大眾金融控股有限公司

PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) Stock Code: 626

EXCELLENCE
IS OUR COMMITMENT

INTERIM REPORT 2015

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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
Quah Poh Keat
Dato' Chang Kat Kiam
Chong Yam Kiang

Independent Non-Executive Directors
Lai Wan (Co-Chairman)
Lee Chin Guan
Tang Wing Chew

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

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120 Des Voeux Road Central
Central, Hong Kong
Telephone : (852) 2541 9222
Facsimile : (852) 2815 9232
Website : www.publicfinancial.com.hk

Share Listing

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

Principal Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185

Auditors

Ernst & Young
Certified Public Accountants

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Interest income	6	**847,426**	804,963
Interest expense	6	**(194,483)**	(187,160)
NET INTEREST INCOME		**652,943**	617,803
Other operating income	7	**118,855**	105,773
OPERATING INCOME		**771,798**	723,576
Operating expenses	8	**(398,061)**	(379,176)
Changes in fair value of investment properties		**14,017**	4,034
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		**387,754**	348,434
Impairment allowances for loans and advances and receivables	9	**(126,481)**	(119,286)
PROFIT BEFORE TAX		**261,273**	229,148
Tax	10	**(42,448)**	(42,698)
PROFIT FOR THE PERIOD		**218,825**	186,450
ATTRIBUTABLE TO:			
Owners of the Company		**218,825**	186,450
EARNINGS PER SHARE (HK$)	12		
Basic		**0.199**	0.170
Diluted		**0.199**	0.170

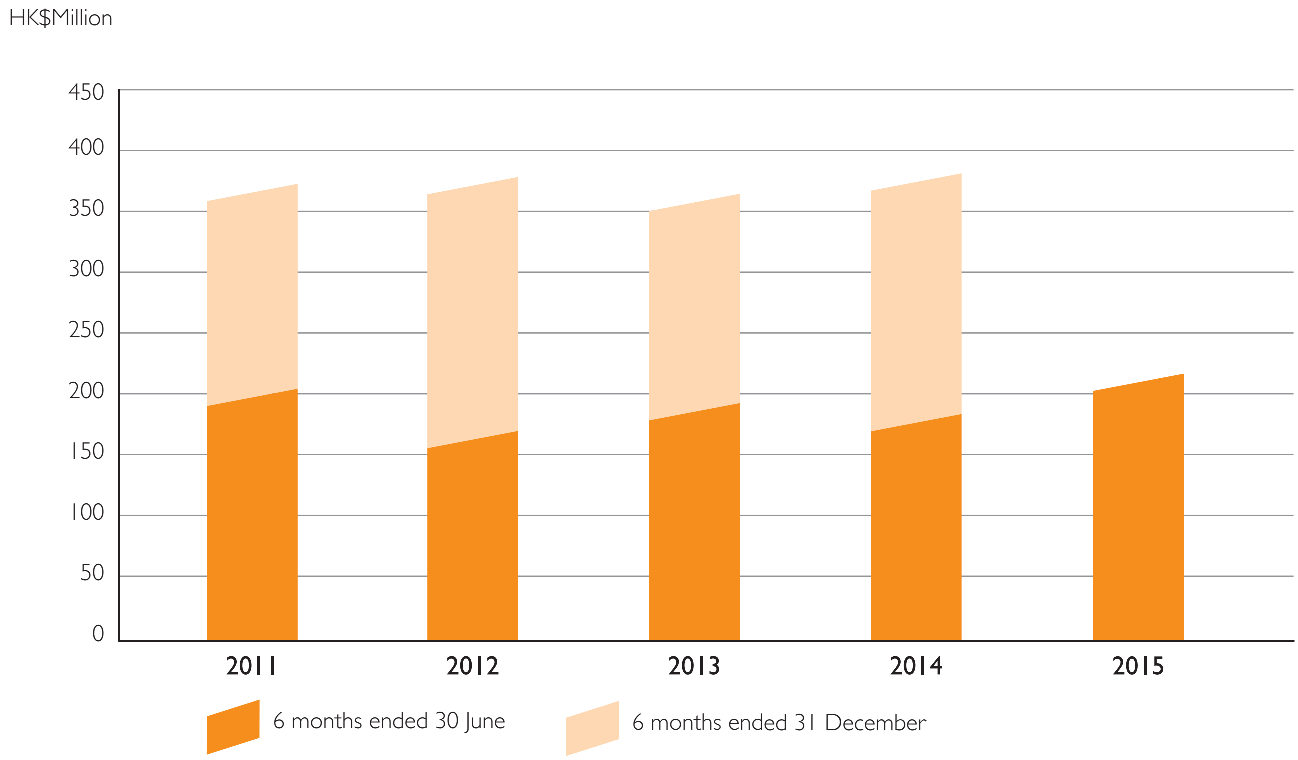
Details of interim dividends paid/payable are disclosed in note 11 to the interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

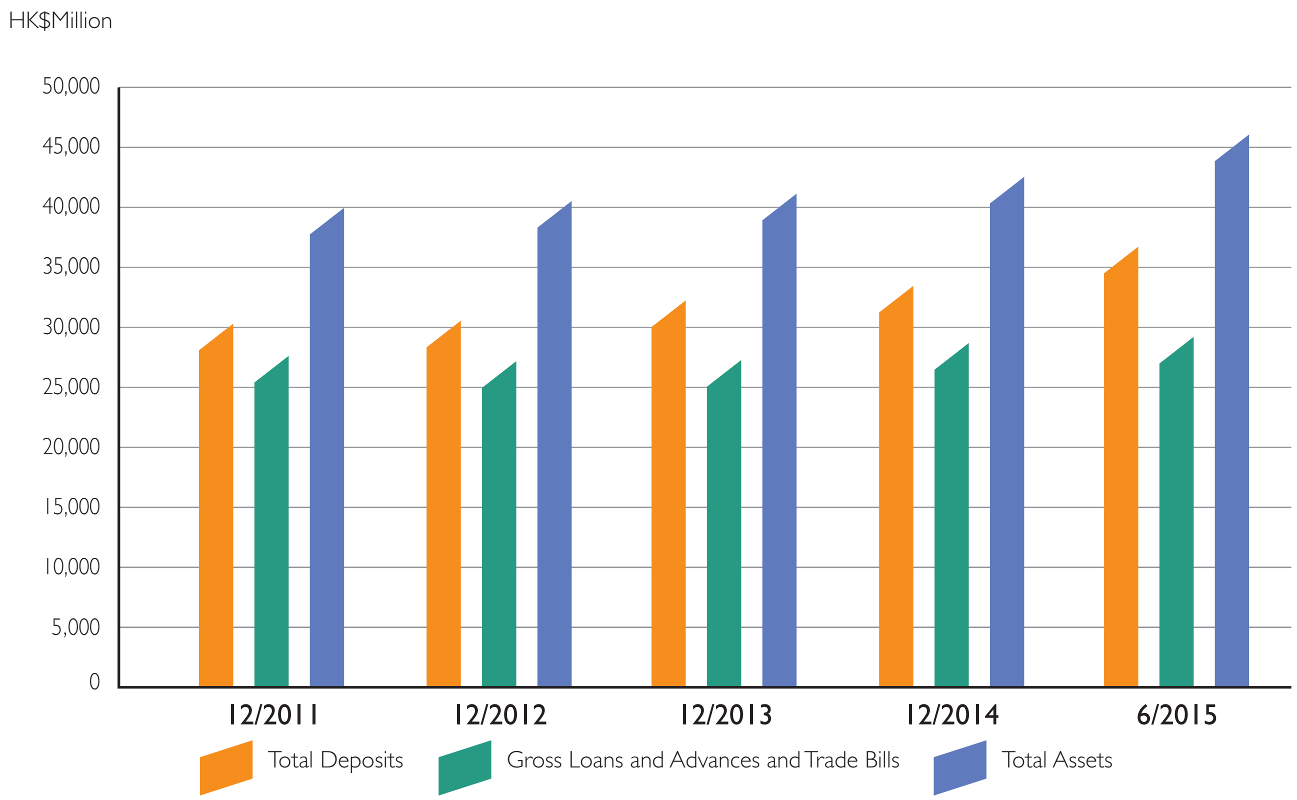
	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**218,825**	186,450
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange loss on translating foreign operations, net of tax	**(170)**	(15,454)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**218,655**	170,996
ATTRIBUTABLE TO:		
Owners of the Company	**218,655**	170,996

Five-year Financial Summary

PROFIT



FINANCIAL POSITION



Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2015 (Unaudited) HK$'000**	31 December 2014 (Audited) HK$'000
ASSETS			
Cash and short term placements	13	**5,558,694**	3,982,174
Placements with banks and financial institutions maturing after one month but not more than twelve months	14	**1,840,318**	927,219
Derivative financial instruments		**1,791**	2,170
Loans and advances and receivables	15	**29,335,273**	28,700,433
Available-for-sale financial assets	16	**6,804**	6,804
Held-to-maturity investments	17	**5,331,865**	4,951,708
Investment properties	18	**270,730**	256,713
Property and equipment	19	**108,455**	110,311
Land held under finance leases	20	**647,069**	650,914
Interest in a joint venture		**1,693**	1,693
Deferred tax assets		**25,600**	26,078
Tax recoverable		**70**	133
Goodwill		**2,774,403**	2,774,403
Intangible assets	21	**718**	718
Other assets	22	**208,179**	157,674
TOTAL ASSETS		**46,111,662**	42,549,145
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		**515,619**	515,066
Derivative financial instruments		**7,654**	5,994
Customer deposits at amortised cost	23	**35,043,774**	31,583,813
Certificates of deposit issued at amortised cost		**1,197,479**	1,363,494
Dividends payable		**54,896**	120,771
Unsecured bank loans at amortised cost	24	**1,615,400**	1,603,269
Current tax payable		**48,028**	22,644
Deferred tax liabilities		**25,068**	25,068
Other liabilities	22	**516,793**	385,834
TOTAL LIABILITIES		**39,024,711**	35,625,953
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**109,792**	109,792
Reserves	25	**6,977,159**	6,813,400
TOTAL EQUITY		**7,086,951**	6,923,192
TOTAL EQUITY AND LIABILITIES		**46,111,662**	42,549,145

Condensed Consolidated Statement of Changes in Equity

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
TOTAL EQUITY		
Balance at the beginning of the period	**6,923,192**	6,731,048
Profit for the period	**218,825**	186,450
Other comprehensive income in translation reserve	**(170)**	(15,454)
Total comprehensive income for the period	**218,655**	170,996
Dividends declared on shares	**(54,896)**	(54,896)
Balance at the end of the period	**7,086,951**	6,847,148

Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**261,273**	229,148
Adjustments for:			
Dividend income from listed investments	7	**(28)**	(17)
Dividend income from unlisted investments	7	**(800)**	(800)
Depreciation of property and equipment and land held under finance leases	8	**13,443**	14,218
Net losses on disposal of property and equipment		**20**	86
Decrease in impairment allowances for loans and advances and receivables		**(285)**	(28,278)
Increase in fair value of investment properties		**(14,017)**	(4,034)
Exchange differences		**(192)**	(14,932)
Profits tax paid		**(16,523)**	(28,085)
Operating profit before changes in operating assets and liabilities		**242,891**	167,306
Increase in operating assets:			
Increase in placements with banks and financial institutions		**(638,725)**	(276,051)
Increase in loans and advances and receivables		**(634,533)**	(442,828)
Increase in held-to-maturity investments		**(758,938)**	(123,092)
Increase in other assets		**(50,505)**	(3,916)
Decrease/(increase) in derivative financial instruments		**379**	(1,532)
Decrease in inventories of taxi licences		**–**	2,676
		(2,082,322)	(844,743)
Increase/(decrease) in operating liabilities:			
Increase/(decrease) in deposits and balances of banks and other financial institutions at amortised cost		**553**	(16,910)
Increase in customer deposits at amortised cost		**3,459,961**	557,831
Decrease in certificates of deposit issued at amortised cost		**(166,015)**	(549,063)
Increase in derivative financial instruments		**1,660**	177
Increase/(decrease) in other liabilities		**130,959**	(18,171)
		3,427,118	(26,136)
Net cash inflow/(outflow) from operating activities		**1,587,687**	(703,573)

Condensed Consolidated Statement of Cash Flows

	Note	For the six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**1,587,687**	(703,573)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exchange differences		**3**	(31)
Purchases of property and equipment	19	**(7,790)**	(8,267)
Sales proceeds from disposal of property and equipment		**25**	–
Dividends received from listed investments		**28**	17
Dividends received from unlisted investments		**800**	800
Net cash outflow from investing activities		**(6,934)**	(7,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
New unsecured bank loan		**50,000**	–
Repayment of unsecured bank loans		**(37,869)**	(6,483)
Dividends paid on shares		**(120,771)**	(120,771)
Net cash outflow from financing activities		**(108,640)**	(127,254)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,472,113**	(838,308)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**4,616,087**	5,329,103
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**6,088,200**	4,490,795
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand		**1,090,176**	913,291
Money at call and short notice with an original maturity within three months		**4,468,518**	2,796,494
Placements with banks and financial institutions with an original maturity within three months		**438,423**	422,064
Held-to-maturity investments with an original maturity within three months		**91,083**	358,946
		6,088,200	4,490,795

Notes to Interim Financial Statements

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and in compliance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They also contain certain disclosure information required under the Banking (Disclosure) Rules ("BDR") issued by the Hong Kong Monetary Authority (the "HKMA").

The interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the 2014 Annual Report of Public Financial Holdings Limited (the "Company") and its subsidiaries (the "Group").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's 2014 Annual Report, except for the changes in accounting policies as set out in note 4 below.

2. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries for the period ended 30 June 2015. The interim financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries consolidated for accounting purpose are Public Bank (Hong Kong) Limited ("Public Bank (Hong Kong)"), Public Finance Limited ("Public Finance"), Winton (B.V.I.) Limited and their subsidiaries, and a joint venture.

Notes to Interim Financial Statements

3. BASIS OF CAPITAL DISCLOSURES

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

Should the Group have not complied with the 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 total capital 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 reporting purpose.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Company's consolidation group except that liquidity, capital and other performance indicators of Public Financial Securities Limited and Public 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, based on a percentage of gross loans and advances, is set aside as a non-distributable regulatory reserve as part of Common Equity Tier 1 ("CET1") capital and is included in the capital base pursuant to the HKMA capital requirements.

The Group has adopted the provisions of the Banking (Amendment) Ordinance 2012 relating to the Basel III capital standards and the amended Banking (Capital) Rules (the "Capital Rules"). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the minimum capital ratio requirements are progressively increased from 1 January 2013 to 1 January 2019, and include a phased introduction of a new capital conservation buffer of 2.5%. Furthermore, the leverage ratio that forms part of Basel III implementation is under parallel run until January 2017 and relevant information has been submitted by Public Bank (Hong Kong) and Public Finance for regulatory monitoring since 2014. Additional capital requirements, including a new countercyclical capital buffer ranging from 0% to 2.5%, will be implemented from 1 January 2016.

4. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are generally effective for accounting periods beginning on or after 1 January 2015. The Group has adopted the following revised standards and new interpretation issued up to 30 June 2015 which are pertinent to its operations and relevant to these interim financial statements.

- Annual Improvements 2010-2012 Cycle — Amendments to a number of HKFRSs[1]
- Annual Improvements 2011-2013 Cycle — Amendments to a number of HKFRSs[1]
- Amendments to HKAS 19 — *Defined Benefit Plans: Employee Contributions*[1]

[1] Effective for annual periods beginning on or after 1 July 2014

The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. The Group adopted the amendments from 1 January 2015. None of the amendments has a significant financial impact on the Group. Details of the amendments are as follows:

Notes to Interim Financial Statements

4. ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The Group has applied the aggregation criteria in HKFRS 8.12. The Group has disclosed the judgements made by management in applying the aggregation criteria and presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 5 to these interim financial statements.

HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies that an asset revaluation can be performed in one of the following ways:

(i) adjusting the gross carrying amount of the asset to market value; or
(ii) determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

In addition, it clarifies that the accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount of the asset. The amendment does not have any material impact on the Group.

HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments do not have any material impact on the Group.

The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. The Group adopted the amendments from 1 January 2015. None of the amendments have a significant financial impact on the Group. Details of the amendments are as follows:

HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment does not have any material impact on the Group.

HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment was applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment does not have any material impact on the Group.

HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment does not have any material impact on the Group.

The HKAS 19 Amendments apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments do not have any material impact on the Group.

In addition, the Group has early adopted the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current reporting period. The amendments do not have any material impact on the interim financial statements.

4. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs

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

• HKFRS 9	*Financial Instruments*[3]
• Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
• Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
• Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
• HKFRS 14	*Regulatory Deferral Accounts*[4]
• HKFRS 15	*Revenue from Contracts with Customers*[2]
• Amendments to HKAS 1	*Disclosure Initiative*[1]
• Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
• Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
• Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
• Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

Amendments to HKFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments to HKFRS 10 also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Consequential amendments were made to HKFRS 12 to require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with HKFRS 9 to present the disclosures in respect of investment entities in accordance with HKFRS 12. HKAS 28 (2011) was also amended to allow an investor that is not itself an investment entity, and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interest in its subsidiaries. The amendments are not expected to have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Notes to Interim Financial Statements

4. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs (Continued)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structure approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from 1 January 2016.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

5. SEGMENT INFORMATION

Operating 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 the "Chief Operating Decision Maker" to make decisions about resources allocation to the segments and assess their performance. A summary of the operating segments is as follows:

- retail and commercial banking businesses 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;

- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and

- other businesses segment comprises taxi trading, leasing of taxis and letting of investment properties.

Notes to Interim Financial Statements

5. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

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

The following table represents revenue and profit information for operating segments for the six months ended 30 June 2015 and 2014.

	Retail and commercial banking businesses For the six months ended 30 June		Wealth management services, stockbroking and securities management For the six months ended 30 June		Other businesses For the six months ended 30 June		Eliminated on consolidation For the six months ended 30 June		Total For the six months ended 30 June	
	2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000
Segment revenue										
External:										
Net interest income	**652,936**	617,780	**7**	23	**–**	–	**–**	–	**652,943**	617,803
Other operating income:										
Fees and commission income	**74,072**	70,600	**28,893**	15,258	**356**	229	**–**	–	**103,321**	86,087
Others	**7,156**	7,607	**(56)**	(4)	**8,434**	12,083	**–**	–	**15,534**	19,686
Inter-segment transactions:										
Fees and commission income	**–**	–	**–**	–	**30**	69	**(30)**	(69)	**–**	–
Operating income	**734,164**	695,987	**28,844**	15,277	**8,820**	12,381	**(30)**	(69)	**771,798**	723,576
Profit before tax	**231,530**	215,904	**12,878**	1,827	**16,865**	11,417	**–**	–	**261,273**	229,148
Tax									**(42,448)**	(42,698)
Profit for the period									**218,825**	186,450
Other segment information										
Depreciation of property and equipment and land held under finance leases	**(13,443)**	(14,218)	**–**	–	**–**	–	**–**	–	**(13,443)**	(14,218)
Changes in fair value of investment properties	**–**	–	**–**	–	**14,017**	4,034	**–**	–	**14,017**	4,034
Impairment allowances for loans and advances and receivables	**(126,481)**	(119,286)	**–**	–	**–**	–	**–**	–	**(126,481)**	(119,286)
Net losses on disposal of property and equipment	**(20)**	(86)	**–**	–	**–**	–	**–**	–	**(20)**	(86)

Notes to Interim Financial Statements

5. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table represents certain assets and liabilities information regarding operating segments as at 30 June 2015 and 31 December 2014.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000	**30 June 2015 (Unaudited) HK$'000**	31 December 2014 (Audited) HK$'000	**30 June 2015 (Unaudited) HK$'000**	31 December 2014 (Audited) HK$'000	**30 June 2015 (Unaudited) HK$'000**	31 December 2014 (Audited) HK$'000	**30 June 2015 (Unaudited) HK$'000**	31 December 2014 (Audited) HK$'000
Segment assets other than intangible assets and goodwill	**42,616,596**	39,162,950	**420,734**	325,495	**271,848**	257,675	**–**	–	**43,309,178**	39,746,120
Intangible assets	**–**	–	**718**	718	**–**	–	**–**	–	**718**	718
Goodwill	**2,774,403**	2,774,403	**–**	–	**–**	–	**–**	–	**2,774,403**	2,774,403
Segment assets	**45,390,999**	41,937,353	**421,452**	326,213	**271,848**	257,675	**–**	–	**46,084,299**	42,521,241
Unallocated assets:										
Interest in a joint venture									**1,693**	1,693
Deferred tax assets and tax recoverable									**25,670**	26,211
Total assets									**46,111,662**	42,549,145
Segment liabilities	**38,663,575**	35,314,098	**225,335**	135,582	**7,809**	7,790	**–**	–	**38,896,719**	35,457,470
Unallocated liabilities:										
Deferred tax liabilities and tax payable									**73,096**	47,712
Dividends payable									**54,896**	120,771
Total liabilities									**39,024,711**	35,625,953
Other segment information										
Additions to non-current assets – capital expenditure	**7,790**	20,937	**–**	–	**–**	–	**–**	–	**7,790**	20,937

Notes to Interim Financial Statements

5. SEGMENT INFORMATION (Continued)

Geographical information

Geographical information is analysed by the Group based on the locations of the principal operations of the branches and subsidiaries which are responsible for reporting the results or booking the assets.

The following table represents segment revenue information for geographical segments for the six months ended 30 June 2015 and 2014.

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Segment revenue from external customers:		
Hong Kong	**731,455**	682,425
Mainland China	**40,343**	41,151
	771,798	723,576

Segment revenue is allocated to the reportable segments with reference to interest and fees and commission income generated by these segments.

The following table represents non-current assets information for geographical segments as at 30 June 2015 and 31 December 2014.

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Non-current assets:		
Hong Kong	**3,784,452**	3,775,818
Mainland China	**18,616**	18,934
	3,803,068	3,794,752

Non-current assets consist of investment properties, property and equipment, land held under finance leases, interest in a joint venture, goodwill and intangible assets.

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer, including a group of entities which are known to be under common control with that customer, amounts to less than 10% of the Group's total operating income or revenue.

Notes to Interim Financial Statements

6. INTEREST INCOME AND EXPENSE

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from:		
Loans and advances and receivables	**773,952**	734,119
Short term placements and placements with banks	**38,204**	40,594
Held-to-maturity investments	**35,270**	30,250
	847,426	804,963
Interest expense on:		
Deposits from banks and financial institutions	**2,066**	4,082
Deposits from customers	**176,716**	170,455
Bank loans	**15,701**	12,623
	194,483	187,160

Interest income and interest expense for the six months ended 30 June 2015, calculated using the effective interest method for financial assets and financial liabilities which are not designated at fair value through profit or loss, amounted to HK$847,426,000 and HK$194,483,000 (2014: HK$804,963,000 and HK$187,160,000) respectively. Interest income on the impaired loans and advances for the six months ended 30 June 2015 amounted to HK$2,794,000 (2014: HK$2,655,000).

Notes to Interim Financial Statements

7. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees and commission income:		
Retail and commercial banking	**75,078**	71,592
Wealth management services, stockbroking and securities management	**28,893**	15,258
	103,971	86,850
Less: Fees and commission expenses	**(650)**	(763)
Net fees and commission income	**103,321**	86,087
Gross rental income	**8,189**	7,727
Less: Direct operating expenses	**(41)**	(6)
Net rental income	**8,148**	7,721
Gains less losses arising from dealing in foreign currencies	**11,510**	4,538
Net (losses)/gains on derivative financial instruments	**(5,863)**	1,516
	5,647	6,054
Net losses on disposal of property and equipment	**(20)**	(86)
Dividend income from listed investments	**28**	17
Dividend income from unlisted investments	**800**	800
Others	**931**	5,180
	118,855	105,773

Direct operating expenses included repairs and maintenance expenses arising from investment properties.

There were no net gains or losses arising from available-for-sale financial assets, held-to-maturity investments, loans and advances and receivables, financial liabilities measured at amortised cost and financial liabilities designated at fair value through profit or loss for the six months ended 30 June 2015 and 2014.

All fees and commission income and expenses 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 expenses are related to trust and other fiduciary activities.

Notes to Interim Financial Statements

8. OPERATING EXPENSES

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Staff costs:		
Salaries and other staff costs	**239,171**	222,938
Pension contributions	**11,174**	10,433
Less: Forfeited contributions	**–**	(4)
Net contribution to retirement benefit schemes	**11,174**	10,429
	250,345	233,367
Other operating expenses:		
Operating lease rentals on leasehold buildings	**32,581**	31,699
Depreciation of property and equipment and land held under finance leases	**13,443**	14,218
Administrative and general expenses	**36,162**	35,168
Others	**65,530**	64,724
	398,061	379,176

At 30 June 2015 and 2014, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the period ended 30 June 2014 arose in respect of staff who left the schemes during the period.

Notes to Interim Financial Statements

9. IMPAIRMENT ALLOWANCES

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net charge for/(write-back of) impairment losses and allowances:		
– loans and advances	**125,803**	121,348
– trade bills, accrued interest and receivables	**678**	(2,062)
	126,481	119,286
Net charge for impairment losses and allowances:		
– individually assessed	**124,675**	117,095
– collectively assessed	**1,806**	2,191
	126,481	119,286
Of which:		
– new impairment losses and allowances (including any amount directly written off during the period)	**212,404**	218,725
– releases and recoveries	**(85,923)**	(99,439)
Net charge to the consolidated income statement	**126,481**	119,286

There were no impairment allowances for financial assets other than loans and advances and receivables for the six months ended 30 June 2015 and 2014.

10. TAX

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax charge:		
Hong Kong	**38,327**	31,376
Overseas	**6,145**	8,677
(Over-provision)/under-provision in prior periods	**(2,502)**	41
Deferred tax charge, net	**478**	2,604
	42,448	42,698

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes to Interim Financial Statements

10. TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company, its subsidiaries and a joint venture are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	For the six months ended 30 June 2015 (Unaudited)					
	Hong Kong HK$'000	**%**	**Mainland China HK$'000**	**%**	**Total HK$'000**	**%**
Profit before tax	**236,197**		**25,076**		**261,273**	
Tax at the applicable tax rate	**38,972**	**16.5**	**6,269**	**25.0**	**45,241**	**17.3**
Estimated tax losses from previous periods utilised	**(1)**	**–**	**–**	**–**	**(1)**	**–**
Estimated tax effect of net (income)/expenses that are not (taxable)/deductible	**(309)**	**(0.1)**	**19**	**0.1**	**(290)**	**(0.1)**
Adjustments in respect of current tax of previous periods	**(2,502)**	**(1.1)**	**–**	**–**	**(2,502)**	**(1.0)**
Tax charge at the Group's effective rate	**36,160**	**15.3**	**6,288**	**25.1**	**42,448**	**16.2**

	For the six months ended 30 June 2014 (Unaudited)					
	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	192,109		37,039		229,148	
Tax at the applicable tax rate	31,698	16.5	9,260	25.0	40,958	17.9
Estimated tax losses from previous periods utilised	(3)	–	–	–	(3)	–
Estimated tax effect of net expenses that are not deductible	1,702	0.9	–	–	1,702	0.7
Adjustments in respect of current tax of previous periods	41	–	–	–	41	–
Tax charge at the Group's effective rate	33,438	17.4	9,260	25.0	42,698	18.6

Notes to Interim Financial Statements

11. DIVIDENDS

(a) Dividends declared during the interim period

	For the six months ended 30 June			
	2015 (Unaudited) HK$ per ordinary share	2014 (Unaudited) HK$ per ordinary share	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000
Interim Dividend	**0.05**	0.05	**54,896**	54,896

(b) Dividends attributable to the previous financial year and paid during the interim period

	For the six months ended 30 June			
	2015 (Unaudited) HK$ per ordinary share	2014 (Unaudited) HK$ per ordinary share	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000
Second Interim Dividend	**0.11**	0.11	**120,771**	120,771

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK$218,825,000 (2014: HK$186,450,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2014: 1,097,917,618) during the period.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2015.

The share options outstanding during the period ended 30 June 2014 had no dilutive effect on the basic earnings per share for the period. The calculation of diluted earnings per share for the period ended 30 June 2014 was based on the profit for the period of HK$186,450,000 and on the weighted average number of ordinary shares of 1,097,917,618, being the weighted average number of ordinary shares in issue of 1,097,917,618 during the period as used in the basic earnings per share calculation.

Notes to Interim Financial Statements

13. CASH AND SHORT TERM PLACEMENTS

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Cash on hand	**144,920**	147,905
Placements with banks and financial institutions	**945,256**	656,507
Money at call and short notice	**4,468,518**	3,177,762
	5,558,694	3,982,174

Over 90% (2014: over 90%) of the placements were deposited with banks and financial institutions 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.

14. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING AFTER ONE MONTH BUT NOT MORE THAN TWELVE MONTHS

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Placements with banks and financial institutions	**1,840,318**	927,219

Over 90% (2014: over 90%) of the placements were deposited with banks and financial institutions 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.

Notes to Interim Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Loans and advances to customers	**29,297,961**	28,654,066
Trade bills	**34,146**	39,935
Loans and advances, and trade bills	**29,332,107**	28,694,001
Accrued interest	**76,993**	77,985
	29,409,100	28,771,986
Other receivables	**31,055**	33,636
Gross loans and advances and receivables	**29,440,155**	28,805,622
Less: Impairment allowances for loans and advances and receivables		
– individually assessed	**(84,060)**	(86,174)
– collectively assessed	**(20,822)**	(19,015)
	(104,882)	(105,189)
Loans and advances and receivables	**29,335,273**	28,700,433

Over 90% (2014: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (2014: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

Loans and advances and receivables are summarised as follows:

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Neither past due nor impaired loans and advances and receivables	**28,935,805**	28,292,991
Past due but not impaired loans and advances and receivables	**354,903**	374,435
Individually impaired loans and advances	**145,940**	135,944
Individually impaired receivables	**3,507**	2,252
Gross loans and advances and receivables	**29,440,155**	28,805,622

About 63% (2014: 65%) of "Neither past due nor impaired loans and advances and receivables" were residential property mortgage loans, commercial property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

Notes to Interim Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
	Gross amount HK$'000	**Percentage of total loans and advances %**	Gross amount HK$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	**66,413**	**0.23**	70,250	0.25
One year or less but over six months	**17,524**	**0.06**	8,190	0.03
Over one year	**13,158**	**0.04**	21,120	0.07
Loans and advances overdue for more than three months	**97,095**	**0.33**	99,560	0.35
Rescheduled loans and advances overdue for three months or less	**29,519**	**0.10**	31,338	0.11
Impaired loans and advances overdue for three months or less	**19,326**	**0.07**	5,046	0.01
Total overdue and impaired loans and advances	**145,940**	**0.50**	135,944	0.47

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**124**	115
One year or less but over six months	**1,287**	447
Over one year	**2,012**	1,655
Trade bills, accrued interest and other receivables overdue for more than three months	**3,423**	2,217
Impaired trade bills, accrued interest and other receivables overdue for three months or less	**84**	35
Total overdue and impaired trade bills, accrued interest and other receivables	**3,507**	2,252

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

Notes to Interim Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	**87,914**	**12,604**	**100,518**	89,587	12,190	101,777
Individual impairment allowances	**52,441**	**9,488**	**61,929**	57,855	5,545	63,400
Current market value and fair value of collateral			**38,143**			45,582
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	**136,803**	**12,644**	**149,447**	125,945	12,251	138,196
Individual impairment allowances	**74,533**	**9,527**	**84,060**	80,568	5,606	86,174
Current market value and fair value of collateral			**67,633**			47,988

Over 90% (2014: over 90%) of the gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**38,143**	45,582
Covered portion of overdue loans and advances	**8,152**	15,552
Uncovered portion of overdue loans and advances	**88,943**	84,008

The 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 governments with a grading of Aa3 or above

– Unrated public sector enterprises

– Banks with a grading of Baa2 or above

– Unrated corporations

– Individual shareholders and directors of corporate customers

(d) Repossessed assets

There was no repossessed asset of the Group as at 30 June 2015 (31 December 2014: HK$25,730,000).

Notes to Interim Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2015 (Unaudited) Gross amount HK$'000	30 June 2015 (Unaudited) Percentage of total loans and advances %	31 December 2014 (Audited) Gross amount HK$'000	31 December 2014 (Audited) Percentage of total loans and advances %
Loans and advances overdue for three months or less	**353,940**	**1.21**	373,622	1.30
Trade bills, accrued interest and other receivables overdue for three months or less	**963**		813	

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

	30 June 2015 (Unaudited) Individual impairment allowances HK$'000	Collective impairment allowances HK$'000	Total HK$'000
At 1 January 2015	**86,174**	**19,015**	**105,189**
Amounts written off	**(203,286)**	**–**	**(203,286)**
Impairment losses and allowances charged to the consolidated income statement	**206,875**	**5,529**	**212,404**
Impairment losses and allowances released to the consolidated income statement	**(82,200)**	**(3,723)**	**(85,923)**
Net charge of impairment losses and allowances	**124,675**	**1,806**	**126,481**
Loans and advances and receivables recovered	**76,476**	**–**	**76,476**
Exchange difference	**21**	**1**	**22**
At 30 June 2015	**84,060**	**20,822**	**104,882**
Deducted from:			
Loans and advances	**82,533**	**20,752**	**103,285**
Trade bills, accrued interest and other receivables	**1,527**	**70**	**1,597**
	84,060	**20,822**	**104,882**

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	31 December 2014 (Audited)		
	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000	Total HK$'000
At 1 January 2014	119,480	20,894	140,374
Amounts written off	(425,848)	–	(425,848)
Impairment losses and allowances charged to the consolidated income statement	407,268	1,344	408,612
Impairment losses and allowances released to the consolidated income statement	(181,150)	(3,206)	(184,356)
Net charge/(release) of impairment losses and allowances	226,118	(1,862)	224,256
Loans and advances and receivables recovered	166,937	–	166,937
Exchange difference	(513)	(17)	(530)
At 31 December 2014	86,174	19,015	105,189
Deducted from:			
Loans and advances	85,281	18,989	104,270
Trade bills, accrued interest and other receivables	893	26	919
	86,174	19,015	105,189

Notes to Interim Financial Statements

15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(g) Finance lease receivables

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

	30 June 2015 (Unaudited)	31 December 2014 (Audited)	**30 June 2015 (Unaudited)**	31 December 2014 (Audited)
	Minimum lease payments		**Present value of minimum lease payments**	
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under finance leases:				
Within one year	**349,874**	385,062	**266,516**	289,005
In the second to fifth years, inclusive	**996,274**	1,131,124	**733,614**	823,990
Over five years	**3,320,153**	3,912,312	**2,778,915**	3,269,129
	4,666,301	5,428,498	**3,779,045**	4,382,124
Less: Unearned finance income	**(887,256)**	(1,046,374)		
Present value of minimum lease payments receivable	**3,779,045**	4,382,124		

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

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Unlisted equity investments in corporate entity, at fair value:		
At the beginning and at the end of the period/year	**6,804**	6,804

The unlisted investments issued by corporate entity are measured at fair value based on the present value of cash flows over a period of 10 years.

Notes to Interim Financial Statements

17. HELD-TO-MATURITY INVESTMENTS

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Certificates of deposit held	**2,574,989**	2,361,458
Treasury bills and government bonds (including Exchange Fund Bills)	**1,825,339**	1,816,022
Other debt securities	**931,537**	774,228
	5,331,865	4,951,708
Listed or unlisted:		
– Listed in Hong Kong	**1,391,085**	1,155,047
– Listed outside Hong Kong	**61,694**	98,791
– Unlisted	**3,879,086**	3,697,870
	5,331,865	4,951,708
Analysed by type of issuers:		
– Central governments	**1,825,339**	1,816,022
– Banks and other financial institutions	**3,506,526**	3,135,686
	5,331,865	4,951,708

There were no impairment allowances made against held-to-maturity investments as at 30 June 2015 and 31 December 2014. There were no movements in impairment allowances for the period ended 30 June 2015 and for the year ended 31 December 2014.

There were neither impaired nor overdue held-to-maturity investments as at 30 June 2015 and 31 December 2014.

All exposures attributed to the held-to-maturity investments were rated with a grading of A3 or above based on the credit rating of an external credit agency, Moody's, as at 30 June 2015 and 31 December 2014.

Notes to Interim Financial Statements

18. INVESTMENT PROPERTIES

	HK$'000
At valuation:	
At 1 January 2014	251,843
Transfer to property and equipment	(654)
Transfer to land held under finance leases	(6,425)
Changes in fair value recognised in consolidated income statement	11,949
At 31 December 2014 and 1 January 2015 (Audited)	**256,713**
Changes in fair value recognised in consolidated income statement	**14,017**
At 30 June 2015 (Unaudited)	**270,730**

All investment properties were classified under Level 3 in the fair value hierarchy. During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (31 December 2014: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

At 30 June 2015, investment properties were revalued according to the revaluation reports issued by C S Surveyors Limited, a firm of independent professionally qualified valuers. Finance and Control Department has discussions with the valuer on the valuation methodology and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis. Below is a summary of the significant inputs to the valuation of investment properties:

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
	Range	**Weighted average**	Range	Weighted average
Price per square metre	**HK$25,000 to HK$489,000**	**HK$166,000**	HK$24,000 to HK$461,000	HK$156,000

A significant increase/decrease in the price per square metre would result in a significant increase/decrease in the fair value of the investment properties.

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 26(a) to the interim financial statements.

Notes to Interim Financial Statements

19. PROPERTY AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2014	71,950	203,946	1,998	277,894
Transfer from investment properties	654	–	–	654
Additions	–	20,937	–	20,937
Disposals/write-off	–	(3,358)	–	(3,358)
At 31 December 2014 and 1 January 2015 (Audited)	**72,604**	**221,525**	**1,998**	**296,127**
Additions	**–**	**7,790**	**–**	**7,790**
Disposals/write-off	**–**	**(9,017)**	**–**	**(9,017)**
At 30 June 2015 (Unaudited)	**72,604**	**220,298**	**1,998**	**294,900**
Accumulated depreciation:				
At 1 January 2014	18,987	147,339	1,848	168,174
Provided during the year	1,676	19,150	50	20,876
Exchange difference	(34)	–	–	(34)
Disposals/write-off	–	(3,200)	–	(3,200)
At 31 December 2014 and 1 January 2015 (Audited)	**20,629**	**163,289**	**1,898**	**185,816**
Provided during the period	**823**	**8,750**	**25**	**9,598**
Exchange difference	**3**	**–**	**–**	**3**
Disposals/write-off	**–**	**(8,972)**	**–**	**(8,972)**
At 30 June 2015 (Unaudited)	**21,455**	**163,067**	**1,923**	**186,445**
Net carrying amount:				
At 30 June 2015 (Unaudited)	**51,149**	**57,231**	**75**	**108,455**
At 31 December 2014 (Audited)	51,975	58,236	100	110,311

There were no impairment allowances made against the above items of property and equipment as at 30 June 2015 and 31 December 2014.

Notes to Interim Financial Statements

20. LAND HELD UNDER FINANCE LEASES

	HK$'000
Cost:	
At 1 January 2014	734,144
Transfer from investment properties	6,425
At 31 December 2014, 1 January 2015 (Audited) and 30 June 2015 (Unaudited)	**740,569**
Accumulated depreciation and impairment:	
At 1 January 2014	82,130
Depreciation provided during the year	7,525
At 31 December 2014 and 1 January 2015 (Audited)	**89,655**
Depreciation provided during the period	**3,845**
At 30 June 2015 (Unaudited)	**93,500**
Net carrying amount:	
At 30 June 2015 (Unaudited)	**647,069**
At 31 December 2014 (Audited)	650,914

Land leases are stated at the 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.

21. INTANGIBLE ASSETS

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Cost:		
At the beginning and at the end of the period/year	**1,085**	1,085
Accumulated impairment:		
At the beginning and at the end of the period/year	**367**	367
Net carrying amount:		
At the beginning and at the end of the period/year	**718**	718

Intangible assets represent trading rights held by the Group. The trading rights are retained for stock trading and stockbroking activities, and have indefinite useful lives as the trading rights have no expiry date. They comprise five units (2014: five units) of Stock Exchange Trading Right and one unit (2014: one unit) of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited.

Notes to Interim Financial Statements

22. OTHER ASSETS AND OTHER LIABILITIES

Other assets

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Interest receivables from authorised institutions	**15,100**	16,724
Other debtors, deposits and prepayments	**160,871**	107,757
Net amount of accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	**32,208**	33,193
	208,179	157,674

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

Other liabilities

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Interest payable	**103,354**	103,690
Creditors and accruals	**342,064**	263,011
Net amount of accounts payable to HKSCC	**71,375**	19,133
	516,793	385,834

23. CUSTOMER DEPOSITS AT AMORTISED COST

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Demand deposits and current accounts	**3,335,698**	3,006,999
Savings deposits	**5,106,185**	4,258,120
Time, call and notice deposits	**26,601,891**	24,318,694
	35,043,774	31,583,813

Notes to Interim Financial Statements

24. UNSECURED BANK LOANS AT AMORTISED COST

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Unsecured bank loans	**1,615,400**	1,603,269
Repayable:		
On demand or within a period not exceeding one year	**530,000**	520,000
Within a period of more than one year but not exceeding two years	**–**	–
Within a period of more than two years but not exceeding five years	**1,085,400**	1,083,269
	1,615,400	1,603,269

The unsecured bank loans were denominated in Hong Kong dollars. Carrying amounts of the unsecured bank loans bore interest at floating interest rates and at prevailing market rates.

25. RESERVES

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus 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 2014	4,013,296	829	96,116	45,765	410,145	1,970,373	84,732	6,621,256
Profit for the year	–	–	–	–	–	384,390	–	384,390
Other comprehensive income	–	–	–	–	–	–	(16,579)	(16,579)
Transfer from retained profits	–	–	–	–	28,791	(28,791)	–	–
Dividends for 2014	–	–	–	–	–	(175,667)	–	(175,667)
At 31 December 2014 and 1 January 2015 (Audited)	**4,013,296**	**829**	**96,116**	**45,765**	**438,936**	**2,150,305**	**68,153**	**6,813,400**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**218,825**	**–**	**218,825**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(170)**	**(170)**
Transfer of employee share-based compensation reserve upon the lapse or expiry of share options	**–**	**–**	**–**	**(45,765)**	**–**	**45,765**	**–**	**–**
Transfer from retained profits	**–**	**–**	**–**	**–**	**15,619**	**(15,619)**	**–**	**–**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(54,896)**	**–**	**(54,896)**
At 30 June 2015 (Unaudited)	**4,013,296**	**829**	**96,116**	**–**	**454,555**	**2,344,380**	**67,983**	**6,977,159**

Notes:

1. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It was held as a buffer of capital to absorb potential financial losses in excess of the accounting standards' requirements pursuant to HKMA's guideline.

2. The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or lapse.

26. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties in note 18 under operating lease arrangements, and the terms of the leases range from 1 to 5 years.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Within one year	**10,208**	7,923
In the second to fifth years, inclusive	**5,372**	3,673
	15,580	11,596

(b) As lessee

The Group has entered into non-cancellable operating lease arrangements with landlords, and the terms of the leases range from 1 to 5 years.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Within one year	**59,081**	53,338
In the second to fifth years, inclusive	**56,933**	40,415
	116,014	93,753

Notes to Interim Financial Statements

27. 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:

			30 June 2015 (Unaudited)		
	Contractual amount HK$'000	Credit equivalent amount HK$'000	Credit risk-weighted amount HK$'000	Positive fair value-assets HK$'000	Negative fair value-liabilities HK$'000
Direct credit substitutes	**209,516**	**209,516**	**83,108**	**–**	**–**
Transaction-related contingencies	**10,747**	**5,374**	**871**	**–**	**–**
Trade-related contingencies	**31,549**	**6,309**	**4,901**	**–**	**–**
Forward forward deposits placed	**231,844**	**231,844**	**46,369**	**–**	**–**
Forward asset purchases	**227**	**227**	**45**	**–**	**–**
	483,883	**453,270**	**135,294**	**–**	**–**
Derivatives held for trading:					
Foreign exchange rate contracts	**2,622,609**	**17,641**	**17**	**1,791**	**7,654**
Other commitments with an original maturity of:					
Not more than one year	**–**	**–**	**–**	**–**	**–**
More than one year	**6,667**	**3,333**	**3,333**	**–**	**–**
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	**4,017,748**	**–**	**–**	**–**	**–**
	7,130,907	**474,244**	**138,644**	**1,791**	**7,654**
Capital commitments contracted for, but not provided in the consolidated statement of financial position	**6,050**				

Notes to Interim Financial Statements

27. OFF-BALANCE SHEET EXPOSURE (Continued)

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

	31 December 2014 (Audited)				
	Contractual amount HK$'000	Credit equivalent amount HK$'000	Credit risk-weighted amount HK$'000	Positive fair value-assets HK$'000	Negative fair value-liabilities HK$'000
Direct credit substitutes	227,329	227,329	98,883	–	–
Transaction-related contingencies	14,923	7,462	2,734	–	–
Trade-related contingencies	39,393	7,878	7,661	–	–
Forward forward deposits placed	253,079	253,079	50,616	–	–
Forward asset purchases	513	513	103	–	–
	535,237	496,261	159,997	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	665,872	6,461	151	2,170	5,994
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	–	–	–	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	4,406,010	–	–	–	–
	5,607,119	502,722	160,148	2,170	5,994
Capital commitments contracted for, but not provided in the consolidated statement of financial position	6,032				

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 Capital Rules 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, commitments and derivatives.

At 30 June 2015 and 31 December 2014, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

Notes to Interim Financial Statements

27. OFF-BALANCE SHEET EXPOSURE (Continued)

(b) Derivative financial instruments

The Group uses the following derivative financial instruments:

Currency forwards represent commitments to purchase foreign and domestic currencies, including undelivered spot transactions. Foreign currency and interest rates 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 a 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 in 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 financial 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 the instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

28. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Related party transactions included in the consolidated income statement:		
Interest paid and payable to the ultimate holding company and fellow subsidiaries	**5,323**	6,865
Deposit interest and commitment fees paid to the ultimate holding company	**1,154**	3,238
Key management personnel compensation:		
– short term employee benefits	**3,644**	3,423
– post-employment benefits	**242**	227
Interest income received from key management personnel	**–**	1
Interest expense paid to key management personnel	**10**	13
Commission income from key management personnel	**22**	1

28. RELATED PARTY TRANSACTIONS (Continued)

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Related party transactions included in the consolidated statement of financial position:		
Cash and short term funds with the ultimate holding company	**1,107**	2,923
Deposits from the ultimate holding company, fellow subsidiaries and an affiliated company	**17,743**	1,195,051
Bank loans from the ultimate holding company and a fellow subsidiary	**530,000**	520,000
Interest payable to the ultimate holding company and a fellow subsidiary	**156**	372
Loans to key management personnel	**220**	92
Deposits from key management personnel	**1,757**	2,377
Interest payable to key management personnel	**1**	2

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial assets and financial liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values of financial instruments which are not carried at fair value in the interim financial statements.

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

Liquid or/and very short term and variable rate financial instruments include loans and advances and receivables, held-to-maturity investments, customer deposits, certificates of deposit issued and unsecured bank loans. As these financial instruments are liquid or having a short term maturity or at variable rate, the carrying amounts are reasonable approximations of their fair values. In the case of loans and unquoted debt securities, their fair values do not reflect changes in their credit quality as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances.

Fixed rate financial instruments

Fixed rate financial instruments include placements with banks and financial institutions, loans and advances and receivables, held-to-maturity investments, deposits from banks and other financial institutions, customer deposits and certificates of deposit issued. The fair values of these fixed rate financial instruments carried at amortised cost are based on prevailing money-market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

Notes to Interim Financial Statements

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and financial liabilities carried at fair value

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

	30 June 2015 (Unaudited)			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets:				
Derivative financial instruments	**–**	**1,791**	**–**	**1,791**
Available-for-sale financial assets	**–**	**–**	**6,804**	**6,804**
	–	**1,791**	**6,804**	**8,595**
Financial liabilities:				
Derivative financial instruments	**–**	**7,654**	**–**	**7,654**

	31 December 2014 (Audited)			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Derivative financial instruments	–	2,170	–	2,170
Available-for-sale financial assets	–	–	6,804	6,804
	–	2,170	6,804	8,974
Financial liabilities:				
Derivative financial instruments	–	5,994	–	5,994

Level 2 financial instruments comprise forward foreign exchange contracts and currency swaps. These instruments have been measured at fair value based on the forward foreign exchange rates that are quoted in an active market. At 30 June 2015, the effects of discounting were considered insignificant for the Level 2 financial instruments.

Level 3 financial instruments are measured at fair value based on the present value cash flows over a period of 10 years.

For financial instruments measured at fair value on a recurring basis, the Group determines whether transfer has occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Finance and Control Department performs the valuation of financial instruments required for financial reporting purposes, including Level 3 fair values, at the end of each reporting period. The impact due to changes in fair value of Level 3 financial instruments is insignificant to the Group.

For the period ended 30 June 2015 and the year ended 31 December 2014, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the period ended 30 June 2015 and the year ended 31 December 2014, there were no issues and settlements related to the Level 3 financial instruments.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and financial liabilities carried at fair value (Continued)

There was no gain or loss and no OCI reported in the consolidated income statement and consolidated statement of comprehensive income respectively related to the Level 3 financial instruments for the period ended 30 June 2015 and the year ended 31 December 2014.

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

30. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	30 June 2015 (Unaudited)							
	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Financial assets:								
Cash and short term placements	1,090,176	4,468,518	–	–	–	–	–	5,558,694
Placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	1,189,790	650,528	–	–	–	1,840,318
Loans and advances and receivables (gross)	1,017,065	1,932,232	1,740,660	3,384,099	6,270,925	14,979,070	116,104	29,440,155
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	761,864	725,810	2,770,332	1,073,859	–	–	5,331,865
Other assets	172	140,048	5,925	7,058	–	–	54,976	208,179
Foreign exchange contracts (gross)	–	2,086,286	303,341	232,982	–	–	–	2,622,609
Total financial assets	2,107,413	9,388,948	3,965,526	7,044,999	7,344,784	14,979,070	177,884	45,008,624
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	37,839	227,780	150,000	100,000	–	–	–	515,619
Customer deposits at amortised cost	8,460,579	11,317,894	9,904,588	5,112,017	248,696	–	–	35,043,774
Certificates of deposit issued at amortised cost	–	–	697,629	499,850	–	–	–	1,197,479
Unsecured bank loans at amortised cost	–	80,000	–	450,000	1,085,400	–	–	1,615,400
Other liabilities	834	221,091	34,396	38,342	10,788	–	211,342	516,793
Foreign exchange contracts (gross)	–	2,090,333	303,302	234,837	–	–	–	2,628,472
Total financial liabilities	8,499,252	13,937,098	11,089,915	6,435,046	1,344,884	–	211,342	41,517,537
Net liquidity gap	(6,391,839)	(4,548,150)	(7,124,389)	609,953	5,999,900	14,979,070	(33,458)	3,491,087

Notes to Interim Financial Statements

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

	31 December 2014 (Audited)							
	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Financial assets:								
Cash and short term placements	804,412	3,177,762	–	–	–	–	–	3,982,174
Placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	346,573	580,646	–	–	–	927,219
Loans and advances and receivables (gross)	645,578	1,653,590	1,578,812	3,506,179	6,437,815	14,874,930	108,718	28,805,622
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	633,829	478,357	2,785,486	1,054,036	–	–	4,951,708
Other assets	154	98,241	5,317	8,908	–	–	45,054	157,674
Foreign exchange contracts (gross)	–	661,182	4,690	–	–	–	–	665,872
Total financial assets	1,450,144	6,224,604	2,413,749	6,881,219	7,491,851	14,874,930	160,576	39,497,073
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	37,174	327,892	50,000	100,000	–	–	–	515,066
Customer deposits at amortised cost	7,270,348	10,117,654	10,969,078	2,724,462	502,271	–	–	31,583,813
Certificates of deposit issued at amortised cost	–	–	409,980	953,514	–	–	–	1,363,494
Unsecured bank loans at amortised cost	–	520,000	–	–	1,083,269	–	–	1,603,269
Other liabilities	239	132,574	32,443	34,310	12,723	–	173,545	385,834
Foreign exchange contracts (gross)	–	665,020	4,676	–	–	–	–	669,696
Total financial liabilities	7,307,761	11,763,140	11,466,177	3,812,286	1,598,263	–	173,545	36,121,172
Net liquidity gap	(5,857,617)	(5,538,536)	(9,052,428)	3,068,933	5,893,588	14,874,930	(12,969)	3,375,901

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from the Group's financial instruments are interest rate risk, market risk, credit risk, liquidity risk and operational risk. The respective Boards of Public Bank (Hong Kong) and Public Finance review and approve policies for managing each of these risks and they are summarised below.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk management

The Group's business activities comprise retail and commercial banking services. These activities expose the Group to a variety of financial risk, mainly interest rate risk, market risk, credit risk, liquidity risk and operational risk.

The Group's financial risk management is underpinned by the Group's risk appetite and is subject to the respective Boards' oversight, through the Risk Management Committees ("RMCs") of Public Bank (Hong Kong) and Public Finance, which are Board Committees overseeing the establishment of enterprise-wide risk management policies and processes. The RMCs are assisted by the specific risk oversight committees including the Assets and Liabilities Management Committee ("ALCO"), Operational Risk Management Committee ("ORMC"), Credit Committee, Credit Risk Management Committee, and Anti-Money Laundering and Counter-terrorist Financing and Compliance Committee or equivalent committees with similar functions of Public Bank (Hong Kong) and Public Finance.

The Group has established systems, policies and procedures for the control and monitoring of interest rate risk, market risk, credit risk, liquidity risk and operational risk, which are approved and endorsed by the respective Boards and reviewed regularly by the Group's management, 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 are 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 Public Bank (Hong Kong) and Public Finance also perform regular audits to ensure compliance with the policies and procedures.

Interest rate risk management

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

Market risk management

(a) 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 Board.

The Group has limited foreign currency risk as the Group's assets and liabilities are mainly denominated in Hong Kong dollars ("HKD"), United States dollars ("USD") and Australian dollars ("AUD"), except for net structural position of Renminbi ("RMB") denominated operating capital.

At 30 June 2015, if RMB had strengthened or weakened by 100 basis points against HKD with all other variables held constant, the Group's equity would have increased or decreased by HK$6 million (31 December 2014: HK$6 million) mainly as a result of foreign exchange impact arising from net structural position of RMB denominated operating capital.

Notes to Interim Financial Statements

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk management (Continued)

(b) Price risk

Price risk is the risk to the Group's earnings and capital due to changes in the prices of securities, including 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 Board and are monitored on a daily basis.

The Group did not actively trade in financial instruments and in the opinion of the Directors, the price risk related to trading activities to which the Group was exposed was not material. Accordingly, no quantitative market risk disclosures for price risk have been made.

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). Segregation of duties in key credit functions is in place to ensure separate credit control and monitoring. Management and recovery of problem credits are 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 exposures 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 connected lending exposures. In general, interest rates and other terms and conditions applying to connected lending should not be more favourable than those loans offered 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 Internal Audit Department to evaluate the effectiveness of the credit review, approval and monitoring processes and to ensure that the established credit policies and procedures are complied with.

Compliance Department conducts compliance test at selected business units on identified high risk areas for adherence to regulatory and operational requirements and credit policies.

Credit Committees of Public Bank (Hong Kong) and Public Finance monitor the quality of financial assets which are neither past due nor impaired by financial performance indicators (such as the loan-to-value ratio, debts servicing ratio, financial soundness of borrowers and personal guarantees) through meeting discussions, management information systems and reports. 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.

Credit Committees of Public Bank (Hong Kong) and Public Finance also monitor the quality of past due or impaired financial assets by internal grading comprising "substandard", "doubtful" and "loss" accounts through the same meeting discussions, management information systems and reports. Impaired financial assets include those subject to personal bankruptcy petitions, corporate winding-up and rescheduled arrangements.

Notes to Interim Financial Statements

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management (Continued)

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

The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

The "Neither past due nor impaired loans and advances and receivables" are shown in note 15 to the interim financial statements.

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

Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations. Major sources of liquidity risk of the Group are the early or unexpected withdrawals of deposits in cash outflow and the delay in cash inflow from loan repayments. To manage liquidity risk, the Group has established a liquidity risk management framework which incorporates liquidity risk related policies and procedures, risk related metrics and tools, risk related assumptions, and the manner of reporting significant matters. The major objectives of liquidity risk management framework are to identify, measure and control liquidity risk exposures with proper implementation of funding strategies and with reporting of significant risk related matters to management. Liquidity risk related policies are reviewed by senior management and dedicated committees, and significant changes in such policies are approved by the Boards of Public Bank (Hong Kong) and Public Finance or committees delegated by the respective Boards. The respective Boards are responsible for exercising management oversight over the liquidity risk management framework of the Group.

ALCOs of Public Bank (Hong Kong) and Public Finance monitor the liquidity position as part of the ongoing management of assets and liabilities, 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.

Treasury Department of Public Bank (Hong Kong) and a dedicated department of Public Finance are responsible for carrying out the strategies and policies approved by the dedicated committees and the respective Boards, and to develop operational procedures and controls to ensure the compliance with the aforesaid policies and to minimise operational disruptions in case of a liquidity crisis.

Risk Management Team of Public Bank (Hong Kong) and a dedicated department of Public Finance are responsible for day-to-day monitoring of liquidity maintenance ratio, loans to deposits ratios, concentration related ratios and other liquidity risk related ratios coupled with the use of cash flow projections, maturity ladder, stress-testing methodologies and other applicable risk assessment tools and metrics to detect early warning signals and identify vulnerabilities to potential liquidity risk on forward-looking basis with the objective of ensuring different types of liquidity risks of the Group are appropriately identified, measured, assessed and reported. Risk Management Team of Public Bank (Hong Kong) and a dedicated department of Public Finance carry out analysis based on risk-based MIS reports, summarises the data from those reports and present the key information to respective ALCOs on a regular (at least monthly) basis. In case of significant issues, such as serious limit excesses or breaches or early warning signals of potential severe impact on Public Bank (Hong Kong) or Public Finance are identified from the aforesaid MIS reports or market information obtained from Treasury Department and business units, a designated ALCO member will convene a meeting (involving senior management members) to discuss risk related matters and propose actions to ALCO whenever necessary. A high level summary of the liquidity risk performance of Public Bank (Hong Kong) or Public Finance will be presented by the respective ALCOs to their Risk Management Committees and the Boards.

Notes to Interim Financial Statements

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

The examples of liquidity risk related metrics of Public Bank (Hong Kong) and Public Finance include internal trigger point of liquidity maintenance ratio which are higher than the statutory liquidity maintenance ratio; cash flow mismatches under normal and different stressed scenarios; concentration related limits of deposits and other funding sources, and maturity profile of major assets and liabilities (including on-and-off-balance sheet items).

The funding strategies of the Group are to (i) diversify funding sources for containing liquidity risk exposures, (ii) minimise disruptions due to operational issues such as transfer of liquidity across group entities, (iii) ensure contingency funding is available to the Group and (iv) maintain sufficient liquidity cushion to meet critical liquidity needs such as loan commitments and deposits' withdrawals in stressed situations. For illustration, concentration limits of funding sources such as intra-group funding limits are set to reduce reliance on single source of funding.

Contingency funding plan is formulated to address liquidity needs under different stages including the mechanism for the detection of early warning signals of potential crisis at early stage and obtaining of emergent funding in bank-run scenario at later stage. Designated roles and responsibilities of Crisis Management Team, departments and business units and their emergency contact information are documented clearly in contingency funding plan policy as part of business continuity planning, and contingency funding measures are in place to set priorities of funding arrangements with counterparties, to set procedures for intraday liquidity risk management and intragroup funding support, to manage media relationship and to communicate with internal and external parties during a liquidity crisis. The stress-testing results are updated and reported to senior management regularly and the results such as survival period for positive cashflow mismatches are used in contingency funding planning. Standby facilities and liquid assets are maintained to provide liquidity to meet unexpected and material cash outflows in stressed situations.

The Group maintains sufficient liquidity cushion comprising mainly bills, notes or bonds issued by eligible central governments in total amount not less than HK$1 billion to address critical and emergent liquidity needs on intraday basis and over other different time horizons. The Group is not subject to particular collateral arrangements or requirements in contracts if there is a credit rating downgrade of entities within the Group.

Apart from cash flow projections under normal scenario to manage liquidity under different time horizons, different stressed scenarios such as institution-specific scenario, market crisis scenario and the combination of such scenarios with assumptions are set and reviewed by dedicated committees and approved by the respective Boards. For instance, under institution-specific scenario, loan repayments from some customers are assumed to be delayed. The projected cash inflow would be reduced by the amount of rollover of banking facilities by some corporate customers or reduced by the amount of retail loan delinquencies. Regarding cash outflow projection, part of undrawn banking facilities are not to be utilised by borrowers or honoured by the Group. Core deposits ratio would decrease as there would be early withdrawals of some fixed deposits before contractual maturity dates or there would be fewer renewals of fixed deposits on the contractual maturity dates. In market crisis scenario, some undrawn banking facilities are not to be honored upon drawdown as some bank counterparties will not have sufficient liquidity to honor their obligations in market. The Group may pledge or liquidate its liquid assets such as debt securities (including but not limited to treasury bills or notes issued by eligible central governments) to secure funding to address potential liquidity crisis. Liquidity stress-tests are conducted regularly (at least monthly) and the results are utilised for part of contingency funding plan or for providing insights to management about the latest liquidity position of the Group.

Notes to Interim Financial Statements

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, human and systems 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 the responsibilities of various committees, business units and supporting departments, and highlights key operational risk factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their potential impact. 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 ORMC for 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 subordinated 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 and 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 various business activities of the Group depending on the risks 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 3 years.

Capital adequacy ratios

The capital adequacy ratios of the Group are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Capital Rules. The Group has adopted the standardised approach for the calculation of credit risk-weighted exposures and market risk-weighted exposures. The Group has adopted the basic indicator approach and the standardised approach for the calculation of operational risk-weighted exposures of Public Bank (Hong Kong) and Public Finance, respectively.

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Group:		
Consolidated CET1 Capital Ratio	**12.6%**	12.7%
Consolidated Tier 1 Capital Ratio	**12.6%**	12.7%
Consolidated Total Capital Ratio	**14.0%**	14.1%
Public Bank (Hong Kong):		
Consolidated CET1 Capital Ratio	**16.3%**	16.7%
Consolidated Tier 1 Capital Ratio	**16.3%**	16.7%
Consolidated Total Capital Ratio	**17.5%**	17.9%

The above capital ratios are higher than the minimum capital ratios required by the HKMA.

Notes to Interim Financial Statements

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital disclosures

The consolidated capital ratios of the Group are 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 (in members' voluntary liquidation), Public Realty Limited (in members' voluntary liquidation), 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 (in members' voluntary liquidation), Winton Financial Limited ("Winton Financial") and Winton Motors, Limited. Deductions from the capital base include investments in the aforesaid subsidiaries and other exposures.

The consolidated capital ratios of Public Bank (Hong Kong) are computed on a consolidated basis including Public Bank (Hong Kong) and Public Finance. The subsidiaries not included in the computation of the consolidated capital adequacy ratio of Public Bank (Hong Kong) are Public Bank (Nominees) Limited, Public Investments Limited (in members' voluntary liquidation), Public Realty Limited (in members' voluntary liquidation), Public Credit Limited, Public Futures Limited, Public Pacific Securities Limited, Public Financial Securities Limited, Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited. Deductions from the capital base include investments in the aforesaid subsidiaries and other exposures.

Capital conservation buffer ("CCB")

The Group will be subject to the 2.5% CCB ratio, to be phased-in from 2016. The Group reserved a capital buffer for the future implementation of CCB ratio for which the applicable CCB ratio will become fully effective on 1 January 2019.

Countercyclical capital buffer ("CCyB")

The CCyB ratio is an additional layer of CET1 Capital which takes effect as an extension of the Basel III Capital Conservation Buffer.

The Group reserved a capital buffer for the future implementation of CCyB ratio, inclusive of CCyB ratio of 0.625% to Hong Kong exposures that would be applied from 1 January 2016.

Leverage ratio

The leverage ratio is introduced into the Basel III framework as a non-risk-based backstop limit to supplement risk-based capital requirements. It aims to constraining the build-up of excess leverage in the banking sector, and introducing additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Basel III Tier 1 capital divided by total On-balance sheet and Off-balance sheet exposures with reference to the Completion Instructions of the Quarterly Template on Leverage Ratio.

	30 June 2015 (Unaudited)	31 December 2014 (Unaudited)
Public Bank (Hong Kong):		
Consolidated leverage ratio	**10.0%**	10.7%

Supplementary Financial Information (Unaudited)

ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

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

	30 June 2015								
	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 and advances for use in Hong Kong									
Manufacturing	762,333	224	297	346	107	738,281	96.8	1,469	1,173
Building and construction, property development and investment									
Property development	339,644	95	–	–	–	339,376	99.9	–	–
Property investment	6,154,278	1,722	–	–	–	5,946,461	96.6	9,260	–
Civil engineering works	132,633	45	142	142	–	42,770	32.2	580	580
Electricity and gas	606	–	–	–	–	606	100.0	–	–
Recreational activities	12,476	3	–	–	–	12,379	99.2	–	–
Information technology	13,440	4	–	–	–	4,915	36.6	–	–
Wholesale and retail trade	207,989	101	506	610	502	187,486	90.1	859	859
Transport and transport equipment	3,777,558	936	2,584	2,633	–	3,718,749	98.4	2,610	2,584
Hotels, boarding houses and catering	145,527	41	–	–	–	131,999	90.7	–	–
Financial concerns	369,914	113	–	–	–	193,626	52.3	–	–
Stockbrokers									
Margin lending	748,775	209	–	63	–	517,423	69.1	–	–
Others	–	–	–	–	–	–	–	–	–
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	92,539	26	–	–	–	56,619	61.2	–	–
Others	82,919	23	–	–	–	81,119	97.8	–	–
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	85,162	24	–	–	–	85,162	100.0	–	–
Loans for the purchase of other residential properties	8,609,684	2,212	–	71	–	8,457,384	98.2	17,395	16,006
Loans for credit card advances	11,778	3	113	148	36	–	–	113	95
Loans for other business purposes	23,377	7	–	–	–	23,377	100.0	–	–
Loans for other private purposes	4,004,023	13,154	69,893	202,535	201,531	274,004	6.8	98,241	65,157
Trade finance	1,029,345	288	–	94	183	947,894	92.1	4,734	–
Other loans and advances	93,663	26	–	–	–	87,237	93.1	–	–
Sub-total	26,697,663	19,256	73,535	206,642	202,359	21,846,867	81.8	135,261	86,454
Loans and advances for use outside Hong Kong	2,600,298	1,496	8,998	4,953	850	2,441,560	93.9	10,679	10,641
Total loans and advances (excluding trade bills and other receivables)	29,297,961	20,752	82,533	211,595	203,209	24,288,427	82.9	145,940	97,095

Supplementary Financial Information (Unaudited)

ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

	31 December 2014								
	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 and advances for use in Hong Kong									
Manufacturing	597,767	244	58	104	78	570,348	95.4	373	373
Building and construction, property development and investment									
Property development	362,320	142	–	–	–	340,331	93.9	–	–
Property investment	6,230,289	2,443	–	209	–	5,876,317	94.3	3,351	3,351
Civil engineering works	116,439	55	–	624	616	26,125	22.4	–	–
Electricity and gas	728	–	–	–	–	728	100.0	–	–
Recreational activities	12,102	5	–	4	–	11,974	98.9	–	–
Information technology	33,761	13	–	1	–	5,288	15.7	–	–
Wholesale and retail trade	214,461	110	403	489	54	194,501	90.7	1,723	1,723
Transport and transport equipment	4,374,361	1,473	65	284	165	4,307,464	98.5	289	229
Hotels, boarding houses and catering	115,411	45	–	23	–	99,860	86.5	–	–
Financial concerns	348,092	150	–	31	–	177,662	51.0	–	–
Stockbrokers									
Margin lending	371,672	146	–	93	–	210,778	56.7	–	–
Others	5,000	2	–	2	–	–	–	–	–
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	93,840	37	–	27	–	59,015	62.9	–	–
Others	79,695	31	–	–	–	76,916	96.5	–	–
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	93,721	37	–	–	–	93,721	100.0	–	–
Loans for the purchase of other residential properties	8,256,882	2,957	–	570	–	8,128,085	98.4	3,359	2,352
Loans for credit card advances	12,940	5	–	232	328	–	–	–	–
Loans for other business purposes	22,310	9	–	3	–	22,310	100.0	–	–
Loans for other private purposes	3,924,474	8,955	74,810	399,547	413,967	219,838	5.6	106,342	71,083
Trade finance	1,029,935	404	5,033	2,633	–	781,688	75.9	10,066	10,066
Other loans and advances	91,882	36	–	2	–	83,577	91.0	–	–
Sub-total	26,388,082	17,299	80,369	404,878	415,208	21,286,526	80.7	125,503	89,177
Loans and advances for use outside Hong Kong	2,265,984	1,690	4,912	3,340	10,294	2,098,426	92.6	10,441	10,383
Total loans and advances (excluding trade bills and other receivables)	28,654,066	18,989	85,281	408,218	425,502	23,384,952	81.6	135,944	99,560

The advances to customers are classified by industry sectors 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.

Supplementary Financial Information (Unaudited)

NON-BANK MAINLAND CHINA EXPOSURES

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

Types of counterparties	**On-balance sheet exposure HK$'million**	**Off-balance sheet exposure HK$'million**	**Total HK$'million**
As at 30 June 2015			
Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	**254**	**–**	**254**
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	**1,671**	**185**	**1,856**
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	**20**	**–**	**20**
Total	**1,945**	**185**	**2,130**
Total assets after provision	**46,124**		
On-balance sheet exposures as percentage of total assets	**4.22%**		

Types of counterparties	On-balance sheet exposure HK$'million	Off-balance sheet exposure HK$'million	Total HK$'million
As at 31 December 2014			
Central government, central government-owned entities and their subsidiaries and JVs	344	–	344
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,390	201	1,591
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	19	–	19
Total	1,753	201	1,954
Total assets after provision	42,565		
On-balance sheet exposures as percentage of total assets	4.12%		

Note:

The analysis of non-bank Mainland China exposures is disclosed with reference to the BDR and Completion Instruction for the HKMA Return of Mainland Activities.

Supplementary Financial Information (Unaudited)

INTERNATIONAL CLAIMS

The HKMA Return of External Positions – Cross Border Claims was replaced by the Return of International Banking Statistics in 2015.

Due to the changes in computation basis, the international claims for 2015 are not directly comparable to the cross-border claims of 2014.

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, recognised risk transfer from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

The following tables illustrates claims on individual countries or areas taking into account the recognised risk transfer, amounting to 10% or more of the aggregate international claims.

			Non-bank private sector			
	Banks HK$'million	**Official sector HK$'million**	**Non-bank financial institutions HK$'million**	**Non-financial private sector HK$'million**	**Others HK$'million**	**Total HK$'million**
As at 30 June 2015						
1. Developed countries*	**2,971**	**475**	**–**	**63**	**–**	**3,509**
2. Offshore centres, of which:	**1,314**	**2**	**58**	**2,108**	**–**	**3,482**
Hong Kong	**572**	**2**	**58**	**1,736**	**–**	**2,368**
3. Developing Asia and Pacific, of which:	**3,657**	**556**	**93**	**1,823**	**–**	**6,129**
China	**1,658**	**556**	**93**	**1,753**	**–**	**4,060**

CROSS-BORDER CLAIMS

	Banks and other financial institutions HK$'million	Public sector entities HK$'million	Others HK$'million	Total HK$'million
As at 31 December 2014				
1. Asia Pacific excluding Hong Kong, of which:	4,981	316	633	5,930
China	3,004	316	473	3,793
2. Western Europe*	1,266	–	263	1,529

* There were no exposures to the five "PIIGS" countries namely Portugal, Italy, Ireland, Greece and Spain.

Supplementary Financial 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:

	Spot assets HK$'million	**Spot liabilities HK$'million**	**Forward purchases HK$'million**	**Forward sales HK$'million**	**Net short position HK$'million**	**Structural assets HK$'million**
As at 30 June 2015						
RMB	**644**	**680**	**–**	**2**	**(38)**	**625**
Others	**7,074**	**5,743**	**1,210**	**2,545**	**(4)**	**–**
	7,718	**6,423**	**1,210**	**2,547**	**(42)**	**625**

	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 2014						
USD	4,186	3,583	65	587	81	–
RMB	478	582	–	–	(104)	623
AUD	977	1,083	120	17	(3)	–
Others	528	954	476	52	(2)	–
	6,169	6,202	661	656	(28)	623

Supplementary Financial Information (Unaudited)

LIQUIDITY MAINTENANCE RATIO

With effect from 1 January 2015, the Group was required to comply with the liquidity maintenance ratio requirement pursuant to section 97H of the Banking Ordinance and the Banking (Liquidity) Rules. The former liquidity ratio requirement was superseded after the implementation of liquidity maintenance ratio in 2015.

Due to the changes in computation basis, the average liquidity maintenance ratio shown for 2015 is not directly comparable to the average liquidity ratio of 2014.

	For the six months ended 30 June 2015
Public Bank (Hong Kong):	
Consolidated average liquidity maintenance ratio	**43.9%**

The Group calculates the average liquidity maintenance ratio of each calendar month by reference to positions of specified days approved by the HKMA pursuant to Rule 48(2) of the Banking (Liquidity) Rules.

The average liquidity maintenance ratio is computed on a consolidated basis using the arithmetic mean of each calendar month's average liquidity maintenance ratio as reported in the return relating to the liquidity position submitted to the HKMA.

LIQUIDITY RATIO

	For the six months ended 30 June 2014
Public Bank (Hong Kong):	
Consolidated average liquidity ratio	48.4%

The average liquidity ratio is computed on a consolidated basis using the arithmetic mean of each calendar month's average liquidity ratio as reported in the return relating to liquidity position submitted to the HKMA.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

During the period under review, the operating environment for financial institutions in Hong Kong remained challenging with intensified competition for market share of loans and advances. The slowdown in economic growth momentum in Mainland China attributed to excessive industrial production capacity and potential deflation risk had impacted business developments of Hong Kong enterprises based in Mainland China. The weak merchandise exports and retail sales coupled with low Purchasing Managers' Index pointed to the moderation of economic activities in Hong Kong. The domestic loan demand of the Group was also affected during the period under review.

FINANCIAL REVIEW

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) grew by HK$638.1 million or 2.2% to HK$29.33 billion as at 30 June 2015 from HK$28.69 billion as at 31 December 2014. The Group's deposits from customers also grew by HK$3.46 billion or 11.0% to HK$35.04 billion as at 30 June 2015 from HK$31.58 billion as at 31 December 2014. Total assets of the Group stood at HK$46.11 billion as at 30 June 2015.

Public Bank (Hong Kong)

During the period under review, total loans and advances (including trade bills) of Public Bank (Hong Kong) increased by HK$513.8 million or 2.2% to HK$24.00 billion as at 30 June 2015 from HK$23.49 billion as at 31 December 2014. Deposits from customers (excluding intra-group's deposits) increased by HK$3.15 billion or 11.5% to HK$30.66 billion as at 30 June 2015 from HK$27.51 billion as at 31 December 2014.

Public Finance

Total loans and advances of Public Finance increased by HK$110.4 million or 2.2% to HK$5.09 billion as compared to the position as at 31 December 2014. Deposits from customers increased by HK$346.2 million or 8.0% to HK$4.67 billion as at 30 June 2015 from HK$4.33 billion as at 31 December 2014.

Financial performance

For the six months ended 30 June 2015, the Group's profit after tax recorded a growth of HK$32.4 million or 17.4% to HK$218.8 million as compared to the corresponding period in 2014. The earnings growth of the Group for the period under review was mainly attributed to the increase in net interest income from improved net interest margin on the Group's interest-bearing assets as well as the increase in fee income from stock brokerage operations.

The Group's basic earnings per share for the six months ended 30 June 2015 was HK$0.20. The Board of Directors had declared an interim dividend of HK$0.05 per share on 30 June 2015, payable on 3 August 2015.

During the period under review, total interest income of the Group increased by HK$42.5 million or 5.3% to HK$847.4 million due to increase in loans and advances and higher yield on loans, and total interest expense increased by HK$7.3 million or 3.9% to HK$194.5 million due to increase in customer deposits. As a result, the Group's net interest income increased by HK$35.1 million or 5.7% to HK$652.9 million. Other operating income from loan transactions, stockbroking, insurance and other business activities of the Group increased by HK$13.1 million or 12.4% to HK$118.9 million in the period under review, mainly due to higher income from stockbroking activities.

Operating expenses of the Group increased by HK$18.9 million or 5.0% to HK$398.1 million mainly due to the increase in staff related and administrative costs.

Impairment allowance for loans and advances increased by HK$7.2 million to HK$126.5 million for the period under review.

Asset quality

The Group's impaired loans to total loans ratio increased slightly by 0.03% to 0.50% as at 30 June 2015 from 0.47% as at 31 December 2014, and there were no significant changes in overall loan asset quality.

The Group will continue to safeguard its capital adequacy position, manage risks cautiously and set prudent yet flexible business development strategies to strike a balance between business growth and prudent risk management.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Branch network

Public Bank (Hong Kong), a subsidiary of the Company, has 32 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China 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. Another operating subsidiary of the Company, Winton Financial which operates under a money lenders license, has a network of 9 branches in Hong Kong to provide personal financing to its target customer segment. In total, the Group has a combined branch network of 86 branches as at 30 June 2015 to serve its customers. During the period under review, the Group did not open any new branches in light of volatile and uncertain market conditions.

The Group will continue to identify suitable locations for the relocation of the branches to better sites and will open new branches in appropriate locations where feasible to expand its customer reach and to further develop its banking related financial services and customer base.

Segmental information

The Group's businesses comprise three main segments: (i) retail and commercial banking businesses, (ii) stockbroking and wealth management services, and (iii) other businesses. 95% of the Group's operating income and 89% of the profit before tax were contributed by retail and commercial banking businesses for the period under review. When compared to the first half of 2014, the Group's operating income from retail and commercial banking businesses increased by HK$38.2 million or 5.5% to HK$734.2 million due to increase in net interest income from improved net interest margin of loans and advances. As a result, profit before tax from retail and commercial banking businesses increased by HK$15.6 million or 7.2% to HK$231.5 million during the period under review.

Contingent liabilities and commitments

The Group had 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 interim financial statements) as at the end of the period under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the period under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 30 June 2015, there was no charge over the assets of the Group.

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 funding of their business growth. The Group did not have acquisitions or disposals of subsidiaries, associated companies and joint ventures during the period under review.

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 banking and finance businesses. The Group's bank borrowings in the form of term loans denominated in Hong Kong dollars at floating interest rates stood at approximately HK$1.62 billion as at 30 June 2015. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio remained unchanged at a healthy level of 0.23 times as at 30 June 2015 as compared to 0.23 times as at 31 December 2014. The Group's bank borrowings have remaining maturity periods of less than four years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange contracts and interest rate swaps and forward contracts to reduce the foreign exchange risk and interest rate risk exposures of the Group. The risk exposures to fluctuations in foreign exchange rates and interest rates were immaterial during the period under review. There were also no foreign currency net investments hedged by currency borrowings and other hedging instruments during the period under review.

The consolidated total capital ratio of Public Bank (Hong Kong) Group inclusive of Public Finance stood at 17.5% as at 30 June 2015.

OPERATIONAL REVIEW (Continued)

Human resources management

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

Options to subscribe for 66,526,000 shares in the Company were granted to employees of the Group in May 2005 pursuant to the Company's share option scheme approved by shareholders on 28 February 2002. In the first half year of 2015, no share options to subscribe for shares in the Company were exercised by employees of the Group. All the options to subscribe for shares as aforesaid had expired on 10 June 2015 and there were no outstanding options to subscribe for shares as at 30 June 2015.

As at 30 June 2015, the Group's staff force stood at 1,382 employees. For the six months ended 30 June 2015, the Group's total staff related costs amounted to HK$250.3 million.

PROSPECTS

The economic momentum of Hong Kong and Mainland China is anticipated to continue to be slow in the second half of 2015. The timing and quantum of the interest rate rise of the US remain uncertain and are affected by both the US's domestic economic performance and the volatility of global economic conditions.

The potential increase in interest rates on loans is expected to exert pressure on debt servicing ability and purchasing power of consumers and on property prices in Hong Kong. The potential rise in funding costs of non-bank customer deposits, the escalation of property related costs and increase in demand for compliance related resources coupled with rising system related costs in meeting the increased regulatory and supervisory requirements are expected to have an impact on the earnings growth of financial institutions in Hong Kong. Despite the foregoing, the Group will continue to seek long-term business and profitability growth and take steps to align the business strategies of the Group with its corporate mission and goals. The Group will also adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

Competition in the banking and financing industry is expected to remain intense with financial institutions seeking greater market share in loans and advances, customer deposits and fee income. The competitive environment of banking sector will add pressure on the cost of customer deposits and inter-bank borrowings, and adversely impact the Group's loan business growth. However, the Group will continue to safeguard its financial strength, manage risks cautiously and set prudent yet flexible business development strategies to diversify income streams from loan businesses and fee-based businesses.

The Group will continue to focus on expanding its retail and commercial banking and lending business and its consumer financing business through its branch network, offering of premium business service, supporting of growth in fee-based businesses and implementing appropriate marketing strategies at reasonable costs. The Group will continue to target selected market segments of Public Bank (Hong Kong), Public Finance and Winton Financial to grow its retail and commercial lending business and consumer financing business. The Group did not plan to launch new products, services or businesses in material aspects in the near term.

Barring unforeseen circumstances, the Group expects to register moderate growth in its banking and financing businesses and improvement in its financial performance in the second half of 2015.

Other Information

INTERIM DIVIDEND

The Board has on 30 June 2015 declared an interim dividend of HK$0.05 (2014: HK$0.05) per share payable on 3 August 2015 to shareholders whose names appear on the register of members of the Company on 21 July 2015.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) since publication of the Company's Annual Report 2014 up to 16 July 2015 (being the date of approval of the Company's Interim Report 2015) are set out below:

Demise of Independent Non-Executive Co-Chairman of the Group

Tan Sri Datuk Seri Utama Thong Yaw Hong, the Independent Non-Executive Co-Chairman of the Company, passed away peacefully on 28 May 2015. He was the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He was also the Independent Non-Executive Co-Chairman, the Chairman of Audit Committee, Remuneration Committee and Risk Management Committee of each of Public Bank (Hong Kong) and Public Finance.

Positions held with the Company and other members of the Group

1. Mr. Lai Wan ("Mr. Lai"), an Independent Non-Executive Director of the Company, has been appointed the Chairman of the Remuneration Committee and Nomination Committee of the Company with effect from 29 May 2015. He was also appointed the Chairman of the Remuneration Committee and Risk Management Committee of each of Public Bank (Hong Kong) and Public Finance with effect from 29 May 2015.

2. Mr. Tang Wing Chew ("Mr. Tang"), an Independent Non-Executive Director of the Company, has been appointed the Chairman of the Audit Committee of the Company with effect from 29 May 2015. He was also appointed the Chairman of the Audit Committee of each of Public Bank (Hong Kong) and Public Finance with effect from 29 May 2015.

3. Mr. Lai was appointed the Independent Non-Executive Co-Chairman of the Company and Public Bank (Hong Kong) on 16 July 2015.

4. Mr. Tang was appointed the Independent Non-Executive Co-Chairman of Public Finance on 16 July 2015.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the Directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

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

		Number of ordinary shares					
Interests in	Name of Directors	Directly beneficially owned	Through spouse or minor children	Through controlled corporations	Other interests	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 Yoke Kong	210,000	–	–	*330,000	540,000	0.0492
	Chong Yam Kiang	20,000	–	–	–	20,000	0.0018
	Lee Huat Oon	20,000	–	–	–	20,000	0.0018
	Dato' Chang Kat Kiam	300,000	–	–	–	300,000	0.0273
2. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow	24,711,282	–	896,418,771	–	921,130,053	23.7274
	Tan Yoke Kong	44,700	–	–	–	44,700	0.0012
	Chong Yam Kiang	18,840	–	–	–	18,840	0.0005
	Lee Huat Oon	63,142	–	–	–	63,142	0.0016
	Dato' Chang Kat Kiam	125,636	–	–	–	125,636	0.0032
	Lee Chin Guan	300,030	–	–	–	300,030	0.0077
	Lai Wan	–	18,654	–	–	18,654	0.0005
3. Campu Lonpac Insurance Plc, a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	–	3,850,000	–	3,850,000	55.0000

* Jointly held with another person

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his direct and indirect interest of 921,130,053 shares in Public Bank, is deemed to be interested in the shares of the Company and its associated corporations as disclosed above, to the extent Public Bank has interests.

Other Information

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

(b) Long positions in underlying shares of the Company

Name of Directors	Number of ordinary shares attached to the share option: At the beginning of the period	Granted during the period	Expired during the period	At the end of the period	Exercise price HK$	Exercise period
Tan Yoke Kong	1,318,000	–	1,318,000	–	6.35	10.6.2005 to 9.6.2015
Lee Huat Oon	3,170,000	–	3,170,000	–	6.35	10.6.2005 to 9.6.2015
Dato' Chang Kat Kiam	1,380,000	–	1,380,000	–	6.35	10.6.2005 to 9.6.2015
Lee Chin Guan	350,000	–	350,000	–	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 share option scheme of the Company 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. All the options expired and lapsed on 10 June 2015.

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 at the end of the reporting period.

SHARE OPTION SCHEME

Under the share option scheme approved on 28 February 2002, the Board 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. No options were granted nor cancelled during the six months ended 30 June 2015.

Name	Number of share options: Outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	Expired during the period	Outstanding at the end of the period	Exercise price HK$
Directors						
Tan Yoke Kong	1,318,000	–	–	1,318,000	–	6.35
Lee Huat Oon	3,170,000	–	–	3,170,000	–	6.35
Dato' Chang Kat Kiam	1,380,000	–	–	1,380,000	–	6.35
Lee Chin Guan	350,000	–	–	350,000	–	6.35
Former Director						
Tan Sri Dato' Sri Tay Ah Lek	1,230,000	–	–	1,230,000	–	6.35
Employees working under "continuous contracts" for the purposes of the Employment Ordinance other than the Directors and a former Director as disclosed above	15,513,000	–	182,000	15,331,000	–	6.35
	22,961,000	–	182,000	22,779,000	–	6.35

SHARE OPTION SCHEME (Continued)

Notes:

1. 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.

2. There was no open exercise period during the six months ended 30 June 2015.

3. All share options expired and lapsed on 10 June 2015.

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

As at 30 June 2015, 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	98,700,000	8.9897

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.

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

In August 2014, the Company entered into a facility agreement (the "Facility Agreement") with a total of eight financial institutions as the original lenders, Mizuho Bank, Ltd. as mandated lead arranger and bookrunner and Mizuho Bank, Ltd., Hong Kong Branch as the agent (the "Agent") for a term loan facility in an aggregate amount of up to HK$1,100,000,000 (the "Facility").

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, the controlling shareholder (currently holding approximately 73.2% interest) of the Company, does not or ceases to beneficially own 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), cancel the Facility immediately and demand immediate repayment of all or part of the loans made to the Company together with accrued interest.

Other Information

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER (Continued)

The circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

The aggregate level of facilities (excluding facilities arranged solely for the purpose of contingency funding plan) entered into with the Company and its subsidiaries which may be affected by such breach and required to be disclosed under Rule 13.18 of the Listing Rules amounts to HK$1,100,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2015.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2015 Interim Report, in compliance with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the deviations under Code Provision A.4.1 and Code Provision E.1.2 of the CG Code as explained below with considered reasons for such deviations.

Under Code Provision A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term and subject to re-election. The Board is of the view that the current practice of appointing Non-Executive Directors without a specific term but otherwise subject to rotation and re-election by shareholders at an annual general meeting ("AGM") is fair and reasonable, and does not intend to change the current practice at the moment.

Under Code Provision E.1.2 of the CG Code, the chairman of the board shall attend the AGM. Tan Sri Dato' Sri Dr. Teh Hong Piow, the Chairman of the Company, was absent from the 2015 AGM of the Company held in March 2015 due to other engagement, while the late Tan Sri Datuk Seri Utama Thong Yaw Hong, the Co-Chairman of the Company then, was on medical leave. The 2015 AGM was chaired by an Executive Director of the Company, Mr. Tan Yoke Kong, with the consent of members present.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

The 2015 Interim Report has been reviewed by the Company's Audit Committee which comprises three Independent Non-Executive Directors and one Non-Executive Director.

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

Hong Kong, 16 July 2015