



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.publicfinance.com.hk)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

INTERIM RESULTS

The Board of Directors of Public Financial Holdings Limited (the “Company”) (formerly known as JCG Holdings Limited) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
	Notes		
Interest income		584,812	388,112
Interest expense		(147,112)	(11,378)
NET INTEREST INCOME		437,700	376,734
Other operating income		86,471	68,303
OPERATING INCOME		524,171	445,037
Operating expenses	4	(139,683)	(105,694)
OPERATING PROFIT BEFORE IMPAIRMENT LOSS AND ALLOWANCES		384,488	339,343
Impairment loss and allowances for financial assets		(92,950)	(77,202)
OPERATING PROFIT		291,538	262,141
SHARE OF PROFITS AND LOSSES OF A JOINTLY-CONTROLLED ENTITY		–	–
PROFIT BEFORE TAX		291,538	262,141
Tax	5	(43,989)	(45,358)
PROFIT FOR THE PERIOD		247,549	216,783
DIVIDENDS	6		
Interim dividend		54,695	42,465
Special dividend		–	205,250
		54,695	247,715
EARNINGS PER SHARE (HK\$)	7		
Basic		0.278	0.306
Diluted		0.277	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Cash and short term placements		3,320,770	453,009
Placements with banks and financial institutions maturing between one and twelve months		525,952	5,000
Securities measured at fair value through profit or loss		16,964	–
Derivative receivables		18,422	–
Loans and advances and receivables	8	12,560,382	3,512,255
Available-for-sale security investment		47,014	25,881
Held-to-maturity securities		3,634,217	–
Interests in jointly-controlled entity		1,500	–
Inventories of taxi licences		24,123	26,988
Investment properties		165,947	147,987
Property, plant and equipment		401,796	21,336
Land lease prepayments		232,182	233,568
Deferred tax assets		2,572	2,854
Other assets	9	182,128	34,418
Goodwill and intangible assets	10	2,621,094	126
TOTAL ASSETS		23,755,063	4,463,422
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions		511,250	–
Derivative payables		16,055	–
Customer deposits		14,165,542	1,641,978
Certificates of deposit issued		1,348,974	–
Declared dividend		54,695	291,706
Bank loans		2,015,000	–
Current tax payable		67,467	31,555
Deferred tax liabilities		57,087	13,410
Other liabilities	11	257,241	91,339
TOTAL LIABILITIES		18,493,311	2,069,988
EQUITY			
Share capital		109,390	72,926
Reserves	13	5,152,362	2,320,508
TOTAL EQUITY		5,261,752	2,393,434
TOTAL EQUITY AND LIABILITIES		23,755,063	4,463,422

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	For the six months ended	
	30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
TOTAL EQUITY		
Balance at beginning of period	2,393,434	2,295,823
Rights issue, net of expenses	2,661,135	–
Employee share-based compensation reserve	–	7,000
Surplus/(deficit) on revaluation of available-for-sale security investment	14,329	(563)
Net gain not recognised in the condensed consolidated profit and loss account	14,329	6,437
Profit for the period	247,549	216,783
Dividends declared on shares	(54,695)	(247,715)
	192,854	(30,932)
Balance at end of period	5,261,752	2,271,328

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Acquisition of Public Bank (Hong Kong) Limited (“Public Bank (Hong Kong)”) (formerly known as Asia Commercial Bank Limited)

Following the completion of the purchase of the entire issued and paid-up share capital of Asia Commercial Bank Limited in May 2006, the name of Asia Commercial Bank Limited was changed to Public Bank (Hong Kong) Limited on 30 June 2006. Public Bank (Hong Kong) and its subsidiaries (“Public Bank (Hong Kong) Group”) are now wholly-owned subsidiaries of the Company. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2006 have taken into account of the financial results of Public Bank (Hong Kong) Group as wholly-owned subsidiaries of the Company.

2.1 Statement of compliance and accounting policies

These interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements of the “Interim Financial Disclosure by Locally Incorporated Authorised Institutions” under the Supervisory Policy Manuals issued by the Hong Kong Monetary Authority (“HKMA”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2005 Annual Report except for the adoption of new HKFRSs and HKASs as disclosed in note 3 below.

2.2 Basis of consolidation

The subsidiaries consolidated for accounting purpose are as follows:

- Public Finance Limited (“Public Finance”) (formerly known as JCG Finance Company, Limited) and its subsidiaries
- Public Bank (Hong Kong) Group
- Winton (B.V.I) Limited and its subsidiaries

The subsidiaries included in the computation of the consolidated capital adequacy ratio of Public Finance are as follows:

- Public Finance
- JCG Securities Limited
- Public Financial Limited

The subsidiaries included in the computation of the consolidated capital adequacy ratio of Public Bank (Hong Kong) are as follows:

- Public Bank (Hong Kong)
- Hocomban Investments Limited
- AFH Credit Limited
- Asia Commercial Bank (Nominees) Limited

3.1. Impact of new HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs, and HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2006 which are pertinent to its operations and relevant to these interim financial statements.

- | | | |
|---|------------------------------|---|
| • | HKAS 39 Amendment | The Fair Value Option |
| • | HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts |
| • | HK(IFRIC)–Int 4 | Determining whether an Arrangement contains a Lease |

There was no material impact on the basis of preparation of the unaudited condensed consolidated balance sheet and condensed profit and loss account arising from the above-mentioned accounting standards.

3.2. Impact of issued but not yet effective HKFRSs and HKASs

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

- (a) HKAS 1 Amendment “Presentation of Financial Statements: Capital Disclosures” (effective for accounting period beginning on or after 1 January 2007)
- (b) HKFRS 7 “Financial Instruments: Disclosures” (effective for accounting period beginning on or after 1 January 2007)

HKAS 1 Amendment will affect the disclosures about qualitative information about the Group’s objective, policies and processes for managing capital, quantitative data about what the Group regards as capital; and compliance with any capital requirements and consequences of any non-compliance.

HKFRS 7 will replace HKAS 30 and modify the disclosure requirements of HKAS 32 relating to financial instruments.

The Group expects that the adoption of the above pronouncements will not have significant impact on the Group as at the date of the interim financial statements.

4. Operating expenses

	For the six months ended 30 June	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Staff costs:		
Salaries and other staff costs	60,126	44,010
Pension contributions	3,936	3,250
Less: Forfeited contributions	(100)	(475)
Net pension contributions	<u>3,836</u>	<u>2,775</u>
	63,962	46,785
Employee share option benefits	–	7,000
	<u>63,962</u>	<u>53,785</u>
Other operating expenses:		
Operating lease rentals on leasehold buildings	11,494	9,878
Depreciation and amortisation of land lease prepayments	6,002	3,116
Auditors' remuneration	988	661
Amortisation and write-off of commission expenses	40	102
Administrative and general expenses	11,969	8,695
Others	45,228	29,457
	<u>139,683</u>	<u>105,694</u>

As at 30 June 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil). The current period credits arose in respect of staff who left the scheme during the period.

5. Tax

	For the six months ended 30 June	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax charge:		
Hong Kong	44,785	46,800
Elsewhere	622	–
Over provisions in prior years	(1,700)	–
Deferred tax charge/(income)	<u>282</u>	<u>(1,442)</u>
	<u>43,989</u>	<u>45,358</u>

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and its subsidiaries 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					
	2006					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>287,391</u>		<u>4,147</u>		<u>291,538</u>	
Tax at the applicable tax rate	50,293	17.5	622	15.0	50,915	17.5
Estimated tax effect of net income that is not taxable	(5,095)	(1.7)	-	-	(5,095)	(1.7)
Estimated tax losses from previous periods utilised	(157)	(0.1)	-	-	(157)	(0.1)
Estimated tax losses not recognised	26	-	-	-	26	-
Adjustments in respect of current tax of previous periods	-	-	(1,700)	(41.0)	(1,700)	(0.6)
Tax charge at the Group's effective rate	<u>45,067</u>	<u>15.7</u>	<u>(1,078)</u>	<u>(26.0)</u>	<u>43,989</u>	<u>15.1</u>
	For the six months ended 30 June					
	2005					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>262,141</u>		<u>-</u>		<u>262,141</u>	
Tax at the applicable tax rate	45,875	17.5	-	-	45,875	17.5
Estimated tax effect of net income that is not taxable	(520)	(0.2)	-	-	(520)	(0.2)
Estimated tax losses from previous periods utilised	(447)	(0.2)	-	-	(447)	(0.2)
Estimated tax losses not recognised	450	0.2	-	-	450	0.2
Tax charge at the Group's effective rate	<u>45,358</u>	<u>17.3</u>	<u>-</u>	<u>-</u>	<u>45,358</u>	<u>17.3</u>

6. Dividends

	For the six months ended 30 June			
	2006	2005	2006	2005
	HK\$ per ordinary share		HK\$'000	HK\$'000
Interim dividend	0.05	0.06	54,695	42,465
Special dividend	-	0.29	-	205,250
	<u>0.05</u>	<u>0.35</u>	<u>54,695</u>	<u>247,715</u>

7. 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\$247,549,000 (2005: HK\$216,783,000) and the weighted average number of 890,427,818 (2005: 707,758,412) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period of HK\$247,549,000 (2005: HK\$216,783,000) and on the weighted average number of 892,532,909 (2005: 707,758,412) ordinary shares, being the weighted average number of 890,427,818 (2005: 707,758,412) ordinary shares in issue during the period as used in the basic earnings per share calculation and the weighted average number of 2,105,091 (2005: Nil) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

	For the six months ended	
	30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period, used in the basic and diluted earnings per share calculation	<u>247,549</u>	<u>216,783</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	890,427,818	707,758,412
Weighted average number of ordinary share assumed issued at no consideration on deemed exercise of all share options outstanding during the period	<u>2,105,091</u>	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>892,532,909</u>	<u>707,758,412</u>
Diluted earnings per share (HK\$)	<u>0.277</u>	N/A

8. Loans and advances and receivables

(a) Advances to customers and receivables

	30 June	31 December
	2006	2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Loans and advances to customers	12,578,634	3,583,800
Trade bills	<u>66,071</u>	–
Interest receivable	12,644,705	3,583,800
	<u>99,796</u>	45,232
Other receivables	12,744,501	3,629,032
	<u>71,222</u>	73,902
	12,815,723	3,702,934
Impairment allowances for advances to customers and receivables:		
Individual impairment allowances	(110,095)	(78,276)
Collective impairment allowances	(145,246)	(112,403)
	<u>(255,341)</u>	<u>(190,679)</u>
	12,560,382	3,512,255

Certain loans and advances and receivables were secured by properties, taxi licences, taxi cabs, shares, cash and other collaterals.

The maturity profile of loans and advances to customers and receivables as at 30 June 2006 and 31 December 2005 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
Repayable:		
On demand	527,457	19,999
Within three months or less	2,125,604	546,405
Within one year or less but over three months	2,120,472	1,196,343
Within five years or less but over one year	4,370,589	1,217,724
After five years	3,393,742	490,573
Undated	277,859	231,890
	<u>12,815,723</u>	<u>3,702,934</u>

(b) Gross amount of impaired loans and advances

	30 June 2006 (Unaudited)		31 December 2005 (Audited)	
	Gross amount <i>HK\$'000</i>	<i>Percentage of total loans and advances</i>	Gross amount <i>HK\$'000</i>	<i>Percentage of total loans and advances</i>
Gross impaired loans and advances				
Overdue for:				
Six months or less but over three months	80,441	0.6	62,450	1.7
One year or less but over six months	42,764	0.3	29,385	0.8
Over one year and loss accounts	<u>180,346</u>	<u>1.5</u>	<u>116,786</u>	<u>3.3</u>
Total impaired loans and advances	<u>303,551</u>	<u>2.4</u>	208,621	<u>5.8</u>
Impairment allowances for impaired loans and advances:				
Individual impairment allowances	(110,095)		(78,276)	
Collective impairment allowances	(114,623)		(105,834)	
	<u>(224,718)</u>		<u>(184,110)</u>	
	<u>78,833</u>	<u>0.6</u>	<u>24,511</u>	<u>0.7</u>

Interest accrual of impaired loans and advances amounted to less than 1% of total gross loans and advances and is considered immaterial to the Group. Accordingly, the aforesaid interest accrual is not disclosed in the financial statements.

(c) Impairment allowances for loans and advances and receivables

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Balance at beginning of period/year	190,679	193,750
Recoveries	31,824	59,648
Charge for the period/year	124,774	218,399
Amounts released	(31,824)	(59,648)
Net charge to the condensed consolidated profit and loss account	92,950	158,751
Amounts written off	(132,402)	(221,470)
Acquisition of Public Bank (Hong Kong)	72,290	–
Balance at end of period/year	<u>255,341</u>	<u>190,679</u>

(d) Repossessed assets

The amount of repossessed assets was less than 1% (2005: less than 1%) of total gross loans and advances and receivables and was immaterial to the Group. Accordingly, the amount was not separately disclosed.

9. Other assets

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Interest receivable from authorised institutions	32,461	258
Other debtors, deposits and prepayments	149,667	34,160
	<u>182,128</u>	<u>34,418</u>

The Group's interest receivable from authorised institutions was current in nature at 30 June 2006 and 31 December 2005. The current and non-current portion of the Group's other debtors, deposits and prepayments were HK\$67,122,000 and HK\$82,545,000 (2005: HK\$27,992,000 and HK\$6,168,000) respectively.

The carrying amounts of other debtors, deposits and prepayments approximate their fair values.

10. Goodwill and intangible assets

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Goodwill	2,620,369	–
Intangible assets	725	126
	<u>2,621,094</u>	<u>126</u>

On 14 February 2006, the Company and Asia Financial Holdings Limited ("AFH") entered into the share purchase agreement pursuant to which AFH agreed to sell and the Company agreed to purchase, the entire issued and paid-up share capital of Public Bank (Hong Kong) for a consideration of HK\$4.5 billion, subject to potential adjustments as agreed by the Company and AFH. In May 2006, the Company completed the acquisition of Public Bank (Hong Kong) Group from AFH. Goodwill of approximately HK\$2.6 billion arose from the acquisition based on the fair value of Public Bank (Hong Kong) Group's net assets of HK\$1.9 billion as at the reference date and before the determination of the final net asset value. The Company financed the acquisition by bank loans of HK\$2.0 billion and the net proceeds of HK\$2.6 billion arising from the rights issue of 364,632,206 rights shares of HK\$0.10 each at HK\$7.30 per rights share on the basis of one rights share for every two existing shares held by the shareholders (the "Rights Issue").

11. Other liabilities

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Creditors, accruals and interest payable	253,073	86,995
Amount due to the ultimate holding company	338	338
Provision for long service payments	3,830	4,006
	<u>257,241</u>	<u>91,339</u>

As the trade payables are immaterial to the Group, the maturity profile thereof has not been disclosed. The other liabilities, other than provision for long service payments, were current in nature.

The carrying amounts of creditors, accruals and interest payable approximate their fair values.

12. Employee share-based compensation reserve

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
At beginning of period/year	45,765	–
Employee share option benefits	–	45,765
	<u>45,765</u>	<u>45,765</u>

- (a) Share options were granted to the directors and employees of the Company and its subsidiaries to subscribe for shares in the Company in accordance with the terms and conditions of the Employees' Share Option Scheme (the "ESOS") approved by the shareholders of the Company at the annual general meeting on 28 February 2002 and further amended by the shareholders of the Company at the annual general meeting on 10 March 2005. Each share option gives the holder the right to subscribe for one ordinary share.

The Group is not legally bound or obliged to repurchase or settle the options in cash.

Pursuant to the terms of the Company's ESOS, adjustment is required to be made to the exercise price and/or the number of shares falling to be issued upon exercise of the outstanding share options as a result of the Rights Issue. After the completion of the Rights Issue, the exercise price of the outstanding shares options was adjusted from HK\$7.29 per share to HK\$6.35 per share and there was no adjustment to the number of shares falling to be issued.

- (b) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	For the six months ended 30 June 2006		For the year ended 31 December 2005	
	Average exercise price per share (Unaudited) HK\$	Number of options	Average exercise price per share (Audited) HK\$	Number of options
At beginning of period/year	7.29	43,878,000	–	–
Granted and accepted	–	–	7.29	65,976,000
Forfeited	–	–	7.29	(592,000)
Exercised	–	–	7.29	(21,506,000)
	<u>6.35</u>	<u>43,878,000</u>	<u>7.29</u>	<u>43,878,000</u>

Remaining contractual life of the 43,878,000 outstanding options was 8.94 years as at 30 June 2006.

At 30 June 2006, all the 43,878,000 outstanding options (2005: 43,878,000) were exercisable at the adjusted exercise price of HK\$6.35 (2005: HK\$7.29).

No share options were exercised during the six months ended 30 June 2006 (2005: 21,506,000).

- (c) Had all the outstanding employee share options been fully exercised on 30 June 2006, the Group would have received proceeds of HK\$278,625,300. The market value of the shares issued based on the closing price of HK\$6.25 per share on that date would have been HK\$274,237,500. The directors and employees concerned under the ESOS would have made no gain from the exercise of share options.

13. Reserves

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Share premium account:		
At beginning of period/year	1,364,179	1,209,593
Premium, net of expense, arising on share options exercised	–	154,586
Premium, net of expense, arising on rights issue	2,624,671	–
At end of period/year	3,988,850	1,364,179
Capital redemption reserve	829	829
Contributed surplus	96,116	96,116
Available-for-sale investment revaluation reserve:		
At beginning of period/year	25,618	16,481
Change in fair value	14,329	9,137
At end of period/year	39,947	25,618
Employee share-based compensation reserve:		
At beginning of period/year	45,765	–
Employee share option benefits	–	45,765
At end of period/year	45,765	45,765
Regulatory reserve:		
At beginning of period/year	85,400	75,686
Transfer (to)/from retained profits	(756)	9,714
At end of period/year	84,644	85,400
Retained profits:		
At beginning of period/year	702,601	812,966
Profit for the period/year	247,549	446,297
Dividend declared and paid	(54,695)	(546,948)
Transfer from/(to) regulatory reserve	756	(9,714)
At end of period/year	896,211	702,601
	<u>5,152,362</u>	<u>2,320,508</u>

14. Operating lease arrangements

As at 30 June 2006, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within one year	24,399	16,172
In the second to fifth years, inclusive	17,855	11,461
	<u>42,254</u>	<u>27,633</u>

15. Contingent liabilities and commitments

The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments of the Group outstanding:

	30 June 2006			31 December 2005		
	Contractual amount (Unaudited) HK\$'000	Replacement cost (Unaudited) HK\$'000	Risk weighted amount (Unaudited) HK\$'000	Contractual amount (Audited) HK\$'000	Replacement cost (Audited) HK\$'000	Risk weighted amount (Audited) HK\$'000
	Direct credit substitutes	55,710	-	43,175	-	-
Transaction-related contingencies	4,161	-	1,388	-	-	-
Trade related contingencies	162,920	-	29,304	-	-	-
Forward forward deposits placed	264,391	-	52,878	-	-	-
Forward asset purchases	14,637	-	2,927	-	-	-
Foreign exchange rate contracts	7,618,450	2,219	14,594	-	-	-
Interest rate swap	150,000	-	150	-	-	-
Other commitments with an original maturity of:						
Under one year or which are unconditionally cancellable	3,040,477	-	-	773	-	-
One year and over	178,435	-	89,217	-	-	-
Capital commitments contracted for, but not provided in the financial statements	3,127	-	3,127	1,603	-	1,603
	11,492,308	2,219	236,760	2,376	-	1,603

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk weighted amounts are calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments and from 0% to 50% for exchange rate contracts. Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market.

As at 30 June 2006 and 31 December 2005, the Company had no other material outstanding contingent liabilities and commitments as disclosed above.

16. Comparative figures

Certain fee income of HK\$19,642,000 had been reclassified as interest income in 2005 to conform with the current period's presentation following the adoption of HKFRSs and HKASs.

SUPPLEMENTARY INFORMATION (UNAUDITED)

Segmental information

(a) By business segments

	For the six months ended 30 June 2006		30 June 2006
	Operating income <i>HK\$'000</i>	Profit before tax <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
Retail and commercial banking	506,912	278,922	20,750,062
Treasury and other businesses	17,308	12,616	381,335
Inter-segment transactions	(49)	–	–
	<u>524,171</u>	<u>291,538</u>	<u>21,131,397</u>
Goodwill and intangible assets	–	–	2,621,094
Deferred tax assets	–	–	2,572
	<u>524,171</u>	<u>291,538</u>	<u>23,755,063</u>
	For the six months ended 30 June 2005		30 June 2005
	Operating income <i>HK\$'000</i>	Profit before tax <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
Retail and commercial lending	438,037	266,185	3,993,169
Treasury and other businesses	7,692	2,956	125,955
Inter-segment transactions	(692)	–	–
	<u>445,037</u>	<u>269,141</u>	<u>4,119,124</u>
Employee share option benefits	–	(7,000)	–
Intangible assets	–	–	126
Deferred tax assets	–	–	19,928
	<u>445,037</u>	<u>262,141</u>	<u>4,139,178</u>

(b) By geographical segments

Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented herein.

(c) Advances to customers by industry sectors and basis of classification

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
Property development	277,051	–
Property investment	1,490,176	56,674
Financial concerns	86,416	–
Stockbrokers	49,151	–
Telecommunication	2,418	–
Wholesale and retail trade	18,257	–
Manufacturing	523,192	1,602
Transport and transport equipment	1,156,661	516,024
Other	1,373,437	–
Individuals:		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	271,242	–
Loans for the purchase of other residential properties	2,654,191	19,927
Credit card advances	12,537	–
Others	3,249,447	2,911,121
Trade finance	776,242	–
Loans for use outside Hong Kong	638,216	78,452
	<u>12,578,634</u>	<u>3,583,800</u>

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

INTERIM DIVIDEND

The Board of Directors has on 29 June 2006 declared an interim dividend of HK\$0.05 (2005: interim dividend of HK\$0.06 and special dividend of HK\$0.29) per share payable on 24 August 2006 to shareholders whose names appear on the register of members of the Company on 16 August 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 14 August 2006 to 16 August 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 August 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Corporate development

The Company has changed its corporate name to Public Financial Holdings Limited from JCG Holdings Limited in March 2006 so as to reflect the corporate identity as a member of Public Bank Berhad Group in Malaysia. For the same objective, the principal subsidiary, JCG Finance Company, Limited has also changed its name to Public Finance Limited ("Public Finance") in January 2006.

In May 2006, Public Financial Holdings Limited completed the acquisition of Asia Commercial Bank Limited at a purchase consideration of HK\$4.5 billion, which is subject to potential adjustment under the terms of the Shares Purchase Agreement and subsequently changed its name to Public Bank (Hong Kong) Limited (“Public Bank (Hong Kong)”) on 30 June 2006. The purchase consideration of Public Bank (Hong Kong) was financed partly by a rights issue of HK\$2.6 billion and partly by a bridge loan facility of HK\$2.0 billion. The bridge loan facility will be refinanced by a medium term syndication loan of HK\$2.0 billion. The acquisition of Public Bank (Hong Kong) is expected to bring synergies of lower operating and funding costs, greater economies of scale and greater customer reach through a wider branch network in the long term. The Group’s branch network after the acquisition has expanded to 52 branches in Hong Kong, one branch in Shenzhen and one representative office each in Shanghai, Shenyang and Taipei.

Financial Review

Profit and loss analysis

For the six months ended 30 June 2006, the Group recorded a profit after tax of HK\$247.5 million, representing an increase of 14.2% or HK\$30.7 million when compared to HK\$216.8 million in the corresponding period of last year. The Group’s basic earnings per share for the six months ended 30 June 2006 stood at HK\$0.278. The directors have declared the payment of an interim dividend of HK\$0.05 per share on 29 June 2006, payable on 24 August 2006.

The increase in profit after tax in the first half of 2006 when compared to the corresponding period in the previous year was mainly attributed to the consolidation of the results of Public Bank (Hong Kong).

The Group’s net interest income increased by 16.2% or HK\$61.0 million to HK\$437.7 million when compared to the corresponding period of last year. Interest income increased by 50.7% or HK\$196.7 million to HK\$584.8 million after consolidation of loans and advances and debt securities, and cash and short term placement of Public Bank (Hong Kong). Interest expense increased by 1,193.0% or HK\$135.7 million to HK\$147.1 million after consolidation of customer deposits, deposits from financial institutions, certificates of deposits of Public Bank (Hong Kong) and the increase in bank borrowing following the acquisition of Public Bank (Hong Kong).

The Group’s non-interest income increased by 26.6% or HK\$18.2 million to HK\$86.5 million mainly due to the consolidation of net commission and fee income of Public Bank (Hong Kong).

During the period under review, the Group’s operating expenses increased by 32.2% or HK\$34.0 million to HK\$139.7 million with the consolidation of the operating expense of Public Bank (Hong Kong). The Group’s effective control over its operating costs has resulted in a low cost to operating income ratio of 26.6% for the six months ended 30 June 2006.

The Group’s impairment allowance for impaired assets rose by 20.4% or HK\$15.7 million to HK\$93.0 million mainly due to the increase in bad debts from bankruptcy petition and individual voluntary arrangement cases from the consumer financing business.

As at 30 June 2006, the Group’s loans and advance stood at HK\$12,578.6 million while the customer deposit was HK\$14,165.5 million. With the Company’s rights issue completed in April 2006, the Group’s total equity grew to HK\$5,261.8 million.

Segmental information

The Group’s business comprised mainly of two segments: retail and commercial banking; and treasury and other businesses. Over 90% of the Group’s operating income and profit before tax were contributed from retail and commercial banking. When compared to the corresponding period in the previous year, the Group’s operating income from retail and commercial banking increased by 15.7% or HK\$68.9 million to HK\$506.9 million mainly from the increased contribution from the consolidation of gross loans and advances and other interest-bearing assets of Public Bank (Hong Kong). Accordingly, the profit before tax from retail and commercial banking increased by 4.8% or HK\$12.7 million to HK\$278.9 million when compared to the same period of last year.

Contingent liabilities and commitments

The Group had no material contingent liabilities (other than those related to treasury, trade finance and loan commitments disclosed in the notes to the financial statements) at the end of the period under review. The Group also did not incur any material capital expenditure commitment during the period under review. There were no significant changes in charges over the Group's assets when compared to that disclosed in the Company's 2005 Annual Report.

Operational Review

Funding and capital management

The main objectives of the Group's funding and capital management are similar to that reported in the Company's 2005 Annual Report.

The Group relied principally on its internally generated capital, customer deposits, deposits from financial institutions, certificate of deposits and bank loans to fund its retail consumer financing business and commercial banking business. The Group's bank borrowings of HK\$2,015.0 million is denominated in Hong Kong dollars, and is priced at floating interest rates with HK\$15.0 million expected to mature within three months and HK\$2,000.0 million of bridging loan facility to be refinanced by a 3-year medium term loan. With the increase in bank borrowings, the Group's gearing ratio was 38.3% at the end of June 2006 when compared to nil at the end of December 2005. The Group has entered into foreign exchange contracts and interest rate swaps to reduce foreign exchange risk and interest rate risk exposures in its normal banking business.

Asset quality

Following the consolidation of Public Bank (Hong Kong), the Group's impaired loan ratio has improved significantly to 2.4% as at 30 June 2006 when compared to 5.8% as at 31 December 2005. During the first half of 2006, the asset quality of the consumer financing business of Public Finance had deteriorated slightly arising from marginal increase in bankruptcy petitions and individual voluntary arrangement cases.

Human resources management

The objectives of the Group's human resources management are essentially the same as that disclosed in the Company's 2005 Annual Report. As at the end of June 2006, the Group's staff force increased to over 800 people with the addition from Public Bank (Hong Kong). For the six months ended 30 June 2006, the Group's staff costs amounted to HK\$64.0 million.

Prospects

For the second half of year 2006, the economic growth of Hong Kong is expected to remain stable although there is a possibility of a slowdown in the local and global economy due to the potential rise in interest rate and high fuel prices.

With the acquisition of Public Bank (Hong Kong) completed in May 2006, the Group will now focus on expanding its retail and commercial banking business through Public Bank (Hong Kong) and its consumer financing business through Public Finance. The Group will undertake various measures to achieve better synergies in terms of lower funding cost and operating costs, greater economies of scale and wider customer reach for business expansion through the combined branch network and support functions of Public Finance and Public Bank (Hong Kong). The Group will continue to target on selected customer with aggressive promotions to grow its consumer financing business and reposition Public Bank (Hong Kong) to focus and grow its retail and commercial banking businesses through more aggressive promotions and marketing activities to a wider spectrum and penetration to the retail and commercial customers in Hong Kong. Barring any unforeseen circumstances, the Group is expected to grow further its loans and advances in 2006.

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 2006.

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 2006 interim report, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Subsequent to the publication of the Corporate Governance Report in the 2005 annual report and at the 2006 annual general meeting, a special resolution was passed to amend the Bye-laws of the Company to the effect that: (a) any director appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the first general meeting after his appointment; and (b) every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Under code provision A.4.1 of the Listing Rules, non-executive directors should be appointed for specific terms and subject to re-election. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and did not intend to change the current practice at the moment.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

The 2006 interim report has been reviewed by the Company's Audit Committee which comprises three Independent Non-executive Directors and one Non-executive Director.

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

Hong Kong, 14 July 2006

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

* *For identification purpose only*

"Please also refer to the published version of this announcement in China Daily"