Public Bank (Hong Kong) is 30 May 2006.

The Group holds the land portion of all the properties above by means of leases, in the Hong Kong SAR.