PUBLIC FINANCE LIMITED

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

PUBLIC FINANCE LIMITED

CONTENTS

PUBLIC FINANCE LIMITED
(Incorporated in Hong Kong with limited liability)
(Website: www.publicfinance.com.hk)

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board of Directors (“the Board”) of Public Finance 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 2016 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Notes	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000
Interest income	7	**423,360**	438,459
Interest expense	7	**(30,523)**	(32,970)
NET INTEREST INCOME		**392,837**	405,489
Other operating income	8	**55,446**	64,399
OPERATING INCOME		**448,283**	469,888
Operating expenses	9	**(194,532)**	(201,971)
Changes in fair value of investment properties		**(118)**	737
OPERATING PROFIT BEFORE IMPAIRMENT ALLOWANCES		**253,633**	268,654
Impairment allowances for loans and advances and receivables	10	**(119,714)**	(121,371)
PROFIT BEFORE TAX		**133,919**	147,283
Tax	11	**(22,032)**	(24,100)
PROFIT FOR THE PERIOD		**111,887**	123,183
ATTRIBUTABLE TO:			
Owners of the Company		**111,887**	123,183

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**111,887**	123,183
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**111,887**	123,183
ATTRIBUTABLE TO:		
Owners of the Company	**111,887**	123,183

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000
ASSETS			
Cash and short term placements	13	**1,213,225**	1,171,984
Loans and advances and receivables	14	**5,216,819**	5,210,533
Held-to-maturity investments	15	**19,993**	19,998
Investment properties	16	**22,996**	30,657
Property and equipment	17	**16,141**	16,118
Land held under finance leases	18	**45,912**	39,659
Deferred tax assets		**12,011**	13,043
Intangible assets		**486**	486
Other assets	19	**44,279**	35,693
TOTAL ASSETS		**6,591,862**	6,538,171
EQUITY AND LIABILITIES			
LIABILITIES			
Customer deposits at amortised cost	20	**4,889,593**	4,797,270
Current tax payable		**26,787**	17,196
Deferred tax liabilities		**4,091**	3,473
Other liabilities	19	**96,582**	135,798
TOTAL LIABILITIES		**5,017,053**	4,953,737
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	21	**671,038**	671,038
Reserves	22	**903,771**	913,396
TOTAL EQUITY		**1,574,809**	1,584,434
TOTAL EQUITY AND LIABILITIES		**6,591,862**	6,538,171

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	For the six months ended 30 June **2016** **(Unaudited)** **HK$'000**	 2015 (Unaudited) HK$'000
TOTAL EQUITY			
Balance at the beginning of the period		**1,584,434**	1,576,505
Profit for the period		**111,887**	123,183
Other comprehensive income		**-**	-
Total comprehensive income for the period		**111,887**	123,183
Dividends paid in respect of previous year	12(b)	**(121,512)**	(121,960)
Balance at the end of the period		**1,574,809**	1,577,728

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**133,919**	147,283
Adjustments for:			
Depreciation of property and equipment and land held under finance leases	9	**3,711**	3,983
Decrease / (Increase) in fair value of investment properties		**118**	(737)
Decrease in impairment allowances for loans and advances and receivables		**(4,641)**	(172)
Net losses on disposal of property and equipment		**6**	15
Profits tax paid		**(10,791)**	(10,931)
Operating profit before changes in operating assets and liabilities		**122,322**	139,441
Increase in operating assets:			
Increase in loans and advances and receivables		**(1,645)**	(109,598)
Increase in held-to-maturity investments		**(19,993)**	(10,001)
Increase in other assets		**(8,586)**	(1,187)
		(30,224)	(120,786)
Increase in operating liabilities:			
Increase in customer deposits at amortised cost		**92,323**	346,154
(Decrease) / Increase in other liabilities		**(39,216)**	64,030
		53,107	410,184
Net cash inflow from operating activities		**145,205**	428,839

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	17	**(2,450)**	(1,735)
Net cash outflow from investing activities		**(2,450)**	(1,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on shares		**(121,512)**	(121,960)
Net cash outflow from financing activities		**(121,512)**	(121,960)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21,243**	305,144
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1,191,982**	932,532
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1,213,225**	1,237,676
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand	13	**411,537**	393,197
Money at call and short notice with an original maturity within three months	13	**801,688**	824,479
Held-to-maturity investments with an original maturity within three months		**-**	20,000
		1,213,225	1,237,676

NOTES TO INTERIM FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is a company incorporated in Hong Kong with limited liability. The registered office of the Company is located at Room 1105-7, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong.

The principal activities of the Company and the Group have not changed during the period and consisted of deposit taking, personal and commercial lending, which comprised mainly the granting of personal loans, revolving loans, property mortgage loans, hire purchase loans to individuals and small to medium size manufacturing companies, remittance service, the provision of finance to purchasers of taxis, the letting of investment properties and the provision of stockbroking.

The Company is a wholly-owned subsidiary of Public Bank (Hong Kong) Limited. Public Bank Berhad, a bank incorporated in Malaysia, is considered by the Directors to be the Company's ultimate holding company.

Particulars of the Company's subsidiaries, which are incorporated and operate in Hong Kong, are as follows:

Name	Issued ordinary share capital HK$	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Public Financial Limited	10,100,000	100	-	Investment holding
Public Securities Limited	10,000,000	-	100	Securities brokerage
Public Securities (Nominees) Limited	10,000	100	-	Provision of nominee services

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in compliance with the Banking (Disclosure) Rules ("BDR") issued by the Hong Kong Monetary Authority (the "HKMA").

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2015 Audited Financial Statements.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's 2015 Audited Financial Statements, except for the changes in accounting policies as set out in note 5 below.

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries for the period ended 30 June 2016.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

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

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

3. BASIS OF CONSOLIDATION (Continued)

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries consolidated for accounting purpose are as follows:

Name	**30 June 2016** Total assets (Unaudited) HK$'000	Total equity (Unaudited) HK$'000	31 December 2015 Total assets (Audited) HK$'000	Total equity (Audited) HK$'000	Principal Activities
Public Financial Limited	**10,101**	**10,101**	10,101	10,101	Investment holding
Public Securities Limited	**176,828**	**150,117**	168,435	148,796	Securities brokerage
Public Securities (Nominees) Limited	**1,125**	**1,111**	1,109	1,094	Provision of nominee services

The computation of liquidity maintenance ratio, common equity tier 1 ("CET1") capital ratio, tier 1 capital ratio, total capital ratio, capital conservation buffer ("CCB") ratio, countercyclical capital buffer ("CCyB") ratio and leverage ratio for regulatory purpose is on a solo basis of the Company only.

4. BASIS OF CAPITAL DISCLOSURES

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

Should the Company 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 total capital ratio of the Company is based on the ratio of the risk-weighted exposures to the capital base of the Company for regulatory reporting purpose. No subsidiary will be consolidated for capital adequacy ratio computation as the subsidiaries do not satisfy the criteria as stipulated in the Banking (Capital) Rules (the "Capital Rules") issued by the HKMA.

4. BASIS OF CAPITAL DISCLOSURES (Continued)

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 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 CET1 capital and is included in the capital base pursuant to the HKMA capital requirements.

The Group has adopted the provisions of the Banking (Amendment) Ordinance 2012 relating to the Basel III capital standards and the amended 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 ratio requirements are progressively increased during the period from 1 January 2013 to 1 January 2019, and include a phased introduction of a new CCB ratio of 2.5%. Furthermore, the leverage ratio that forms part of Basel III implementation is under parallel run until January 2017 and relevant information has been submitted by the Company for regulatory monitoring since 2014. Additional capital requirements, including a new CCyB ratio ranging from 0% to 2.5%, have been implemented since 1 January 2016. The CCyB ratio requirement for 2016 is 0.625%.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are generally effective for accounting periods beginning on or after 1 January 2016. The Group has adopted the following revised standards for the first time for the current period's interim financial statements.

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

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

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce classifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the cost of applying the standards. The amendments do not have any impact to the Group.

5. ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

Amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments do not have any impact to the Group as there was no interest acquired in a joint operation during the period.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the income statement and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the income statement. These amendments do not have any impact on the Group.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its assets.

NOTES TO INTERIM FINANCIAL STATEMENTS

5. ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

The financial information relating to the year ended 31 December 2015 that is included in the 2016 interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's external auditors have reported on those financial statements. The Independent Auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

5. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs

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

• HKFRS 9	*Financial Instruments*[1]
• HKFRS 15	*Revenue from Contracts with Customers*[1]
• HKFRS 16	*Leases*[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2019*

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

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

5. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lessee accounting, the standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, the standard substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its lease as operating leases or finance leases, and to account for these two types of leases differently. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

6. 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 core businesses of the Group are personal and commercial lending businesses, which comprise mainly the granting of personal loans, revolving loans, property mortgage loans, hire purchase loans to individuals and small to medium size manufacturing companies, remittance service, and the provision of finance to purchasers of taxis;

- the stockbroking segment comprises securities dealing and receipt of commission income; and

- other businesses segment comprises mainly the letting of investment properties.

6. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses the revenue and profit information for operating segments for the six months ended 30 June 2016 and 2015.

	Personal and commercial lending businesses For the six months ended 30 June		**Stockbroking For the six months ended 30 June**		**Other businesses For the six months ended 30 June**		**Total For the six months ended 30 June**	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000
Segment revenue								
External:								
Net interest income	**392,851**	405,502	**(14)**	(13)	**-**	-	**392,837**	405,489
Other operating income:								
Fees and commission income	**47,810**	50,361	**6,988**	13,371	**-**	-	**54,798**	63,732
Others	**98**	73	**7**	(56)	**543**	650	**648**	667
Operating income	**440,759**	455,936	**6,981**	13,302	**543**	650	**448,283**	469,888
Operating profit after impairment allowance	**132,307**	140,896	**1,565**	5,486	**47**	901	**133,919**	147,283
Profit before tax							**133,919**	147,283
Tax							**(22,032)**	(24,100)
Profit for the period							**111,887**	123,183
Other segment information								
Depreciation of property and equipment and land held under finance leases	**(3,711)**	(3,983)	**-**	-	**-**	-	**(3,711)**	(3,983)
Changes in fair value of investment properties	**-**	-	**-**	-	**(118)**	737	**(118)**	737
Impairment allowances for loans and advances and receivables	**(119,714)**	(121,371)	**-**	-	**-**	-	**(119,714)**	(121,371)
Net losses on disposal of property and equipment	**(6)**	(15)	**-**	-	**-**	-	**(6)**	(15)

6. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses certain assets and liabilities information regarding operating segments as at 30 June 2016 and 31 December 2015.

	Personal and commercial lending businesses		**Stockbroking**		**Other businesses**		**Total**	
	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000
Segment assets other than intangible assets	**6,352,040**	6,256,934	**204,329**	237,051	**22,996**	30,657	**6,579,365**	6,524,642
Intangible assets	**-**	-	**486**	486	**-**	-	**486**	486
Segment assets	**6,352,040**	6,256,934	**204,815**	237,537	**22,996**	30,657	**6,579,851**	6,525,128
Unallocated assets: Deferred tax assets and tax recoverable							**12,011**	13,043
Total assets							**6,591,862**	6,538,171
Segment liabilities	**4,933,707**	4,846,216	**52,176**	86,464	**292**	388	**4,986,175**	4,933,068
Unallocated liabilities: Deferred tax liabilities and tax payable							**30,878**	20,669
Total liabilities							**5,017,053**	4,953,737
Other segment information Additions to non-current assets - capital expenditure	**2,450**	7,067	**-**	-	**-**	-	**2,450**	7,067

Geographical information

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

Operating income or revenue from major customers

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

7. INTEREST INCOME AND EXPENSE

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from:		
Loans and advances and receivables	**423,010**	438,162
Short term placements and placements with banks	**341**	295
Held-to-maturity investments	**9**	2
	423,360	438,459
Interest expense on:		
Deposits from customers	**30,477**	32,904
Bank loans	**46**	66
	30,523	32,970

Interest income and interest expense for the six months ended 30 June 2016, 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$423,360,000 and HK$30,523,000 (2015: HK$438,459,000 and HK$32,970,000) respectively. Interest income on the impaired loans and advances for the six months ended 30 June 2016 amounted to HK$1,048,000 (2015: HK$1,305,000).

8. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees and commission income:		
Personal and commercial lending	**47,810**	50,361
Stockbroking	**6,988**	13,371
	54,798	63,732
Gross rental income	**546**	657
Less: Direct operating expenses	**(3)**	(7)
Net rental income	**543**	650
Net losses on disposal of property and equipment	**(6)**	(15)
Others	**111**	32
	55,446	64,399

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

There were no net gains or losses arising from available-for-sale financial assets, held-to-maturity investments, loans and advances and receivables, financial liabilities measured at amortised cost, financial assets and financial liabilities designated at fair value through profit or loss for the six months ended 30 June 2016 and 2015.

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.

9. OPERATING EXPENSES

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Staff costs:		
Salaries and other staff costs	**117,087**	119,995
Pension contributions	**5,592**	5,399
Less: Forfeited contributions	**(10)**	-
Net contribution to retirement benefit schemes	**5,582**	5,399
	122,669	125,394
Other operating expenses:		
Operating lease rentals on leasehold buildings	**23,160**	22,863
Depreciation of property and equipment and land held under finance leases	**3,711**	3,983
Administrative and general expenses	**15,324**	14,142
Others	**29,668**	35,589
Operating expenses before changes in fair value of investment properties	**194,532**	201,971

At 30 June 2016 and 2015, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the period ended 30 June 2016 arose in respect of staff who left the schemes during the period.

NOTES TO INTERIM FINANCIAL STATEMENTS

10. IMPAIRMENT ALLOWANCES

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net charge for impairment losses and allowances:		
- loans and advances	**119,714**	121,371
Net charge for/(write-back of) impairment losses and allowances:		
- individually assessed	**119,806**	116,987
- collectively assessed	**(92)**	4,384
	119,714	121,371
Of which:		
- new impairment losses and allowances (including any amount directly written off during the period)	**186,393**	197,881
- releases and recoveries	**(66,679)**	(76,510)
Net charge to the consolidated income statement	**119,714**	121,371

There were no impairment allowances for financial assets other than loans and advances and receivables for the six months ended 30 June 2016 and 2015.

11. TAX

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax charge	**20,382**	24,156
Deferred tax charge/(credit), net	**1,650**	(56)
	22,032	24,100

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rates to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. statutory tax rates) to the effective tax rates, are as follows:

	For the six months ended 30 June			
	2016		2015	
	(Unaudited)		(Unaudited)	
	HK$'000	**%**	HK$'000	%
Profit before tax	**133,919**		147,283	
Tax at the applicable tax rate	**22,097**	**16.5**	24,302	16.5
Estimated tax effect of net income that is not taxable	**(65)**	**-**	(202)	(0.1)
Tax charge at the Group's effective rate	**22,032**	**16.5**	24,100	16.4

12. DIVIDENDS

(a) Dividends attributable to the interim period

	For the six months ended 30 June			
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK cents per ordinary share		**HK$'000**	HK$'000
Interim dividend	**42.715**	45.544	**110,546**	117,868

The interim dividend was declared after the interim period and has not been recognised as a liability at the end of the interim period.

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

	For the six months ended 30 June			
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK cents per ordinary share		**HK$'000**	HK$'000
Final dividend in respect of the previous year	**46.952**	47.125	**121,512**	121,960

13. CASH AND SHORT TERM PLACEMENTS

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Cash and placements with banks and financial institutions	**411,537**	360,157
Money at call and short notice	**801,688**	811,827
	1,213,225	1,171,984

Over 90% (2015: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of an external credit agency, Moody's.

There were no overdue or rescheduled placements with banks and financial institutions and no impairment allowances for such placements accordingly.

14. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Loans and advances to customers	**5,250,108**	5,246,203
Accrued interest	**44,047**	46,307
Gross loans and advances and receivables	**5,294,155**	5,292,510
Less: Impairment allowances for loans and advances and receivables		
- individually assessed	**(68,253)**	(72,802)
- collectively assessed	**(9,083)**	(9,175)
	(77,336)	(81,977)
Loans and advances and receivables	**5,216,819**	5,210,533

Over 90% (2015: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (2015: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, taxi licences and vehicles.

Loans and advances and receivables are summarised as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Neither past due nor impaired loans and advances and receivables	**4,959,367**	4,956,735
Past due but not impaired loans and advances and receivables	**241,154**	234,234
Individually impaired loans and advances	**93,634**	101,541
Individually impaired receivables	**-**	-
Gross loans and advances and receivables	**5,294,155**	5,292,510

About 32% (2015: 30%) of "Neither past due nor impaired loans and advances and receivables" were property mortgage loans and taxi financing loans secured by customer deposits, properties, taxi licences and vehicles.

14. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Gross amount HK$'000	**Percentage of total loans and advances %**	Gross amount HK$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	**72,295**	**1.38**	71,066	1.36
One year or less but over six months	**1,388**	**0.02**	1,178	0.02
Over one year	**-**	**-**	-	-
Loans and advances overdue for more than three months	**73,683**	**1.40**	72,244	1.38
Rescheduled loans and advances overdue for three months or less	**18,312**	**0.35**	28,064	0.54
Impaired loans and advances overdue for three months or less	**1,639**	**0.03**	1,233	0.02
Total overdue and impaired loans and advances	**93,634**	**1.78**	101,541	1.94

There were no overdue and impaired accrued interest and other receivables as at 30 June 2016 and 31 December 2015.

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

14. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
(i) Analysis of overdue loans and advances and receivables		
Loans and advances and receivables overdue for more than three months	**73,683**	72,244
Individual impairment allowances	**55,901**	54,731
Current market value and fair value of collateral	**-**	-
(ii) Analysis of impaired loans and advances and receivables		
Impaired loans and advances and receivables	**93,634**	101,541
Individual impairment allowances	**68,253**	72,802
Current market value and fair value of collateral	**-**	-

Over 90% (2015: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

14. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**-**	-
Covered portion of overdue loans and advances	**-**	-
Uncovered portion of overdue loans and advances	**73,683**	72,244

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.

14. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(d) Repossessed assets

There was no repossessed asset of the Group as at 30 June 2016 (31 December 2015: Nil).

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

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Gross amount HK$'000	**Percentage of total loans and advances %**	Gross amount HK$'000	Percentage of total loans and advances %
Loans and advances overdue for three months or less	**241,039**	**4.6**	234,073	4.5
Accrued interest and other receivables overdue for three months or less	**115**		161	

14. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2016 (Unaudited)		
	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000	Total HK$'000
At 1 January 2016	**72,802**	**9,175**	**81,977**
Amounts written off	**(190,892)**	**-**	**(190,892)**
Impairment losses and allowances charged to the consolidated income statement	**186,343**	**50**	**186,393**
Impairment losses and allowances released to the consolidated income statement	**(66,537)**	**(142)**	**(66,679)**
Net charge/(release) of impairment losses and allowances	**119,806**	**(92)**	**119,714**
Loans and advances and receivables recovered	**66,537**	**-**	**66,537**
At 30 June 2016	**68,253**	**9,083**	**77,336**
Deducted from:			
Loans and advances and receivables	**68,253**	**9,083**	**77,336**

14. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	31 December 2015 (Audited)		
	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000	Total HK$'000
At 1 January 2015	70,713	8,923	79,636
Amounts written off	(384,654)	-	(384,654)
Impairment losses and allowances charged to the consolidated income statement	386,743	302	387,045
Impairment losses and allowances released to the consolidated income statement	(146,473)	(50)	(146,523)
Net charge of impairment losses and allowances	240,270	252	240,522
Loans and advances and receivables recovered	146,473	-	146,473
At 31 December 2015	72,802	9,175	81,977
Deducted from:			
Loans and advances and receivables	72,802	9,175	81,977

14. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(g) Finance lease receivables

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	**30 June 2016 (Unaudited)**	31 December 2015 (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	**76,811**	73,363	**60,308**	57,270
In the second to fifth years, inclusive	**179,711**	175,752	**128,732**	126,503
Over five years	**644,125**	620,678	**536,643**	516,722
	900,647	869,793	**725,683**	700,495
Less: Unearned finance income	**(174,964)**	(169,298)		
Present value of minimum lease payments receivable	**725,683**	700,495		

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.

15. HELD-TO-MATURITY INVESTMENTS

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Unlisted:		
Treasury bills (including Exchange Fund Bills)	**19,993**	19,998
Analysed by type of issuers:		
- Central government	**19,993**	19,998

There were no impairment allowances made against held-to-maturity investments as at 30 June 2016 and 31 December 2015. There were no movements in impairment allowances for the period ended 30 June 2016 and for the year ended 31 December 2015.

There were neither impaired nor overdue held-to-maturity investments as at 30 June 2016 and 31 December 2015. There were no listed held-to-maturity investments as at 30 June 2016 and 31 December 2015.

All exposures attributed to the held-to-maturity investments were rated with a grading of Aa1 based on the credit rating of an external credit agency, Moody's, as at 30 June 2016 and 31 December 2015.

16. INVESTMENT PROPERTIES

	HK$'000
At valuation:	
At 1 January 2015	29,828
Changes in fair value recognised in consolidated income statement	829
At 31 December 2015 and 1 January 2016 (Audited)	**30,657**
Transfer to property and equipment	**(697)**
Transfer to land held under finance leases	**(6,846)**
Changes in fair value recognised in consolidated income statement	**(118)**
At 30 June 2016 (Unaudited)	**22,996**

16. INVESTMENT PROPERTIES (Continued)

All investment properties were classified under Level 3 in the fair value hierarchy. During the period, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (31 December 2015: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

At 30 June 2016, investment properties were revalued according to the revaluation reports issued by C S Surveyors Limited, a firm of independent professionally qualified valuers. Accounts Department has discussions with the valuer on the valuation methodology and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Range HK$	**Weighted average HK$**	Range HK$	Weighted average HK$
Price per square metre	**72,500 to 73,300**	**72,900**	72,000 to 74,000	73,000

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

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in note 23(a) to the interim financial statements.

17. PROPERTY AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2015	5,549	87,728	1,609	94,886
Additions	-	7,067	-	7,067
Disposals/write-off	-	(8,614)	-	(8,614)
At 31 December 2015 and 1 January 2016 (Audited)	**5,549**	**86,181**	**1,609**	**93,339**
Transfer from investment properties	**697**	**-**	**-**	**697**
Additions	**-**	**2,450**	**-**	**2,450**
Disposals/write-off	**-**	**(2,239)**	**-**	**(2,239)**
At 30 June 2016 (Unaudited)	**6,246**	**86,392**	**1,609**	**94,247**
Accumulated depreciation:				
At 1 January 2015	1,458	76,031	1,609	79,098
Provided during the year	110	6,605	-	6,715
Disposals/write-off	-	(8,592)	-	(8,592)
At 31 December 2015 and 1 January 2016 (Audited)	**1,568**	**74,044**	**1,609**	**77,221**
Provided during the period	**56**	**3,062**	**-**	**3,118**
Disposals/write-off	**-**	**(2,233)**	**-**	**(2,233)**
At 30 June 2016 (Unaudited)	**1,624**	**74,873**	**1,609**	**78,106**
Net carrying amount:				
At 30 June 2016 (Unaudited)	**4,622**	**11,519**	**-**	**16,141**
At 31 December 2015 (Audited)	3,981	12,137	-	16,118

There were no impairment allowances made against the above items of property and equipment as at 30 June 2016 and 31 December 2015. There were no movements in impairment allowances for the period ended 30 June 2016 and for the year ended 31 December 2015.

18. LAND HELD UNDER FINANCE LEASES

	HK$'000
Cost:	
At 1 January 2015, 31 December 2015 and 1 January 2016 (Audited)	**53,778**
Transfer from investment properties	**6,846**
At 30 June 2016 (Unaudited)	**60,624**
Accumulated depreciation and impairment:	
At 1 January 2015	12,966
Depreciation provided during the year	1,153
At 31 December 2015 and 1 January 2016 (Audited)	**14,119**
Depreciation provided during the period	**593**
At 30 June 2016 (Unaudited)	**14,712**
Net carrying amount:	
At 30 June 2016 (Unaudited)	**45,912**
At 31 December 2015 (Audited)	39,659

Land leases are stated at the recoverable amount subject to an impairment test pursuant to HKAS 36, which is based on the higher of fair value less costs to sell and value in use.

19. OTHER ASSETS AND OTHER LIABILITIES

Other assets

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Interest receivable from financial institutions	**15**	9
Other debtors, deposits and prepayments	**43,382**	20,376
Amount due from a fellow subsidiary	**575**	876
Net amount of accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	**307**	14,432
	44,279	35,693

The amount due from a fellow subsidiary was unsecured, interest-free and repayable on demand.

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

Other liabilities

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Creditors, accruals and interest payable	**94,811**	135,798
Net amount of accounts payable to HKSCC	**1,771**	-
	96,582	135,798

20. CUSTOMER DEPOSITS AT AMORTISED COST

All the customer deposits were time deposits repayable at maturity dates.

21. SHARE CAPITAL

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Issued and fully paid:		
258,800,000 (2015: 258,800,000) ordinary shares	**671,038**	671,038

22. RESERVES

	Other reserves		
	Regulatory reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2015	96,632	808,835	905,467
Profit for the year	-	247,757	247,757
Transfer from retained profits	4,115	(4,115)	-
Dividends paid in respect of previous year	-	(121,960)	(121,960)
Dividends paid in respect of current year	-	(117,868)	(117,868)
At 31 December 2015 and 1 January 2016 (Audited)	**100,747**	**812,649**	**913,396**
Profit for the period	**-**	**111,887**	**111,887**
Transfer from retained profits	**526**	**(526)**	**-**
Dividends paid in respect of previous year	**-**	**(121,512)**	**(121,512)**
At 30 June 2016 (Unaudited)	**101,273**	**802,498**	**903,771**

Note:

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

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties in note 16 under operating lease arrangements, and the terms of the leases range from 1 to 5 years.

At 30 June 2016 and 31 December 2015, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Within one year	**191**	753
In the second to fifth years, inclusive	**-**	-
	191	753

(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 2016 and 31 December 2015, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Within one year	**38,378**	28,698
In the second to fifth years, inclusive	**25,446**	19,018
	63,824	47,716

24. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Contractual amount HK$'000	**Credit risk-weighted amount HK$'000**	Contractual amount HK$'000	Credit risk-weighted amount HK$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position:				
- With an original maturity of not more than one year	**758**	**-**	1,662	-
Undrawn loan facilities with an original maturity of not more than one year or which are unconditionally cancellable, granted to:				
- Customers	**773**	**-**	-	-
	1,531	**-**	1,662	-

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.

At 30 June 2016 and 31 December 2015, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

During the period, no derivative activities were transacted by the Group (2015: Nil).

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

There were no financial instruments carried at fair value at 30 June 2016 and 31 December 2015.

For the period ended 30 June 2016 and the year ended 31 December 2015, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the period ended 30 June 2016 and the year ended 31 December 2015, there were no purchases, issues and settlements related to the Level 3 financial instruments.

There were no gain or loss and no OCI reported in the consolidated income statement and the consolidated statement of comprehensive income respectively related to Level 3 financial instruments for the period ended 30 June 2016 and the year ended 31 December 2015.

26. 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 2016 (Unaudited)

	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Financial assets:								
Cash and short term placements	**411,537**	**801,688**	**-**	**-**	**-**	**-**	**-**	**1,213,225**
Loans and advances and receivables (gross)	**23,912**	**240,697**	**403,938**	**1,386,952**	**1,855,490**	**1,285,703**	**97,463**	**5,294,155**
Held-to-maturity investments	**-**	**-**	**19,993**	**-**	**-**	**-**	**-**	**19,993**
Other assets	**-**	**23,072**	**-**	**-**	**-**	**-**	**21,207**	**44,279**
Total financial assets	**435,449**	**1,065,457**	**423,931**	**1,386,952**	**1,855,490**	**1,285,703**	**118,670**	**6,571,652**
Financial liabilities:								
Customer deposits at amortised cost	**25,442**	**1,089,075**	**2,263,951**	**1,511,125**	**-**	**-**	**-**	**4,889,593**
Other liabilities	**117**	**42,875**	**4,775**	**2,519**	**-**	**-**	**46,296**	**96,582**
Total financial liabilities	**25,559**	**1,131,950**	**2,268,726**	**1,513,644**	**-**	**-**	**46,296**	**4,986,175**
Net liquidity gap	**409,890**	**(66,493)**	**(1,844,795)**	**(126,692)**	**1,855,490**	**1,285,703**	**72,374**	**1,585,477**

31 December 2015 (Audited)

	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Financial assets:								
Cash and short term placements	360,157	811,827	-	-	-	-	-	1,171,984
Loans and advances and receivables (gross)	22,839	247,562	403,645	1,414,334	1,877,152	1,225,437	101,541	5,292,510
Held-to-maturity investments	-	-	19,998	-	-	-	-	19,998
Other assets	-	15,930	-	-	-	-	19,763	35,693
Total financial assets	382,996	1,075,319	423,643	1,414,334	1,877,152	1,225,437	121,304	6,520,185
Financial liabilities:								
Customer deposits at amortised cost	16,492	1,125,227	2,526,314	1,124,237	5,000	-	-	4,797,270
Other liabilities	93	37,096	4,997	1,921	-	-	91,691	135,798
Total financial liabilities	16,585	1,162,323	2,531,311	1,126,158	5,000	-	91,691	4,933,068
Net liquidity gap	366,411	(87,004)	(2,107,668)	288,176	1,872,152	1,225,437	29,613	1,587,117

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities comprise deposit taking and financing. These activities expose the Group to a variety of risks, mainly interest rate risk, market risk, credit risk, liquidity risk and operational risk. The Board reviews and approves policies for managing each of these risks and they are summarised below.

Risk Management Structure

The Group's risk management is underpinned by the Group's risk appetite and is subject to the Board's oversight, through the Risk Management Committee ("RMC"), a Board Committee which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk oversight committees including the Assets and Liabilities Management Committee ("ALCO"), Operational Risk Management Committee ("ORMC"), Anti-Money Laundering Committee and Compliance Working Group of the Company.

The Group has established systems, policies and procedures for the control and monitoring of interest rate risk, market risk, credit risk, liquidity risk and operational risk, which are approved and endorsed by the Board and reviewed regularly by the Group's management, and other designated committees or working groups. Material risks are identified and assessed by designated committees and/or working groups before the launch of new products or business activities, and are monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of the Company also perform regular audits to ensure compliance with the policies and procedures.

Interest Rate Risk Management

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

The relevant interest rate risk arises from repricing risk and basis risk.

Market Risk Management

(a) Currency risk

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk positions arise from foreign exchange dealing. All foreign exchange positions are managed by the Accounts Department within limits approved by the Board.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market Risk Management (Continued)

(a) Currency risk (Continued)

The Group has limited foreign currency risk as the Group's assets and liabilities were mainly denominated in Hong Kong Dollars ("HKD") for the period ended 30 June 2016 and for the year ended 31 December 2015. Directors considered that currency risk was insignificant to the Group. Accordingly, no quantitative market risk disclosures for currency risk have been made.

Foreign currency exposures with a net position which constitutes not less than 10% of the total net position in all foreign currencies of the Company are as follows:

	Spot assets HK$'million	Spot liabilities HK$'million	Forward purchases HK$'million	Forward sales HK$'million	Net long/ (short) position HK$'million	Structural assets HK$'million
At 30 June 2016						
Indonesian Rupiah	1	-	-	-	1	-

As at 31 December 2015, the Company had no foreign currency exposure.

(b) Price risk

Price risk is the risk to the Group's earnings and capital due to changes in the prices of securities, including debt securities and equities.

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

Credit Risk Management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the lending and other activities undertaken by the Group.

The Group has a credit risk management process to measure, monitor and control credit risk. Its Credit Policy Manual defines the credit extension and measurement criteria, the credit review, approval and monitoring processes, and the loan classification and provisioning systems. It has a hierarchy of credit authority which approves credit in compliance with the Group's credit policy. Credit risk exposures are measured and monitored against credit limits and other control limits (such as connected exposures, large exposures and risk concentration limits set by the RMC and approved by the Board). Segregation of duties in key credit functions is in place to ensure separate credit control and monitoring. Management and recovery of problem credits are handled by an independent work-out team.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit Risk Management (Continued)

The Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and its capital resources. Its policy on connected lending exposure defines and states connected parties, statutory and applicable connected lending limits, types of connected transactions, the taking of collateral, the capital adequacy treatment, and detailed procedures and controls for monitoring connected lending exposures. In general, interest rates and other terms and conditions applying to connected lending should not be more favourable than those loans offered to non-connected borrowers under similar circumstances. The terms and conditions should be determined on normal commercial terms at arm’s length and in the ordinary course of business of the Group.

Credit and compliance audits are periodically conducted by Internal Audit Department to evaluate the effectiveness of the credit review, approval and monitoring processes and to ensure that the established credit policies and procedures are complied with.

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

Credit Committee monitors the quality of financial assets which are neither past due nor impaired by financial performance indicators (such as the loan-to-value ratio, debts servicing ratio, financial soundness of borrowers and personal guarantees) through meeting discussions, management information systems and reports. Loan borrowers subject to legal proceedings, negative comments from other counterparties and rescheduled arrangements are put under watch lists or under the “special mention” grade for management oversight.

Credit Committee also monitors the quality of past due or impaired financial assets by internal grading comprising “substandard”, “doubtful” and “loss” accounts through the same meeting discussions, management information systems and reports. Impaired financial assets include those subject to personal bankruptcy petitions, corporate winding-up and rescheduled arrangements.

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

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

The “Neither past due nor impaired loans and advances and receivables” are shown in note 14 to the interim financial statements.

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

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management

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

ALCO monitors the liquidity position as part of the ongoing management of assets and liabilities, and sets up trigger limits to monitor liquidity risk. It also closely monitors the liquidity of the subsidiaries on a periodic basis to ensure that the liquidity structure of the subsidiaries' assets, liabilities and commitments can meet their funding needs, and that internal liquidity trigger limits are complied with.

Accounts Department is responsible for carrying out the strategies and policies approved by the dedicated committees and the Board, and developing operational procedures and controls to ensure the compliance with the aforesaid policies and to minimise operational disruptions in case of a liquidity crisis.

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

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management (Continued)

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

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

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

The Group maintains sufficient liquidity cushion comprising mainly cash and treasury bills issued by eligible central governments to address critical and emergent liquidity needs on intraday basis and over other different time horizons. The Group is not subject to particular collateral arrangements or requirements in contracts if there is a credit rating downgrade of entities within the Group.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management (Continued)

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

Liquidity maintenance ratio

The Company was required to comply with the liquidity maintenance ratio requirement pursuant to section 97H of the Hong Kong Banking Ordinance and the Banking (Liquidity) Rules.

	For the six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Average liquidity maintenance ratio	**67.7%**	82.0%

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

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

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, human and system errors or from external events.

The Group has an operational risk management function in place to identify, measure, monitor and control operational risk. Its Operational Risk Management Policy Manual defines the responsibilities of various committees, business units and supporting departments, and highlights key operational risk factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their potential impact. Operational risk exposures are monitored by appropriate key risk indicators for tracking and escalation to management for providing early warning signals of increased operational risk or a breakdown in operational risk management. Regular operational risk management reports are received and consolidated from various parties and reported to the ORMC for the monitoring and control of operational risk.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management

Capital of the Group for regulatory and risk management purposes includes share capital, reserves, retained profits and regulatory reserve. Accounts Department is responsible for monitoring the amount of the capital base and capital adequacy ratios against trigger limits and for risk exposures, and ensuring compliance with relevant statutory limits, taking into account business growth, dividend payout and other relevant factors.

The Group's policy is to maintain a strong capital base to support the development of the Group's businesses and to meet the statutory capital adequacy ratio and other regulatory capital requirements. Capital is allocated to various business activities of the Group depending on the risks taken by each business division and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame of 3 years.

Capital adequacy ratios

The capital adequacy ratios of the Company are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Capital Rules. The Company has adopted the standardised approach for the calculation of credit risk-weighted exposures, market risk-weighted exposures and operational risk-weighted exposures. The Company is granted an exemption by the HKMA for the calculation of market risk exposures which are immaterial to the Company.

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
CET1 Capital Ratio	**23.2%**	23.1%
Tier 1 Capital Ratio	**23.2%**	23.1%
Total Capital Ratio	**24.2%**	24.1%

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

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Capital disclosures

The components of capital base include the following items:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
CET1 capital instruments	**671,038**	671,038
Retained earnings	**550,733**	551,256
Disclosed reserves	**101,273**	100,747
CET1 capital before deduction	**1,323,044**	1,323,041
Deduct:		
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	**(7,063)**	(7,181)
Regulatory reserve for general banking risk	**(101,273)**	(100,747)
Deferred tax assets in excess of deferred tax liabilities	**(7,942)**	(9,620)
CET1 capital after deduction	**1,206,766**	1,205,493
Additional Tier 1 capital	**-**	-
Tier 1 capital after deductions	**1,206,766**	1,205,493
Reserve attributable to fair value gains	**3,178**	3,231
Regulatory reserve for general banking risk	**39,680**	39,532
Collective provisions	**9,083**	9,175
	48,763	48,707
Tier 2 capital	**51,941**	51,938
Capital base	**1,258,707**	1,257,431

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Capital conservation buffer (CCB)

The Company is subject to the 2.5% CCB ratio which has been phased-in from 2016. The applicable CCB ratio effective from 1 January 2016 is 0.625%. The Company has reserved a capital buffer for the implementation of CCB ratio for which the applicable CCB ratio will become fully effective on 1 January 2019.

Countercyclical capital buffer (CCyB)

The CCyB ratio is an additional layer of CET1 capital which takes effect as an extension of the Basel III CCB.

The Company has reserved a capital buffer for the implementation of CCyB ratio, inclusive of CCyB ratio of 0.625%, to the private sector credit exposures in Hong Kong that has been applied since 1 January 2016.

The following table illustrates the geographical breakdown of risk-weighted amounts (“RWA”) in relation to private sector credit exposures:

As at 30 June 2016 (Unaudited)

Jurisdiction (“J”)	Applicable JCCyB ratio in effect %	Total RWA used in computation of CCyB ratio HK$’000	CCyB ratio %	CCyB amount HK$’000
Hong Kong	**0.625**	**3,696,897**	**0.625**	**23,106**

Comparative figures are not required as this is the first year of disclosure.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Leverage ratio

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

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Tier 1 Capital	**1,206,766**	1,205,493
Exposure Measure for Leverage Ratio	**6,301,039**	6,213,370
Leverage Ratio	**19.2%**	19.4%

The disclosure on leverage ratio is effective since 31 March 2015 and the relevant disclosures can be viewed in the "Regulatory Disclosures" section on the Company's website: www.publicfinance.com.hk on or before 30 September 2016.

Principal subsidiaries and basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with HKFRSs, as described in note 3 to the interim financial statements.

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the Capital Rules.

The subsidiaries not included in the computation of the capital adequacy ratios of the Company are Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited.

Details of the Company's subsidiaries are set out in note 1 to the interim financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Capital instruments

To comply with the BDR, the Company will present all the information relating to the disclosure of regulatory capital instruments and the reconciliation to the Company's published interim financial statements under "Regulatory Disclosure" section on the Company's website: www.publicfinance.com.hk on or before 30 September 2016.

The disclosure will include the following information:

- a description of the main features and full terms and conditions of the Company's capital instruments;
- a detailed breakdown of CET1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions, using the standard disclosure template as specified by the HKMA; and
- a full reconciliation between the accounting and regulatory balance sheets, using the standard disclosure template as specified by the HKMA.

The following is a summary of the Company's CET1 capital instruments:

	Note	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000
CET1 capital instruments issued			
Ordinary shares:			
258,800,000 issued and fully paid ordinary shares	21	**671,038**	671,038

SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

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

	30 June 2016								
	Gross loans and advances HK$'000	Collective impairment allowances HK$'000	Individual impairment allowances HK$'000	New impairment allowances charged to income statement HK$'000	Amount of impaired loans and advances written off HK$'000	Collateral HK$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK$'000	Loans and advances overdue for more than three months HK$'000
Loans and advances for use in Hong Kong									
Manufacturing	8,535	38	-	-	-	-	-	-	-
Building and construction, property development and investment									
Property development	-	-	-	-	-	-	-	-	-
Property investment	14,847	8	-	4	-	14,847	100.0	-	-
Civil engineering works	10,055	22	-	2	-	-	-	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	156	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-	-
Wholesale and retail trade	25,752	36	-	54	54	2,028	7.9	-	-
Transport and transport equipment	668,585	68	-	2	-	668,079	99.9	-	-
Hotels, boarding houses and catering	-	-	-	-	-	-	-	-	-
Financial concerns	-	-	-	-	-	-	-	-	-
Stockbrokers	-	-	-	-	-	-	-	-	-
Non-stockbroking companies and individuals for the purchase of shares	-	-	-	-	-	-	-	-	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	-	-	-	-	-	-	-	-	-
Loans for the purchase of other residential properties	894,870	90	-	4	-	894,870	100.0	-	-
Loans for credit card advances	-	-	-	-	-	-	-	-	-
Loans for other business purposes	-	-	-	-	-	-	-	-	-
Loans for other private purposes	3,605,998	8,756	68,253	186,126	190,219	45,427	1.3	93,634	73,683
Trade finance	-	-	-	-	-	-	-	-	-
Other loans and advances	-	-	-	-	-	-	-	-	-
Loans and advances for use outside Hong Kong	21,310	65	-	201	619	550	2.6	-	-
Total loans and advances (excluding other receivables)	5,250,108	9,083	68,253	186,393	190,892	1,625,801	31.0	93,634	73,683

SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

	31 December 2015								
	Gross loans and advances HK$'000	Collective impairment allowances HK$'000	Individual impairment allowances HK$'000	New impairment allowances charged to income statement HK$'000	Amount of impaired loans and advances written off HK$'000	Collateral HK$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK$'000	Loans and advances overdue for more than three months HK$'000
Loans and advances for use in Hong Kong									
Manufacturing	9,961	39	-	26	-	466	4.7	-	-
Building and construction, property development and investment									
Property development	-	-	-	-	-	-	-	-	-
Property investment	11,472	4	-	2	-	11,472	100.0	-	-
Civil engineering works	9,011	20	-	7	-	-	-	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	10	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-	-
Wholesale and retail trade	22,723	57	-	537	519	2,462	10.8	-	-
Transport and transport equipment	645,346	66	-	60	-	644,699	99.9	-	-
Hotels, boarding houses and catering	-	-	-	-	-	-	-	-	-
Financial concerns	-	-	-	-	-	-	-	-	-
Stockbrokers	-	-	-	-	-	-	-	-	-
Non-stockbroking companies and individuals for the purchase of shares	-	-	-	-	-	-	-	-	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	-	-	-	-	-	-	-	-	-
Loans for the purchase of other residential properties	849,551	86	-	79	-	849,551	100.0	-	-
Loans for credit card advances	-	-	-	-	-	-	-	-	-
Loans for other business purposes	-	-	-	-	-	-	-	-	-
Loans for other private purposes	3,682,678	8,876	72,346	385,579	383,838	44,847	1.2	100,925	71,628
Trade finance	-	-	-	-	-	-	-	-	-
Other loans and advances	-	-	-	-	-	-	-	-	-
Loans and advances for use outside Hong Kong	15,451	27	456	755	297	550	3.6	616	616
Total loans and advances (excluding other receivables)	5,246,203	9,175	72,802	387,045	384,654	1,554,047	29.6	101,541	72,244

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

SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

(B) MAINLAND ACTIVITIES

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

Type of counterparties	**On-balance sheet exposure HK$'000**	**Off-balance sheet exposure HK$'000**	**Total HK$'000**
At 30 June 2016			
People's Republic of China ("PRC") nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	**14,479**	**-**	**14,479**
Total	**14,479**	**-**	**14,479**
Total assets after provision	**6,397,157**		
On-balance sheet exposures as percentage of total assets	**0.23%**		

Type of counterparties	On-balance sheet exposure HK$'000	Off-balance sheet exposure HK$'000	Total HK$'000
At 31 December 2015			
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	15,451	-	15,451
Total	15,451	-	15,451
Total assets after provision	6,310,744		
On-balance sheet exposures as percentage of total assets	0.24%		

Note:

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

(C) INTERNATIONAL CLAIMS

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

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

	Banks HK$'million	Official sector HK$'million	Non-bank private sector HK$'million	Total HK$'million
At 30 June 2016				
Developing Asia-Pacific, of which	1	-	-	1
- Indonesia	1	-	-	1

As at 31 December 2015, the Company had no international claims on foreign counterparties.

BUSINESS PERFORMANCE

The Group recorded a profit after tax of HK$111.9 million for the six months ended 30 June 2016, representing a decrease of HK$11.3 million or 9.2% when compared to the corresponding period of last year. Interest income decreased by HK$15.1 million or 3.4% to HK$423.4 million and interest expense decreased by HK$2.4 million or 7.4% to HK$30.5 million when compared to the corresponding period of last year. Non-interest income decreased by HK$9.0 million or 13.9% to HK$55.4 million mainly due to the decrease in stock brokerage income when compared to the corresponding period of last year.

The Group's operating expenses decreased by HK$7.4 million or 3.7% to HK$194.5 million mainly due to lower staff costs and marketing expenses. Impairment allowances for loans and advances decreased by HK$1.7 million or 1.4% to HK$119.7 million mainly due to the decrease in bad debts from consumer financing loans.

Total gross loans and advances of the Group increased by HK$3.9 million or 0.1% to HK$5.250 billion as at 30 June 2016 from HK$5.246 billion as at 31 December 2015. Total customer deposits grew by HK$92.3 million or 1.9% to HK$4.89 billion as at 30 June 2016 from HK$4.80 billion as at 31 December 2015. The impaired loan ratio improved to 1.78% as at 30 June 2016 from 1.94% as at 31 December 2015.

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

22 July 2016