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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Public Financial Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 626)

DISCLOSEABLE TRANSACTION

**ENTERING INTO DISTRIBUTION AGREEMENTS
WITH ING LIFE INSURANCE COMPANY (BERMUDA) LIMITED**

12 December 2007

* *For identification purpose only*

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DEFINITION

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Public Financial Holdings Limited, a company incorporated in Bermuda with its shares listed on the Stock Exchange
“Directors”	the directors of the Company
“Distribution Agreement(s)”	the distribution agreement(s) entered into between ING and each of PBHK and PFL on 21 November 2007
“EUR”	Euro, the official currency of the European’s Eurozone
“Goodwill Payment”	EUR4.1218 million (equivalent to approximately HKD46.9 million or RM20.1 million)
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ING”	ING Life Insurance Company (Bermuda) Limited, a company incorporated in Bermuda and is licensed to carry on insurance business in Hong Kong (including long-term and linked long-term insurance products)
“ING Asia”	ING Asia/Pacific Limited, part of ING Group which provides banking, insurance and asset management services
“ING Group”	ING Group was formed in 1991 through the merger of Nationale-Nederlanden with NMB Postbank, then respectively the largest insurer and second largest banking institution in The Netherlands. ING Group provides banking, insurance and asset management services to over 75 million customers in more than 50 countries

DEFINITION

“Insurance Products”	the types of insurance products falling within the classes of insurance business currently set out under Classes A, C and D of Part 2 of Schedule 1 to the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) and including the classes of long term businesses identified in the Distribution Agreements which combine the additional businesses specified in Classes 1 and 2 of Part 3 of Schedule 1 offered by ING which will be sold subject to the terms of the Distribution Agreements as may be added, omitted, deleted or substituted by mutual written agreement of ING and each of PBHK and PFL from time to time. For the avoidance of doubt, Classes 1 and 2 of Part 3 of Schedule 1 which are not linked to or combined with any of the classes of long term business identified above shall not be considered the “Insurance Products”
“Latest Practicable Date”	7 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBB”	Public Bank Berhad, a company incorporated in Malaysia and has an approximate 73.5% interest in the issued share capital of the Company
“PBHK”	Public Bank (Hong Kong) Limited, a wholly-owned subsidiary of the Company and is a licensed bank registered under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“PFL”	Public Finance Limited, a wholly-owned subsidiary of the Company and is a deposit-taking company registered under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“RM”	Ringgit, the lawful currency of Malaysia
“Services”	the marketing and distribution of the Insurance Products of PBHK and PFL as set out in their respective Distribution Agreements

DEFINITION

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	Share(s) of HKD0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Alliance”	Regional Strategic Alliance Agreement dated 7 November 2007 entered into between PBB and ING Asia, which will remain valid for 10 years from 1 January 2008 to 31 December 2017, subject to a further extension of up to 5 years
“%”	per cent.

Note: For use in this circular and for illustration purpose only, conversion of EUR into HKD is based on the approximate exchange rate of EUR1.00 to HKD11.3820 and the conversion of EUR into RM is based on the approximate exchange rate of EUR1.00 to RM4.8816 as at 7 November 2007. No representation or assurance is made or given that any amount in EUR or HKD or RM could be converted at such rate or any other rates.

LETTER FROM THE BOARD



大眾金融控股有限公司*
PUBLIC FINANCIAL HOLDINGS LIMITED

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

Non-executive Directors:

Tan Sri Dato' Sri Dr. Teh Hong Piow (*Chairman*)
Dato' Sri Tay Ah Lek
Dato' Chang Kat Kiam
Wong Kong Ming

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Executive Directors:

Tan Yoke Kong
Lee Huat Oon

*Head Office and Principal Place
of Business:*

1105-7 Wing On House
71 Des Voeux Road Central
Hong Kong

Independent Non-executive Directors:

Tan Sri Dato' Thong Yaw Hong (*Co-Chairman*)
Dato' Yeoh Chin Kee
Lee Chin Guan

12 December 2007

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

**ENTERING INTO DISTRIBUTION AGREEMENTS
WITH ING LIFE INSURANCE COMPANY (BERMUDA) LIMITED**

INTRODUCTION

On 7 November 2007, the Board announced that PBB, the ultimate holding company of the Company, had entered into the Strategic Alliance with ING Asia for the joint development of bancassurance business, Takaful business and various other services between PBB and ING Asia in the Asia-Pacific region for a duration of 10 years from 1 January 2008 to 31 December 2017, subject to a further extension of up to 5 years. Pursuant to the Strategic Alliance, separate distribution agreements would be signed by PBB, PBHK and PFL with the local operations of ING Asia initially. PBB has executed its distribution agreement on 7 November 2007.

* For identification purpose only

LETTER FROM THE BOARD

On 21 November 2007, Distribution Agreements between ING and each of PBHK and PFL were formalised. Under the Distribution Agreements, PBHK and PFL had agreed to exclusively (save and except the existing agency arrangement of PBHK on the distribution of insurance products) distribute to its customers ING's Insurance Products and to provide the Services for 10 years from 1 January 2008 to 31 December 2017, subject to any extension as mutually agreed between ING and each of PBHK and PFL.

The entering into the Distribution Agreements by PBHK and PFL with ING constituted a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with information regarding the discloseable transaction.

DETAILS OF THE STRATEGIC ALLIANCE

Date of agreement	:	7 November 2007
Parties	:	(1) ING Asia; and (2) PBB
Purpose	:	Joint development of the following proposed business opportunities: (i) The development of bancassurance business in the Asia-Pacific countries whereby PBB and its affiliates will distribute Insurance Products of ING Asia and its affiliates; (ii) The distribution of Takaful life and health insurance products or joint development of Takaful business in the Asia-Pacific countries; including but not limited to the acquisition of an existing Takaful business; and (iii) The exploration and joint development of various other services, including but not limited to wealth management, joint promotional activities and co-branded credit card services.
Term	:	10 years from 1 January 2008 to 31 December 2017, subject to a further extension of up to 5 years

LETTER FROM THE BOARD

Distribution agreement dated : Under the distribution agreement signed with ING
7 November 2007 Asia on 7 November 2007, PBB will customise bancassurance products with ING Asia to meet their customers' needs and distribute them via their extensive branch network, sales personnel and telemarketing. A dedicated sales team will also be recruited to specialise in the distribution of high-value and tailored Insurance Products to multiple customer segments.

DETAILS OF THE DISTRIBUTION AGREEMENTS

Date of agreements : 21 November 2007

Parties : (1) ING; and
(2) each of PBHK and PFL

Purpose : Each of PBHK and PFL will customise bancassurance products with ING to meet their respective customers' needs and distribute them via their respective extensive branch network, sales personnel and telemarketing. A dedicated sales team will also be recruited to specialise in the distribution of high-value and tailored Insurance Products to multiple customer segments. Each of PBHK and PFL shall exclusively source Insurance Products from ING for distribution to their respective customers in Hong Kong, save and except the existing agency arrangement of PBHK on the distribution of insurance products

Term : 10 years from 1 January 2008 to 31 December 2017, subject to any extension as mutually agreed between ING and each of PBHK and PFL

LETTER FROM THE BOARD

Conditions : During the term of the Distribution Agreements, each of PBHK and PFL shall exclusively (save and except the existing agency arrangement of PBHK on the distribution of insurance products) distribute to its customers ING's Insurance Products, as amended from time to time by mutual consent of the parties in writing, and to provide the Services and in return, ING shall pay to each of PBHK and PFL a commission, which will be calculated in accordance with Schedule I of the respective Distribution Agreements, taking into account the prevailing market rates and industry environment

INFORMATION ON THE PARTIES

The Company is an investment holding company, with its subsidiaries engaged in the provision of a comprehensive range of banking, financial and related services, deposit taking, personal and commercial lending, mortgage financing, stockbroking, the letting of investment properties, the provision of finance to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis.

PBHK is a wholly-owned subsidiary of the Company and is a licensed bank registered under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). The principal activities of PBHK and its subsidiaries consist of the provision of a comprehensive range of banking, financial and related services.

PFL is a wholly-owned subsidiary of the Company and is a deposit-taking company registered under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). The principal activities of PFL consist of deposit taking, personal and commercial lending, which comprise mainly the granting of personal loans, overdrafts, property mortgage loans, hire purchase loans to individuals and small to medium size manufacturing companies, the provision of finance to purchasers of taxis and the letting of investment properties.

ING is part of the ING Group, which is one of the 20 largest financial institutions worldwide and ranked top ten in Europe. ING Group was formed in 1991 through the merger of Nationale-Nederlanden with NMB Postbank, then respectively the largest insurer and second largest banking institution in The Netherlands. This was the first merger between an insurer and a bank in the world, thus making ING Group a pioneer in the field of bancassurance. With a staff force of approximately 120,000 employees, the ING Group provides banking, insurance and asset management services to over 75 million customers in more than 50 countries. As of 30 June 2007, ING Group has EUR640 billion of investment assets under management, with total assets worth EUR1,300 billion and shareholders' equity of EUR38 billion. The above was based on information provided by ING.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ING and the ultimate beneficial owner of ING are third parties independent of the Company and connected persons of the Company.

THE CONSIDERATION

ING Asia and the Board of Directors of PBB have agreed that ING Asia will pay the Group the Goodwill Payment, upon commencement of the Strategic Alliance in consideration of PBB entering into the Strategic Alliance, which was determined from the information on the customer base and profile furnished by PBHK and PFL.

During the term of the Distribution Agreements, ING shall pay to each of PBHK and PFL a commission for the Insurance Products as specified in the Distribution Agreements as amended from time to time by mutual consent of the parties in writing.

EFFECTS OF THE STRATEGIC ALLIANCE AND DISTRIBUTION AGREEMENTS ON THE GROUP'S EARNINGS, ASSETS AND LIABILITIES

As disclosed in the Company's announcements dated 7 November 2007 and 21 November 2007, the Strategic Alliance and the Distribution Agreements are not expected to have any effect on the earnings and earnings per share of the Group for the financial year ending 31 December 2007. However, for the financial year ending 31 December 2008, the Group will recognise the Goodwill Payment upon commencement of the Strategic Alliance in year 2008. In addition, commissions earned from the distribution of bancassurance products are expected to increase the Group's fee based income.

The Goodwill Payment represents less than 5% of the Group's assets or liabilities and is considered to be immaterial to the Group.

REASON FOR THE TRANSACTION

PBB is the second largest domestic bank in Malaysia by market capitalisation, with an extensive branch network of 240 branches throughout Malaysia and affiliates in Hong Kong and China, Cambodia, Laos, Vietnam and Sri Lanka. With PBB's strong presence in retail banking, the Strategic Alliance allows ING to tap into market segments not captured by the traditional insurance sales force. There is expected to be more productive use of the PBB Group's customer base to enhance the delivery of the Insurance Products, as well as reciprocal business developed under the Strategic Alliance. This distribution channel for the delivery of Insurance Products is expected to be relatively cheaper, and any cost savings will be potentially passed back to the Group's customers in the form of more competitive premiums and better customer benefits.

LETTER FROM THE BOARD

The sale of insurance products by the Group is expected to grow substantially during the period of the Strategic Alliance and expand the Group's fee-based income. The Directors believe that the terms of the Distribution Agreements are fair and reasonable and in the interests of the shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The entering into the Distribution Agreements by PBHK and PFL with ING constituted a discloseable transaction for the Company under the Listing Rules on the basis that the profits ratio derived from the Goodwill Payment is within the range of 5% or more but less than 25%.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange (together, "Discloseable Interests") were as follows:

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

Interests in	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	804,017,920	804,017,920	73.5004
	Tan Sri Dato' Thong Yaw Hong	498,000	-	-	498,000	0.0455
	Dato' Yeoh Chin Kee	80,000	-	-	80,000	0.0073
	Tan Yoke Kong	80,000	-	-	80,000	0.0073
	Lee Huat Oon	20,000	-	-	20,000	0.0018

Interests in	Name of director	Number of ordinary shares				Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation			
2. PBB	Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	-	786,468,596	807,992,846	22.9086	
	Tan Sri Dato' Thong Yaw Hong	7,313,750	350,000	312,500	7,976,250	0.2261	
	Dato' Sri Tay Ah Lek	8,610,109	200,000	139,482	8,949,591	0.2537	
	Dato' Yeoh Chin Kee	1,525,000	-	-	1,525,000	0.0432	
	Lee Chin Guan	1,390,000	-	-	1,390,000	0.0394	
	Dato' Chang Kat Kiam	109,435	-	-	109,435	0.0031	
	Tan Yoke Kong	85,000	-	-	85,000	0.0024	
	Lee Huat Oon	5,000	-	-	5,000	0.0001	
	Wong Kong Ming	199,386	-	-	199,386	0.0057	
3. Winsure Company, Limited, a subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	15,500	15,500	96.8750	
4. CampuBank Lonpac Insurance Plc, a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	3,850,000	3,850,000	55.0000	

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interest of 807,992,846 shares in PBB, is deemed to be interested in the shares of the Company and its associated corporations as disclosed above, to the extent PBB has interests.

(b) Long positions in underlying shares of the Company and an associated corporation

Interests in	Name of director	Number of shares attached to the share options	Exercise price	Exercise period
1. The Company	Dato' Sri Tay Ah Lek	<u>1,680,000</u>	HKD6.35	10.6.2005 to 9.6.2015
	Dato' Yeoh Chin Kee	<u>700,000</u>	HKD6.35	10.6.2005 to 9.6.2015
	Lee Chin Guan	<u>350,000</u>	HKD6.35	10.6.2005 to 9.6.2015
	Dato' Chang Kat Kiam	<u>1,680,000</u>	HKD6.35	10.6.2005 to 9.6.2015
	Tan Yoke Kong	<u>1,928,000</u>	HKD6.35	10.6.2005 to 9.6.2015
	Lee Huat Oon	<u>3,170,000</u>	HKD6.35	10.6.2005 to 9.6.2015
	Wong Kong Ming	<u>4,000,000</u>	HKD6.35	10.6.2005 to 9.6.2015
2. PBB	Lee Huat Oon	20,000	RM6.37	15.2.2005 to 24.2.2008
		<u>30,000</u>	RM5.67	5.12.2005 to 24.2.2008
		<u>50,000</u>		

Notes:

- The options to subscribe for ordinary shares of HK\$0.10 each in the Company under the Share Option Scheme of the Company are only exercisable during certain periods as notified by the Board or the Share Option Committee to each grantee which it may in its absolute discretion determine from time to time before the expiry of the share options on 9 June 2015.
- The options to subscribe for ordinary shares of RM1.00 each in PBB were first granted on 10 April 1998 under the Public Bank Berhad Employees' Share Option Scheme (the "PBB ESOS"). Following approvals from the relevant authorities and the shareholders of PBB at the extraordinary general meetings held on 20 May 2002, 20 April 2004 and 30 March 2005, the PBB ESOS has been extended for a total of five years to 25 February 2008. Hence, the exercise period of the options has also been extended up to and including 24 February 2008. The options are exercisable subject to the terms of the PBB ESOS.

(c) Save as disclosed above, none of the Directors and chief executive had any Discloseable Interests as at the Latest Practicable Date.

3. INTERESTS OF SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following person (other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Percentage of interest in issued share capital</u>
PBB	Beneficial owner	804,017,920	73.5004

- (b) Save as disclosed in this circular, so far as is known to the Directors, no person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such share capital as at the Latest Practicable Date.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

Tan Sri Dato' Sri Dr. Teh Hong Piow and Dato' Sri Tay Ah Lek are also directors of PBB, which is also engaged in the provision of financing for licensed public vehicles, mortgage loans and the taking of deposits from customers in Hong Kong through its fully licensed branch in Hong Kong.

Tan Sri Dato' Sri Dr. Teh Hong Piow is a substantial shareholder of PBB by virtue of his interests in PBB.

The provision of financing for licensed public vehicles undertaken by PBB, Hong Kong Branch is referred by a wholly-owned subsidiary of the Company, Winton Motors, Limited and other taxi dealers. The terms and conditions of the taxi financing loans are market driven and agreed at arm's length basis between the hirers and the financiers. The terms and conditions of other businesses of PBB, Hong Kong Branch, are also market driven.

7. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is situate at 1105-7, Wing On House, 71 Des Voeux Road Central, Hong Kong.
- (c) The joint company secretaries of the Company are (i) Mr. Tan Yoke Kong, a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom; and (ii) Ms. Chan Sau Kuen, a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom and a Fellow of The Hong Kong Institute of Chartered Secretaries.
- (d) The qualified accountant of the Company is Mr. Mak Chi Leung, Paul, a Certified Public Accountant and a Fellow of the Association of Chartered Certified Accountants, United Kingdom. He also holds a Master of Business Administration Degree.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.