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大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	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)

* For identification purpose only

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
PROFIT BEFORE TAX		261,273	229,148
Tax	10	<u>(42,448)</u>	<u>(42,698)</u>
PROFIT FOR THE PERIOD		<u>218,825</u>	<u>186,450</u>
ATTRIBUTABLE TO:			
Owners of the Company		<u>218,825</u>	<u>186,450</u>
EARNINGS PER SHARE (HK\$)	12		
Basic		<u>0.199</u>	<u>0.170</u>
Diluted		<u>0.199</u>	<u>0.170</u>

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	<u>(170)</u>	<u>(15,454)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>218,655</u>	<u>170,996</u>
ATTRIBUTABLE TO:		
Owners of the Company	<u>218,655</u>	<u>170,996</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Notes		
ASSETS			
Cash and short term placements		5,558,694	3,982,174
Placements with banks and financial institutions maturing after one month but not more than twelve months		1,840,318	927,219
Derivative financial instruments		1,791	2,170
Loans and advances and receivables	13	29,335,273	28,700,433
Available-for-sale financial assets		6,804	6,804
Held-to-maturity investments	14	5,331,865	4,951,708
Investment properties		270,730	256,713
Property and equipment		108,455	110,311
Land held under finance leases		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		718	718
Other assets		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		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		1,615,400	1,603,269
Current tax payable		48,028	22,644
Deferred tax liabilities		25,068	25,068
Other liabilities		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	15	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 (Unaudited) HK\$'000	2014 (Unaudited) 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	<u>7,086,951</u>	<u>6,847,148</u>

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 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.

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 counter-cyclical 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 | <i>Defined Benefit Plans: Employee Contributions</i> 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:

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.

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 | <i>Financial Instruments</i> ³ |
| • Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹ |
| • Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | <i>Investment Entities: Applying the Consolidation Exception</i> ¹ |
| • Amendments to HKFRS 11 | <i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹ |
| • HKFRS 14 | <i>Regulatory Deferral Accounts</i> ⁴ |
| • HKFRS 15 | <i>Revenue from Contracts with Customers</i> ² |
| • Amendments to HKAS 1 | <i>Disclosure Initiative</i> ¹ |
| • Amendments to HKAS 16 and HKAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹ |
| • Amendments to HKAS 16 and HKAS 41 | <i>Agriculture: Bearer Plants</i> ¹ |
| • Amendments to HKAS 27 (2011) | <i>Equity Method in Separate Financial Statements</i> 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.

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 structured 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.

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		Wealth management services, stockbroking and securities management		Other businesses		Eliminated on consolidation		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External:										
Net interest income	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)

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

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.

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
	<u>847,426</u>	<u>804,963</u>
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
	<u>194,483</u>	<u>187,160</u>

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).

7. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) 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.

8. OPERATING EXPENSES

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) 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.

9. IMPAIRMENT ALLOWANCES

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) 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
	<u>42,448</u>	<u>42,698</u>

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.

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		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>236,197</u>		<u>25,076</u>		<u>261,273</u>	
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	<u>(2,502)</u>	<u>(1.1)</u>	<u>–</u>	<u>–</u>	<u>(2,502)</u>	<u>(1.0)</u>
Tax charge at the Group's effective rate	<u>36,160</u>	<u>15.3</u>	<u>6,288</u>	<u>25.1</u>	<u>42,448</u>	<u>16.2</u>

	For the six months ended 30 June 2014					
	Hong Kong		(Unaudited) Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>192,109</u>		<u>37,039</u>		<u>229,148</u>	
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	<u>41</u>	–	<u>–</u>	–	<u>41</u>	–
Tax charge at the Group's effective rate	<u>33,438</u>	<u>17.4</u>	<u>9,260</u>	<u>25.0</u>	<u>42,698</u>	<u>18.6</u>

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	<u>0.05</u>	<u>0.05</u>	<u>54,896</u>	<u>54,896</u>

(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	<u>0.11</u>	<u>0.11</u>	<u>120,771</u>	<u>120,771</u>

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.

13. 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
Other receivables	29,409,100 31,055	28,771,986 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	<u>29,335,273</u>	<u>28,700,433</u>

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	<u>29,440,155</u>	<u>28,805,622</u>

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.

(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

(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.

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

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.

(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	<u>38,143</u>	<u>45,582</u>
Covered portion of overdue loans and advances	<u>8,152</u>	<u>15,552</u>
Uncovered portion of overdue loans and advances	<u>88,943</u>	<u>84,008</u>

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).

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

	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 three months or less	<u>353,940</u>	<u>1.21</u>	<u>373,622</u>	<u>1.30</u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u>963</u>		<u>813</u>	

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

	30 June 2015 (Unaudited)		
	Individual impairment allowances <i>HK\$'000</i>	Collective impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

	31 December 2014 (Audited)		
	Individual impairment allowances <i>HK\$'000</i>	Collective impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>86,174</u>	<u>19,015</u>	<u>105,189</u>
Deducted from:			
Loans and advances	85,281	18,989	104,270
Trade bills, accrued interest and other receivables	893	26	919
	<u>86,174</u>	<u>19,015</u>	<u>105,189</u>

(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) Minimum lease payments HK\$'000	31 December 2014 (Audited) HK\$'000	30 June 2015 (Unaudited) Present value of minimum lease payments HK\$'000	31 December 2014 (Audited) 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.

14. 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.

15. 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.

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties 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

17. OFF-BALANCE SHEET EXPOSURE

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	-	-
	<u>483,883</u>	<u>453,270</u>	<u>135,294</u>	-	-
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	<u>4,017,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,130,907</u>	<u>474,244</u>	<u>138,644</u>	<u>1,791</u>	<u>7,654</u>
Capital commitments contracted for, but not provided in the consolidated statement of financial position	<u>6,050</u>				

	31 December 2014 (Audited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	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	–	–
	<u>535,237</u>	<u>496,261</u>	<u>159,997</u>	<u>–</u>	<u>–</u>
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	<u>4,406,010</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>5,607,119</u>	<u>502,722</u>	<u>160,148</u>	<u>2,170</u>	<u>5,994</u>
Capital commitments contracted for, but not provided in the consolidated statement of financial position	<u>6,032</u>				

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.

18. 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)							Total
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	
Financial assets:								
Cash and short term placements	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

31 December 2014								
(Audited)								
		Over 1 month but not more than 3 months	Over 3 months but not more than 12 months	Over 1 year but not more than 5 years		Over 5 years	Repayable within an indefinite period	Total
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	<u>1,450,144</u>	<u>6,224,604</u>	<u>2,413,749</u>	<u>6,881,219</u>	<u>7,491,851</u>	<u>14,874,930</u>	<u>160,576</u>	<u>39,497,073</u>
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	<u>7,307,761</u>	<u>11,763,140</u>	<u>11,466,177</u>	<u>3,812,286</u>	<u>1,598,263</u>	<u>–</u>	<u>173,545</u>	<u>36,121,172</u>
Net liquidity Gap	<u>(5,857,617)</u>	<u>(5,538,536)</u>	<u>(9,052,428)</u>	<u>3,068,933</u>	<u>5,893,588</u>	<u>14,874,930</u>	<u>(12,969)</u>	<u>3,375,901</u>

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.

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.

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 Limited 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.

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 Limited 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.

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.

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

As at the date of this announcement, the Board of Directors of the Company comprises Tan Sri Dato’ Sri Dr. Teh Hong Piow, Mr. Quah Poh Keat, Dato’ Chang Kat Kiam and Mr. Chong Yam Kiang as Non-Executive Directors, Mr. Tan Yoke Kong and Mr. Lee Huat Oon as Executive Directors, and Mr. Lee Chin Guan, Mr. Tang Wing Chew and Mr. Lai Wan as Independent Non-Executive Directors.