

MEVAS Bank Limited



ANNOUNCEMENT OF 2008 INTERIM RESULTS

The Directors of Mevas Bank Limited (the “Bank”) are pleased to present the unaudited interim financial disclosure statement of the Bank for the six months ended 30 June 2008.

UNAUDITED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2008	2007	Variance %
Interest income		123,256	169,973	
Interest expense		(72,429)	(124,115)	
Net interest income	4	50,827	45,858	10.8
Fee and commission income		18,504	15,589	
Fee and commission expense		(1,379)	(1,360)	
Net fee and commission income	5	17,125	14,229	20.3
Net trading income	6	1,200	523	
Other operating income	7	1,287	504	
Operating income		70,439	61,114	15.3
Operating expenses	8	(31,902)	(31,615)	0.9
Operating profit before impairment losses		38,537	29,499	30.6
Impairment losses (charged) / reversed on loans and advances	9	(4,827)	1,932	
Operating profit before gains or losses on certain investments and fixed assets		33,710	31,431	
Net gain on disposal of fixed assets		1	-	
Net gain / (loss) on disposal of available-for-sale securities		206	(13)	
Profit before income tax		33,917	31,418	
Income tax expense	10	(5,400)	(5,498)	
Profit for the period		28,517	25,920	10.0
Dividends				
Interim dividend paid		30,000	-	

UNAUDITED BALANCE SHEET

HK\$'000	Note	As at 30 Jun 2008	As at 31 Dec. 2007
ASSETS			
Cash and balances with banks		3,819,644	4,650,918
Placements with banks			
maturing between one and twelve months		530,000	-
Derivative financial instruments	11	438	45
Financial assets at fair value through profit or loss	12	197,685	245,949
Advances and other accounts	13	2,029,699	2,088,205
Available-for-sale securities	14	12,637	12,037
Furniture and equipment	15	8,900	10,640
Investment properties	16	71,000	-
Deferred income tax assets	19	16	204
Total assets		6,670,019	7,007,998
LIABILITIES			
Deposits from banks		44,929	37,090
Derivative financial instruments	11	615	1,222
Deposits from customers	17	5,852,364	6,114,487
Deposits from customers designated at fair value through profit or loss	18	252,844	345,171
Other accounts and accruals		60,653	56,374
Current income tax liabilities		10,874	5,922
Total liabilities		6,222,279	6,560,266
EQUITY			
Share capital		400,000	400,000
Retained earnings	21	46,205	47,688
Investment revaluation reserve		1,535	44
Total equity		447,740	447,732
Total equity and liabilities		6,670,019	7,007,998

UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

HK\$'000	Attributable to shareholder of the Bank			Total equity
	Share capital	Investment revaluation reserve	Retained earnings	
Balance at 1 January 2008	400,000	44	47,688	447,732
Fair value gains on available-for-sale securities	-	2,000	-	2,000
Deferred income tax liabilities recognised on fair value gains on available-for-sale securities	-	(303)	-	(303)
Disposal of available-for-sale securities	-	(206)	-	(206)
Net income recognised directly in equity	-	1,491	-	1,491
Profit for the period	-	-	28,517	28,517
Total recognised income for the six months ended 30 June 2008	-	1,491	28,517	30,008
2008 interim dividend paid	-	-	(30,000)	(30,000)
Balance at 30 June 2008	400,000	1,535	46,205	447,740

	Attributable to shareholder of the Bank			Total equity
	Share capital	Investment revaluation reserve	(Accumulated losses)/ Retained earnings	
Balance at 1 January 2007	400,000	693	(5,759)	394,934
Fair value gains on available-for-sale securities	-	899	-	899
Deferred income tax liabilities recognised on fair value gains on of available-for-sale securities	-	(276)	-	(276)
Disposal of available-for-sale securities	-	13	-	13
Net income recognised directly in equity	-	636	-	636
Profit for the period	-	-	25,920	25,920
Total recognised income for the six months ended 30 June 2007	-	636	25,920	26,556
Balance at 30 June 2007	400,000	1,329	20,161	421,490

UNAUDITED CASH FLOW STATEMENT

For the six months ended 30 June

HK\$'000	2008	2007
Cash flows from operating activities		
Cash (absorbed by)/ generated by operations	(200,778)	125,993
Hong Kong profits tax paid	(564)	-
	<u>(201,342)</u>	<u>125,993</u>
Net cash (used in)/ from operating activities		
Cash flows from investing activities		
Purchase of investment properties	(71,000)	-
Purchase of furniture and equipment	-	(558)
Proceeds from disposal of furniture and equipment	1,068	-
	<u>(69,932)</u>	<u>(558)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Dividend paid on ordinary shares	(30,000)	-
	<u>(30,000)</u>	<u>-</u>
Net cash used in financing activities		
Net (decrease)/ increase in cash and cash equivalents	(301,274)	125,435
Cash and cash equivalents at beginning of the period	4,650,918	4,600,349
Cash and cash equivalents at end of the period	<u>4,349,644</u>	<u>4,725,784</u>
 Analysis of the balance of cash and cash equivalents:		
Cash and balances with banks	201,189	119,221
Money at call and short notice	3,618,455	4,606,563
Placements with banks with original maturity within three months	530,000	-
	<u>4,349,644</u>	<u>4,725,784</u>

NOTES TO UNAUDITED INTERIM FINANCIAL DISCLOSURE STATEMENT

1. General information

Mevas Bank Limited (the “Bank”) provides retail banking, commercial banking and related financial services in Hong Kong,

The Bank is a licensed financial institution incorporated in Hong Kong. The address of its registered office is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The ultimate holding company is Dah Sing Financial Holdings Limited, a listed company in Hong Kong.

2. Basis of preparation and accounting policies

The accounting policies and methods of computation used in the preparation of the 2008 interim financial disclosure statement are consistent with those used and described in the Bank’s annual audited financial statements for the year ended 31 December 2007.

The 2008 interim financial disclosure statement has been prepared in accordance with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

The financial information in this interim financial disclosure statement is presented in thousands of Hong Kong dollars (HK\$’000) unless otherwise stated.

3. New and Interpretations to Existing HKFRSs

The Bank has adopted the new Hong Kong Financial Reporting Standards (“HKFRSs”) and the amendments and interpretations to existing HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are effective in 2008 and which are relevant to the Bank’s operation.

The adoption of these new HKFRSs and amendments and interpretations to existing HKFRSs did not result in significant change to the Bank’s accounting policies and did not have significant impact on the Bank’s results of operations and financial position.

4. Net interest income

For the six months ended HK\$'000	2008	2007
Interest income arising from:		
Cash and balances with banks	58,897	102,027
Investments in securities	3,810	3,574
Advances and other accounts	59,940	63,273
Others	609	1,099
	<u>123,256</u>	<u>169,973</u>
Interest expense arising from:		
Deposits from banks/ Deposits from customers	<u>72,429</u>	<u>124,115</u>
Included within interest income		
Interest income on financial assets not designated at fair value through profit or loss	<u>119,446</u>	<u>166,399</u>
Included within interest expense		
Interest expense on financial liabilities not designated at fair value through profit or loss	<u>68,316</u>	<u>118,567</u>

5. Net fee and commission income

For the six months ended HK\$'000	2008	2007
Fee and commission income		
Fee and commission income from financial assets and liabilities not designated at fair value through profit or loss		
- Credit related fees and commissions	1,603	1,648
- Credit card	7,610	7,926
Other fee and commission income		
- Securities brokerage and investment services	5,213	1,990
- Insurance distribution and others	1,500	1,460
- Retail investment funds and fiduciary services	1,509	2,097
- Other fees	1,069	468
	<u>18,504</u>	<u>15,589</u>
Fee and commission expense		
Handling fees and commission paid	516	1,211
Other fees paid	863	149
	<u>1,379</u>	<u>1,360</u>

The Bank provides custody, trustee, corporate administration, and investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

6. Net trading income

For the six months ended HK\$'000	2008	2007
Net gain arising from dealing in foreign currencies	<u>1,200</u>	<u>523</u>

7. Other operating income

For the six months ended HK\$'000	2008	2007
Dividend income from investments in available-for-sale securities		
- unlisted investments	550	504
Initial fair value recognition of available-for-sale securities	484	-
Rental income	250	-
Others	3	-
	<u>1,287</u>	<u>504</u>

8. Operating expenses

For the six months ended HK\$'000	2008	2007
Employee compensation and benefit expenses (including Directors' remuneration)	5,163	5,292
Management fee paid to a fellow subsidiary, Dah Sing Bank, Limited	7,950	8,180
Premises and other fixed assets, excluding depreciation	5,706	4,417
Depreciation (Note 15)	673	955
Advertising costs	4,777	5,331
Auditors' remuneration	260	261
Others	7,373	7,179
	<u>31,902</u>	<u>31,615</u>

9. Impairment losses charged / (reversed) on loans and advances

For the six months ended HK\$'000	2008	2007
Net impairment losses on loans and advances charged/ (reversed)		
- Collectively assessed	4,827	(1,932)
Of which		
- new allowances (including amounts directly written off in the period)	8,001	1,023
- recoveries	(3,174)	(2,955)
	<u>4,827</u>	<u>(1,932)</u>

10. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2007: 17.5%).

For the six months ended HK\$'000	2008	2007
Current income tax	5,515	2,121
Deferred income tax assets		
- relating to change of tax rate	12	-
- relating to the origination and reversal of timing differences	(127)	-
- utilisation of tax losses (Note 19)	-	3,377
	<u>5,400</u>	<u>5,498</u>

11. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 30 June 2008 were as follows:

HK\$'000	Contract/ notional amount	Fair values	
		Assets	Liabilities
Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
	5,441	3	(41)
	35,454	142	(142)
b) <i>Interest rate derivatives</i>			
	88,596	-	(139)
	64,196	293	(293)
Total recognised derivative financial assets/ (liabilities)	<u>193,687</u>	<u>438</u>	<u>(615)</u>

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2007 were as follows:

	Contract/ notional amount	Fair values	
		Assets	Liabilities
Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
	3,577	6	(3)
	14,322	39	(40)
b) <i>Interest rate derivatives</i>			
	100,400	-	(1,179)
Total recognised derivative financial assets/ (liabilities)	<u>118,299</u>	<u>45</u>	<u>(1,222)</u>

The effect of valid bilateral netting agreements has been taken into account in disclosing the fair value of derivatives.

As at 30 June 2008, the credit risk weighted amounts of the above off-balance sheet exposures calculated under Basel II basis and without taking into account the effect of bilateral netting arrangement that the Bank entered into, are as follows:

	As at 30 Jun 2008	As at 31 Dec 2007
Interest rate contracts		
Interest rate swaps	227	120
Interest rate options	152	-
	<u>379</u>	<u>120</u>

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date, they do not represent the amounts at risk.

The credit risk weighted amounts are the amounts that have been calculated in accordance with the Banking (Capital) Rules issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

12. Financial assets at fair value through profit or loss

HK\$'000	As at 30 Jun 2008	As at 31 Dec 2007
Financial assets at fair value through profit or loss:		
Debt securities:		
- Unlisted	<u>197,685</u>	<u>245,949</u>
Included within debt securities are:		
- Certificates of deposit held	176,054	194,698
- Other debt securities	<u>21,631</u>	<u>51,251</u>
	<u>197,685</u>	<u>245,949</u>

Financial assets at fair value through profit or loss represented securities issued by Dah Sing Bank, Limited.

13. Advances and other accounts

HK\$'000	As at 30 Jun 2008	As at 31 Dec 2007
Gross advances to customers	1,999,137	2,056,579
Other assets	<u>38,395</u>	<u>40,232</u>
Gross advances and other accounts	<u>2,037,532</u>	<u>2,096,811</u>
Less: Impairment allowances		
- Collectively assessed	<u>(7,833)</u>	<u>(8,606)</u>
Advances and other accounts	<u>2,029,699</u>	<u>2,088,205</u>

13. Advances and other accounts (Continued)

(a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral

	As at 30 Jun 2008		As at 31 Dec 2007	
	Outstanding balance	% of gross advances covered by collateral	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property investment	78,895	100.0	75,326	100.0
- Financial concerns	44,589	-	67,562	-
- Stockbrokers	4,400	-	22,000	-
- Wholesale and retail trade	-	-	3,519	100.0
- Manufacturing	57,248	-	66,691	-
- Transport and transport equipment	99,334	56.4	122,365	48.8
- Recreational activities	54,293	-	50,030	-
	338,759	39.8	407,493	34.0
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	23,130	100.0	22,655	100.0
- Loans for the purchase of other residential properties	556,069	100.0	583,720	100.0
- Credit card advances	311,144	-	296,806	-
- Others	376,377	37.2	342,301	35.4
	1,266,720	56.8	1,245,482	58.4
Loans for use in Hong Kong	1,605,479	53.2	1,652,975	52.4
Loans for use outside Hong Kong	393,658	31.4	403,604	30.0
	1,999,137	48.9	2,056,579	48.0

13. Advances and other accounts (Continued)

- (a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral (Continued)

For each industry sector reported above with loan balance constituting 10% or more of the total balance of advances to customers, the attributable amount of impaired loans, overdue loans, and individually and collectively assessed loan impairment allowances are as follows:

	As at 30 Jun 2008		
	Outstanding balance	Gross advances overdue for over 3 months	Collectively assessed impairment allowances
Loans for use in Hong Kong			
Individuals			
- Loans for the purchase of other residential properties	556,069	-	69
- Credit card advances	<u>311,144</u>	<u>958</u>	<u>3,405</u>
	As at 31 Dec 2007		
	Outstanding balance	Gross advances overdue for over 3 months	Collectively assessed impairment allowances
Loans for use in Hong Kong			
Individuals			
- Loans for the purchase of other residential properties	583,720	2,660	219
- Credit card advances	<u>296,806</u>	<u>2,175</u>	<u>6,157</u>

13. Advances and other accounts (Continued)

(b) Non-bank Mainland exposures

Type of counterparties	As at 30 Jun 2008		Total
	On-balance sheet exposure	Off-balance sheet exposure	
Mainland entities	274,699	-	274,699
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	111,311	-	111,311

Type of counterparties	As at 31 Dec 2007		Total
	On-balance sheet exposure	Off-balance sheet exposure	
Mainland entities	305,003	-	305,003
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	113,127	-	113,127

Note: The balances of exposures reported above include gross advances and other balances of claims on the customers.

(c) Analysis of gross advances to customers and overdue loans by geographical area

	As at 30 Jun 2008	As at 31 Dec 2007
Gross advances to customers		
- Hong Kong	1,605,479	1,652,975
- China	270,136	282,424
- Others	123,522	121,180
	1,999,137	2,056,579
Gross advances overdue for over 3 months		
- Hong Kong	1,219	5,071

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advances is guaranteed by a party located in an area which is different from that of the counterparty.

13. Advances and other accounts (Continued)

(d) Impaired, overdue and rescheduled assets

(i) Impaired loans

	As at 30 Jun 2008	As at 31 Dec 2007
Impaired loans and advances - Collectively impaired (Note)	<u>1,219</u>	<u>2,411</u>
Impairment allowances made - Collectively assessed (Note)	<u>1,219</u>	<u>2,411</u>
Impaired loans as a % of loans and advances to customers	<u>0.06</u>	<u>0.12</u>

Note: The Bank did not have any individually impaired loans and advances and other assets as at 30 June 2008 and 31 December 2007.

Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.

(ii) Overdue loans

	As at 30 Jun 2008	% of total advances to customers	As at 31 Dec 2007	% of total advances to customers
Gross advances to customers which have been overdue for:				
- six months or less but over three months	1,219	0.06	2,411	0.12
- one year or less but over six months	-	-	2,660	0.13
	<u>1,219</u>	<u>0.06</u>	<u>5,071</u>	<u>0.25</u>
Market value of securities held against the secured overdue advances	<u>-</u>		<u>2,660</u>	
Secured overdue advances	-		2,660	
Unsecured overdue advances	<u>1,219</u>		<u>2,411</u>	

13. Advances and other accounts (Continued)

(d) Impaired, overdue and rescheduled assets (Continued)

(iii) Rescheduled advances net of amounts included in overdue advances shown above

	As at 30 Jun 2008	% of total advances to customers	As at 31 Dec 2007	% of total advances to customers
Rescheduled advances	<u>2,577</u>	0.13	<u>860</u>	0.04

(e) Repossessed assets

The Bank did not hold any repossessed collateral as at 30 June 2008 and 31 December 2007.

14. Available-for-sale securities

HK\$'000	As at 30 Jun 2008	As at 31 Dec 2007
Debt securities:		
- Unlisted	<u>325</u>	<u>325</u>
Equity securities:		
- Listed in Hong Kong	181	121
- Unlisted	<u>12,131</u>	<u>11,591</u>
	<u>12,312</u>	<u>11,712</u>
Total available-for-sale securities	<u>12,637</u>	<u>12,037</u>
Market value of listed securities	<u>181</u>	<u>121</u>

Available-for-sale securities are analysed by categories of issuers as follows:

	As at 30 Jun 2008	As at 31 Dec 2007
- Corporate entities	12,562	11,962
- Others	<u>75</u>	<u>75</u>
	<u>12,637</u>	<u>12,037</u>

15. Furniture and equipment

Six months ended 30 June 2008	HK\$'000
Opening net book amount	10,640
Disposals	(1,067)
Depreciation charge (Note 8)	(673)
	<hr/>
Closing net book amount	8,900
	<hr/>
At 30 June 2008	
Cost	15,156
Accumulated depreciation	(6,256)
	<hr/>
Net book amount	8,900
	<hr/>
Year ended 31 December 2007	
Opening net book amount	7,675
Additions	5,119
Depreciation charge	(2,154)
	<hr/>
Closing net book amount	10,640
	<hr/>
At 31 December 2007	
Cost	16,656
Accumulated depreciation	(6,016)
	<hr/>
Net book amount	10,640
	<hr/>

16. Investment properties

HK\$'000	Six months ended 30 Jun 2008	Year ended 31 Dec 2007
At 1 beginning of the period/ year	-	-
Additions	<u>71,000</u>	<u>-</u>
At end of the period/ year	<u>71,000</u>	<u>-</u>

The investment properties were acquired from Dah Sing Bank, Limited (“DSB”) in the period by reference to the open market value as at 31 December 2007. The property has been leased back to DSB at market rates.

17. Deposits from customers

HK\$'000	As at 30 Jun 2008	As at 31 Dec 2007
Demand deposits and current accounts	1,076,983	1,301,186
Savings deposits	130,377	89,012
Time, call and notice deposits	<u>4,645,004</u>	<u>4,724,289</u>
	<u>5,852,364</u>	<u>6,114,487</u>

18. Deposits from customers designated at fair value through profit or loss

HK\$'000	As at 30 Jun 2008	As at 31 Dec 2007
Structured deposits	121,540	193,330
Other deposits from customers designated at fair value through profit or loss	<u>131,304</u>	<u>151,841</u>
	<u>252,844</u>	<u>345,171</u>

The amount that the Bank would be contractually required to pay at maturity to the holders of these deposits is HK\$2,138,000 (31 December 2007: HK\$8,339,000) higher than the above carrying amount.

19. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

HK\$'000	As at 30 Jun 2008	As at 31 Dec 2007
Deferred income tax assets	<u>16</u>	<u>204</u>
Deferred income tax assets:		
- Deferred income tax assets to be recovered after more than 12 months	<u>1,292</u>	<u>1,506</u>
Deferred income tax liabilities:		
- Deferred income tax liabilities to be settled after more than 12 months	(973)	(1,302)
- Deferred income tax liabilities to be settled within 12 months	<u>(303)</u>	<u>-</u>
	<u>(1,276)</u>	<u>(1,302)</u>
	<u>16</u>	<u>204</u>

The gross movement on the deferred income tax account is as follows:

	Six months ended 30 Jun 2008	Year ended 31 Dec 2007
At 1 January	204	3,377
Tax credited/(charged) to the income statement (Note 10)	115	(3,173)
Tax charged to equity	<u>(303)</u>	<u>-</u>
At 30 June/ 31 December	<u>16</u>	<u>204</u>

19. Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the period/ year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	Accelerated tax depreciation	Investment revaluation	Total
At 1 January 2007	866	-	866
Charged to the income statement	436	-	436
At 31 December 2007 and 1 January 2008	1,302	-	1,302
Credited to the income statement	(329)	-	(329)
Charged to equity	-	303	303
At 30 June 2008	973	303	1,276

Deferred income tax assets:

	Impairment allowances and provisions	Accelerated tax depreciation	Total
At 1 January 2007	1,151	3,092	4,243
Credited / (Charged) to the income statement	355	(3,092)	(2,737)
At 31 December 2007 and 1 January 2008	1,506	-	1,506
Charged to the income statement	(214)	-	(214)
At 30 June 2008	1,292	-	1,292

The deferred income tax charged to equity during the period/ year is as follows:

	Six months ended 30 Jun 2008	Year ended 31 Dec 2007
Investment revaluation reserves in shareholders' equity:		
- available-for-sale securities	(303)	-

20. Maturity analysis

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date or, where applicable, the earliest callable date.

As at 30 June 2008 HK\$'000	Repayable on demand	Up to 1 month	3 months or less but over 1 month	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No Contractual Maturity	Total
Assets								
Cash and balances with banks	201,189	3,618,455						3,819,644
Placements with banks maturing between one and twelve months	-	-	530,000	-	-	-	-	530,000
Derivative financial instruments	-	226	177	35	-	-	-	438
Financial assets at fair value through profit or loss	-	30,986	69,079	84,455	13,165	-	-	197,685
Advances and other accounts	382,803	37,669	64,344	139,511	748,437	653,863	3,072	2,029,699
Available-for-sale securities	-	-	-	-	-	-	12,637	12,637
Furniture and equipment	-	-	-	-	-	-	8,900	8,900
Investment properties	-	-	-	-	-	-	71,000	71,000
Deferred income tax assets	-	-	-	(303)	319	-	-	16
Total assets	583,992	3,687,336	663,600	223,698	761,921	653,863	95,609	6,670,019
Liabilities								
Deposit from banks	44,929	-	-	-	-	-	-	44,929
Derivative financial instruments	-	303	277	35	-	-	-	615
Deposits from customers	1,207,360	2,459,106	1,941,697	243,915	286	-	-	5,852,364
Deposits from customers designated at fair value through profit or loss	-	41,406	113,819	84,455	13,164	-	-	252,844
Other accounts and accruals	461	32,527	6,132	9,545	1,399	-	10,589	60,653
Current income tax liabilities	-	-	-	10,874	-	-	-	10,874
Total liabilities	1,252,750	2,533,342	2,061,925	348,824	14,849	-	10,589	6,222,279
Net liquidity gap	(668,758)	1,153,994	(1,398,325)	(125,126)	747,072	653,863	85,020	447,740

20. Maturity analysis (Continued)

As at 31 December 2007	Repayable on demand	Up to 1 month	3 months or less but over 1 month	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No Contractual Maturity	Total
Assets								
Cash and balances with banks	120,455	4,530,463	-	-	-	-	-	4,650,918
Derivative financial instruments	-	45	-	-	-	-	-	45
Financial assets at fair value through profit or loss	-	30,051	60,016	103,833	52,049	-	-	245,949
Advances and other accounts	372,980	36,873	59,006	205,540	763,787	644,761	5,258	2,088,205
Available-for-sale securities	-	-	-	-	-	-	12,037	12,037
Furniture and equipment	-	-	-	-	-	-	10,640	10,640
Deferred income tax assets	-	-	-	-	204	-	-	204
Total assets	493,435	4,597,432	119,022	309,373	816,040	644,761	27,935	7,007,998
Liabilities								
Deposit from banks	37,090	-	-	-	-	-	-	37,090
Derivative financial instruments	-	178	1,044	-	-	-	-	1,222
Deposits from customers	1,390,198	3,377,768	1,175,107	170,962	452	-	-	6,114,487
Deposits from customers designated at fair value through profit or loss	-	51,966	137,323	103,833	52,049	-	-	345,171
Other accounts and accruals	483	35,868	5,862	1,901	1,814	-	10,446	56,374
Current income tax liabilities	-	564	-	5,358	-	-	-	5,922
Total liabilities	1,427,771	3,466,344	1,319,336	282,054	54,315	-	10,446	6,560,266
Net liquidity gap	(934,336)	1,131,088	(1,200,314)	27,319	761,725	644,761	17,489	447,732

In respect of certificates of deposit held for investment purpose and included in total assets as at balance sheet date, the applicable balance, analysed based on the remaining period to contractual maturity, is shown as follows.

	Up to 1 month	3 months or less but over 1 month	Over 3 months to 1 year	Over 1 year to 5 years	Total
As at 30 June 2008					
Certificates of deposit held included in:					
Financial assets at fair value through profit or loss	9,355	69,079	84,455	13,165	176,054
As at 31 December 2007					
Certificates of deposit held included in:					
Financial assets at fair value through profit or loss	8,998	34,794	98,857	52,049	194,698

21. Retained profits

At 30 June 2008, a regulatory reserve amounting to HK\$16,528,000 (31 December 2007: HK\$16,798,000) has been earmarked in the retained profits of the Bank. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the regulatory reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

22. Contingent liabilities and commitments

(a) Credit commitments

The contract and credit risk weighted amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

HK\$'000	Contract amount	
	As at 30 Jun 2008	As at 31 Dec 2007
Direct credit substitutes	269	269
Commitments that are unconditionally cancellable without prior notice	2,300,038	2,118,164
Other commitments with an original maturity of: - under 1 year	196,360	147,447
	2,496,667	2,265,880
	Credit risk weighted amount	
	As at 30 Jun 2008	As at 31 Dec 2007
Contingent liabilities and commitments	32,252	29,052

(b) Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

	As at 30 Jun 2008	As at 31 Dec 2007
Not later than 1 year	8,853	8,089
Later than 1 year and not later than 5 years	6,140	6,278
	14,993	14,367

Where the Bank is the lessor, the future minimum lease payments under non-cancellable building operating leases are as follows:

	As at 30 Jun 2008	As at 31 Dec 2007
Not later than 1 year	3,600	-
Later than 1 year and not later than 5 years	6,951	-
	10,551	-

23. Cross-border claims
Equivalent in HK\$'000

	As at 30 Jun 2008		
	Banks and other financial institutions	Others	Total
Asia Pacific excluding Hong Kong	2,836	214,935	217,771
North and South America	5,654	3,210	8,864
Caribbean	-	136,419	136,419
	<u>8,490</u>	<u>354,564</u>	<u>363,054</u>
	As at 31 Dec 2007		
	Banks and other financial institutions	Others	Total
Asia Pacific excluding Hong Kong	1,569	215,063	216,632
North and South America	4,562	4,844	9,406
Caribbean	-	151,293	151,293
	<u>6,131</u>	<u>371,200</u>	<u>377,331</u>

The information of cross-border 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 transfer of risk. In general, transfer of risk 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. Only regions constituting 10% or more of the aggregate cross-border claims are disclosed.

24. Currency concentrations

The following sets out the Bank's net foreign exchange position in USD and other individual currency that constitutes more than 10% of the total net position in all foreign currencies as at 30 June 2008 and the corresponding comparative balances.

Equivalent in HK\$'000

At 30 Jun 2008	USD	CNY
Spot assets	591,705	103,101
Spot liabilities	(590,597)	(103,090)
Forward purchases	496	-
Forward sales	(168)	-
Net long position	<u>1,436</u>	<u>11</u>
	USD	CNY
At 31 Dec 2007		
Spot assets	693,160	33,418
Spot liabilities	(690,615)	(32,408)
Forward purchases	39	-
Forward sales	(299)	-
Net long position	<u>2,285</u>	<u>1,010</u>

25. Capital adequacy ratio

	As at 30 Jun 2008	As at 31 Dec 2007
Capital adequacy ratio		
- Core	15.6%	15.4%
- Overall	<u>16.5%</u>	<u>16.3%</u>

The capital adequacy ratio is computed on Basel II basis in accordance with the Banking (Capital) Rules.

In the six months ended 30 June 2008, the Bank met with the relevant criteria specified in the Banking (Capital) Rules and has been exempted by the HKMA from the calculation of capital charge for market risk.

For annual reassessment purpose of compliance with the relevant criteria, the Bank is required to calculate market risk capital charge based on the position as at the year-end. The capital adequacy ratio as at 31 December 2007 reported above has incorporated such market risk capital charge.

The capital base after deductions used in the calculation of the above capital adequacy ratios and reported to the HKMA is analysed as follows.

HK\$'000	As at 30 Jun 2008	As at 31 Dec 2007
Core capital:		
Paid up ordinary share capital	400,000	400,000
Published reserves	17,688	(5,759)
Profit and loss account	28,517	53,447
Classified as regulatory reserve	(16,528)	(16,798)
Less: net deferred tax assets	(16)	(204)
	<u>429,661</u>	<u>430,686</u>
Less: 50% of total amount of deductible items	(150)	(150)
Core capital	<u>429,511</u>	<u>430,536</u>
Supplementary capital		
Revaluation reserve for available-for-sale investments	691	20
Regulatory reserve	16,528	16,798
Collective impairment allowances for impaired assets	7,833	8,606
	<u>25,052</u>	<u>25,424</u>
Less: 50% of total amount of deductible items	(150)	(150)
Supplementary capital	<u>24,902</u>	<u>25,274</u>
Total capital base	<u>454,413</u>	<u>455,810</u>

The capital base shown above is calculated in accordance with the Banking (Capital) Rules.

For financial reporting purpose, consolidated financial statements have not been prepared as the Bank is a wholly owned subsidiary of another body corporate, Dah Sing Banking Group Limited.

In calculating its capital adequacy ratio, the Bank has deducted the cost of investment in the subsidiary, MEVAS Nominees Limited, which is a "regulated financial entity" as defined by the Banking (Capital) Rules from its capital base.

26. Liquidity ratio

	Six months ended 30 Jun 2008	Year ended 31 Dec 2007
Liquidity ratio	<u>98.5%</u>	<u>101.9%</u>

The liquidity ratio of the Bank is calculated as the simple average of each calendar month's average liquidity ratio for the six/ twelve months of the period/ financial year. The liquidity ratio is computed in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

BUSINESS AND FINANCIAL REVIEW

The Bank recorded a net profit of HK\$28.5 million for the six months ended 30 June 2008, an increase of HK\$2.6 million or 10% over the same period in 2007.

The increase in profit was driven by higher operating income. Net interest income increased by 10.8% on the back of an improved net interest margin brought by the bigger reduction in funding cost amidst the general decrease in interest rates in the market. Higher securities brokerage and investment service fee income contributed to increase our net fee and commission income in the period.

Operating expenses, with tight control, were kept at the same level recorded in the first half of 2007.

Loan impairment charges were HK\$4.8 million, compared to a net credit reversal of HK\$1.9 million in the same period of 2007. In the first half of 2007, the Bank had accumulated sufficient retained profit for the earmarking of a regulatory reserve, which allowed the Bank to refine its allowances for loan impairment losses with reference to updated loan loss experiences. As a result, HK\$9.1 million collective impairment allowances were reversed. Excluding the reversal made in the first half of 2007, gross charge for impairment losses in the first half of 2008 was in fact 32% lower relative to the same period in 2007.

The Bank pursued a more cautious business strategy in the period, resulting in a flat loan portfolio and a slight decline in total assets as at 30 June 2008.

PUBLICATION OF INTERIM FINANCIAL DISCLOSURES ON THE BANK'S WEBSITE

This interim financial disclosure statement of the Bank will be published on the Bank's website (www.mevas.com) in due course.

INTERIM DISCLOSURE STATEMENT AND STATEMENT OF COMPLIANCE

This interim financial disclosure statement for the six months ended 30 June 2008 is the Interim Disclosure Statement of the Bank prepared in accordance with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority under section 60A of the Hong Kong Banking Ordinance. The Bank has fully complied with such disclosure requirements.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Monday, 18 August 2008