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 2013

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 2013 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Interest income	*6*	**833,416**	818,278
Interest expense	*6*	**(162,964)**	(212,392)
NET INTEREST INCOME		**670,452**	605,886
Other operating income	*7*	**113,323**	110,249
OPERATING INCOME		**783,775**	716,135
Operating expenses	*8*	**(386,117)**	(369,825)
Changes in fair value of investment properties		**5,270**	17,520
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		**402,928**	363,830
Impairment allowances for loans and advances and receivables	*9*	**(162,272)**	(155,345)

* *For identification purpose only*

	Notes	For the six months ended 30 June **2013** **(Unaudited)** ***HK$'000***	 2012 (Unaudited) *HK$'000*
PROFIT BEFORE TAX		**240,656**	208,485
Tax	*10*	**(44,959)**	(35,703)
PROFIT FOR THE PERIOD		**195,697**	172,782
ATTRIBUTABLE TO:			
Owners of the Company		**195,697**	172,782
EARNINGS PER SHARE (HK$)	*12*		
Basic		**0.178**	0.157
Diluted		**0.178**	0.157

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**195,697**	172,782
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Exchange gain/(loss) on translating foreign operations, net of tax	**9,554**	(5,920)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**205,251**	166,862
ATTRIBUTABLE TO:		
Owners of the Company	**205,251**	166,862

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
ASSETS			
Cash and short term placements		**3,820,768**	3,951,468
Placements with banks and financial institutions maturing after one month but not more than twelve months		**622,967**	873,951
Derivative financial instruments		**9,988**	317
Loans and advances and receivables	*13*	**26,719,840**	27,169,503
Available-for-sale financial assets		**6,804**	6,804
Held-to-maturity investments	*14*	**5,009,515**	4,556,217
Inventories of taxi licences		**2,676**	2,676
Investment properties		**250,988**	245,718
Property and equipment		**107,616**	112,481
Land held under finance leases		**655,769**	659,524
Interests in a jointly-controlled entity		**1,513**	1,513
Deferred tax assets		**30,918**	36,611
Tax recoverable		**7,781**	12,607
Goodwill		**2,774,403**	2,774,403
Intangible assets		**718**	718
Other assets		**135,943**	131,331
TOTAL ASSETS		**40,158,207**	40,535,842
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		**806,507**	538,296
Derivative financial instruments		**31,208**	135
Customer deposits at amortised cost		**27,991,589**	29,374,122
Certificates of deposit issued at amortised cost		**1,254,755**	649,833
Dividends payable		**54,896**	98,812
Unsecured bank loans at amortised cost		**2,960,709**	2,960,437
Current tax payable		**41,007**	23,615
Deferred tax liabilities		**22,507**	24,555
Other liabilities		**319,381**	340,744
TOTAL LIABILITIES		**33,482,559**	34,010,549
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**109,792**	109,792
Reserves	*15*	**6,565,856**	6,415,501
TOTAL EQUITY		**6,675,648**	6,525,293
TOTAL EQUITY AND LIABILITIES		**40,158,207**	40,535,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
TOTAL EQUITY		
Balance at the beginning of the period	**6,525,293**	6,291,784
Profit for the period	**195,697**	172,782
Other comprehensive income	**9,554**	(5,920)
Total comprehensive income for the period	**205,251**	166,862
Dividends declared on shares	**(54,896)**	(54,896)
Balance at the end of the period	**6,675,648**	6,403,750

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 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 2012 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 2012 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 comprise the interim financial statements of the Company and its subsidiaries as at and for the period ended 30 June 2013. The interim financial statements of the subsidiaries and a jointly-controlled entity are prepared for the same reporting period as the Group, using consistent accounting policies.

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

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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

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

The subsidiaries consolidated for accounting 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 jointly-controlled entity.

3. BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the reporting period related to capital base and the capital adequacy ratio as stipulated by the HKMA, and has also followed 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 capital adequacy ratio of the Group is based on the ratio of the aggregate of risk weighted exposures to the aggregate of capital bases of the Company, Public Bank (Hong Kong) and Public Finance for regulatory 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 Securities Limited and Public Financial Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission of Hong Kong. A portion of retained profits, 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.

With effect from 1 January 2013, 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 adequacy 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 adequacy ratios 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%. Additional capital requirements, including a new counter-cyclical buffer ranging from 0% to 2.5%, will be detailed at a later stage.

4. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), which are generally effective for accounting periods beginning on or after 1 January 2013. The Group has adopted the following new and revised HKFRSs issued up to 30 June 2013 which are pertinent to its operations and relevant to these interim financial statements.

- HKFRS 1 Amendments — Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
- HKFRS 7 Amendments — Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- HKFRS 10 — *Consolidated Financial Statements*
- HKFRS 11 — *Joint Arrangements*
- HKFRS 12 — *Disclosure of Interests in Other Entities*
- HKFRS 10, HKFRS 11 and HKFRS 12 Amendments — Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
- HKFRS 13 — *Fair Value Measurement*
- HKAS 1 Amendments — *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ("OCI")*
- HKAS 19 (2011) — *Employee Benefits*
- HKAS 27 (2011) — *Separate Financial Statements*
- HKAS 28 (2011) — *Investments in Associates and Joint Ventures*
- HK(IFRIC)-Int 20 — *Stripping Costs in the Production Phase of a Surface Mine*
- Annual Improvements 2009–2011 Cycle — Amendments to a number of HKFRSs issued in June 2012

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

HKFRS 7 Amendments require an entity to disclose information about rights to set-off financial instrument and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The amendments do not have any material financial impact on the Group.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 *Consolidated and Separate Financial Statements* and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. The amendments do not have any material financial impact on the Group.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group adopted HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this new standard has no material financial impact on the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10, provide further relief from full retrospective application of these standards, and limit the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. These amendments have no material impact on the Group.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other HKFRSs. The application of this new standard has no material financial impact on the Group.

HKAS 1 Amendments introduce a grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g. net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (e.g. actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments do not have any material impact on the Group.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The application of this new standard does not have any material impact on the Group.

Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has a significant financial impact on the Group:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The voluntary additional comparative information does not need to be presented in a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and such change or action has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 16 *Property, Plant and Equipment*: Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventories.

(c) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders. The amendment does not have an impact on the interim condensed consolidated financial statements of the Group as there is no tax consequences attached to cash or non cash distribution.

(d) HKAS 34 *Interim Financial Reporting*: Clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*.

Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Impact of 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*[2]
•	HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
•	HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
•	HKAS 36 Amendments	*Impairment of Assets*[1]
•	HK(IFRIC)-Int 21	*Levies*[1]

[1] effective for annual periods beginning on or after 1 January 2014
[2] effective for annual periods beginning on or after 1 January 2015

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantity the effect in conjunction with other phases, when the final standard including all phases is issued.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9, rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10 upon adoption on 1 January 2014.

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

Subsequent to the issuance of HKFRS 13 *Fair Value Measurement*, an amendment has been made to HKAS 36 *Impairment of Assets* which requires the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendment is not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

HK(IFRIC)-Int 21 *Levies* addresses how an entity should account for liabilities to pay for levies imposed by governments, other than income taxes, in its financial statements. The principal question raised is about when the entity should recognise a liability to pay a levy. The interpretation is not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

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:

- the 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;

- the 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 and the leasing of taxis and letting of investment properties.

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

The following table represents revenue and profit information for operating segments for the six months ended 30 June 2013 and 2012.

	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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(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	**670,404**	605,933	**48**	(47)	**–**	–	**–**	–	**670,452**	605,886
Other operating income:										
Fees and commission income	**70,614**	72,655	**28,617**	23,410	**398**	249	**–**	–	**99,629**	96,314
Others	**6,246**	6,978	**(2)**	(13)	**7,450**	6,970	**–**	–	**13,694**	13,935
Inter-segment transactions:										
Fees and commission income	**–**	–	**–**	–	**76**	65	**(76)**	(65)	**–**	–
Operating income	**747,264**	685,566	**28,663**	23,350	**7,924**	7,284	**(76)**	(65)	**783,775**	716,135
Profit before tax	**219,966**	181,785	**12,352**	6,845	**8,338**	19,855	**–**	–	**240,656**	208,485
Tax									**(44,959)**	(35,703)
Profit for the period									**195,697**	172,782
Other segment information										
Depreciation of property and equipment and land held under finance leases	**(15,625)**	(15,721)	**–**	–	**–**	–	**–**	–	**(15,625)**	(15,721)
Changes in fair value of investment properties	**–**	–	**–**	–	**5,270**	17,520	**–**	–	**5,270**	17,520
Impairment allowances for loans and advances and receivables	**(162,272)**	(155,345)	**–**	–	**–**	–	**–**	–	**(162,272)**	(155,345)
Net losses on disposal of property and equipment	**(202)**	(51)	**–**	–	**–**	–	**–**	–	**(202)**	(51)

The following table represents certain assets and liabilities information regarding operating segments as at 30 June 2013 and 31 December 2012.

	Retail and commercial banking businesses		**Wealth management services, stockbroking and securities management**		**Other businesses**		**Eliminated on consolidation**		**Total**	
	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
Segment assets other than interest in a jointly-controlled entity, intangible assets and goodwill	**36,793,143**	37,167,712	**295,269**	292,462	**254,462**	249,816	**–**	–	**37,342,874**	37,709,990
Interest in a jointly-controlled entity	**1,513**	1,513	**–**	–	**–**	–	**–**	–	**1,513**	1,513
Intangible assets	**–**	–	**718**	718	**–**	–	**–**	–	**718**	718
Goodwill	**2,774,403**	2,774,403	**–**	–	**–**	–	**–**	–	**2,774,403**	2,774,403
	39,569,059	39,943,628	**295,987**	293,180	**254,462**	249,816	**–**	–	**40,119,508**	40,486,624
Unallocated assets:										
Deferred tax assets and tax recoverable									**38,699**	49,218
Total assets									**40,158,207**	40,535,842
Segment liabilities	**33,249,916**	33,743,197	**106,120**	113,085	**8,113**	7,285	**–**	–	**33,364,149**	33,863,567
Unallocated liabilities:										
Deferred tax liabilities and tax payable									**63,514**	48,170
Dividends payable									**54,896**	98,812
Total liabilities									**33,482,559**	34,010,549
Other segment information										
Additions to non-current assets – capital expenditure	**7,226**	24,399	**–**	–	**–**	–	**–**	–	**7,226**	24,399

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 2013 and 2012.

	For the six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Segment revenue from external customers:		
Hong Kong	**743,912**	678,295
Mainland China	**39,863**	37,840
	783,775	716,135

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 2013 and 31 December 2012.

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Non-current assets:		
Hong Kong	**3,773,097**	3,775,719
Mainland China	**17,910**	18,638
	3,791,007	3,794,357

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

Operating income or revenue from major customers

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

6. INTEREST INCOME AND EXPENSE

	For the six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Interest income from:		
Loans and advances and receivables	**783,418**	758,965
Short term placements and placements with banks	**26,671**	33,310
Held-to-maturity investments	**23,327**	26,003
	833,416	818,278
Interest expense on:		
Deposits from banks and financial institutions	**1,844**	19,392
Deposits from customers	**139,404**	175,505
Bank loans	**21,716**	17,495
	162,964	212,392

Interest income and interest expense for the six months ended 30 June 2013, 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$833,416,000 and HK$162,964,000 (2012: HK$818,278,000 and HK$212,392,000) respectively. Interest income on the impaired loans and advances for the six months ended 30 June 2013 amounted to HK$4,952,000 (2012: HK$3,331,000).

7. OTHER OPERATING INCOME

	For the six months ended 30 June 2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Fees and commission income:		
Retail and commercial banking	**71,826**	73,547
Wealth management services, stockbroking and securities management	**28,617**	23,410
	100,443	96,957
Less: Fees and commission expenses	**(814)**	(643)
Net fees and commission income	**99,629**	96,314
Gross rental income	**7,215**	6,633
Less: Direct operating expenses	**(40)**	(38)
Net rental income	**7,175**	6,595
Gains less losses arising from dealing in foreign currencies	**4,549**	4,738
Net losses on disposal of property and equipment	**(202)**	(51)
Dividend income from listed investments	**20**	12
Dividend income from unlisted investments	**900**	1,000
Others	**1,252**	1,641
	113,323	110,249

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

There were no net gains or losses arising from held-to-maturity investments, loans and advances and receivables, financial liabilities at amortised cost and financial liabilities designated at fair value through profit or loss for the six months ended 30 June 2013 and 2012.

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Staff costs:		
Salaries and other staff costs	**214,834**	195,612
Pension contributions	**10,662**	9,734
Less: Forfeited contributions	**(11)**	(16)
Net retirement benefit schemes	**10,651**	9,718
	225,485	205,330
Other operating expenses:		
Operating lease rentals on leasehold buildings	**30,940**	28,535
Depreciation of property and equipment and land held under finance leases	**15,625**	15,721
Administrative and general expenses	**36,827**	34,287
Others	**77,240**	85,952
Operating expenses before changes in fair value of investment properties	**386,117**	369,825

At 30 June 2013 and 2012, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The current period credits arose in respect of staff who left the schemes during the period.

9. IMPAIRMENT ALLOWANCES

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net charge for/(write-back of) impairment losses and allowances:		
– loans and advances	**161,946**	155,356
– trade bills, accrued interest and receivables	**326**	(11)
	162,272	155,345
Net charge for/(write-back of) impairment losses and allowances:		
– individually assessed	**160,171**	156,400
– collectively assessed	**2,101**	(1,055)
	162,272	155,345
Of which:		
– new impairment losses and allowances (including any amount directly written off during the period)	**263,198**	259,455
– releases and recoveries	**(100,926)**	(104,110)
Net charge to the consolidated income statement	**162,272**	155,345

There were no impairment allowances for financial assets other than loans and advances and receivables for the six months ended 30 June 2013 and 2012.

10. TAX

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge:		
Hong Kong	**34,168**	29,836
Overseas	**7,285**	6,910
(Overprovisions)/underprovisions in prior periods	**(139)**	11,043
Deferred tax charge/(credit), net	**3,645**	(12,086)
	44,959	35,703

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 countries 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 locations in which the Company, its subsidiaries and a jointly-controlled entity are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	For the six months ended 30 June 2013 (Unaudited)					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	*%*	***HK$'000***	*%*	***HK$'000***	*%*
Profit before tax	**198,889**		**41,767**		**240,656**	
Tax at the applicable tax rate	**32,817**	**16.5**	**10,442**	**25.0**	**43,259**	**18.0**
Estimated tax losses from previous periods utilised	**(2)**	**–**	**–**	**–**	**(2)**	**–**
Estimated tax effect of net expenses that is not deductible	**1,774**	**0.9**	**67**	**0.2**	**1,841**	**0.8**
Adjustments in respect of current tax of previous periods	**(186)**	**(0.1)**	**47**	**0.1**	**(139)**	**(0.1)**
Tax charge at the Group's effective rate	**34,403**	**17.3**	**10,556**	**25.3**	**44,959**	**18.7**

	For the six months ended 30 June 2012 (Unaudited)					
	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit before tax	179,408		29,077		208,485	
Tax at the applicable tax rate	29,602	16.5	7,269	25.0	36,871	17.7
Estimated tax losses from previous periods utilised	(1)	–	–	–	(1)	–
Estimated tax effect of net income that is not taxable	(1,029)	(0.6)	(181)	(0.6)	(1,210)	(0.6)
Adjustments in respect of deferred tax of previous periods	(11,000)	(6.1)	–	–	(11,000)	(5.3)
Adjustments in respect of current tax of previous periods	11,043	6.2	–	–	11,043	5.3
Tax charge at the Group's effective rate	28,615	16.0	7,088	24.4	35,703	17.1

11. DIVIDENDS

	For the six months ended 30 June			
	2013 (Unaudited)	2012 (Unaudited)	**2013 (Unaudited)**	2012 (Unaudited)
	HK$ per ordinary share	HK$ per ordinary share	***HK$'000***	*HK$'000*
Interim	**0.05**	0.05	**54,896**	54,896

On 21 February 2013, a dividend of HK$0.09 per share totalling HK$98,812,586 was paid to shareholder as the second interim dividend for 2012.

On 20 February 2012, a dividend of HK$0.11 per share totalling HK$120,770,938 was paid to shareholder as the second interim dividend for 2011.

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$195,697,000 (2012: HK$172,782,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2012: 1,097,917,618) during the period.

(b) Diluted earnings per share

The share options outstanding during the periods ended 30 June 2013 and 2012 had no dilutive effect on the basic earnings per share for these periods. The calculation of diluted earnings per share for the period ended 30 June 2013 was based on the profit for the period of HK$195,697,000 (2012: HK$172,782,000) and on the weighted average number of ordinary shares of 1,097,917,618 (2012: 1,097,917,618), being the weighted average number of ordinary shares in issue of 1,097,917,618 (2012: 1,097,917,618) during the period as used in the basic earnings per share calculation.

13. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Loans and advances to customers	**26,683,094**	27,100,271
Trade bills	**60,456**	82,066
Loans and advances, and trade bills	**26,743,550**	27,182,337
Accrued interest	**83,559**	90,896
	26,827,109	27,273,233
Other receivables	**42,684**	48,092
Gross loans and advances and receivables	**26,869,793**	27,321,325
Less: Impairment allowances for loans and advances and receivables		
– individually assessed	**(120,163)**	(124,367)
– collectively assessed	**(29,790)**	(27,455)
	(149,953)	(151,822)
Loans and advances and receivables	**26,719,840**	27,169,503

Over 90% of the loans and advances and receivables were unrated exposures. 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 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Neither past due nor impaired loans and advances and receivables	**26,282,275**	26,629,959
Past due but not impaired loans and advances and receivables	**425,659**	447,883
Individually impaired loans and advances	**158,252**	227,588
Individually impaired receivables	**3,607**	15,895
Total loans and advances and receivables	**26,869,793**	27,321,325

About 66% 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 customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

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

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Gross amount	**Percentage of total loans and advances**	Gross amount	Percentage of total loans and advances
	HK$'000	***%***	*HK$'000*	*%*
Loans and advances overdue for:				
Six months or less but over three months	**91,226**	**0.34**	93,668	0.35
One year or less but over six months	**7,354**	**0.03**	3,347	0.01
Over one year	**18,995**	**0.07**	90,873	0.33
Loans and advances overdue for more than three months	**117,575**	**0.44**	187,888	0.69
Rescheduled loans and advances overdue for three months or less	**32,381**	**0.12**	34,400	0.13
Impaired loans and advances overdue for three months or less	**8,296**	**0.03**	5,300	0.02
Total overdue and impaired loans and advances	**158,252**	**0.59**	227,588	0.84

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**75**	116
One year or less but over six months	**198**	63
Over one year	**3,286**	15,715
Trade bills, accrued interest and other receivables overdue for more than three months	**3,559**	15,894
Impaired trade bills, accrued interest and other receivables overdue for three months or less	**48**	1
Total overdue and impaired trade bills, accrued interest and other receivables	**3,607**	15,895

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

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

	30 June 2013 (Unaudited)			31 December 2012 (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	**98,331**	**22,803**	**121,134**	97,623	106,159	203,782
Individual impairment allowances	**77,286**	**17,354**	**94,640**	69,045	30,961	100,006
Current market value and fair value of collateral			**35,361**			238,992
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	**138,748**	**23,111**	**161,859**	137,324	106,159	243,483
Individual impairment allowances	**102,501**	**17,662**	**120,163**	93,406	30,961	124,367
Current market value and fair value of collateral			**45,010**			242,715

Over 90% of the gross loans and advances and receivables are 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 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**35,361**	238,992
Covered portion of overdue loans and advances	**11,428**	78,063
Uncovered portion of overdue loans and advances	**106,147**	109,825

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 2013 and 31 December 2012.

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

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Gross amount	**Percentage of total loans and advances**	Gross amount	Percentage of total loans and advances
	HK$'000	***%***	*HK$'000*	*%*
Loans and advances overdue for three months or less	**425,115**	**1.59**	445,959	1.65
Trade bills, accrued interest and other receivables overdue for three months or less	**544**		1,924	

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

	30 June 2013 (Unaudited)		
	Individual impairment allowances	**Collective impairment allowances**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2013	**124,367**	**27,455**	**151,822**
Amounts written off	**(244,072)**	**–**	**(244,072)**
Impairment losses and allowances charged to the consolidated income statement	**259,678**	**3,520**	**263,198**
Impairment losses and allowances released to the consolidated income statement	**(99,507)**	**(1,419)**	**(100,926)**
Net charge of impairment losses and allowances	**160,171**	**2,101**	**162,272**
Loans and advances and receivables recovered	**79,530**	**–**	**79,530**
Exchange difference	**167**	**234**	**401**
At 30 June 2013	**120,163**	**29,790**	**149,953**
Deducted from:			
Loans and advances	**118,012**	**29,647**	**147,659**
Trade bills, accrued interest and other receivables	**2,151**	**143**	**2,294**
	120,163	**29,790**	**149,953**

	31 December 2012 (Audited)		
	Individual impairment allowances	Collective impairment allowances	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2012	166,162	29,809	195,971
Amounts written off	(531,410)	–	(531,410)
Impairment losses and allowances charged to the consolidated income statement	490,392	5,815	496,207
Impairment losses and allowances released to the consolidated income statement	(171,847)	(8,224)	(180,071)
Net charge/(release) of impairment losses and allowances	318,545	(2,409)	316,136
Loans and advances and receivables recovered	170,460	–	170,460
Exchange difference	610	55	665
At 31 December 2012	124,367	27,455	151,822
Deducted from:			
Loans and advances	122,560	27,294	149,854
Trade bills, accrued interest and other receivables	1,807	161	1,968
	124,367	27,455	151,822

(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 2013 (Unaudited)	31 December 2012 (Audited)	**30 June 2013 (Unaudited)**	31 December 2012 (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	**388,106**	401,340	**293,904**	306,648
In the second to fifth years, inclusive	**1,093,942**	1,098,536	**799,157**	809,263
Over five years	**3,803,790**	3,717,213	**3,183,398**	3,115,985
	5,285,838	5,217,089	**4,276,459**	4,231,896
Less: Unearned finance income	**(1,009,379)**	(985,193)		
Present value of minimum lease payments receivable	**4,276,459**	4,231,896		

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 2013 (Unaudited)	31 December 2012 (Audited)
	HK$'000	*HK$'000*
Certificates of deposit held	**1,521,749**	1,687,788
Treasury bills (including Exchange Fund Bills)	**1,734,968**	1,695,873
Other debt securities	**1,752,798**	1,172,556
	5,009,515	4,556,217
Listed or unlisted:		
– Listed in Hong Kong	**80,766**	42,156
– Unlisted	**4,928,749**	4,514,061
	5,009,515	4,556,217
Analysed by type of issuers:		
– Central government	**1,734,968**	1,695,873
– Banks and other financial institutions	**3,274,547**	2,860,344
	5,009,515	4,556,217

Impairment allowances of held-to-maturity investments were nil as at 30 June 2013 and 31 December 2012. There were no movements in impairment allowances for the period ended 30 June 2013 and for the year ended 31 December 2012.

There were neither impaired nor overdue held-to-maturity investments as at 30 June 2013 and 31 December 2012.

All exposures attributed to the held-to-maturity investments were rated with a grading of Baa2 or above based on the credit rating of an external credit agency, Moody's.

15. RESERVES

	Share premium account *HK\$'000*	Capital redemption reserve *HK\$'000*	Contributed surplus *HK\$'000*	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 2012	4,013,296	829	96,116	45,765	408,495	1,552,066	65,425	6,181,992
Profit for the year	–	–	–	–	–	381,571	–	381,571
Other comprehensive income	–	–	–	–	–	–	5,646	5,646
Transfer from retained profits	–	–	–	–	872	(872)	–	–
Dividends for 2012	–	–	–	–	–	(153,708)	–	(153,708)
At 31 December 2012 and 1 January 2013 (Audited)	**4,013,296**	**829**	**96,116**	**45,765**	**409,367**	**1,779,057**	**71,071**	**6,415,501**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**195,697**	**–**	**195,697**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**9,554**	**9,554**
Transfer to retained profits	**–**	**–**	**–**	**–**	**(5,225)**	**5,225**	**–**	**–**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(54,896)**	**–**	**(54,896)**
At 30 June 2013 (Unaudited)	**4,013,296**	**829**	**96,116**	**45,765**	**404,142**	**1,925,083**	**80,625**	**6,565,856**

Note: In accordance with the HKMA's guideline "Impact of the New Hong Kong Accounting Standards on Authorised Institutions' Capital Base and Regulatory Reporting" (the "Guideline"), the Group's regulatory reserve and collective impairment allowances were included as CET1 capital in the Group's capital base at 30 June 2013 as defined in the Guideline. The regulatory reserve was held as a buffer of capital to absorb potential financial losses in excess of the accounting standards' requirements pursuant to the Guideline from the HKMA.

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 2013 and 31 December 2012, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Within one year	**8,933**	6,546
In the second to fifth years, inclusive	**6,567**	2,779
	15,500	9,325

(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 2013 and 31 December 2012, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Within one year	**54,527**	48,135
In the second to fifth years, inclusive	**37,493**	27,956
	92,020	76,091

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 2013 (Unaudited)		
	Contractual amount	**Credit equivalent amount**	**Credit risk-weighted amount**	**Positive fair value-assets**	**Negative fair value-liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Direct credit substitutes	**72,824**	**72,824**	**65,071**	**–**	**–**
Transaction-related contingencies	**7,331**	**3,666**	**1,659**	**–**	**–**
Trade-related contingencies	**46,247**	**9,249**	**7,618**	**–**	**–**
Forward forward deposits placed	**147,765**	**147,765**	**29,553**	**–**	**–**
Forward asset purchases	**1,640**	**1,640**	**328**	**–**	**–**
	275,807	**235,144**	**104,229**	**–**	**–**
Derivatives held for trading:					
Foreign exchange rate contracts	**2,780,972**	**7,241**	**38**	**9,988**	**31,208**
Other commitments with an original maturity of:					
Not more than one year	**–**	**–**	**–**	**–**	**–**
More than one year	**123,784**	**61,892**	**61,892**	**–**	**–**
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	**3,728,378**	**–**	**–**	**–**	**–**
	6,908,941	**304,277**	**166,159**	**9,988**	**31,208**
Capital commitments contracted for, but not provided in the statement of financial position	**2,952**				

	31 December 2012 (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	200,808	200,808	52,922	–	–
Transaction-related contingencies	10,909	5,454	3,785	–	–
Trade-related contingencies	99,942	19,989	17,223	–	–
Forward forward deposits placed	74,218	74,218	14,844	–	–
Forward asset purchases	2,806	2,806	561	–	–
	388,683	303,275	89,335	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	142,582	489	1	317	135
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	181,353	90,676	90,676	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,242,637	–	–	–	–
	3,955,255	394,440	180,012	317	135
Capital commitments contracted for, but not provided in the statement of financial position	5,925				

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 and commitments and from 0% to 50% for exchange rate contracts.

As at 30 June 2013 and 31 December 2012, 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 2013 (Unaudited)							
	Repayable on demand	Up to 1 month	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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:								
Cash and short term placements	675,498	3,145,270	–	–	–	–	–	3,820,768
Placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	319,077	303,890	–	–	–	622,967
Loans and advances and receivables	692,170	1,042,175	1,232,791	3,720,364	6,625,646	13,423,452	133,195	26,869,793
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	576,800	2,091,968	2,245,058	95,689	–	–	5,009,515
Other assets	77	99,002	3,376	1,029	–	–	32,459	135,943
Foreign exchange contracts (gross)	–	2,758,187	22,785	–	–	–	–	2,780,972
Total financial assets	1,367,745	7,621,434	3,669,997	6,270,341	6,721,335	13,423,452	172,458	39,246,762
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	55,908	630,599	70,000	50,000	–	–	–	806,507
Customer deposits at amortised cost	6,946,236	9,623,659	7,066,440	4,209,205	146,049	–	–	27,991,589
Certificates of deposit issued at amortised cost	–	449,995	–	804,760	–	–	–	1,254,755
Unsecured bank loans at amortised cost	–	994,974	299,924	798,846	866,965	–	–	2,960,709
Other liabilities	1,053	122,533	21,661	26,699	6,670	–	140,765	319,381
Foreign exchange contracts (gross)	–	2,778,759	23,433	–	–	–	–	2,802,192
Total financial liabilities	7,003,197	14,600,519	7,481,458	5,889,510	1,019,684	–	140,765	36,135,133

	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
				31 December 2012 (Audited)				
Financial assets:								
Cash and short term placements	708,553	3,242,915	–	–	–	–	–	3,951,468
Placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	651,076	222,875	–	–	–	873,951
Loans and advances and receivables	661,247	1,013,130	1,204,691	3,557,492	6,962,883	13,746,310	175,572	27,321,325
Available-for-sale financial assets	–	–	–	–	–	–	6,804	6,804
Held-to-maturity investments	–	1,103,708	1,052,681	2,343,085	56,743	–	–	4,556,217
Other assets	73	86,035	1,048	1,655	–	–	42,520	131,331
Foreign exchange contracts (gross)	–	116,591	5,068	20,923	–	–	–	142,582
Total financial assets	1,369,873	5,562,379	2,914,564	6,146,030	7,019,626	13,746,310	224,896	36,983,678
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	39,866	258,430	90,000	150,000	–	–	–	538,296
Customer deposits at amortised cost	6,206,734	9,568,395	9,375,385	3,808,813	414,795	–	–	29,374,122
Certificates of deposit issued at amortised cost	–	–	–	449,959	199,874	–	–	649,833
Unsecured bank loans at amortised cost	–	48,000	–	2,046,661	865,776	–	–	2,960,437
Other liabilities	83	116,029	22,317	26,435	12,452	–	163,428	340,744
Foreign exchange contracts (gross)	–	116,524	5,056	20,820	–	–	–	142,400
Total financial liabilities	6,246,683	10,107,378	9,492,758	6,502,688	1,492,897	–	163,428	34,005,832

INTERIM DIVIDEND

The Board has on 25 June 2013 declared an interim dividend of HK$0.05 (2012: HK$0.05) per share payable on 30 July 2013 to shareholders whose names appear on the register of members of the Company on 12 July 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the period under review, the banking industry in Hong Kong continued to be affected by the low interest rate environment for Hong Kong currency loans business. The persisting European debts issues and slow recovery of the US economy continued to cast volatilities on the global economic conditions including those of the Mainland China and Hong Kong.

The operating environment for financial institutions in Hong Kong was challenging and difficult in the period under review. High property prices, partly driven by low interest rates and insufficient supplies of new properties, continued to be a concern for potential asset bubbles. The various measures implemented by the Hong Kong government to curb speculative property transactions had resulted in a significant decline in the volume of property transactions in the Hong Kong market. Consequently, demand for commercial loans and property mortgage loans of the Group was affected by such adverse investment sentiments.

FINANCIAL REVIEW

Revenue and earnings

For the six months ended 30 June 2013, the Group's profit after tax recorded an increase of HK$22.9 million or 13.3% to HK$195.7 million as compared to the corresponding period in 2012. The increase in earnings of the Group for the period under review was mainly attributed to the increase in net interest income arising from widening net interest margin on the Group's loans and advances.

The Group's basic earnings per share for the six months ended 30 June 2013 was HK$0.178. The Board had declared an interim dividend of HK$0.05 per share on 25 June 2013, payable on 30 July 2013.

During the period under review, the Group's total interest income increased by HK$15.1 million or 1.8% to HK$833.4 million, whilst total interest expense decreased by HK$49.4 million or 23.3% to HK$163.0 million. Consequently, the Group's net interest income increased by HK$64.6 million or 10.7% to HK$670.5 million. Other operating income from loan transactions, stockbroking and other business activities of the Group recorded an increase of HK$3.1 million or 2.8% to HK$113.3 million in the period under review.

The Group's operating expenses increased by HK$16.3 million or 4.4% to HK$386.1 million mainly due to the increase in human resources related costs and premises related costs.

Impairment allowance for loans and advances increased slightly by HK$6.9 million or 4.5% to HK$162.3 million during the period under review.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) decreased by HK$438.8 million or 1.6% to HK$26.74 billion as at 30 June 2013 from HK$27.18 billion as at 31 December 2012 mainly due to the repayment of commercial syndication loans and other commercial loans, coupled with lower volume of property mortgage loans due to the significant decline in properties transactions in the market. The Group's deposits from customers decreased by HK$1.38 billion or 4.7% to HK$27.99 billion as at 30 June 2013 from HK$29.37 billion as at 31 December 2012. Total assets of the Group stood at HK$40.16 billion as at 30 June 2013.

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. Winton Financial Limited ("Winton Financial"), another operating subsidiary of the Company, which operates under a money lenders licence, 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 2013 to serve its customers. During the period under review, the Group did not open any new branches in light of the market conditions.

Business performance

Public Bank (Hong Kong)

During the period under review, total loans and advances (including trade bills) of Public Bank (Hong Kong) decreased by HK$440.8 million or 2.0% to HK$21.93 billion as at 30 June 2013 from HK$22.37 billion as at 31 December 2012. Deposits from customers (excluding intra-group's deposits) decreased by HK$1.58 billion or 6.2% to HK$24.16 billion as at 30 June 2013 from HK$25.74 billion as at 31 December 2012.

The consolidated capital adequacy ratio of Public Bank (Hong Kong) stood at 20.2% as at 30 June 2013.

Public Bank (Hong Kong) will continue to identify suitable locations for the relocation of branches to better sites and will open new branches in appropriate locations during the year where feasible to expand its customer reach and to further develop its banking related financial services and customer base.

Public Finance

Total loans and advances of Public Finance remained relatively the same at HK$4.63 billion as compared to the position as at 31 December 2012. Deposits from customers increased by HK$190.3 million or 5.0% to HK$4.02 billion as at 30 June 2013 from HK$3.83 billion as at 31 December 2012.

Segmental information

The Group's business comprises 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 91% 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 2012, the Group's operating income from retail and commercial banking businesses increased by HK$61.7 million or 9.0% to HK$747.3 million.

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. As at 30 June 2013, 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 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$3.0 billion as at 30 June 2013. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio stood at a healthy level of 0.44 times as at 30 June 2013 as compared to 0.45 times as at 31 December 2012. The Group's bank borrowings have remaining maturity periods of less than 2 years. In the normal course of its commercial banking business, Public Bank (Hong Kong) has 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.

Asset quality

The Group's impaired loans to total loans ratio improved to 0.59% as at 30 June 2013 from 0.84% as at 31 December 2012, due to recovery of some impaired loans.

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.

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, 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 employees' share option scheme approved by shareholders on 28 February 2002. In the first half year of 2013, no share options to subscribe for shares in the Company were exercised by employees of the Group. As at 30 June 2013, options to subscribe for 25,117,000 shares in the Company remained unexercised.

As at 30 June 2013, the Group's staff force stood at 1,398 employees. For the six months ended 30 June 2013, the Group's total staff related costs amounted to HK$225.5 million.

PROSPECTS

The economic outlook of Hong Kong is anticipated to remain challenging with uncertainties on the global fiscal and monetary policies extending to the second half of 2013. The timing of the exit of the US from quantitative easing monetary policies remains uncertain and is expected to exert pressure on debt servicing ability and purchasing power of consumers with potential increase in interest rates in Hong Kong. Rising labour costs and appreciation of RMB currency would weaken the competitiveness of manufacturing and export activities in Mainland China. Despite the foregoings, the Group will continue to seek long-term business growth and take steps to align the business strategies of the Group with the business expansion plans. The Group will also adopt prudent capital and funding management 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 and the additional prudential measures introduced by the regulatory authority in Hong Kong will add pressure on the cost of customer deposits and inter-bank borrowings, and adversely impact loans 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.

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 innovative products and implementing aggressive marketing strategies. 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.

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 2013.

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 2013.

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 2013 Interim Report, in compliance with the Code Provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules except for the deviation in respect of the service term under Code Provision A.4.1 of the Listing Rules.

Under Code Provision A.4.1 of the Listing Rules, non-executive directors shall be appointed for specific terms and subject to re-election. The Board is of the view that the current practice of appointing non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does not intend to change the current practice at the moment.

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

REVIEW BY AUDIT COMMITTEE

The 2013 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, 15 July 2013

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