



MEVAS BANK LIMITED

ANNOUNCEMENT OF 2007 FINAL RESULTS

The Directors of MEVAS Bank Limited (the "Bank") are pleased to present the audited results of the Bank for the year ended 31 December 2007.

A. INCOME STATEMENT
For the year ended 31 December

	Note	2007 HK\$'000	Restated 2006 HK\$'000	Variance %
Interest income		350,229	307,112	14.0
Interest expense		(251,973)	(230,131)	9.5
Net interest income	5	98,256	76,981	27.6
Fee and commission income		34,543	26,067	32.5
Fee and commission expense		(2,945)	(2,158)	36.5
Net fee and commission income	6	31,598	23,909	32.2
Net trading income	7	1,115	888	25.6
Other operating income	8	3,562	1,499	137.6
Operating income		134,531	103,277	30.3
Operating expenses	9	(67,016)	(58,973)	13.6
Operating profit before impairment losses on loans and advances		67,515	44,304	52.4
Impairment losses on loans and advances	10	(4,350)	(20,223)	-78.5
Operating profit before gains or losses on certain investments and fixed assets		63,165	24,081	162.3
Net loss on disposal of furniture and equipment		-	(3)	
Net gain on disposal of available-for-sale securities		1,070	579	84.8
Profit before income tax		64,235	24,657	160.5
Income tax expense	11	(10,788)	(4,315)	150.0
Profit attributable to shareholders of the Bank		53,447	20,342	162.7

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B. BALANCE SHEET
As at 31 December

	Note	2007 HK\$'000	2006 HK\$'000
ASSETS			
Cash and balances with banks		4,650,918	4,600,349
Derivative financial instruments	12	45	1
Financial assets at fair value through profit or loss	13	245,949	257,497
Advances and other accounts	14	2,088,205	1,673,396
Available-for-sale securities	15	12,037	10,778
Furniture and equipment		10,640	7,675
Deferred income tax assets		204	3,377
Total assets		7,007,998	6,553,073
LIABILITIES			
Deposits from banks		37,090	36,382
Derivative financial instruments	12	1,222	2,028
Deposits from customers	16	6,114,487	5,657,322
Deposits from customers designated at fair value through profit or loss	17	345,171	408,482
Other accounts and accruals		56,374	53,925
Current income tax liabilities		5,922	-
Total liabilities		6,560,266	6,158,139
EQUITY			
Share capital		400,000	400,000
Reserves			
Retained profits / (Accumulated losses)	18	47,688	(5,759)
Investment revaluation reserve	19	44	693
Total equity		447,732	394,934
Total equity and liabilities		7,007,998	6,553,073

C. STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Attributable to shareholders of the Bank			Total equity HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	(Accumulated losses)/ Retained profit HK\$'000	
Balance at 1 January 2007, as below	400,000	693	(5,759)	394,934
Fair value gains on available-for-sale securities	-	421	-	421
Disposal of available-for-sale securities	-	(1,070)	-	(1,070)
Net loss recognised directly in equity	-	(649)	-	(649)
Profit for the year	-	-	53,447	53,447
Total recognised (loss)/ income for 2007	-	(649)	53,447	52,798
Balance at 31 December 2007	400,000	44	47,688	447,732

	Attributable to shareholders of the Bank			Total equity HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	
Balance at 1 January 2006	400,000	(1)	(26,101)	373,898
Fair value gains on available-for-sale securities	-	1,273	-	1,273
Disposal of available-for-sale securities	-	(579)	-	(579)
Net income recognised directly in equity	-	694	-	694
Profit for the year	-	-	20,342	20,342
Total recognised income for 2006	-	694	20,342	21,036
Balance at 31 December 2006	400,000	693	(5,759)	394,934

Note:

1. Statutory Financial Statements

The financial information set out in this results announcement does not constitute the Bank's statutory financial statements for the year ended 31 December 2007 but is derived from those statutory financial statements. The statutory financial statements for the year ended 31 December 2007 and all the disclosures required to be made pursuant to the Banking (Disclosure) Rules will be available from the Bank's registered office located at 36/F., Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong in due course. The Bank's auditors have expressed an unqualified opinion on the Bank's statutory financial statements in their report dated 18 April 2008.

2. Basis of Preparation and Accounting Policies

The statutory financial statements of the Bank have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

These statutory financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies.

Interest income and expense arising from interest rate derivatives not held for trading purpose were previously reported under "Net interest income" on a gross basis. With effect from 1 January 2007, these amounts are reported on a net basis. Comparative figures have been restated to conform with the current year's presentation.

With the exception of the restatement described above, the accounting policies and methods of computations used in the preparation of the 2007 financial statements are consistent with those used and described in the Bank's annual audited financial statements for the year ended 31 December 2006.

The financial information in this results announcement 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 HKFRSs and the amendments and interpretations to existing HKFRSs issued by the HKICPA which are effective in 2007 and which are relevant to the Bank's operation.

4. Segment reporting

By business segments

For the year ended 31 December 2007

	Personal banking HK\$'000	Commercial banking HK\$'000	Total HK\$'000
Interest income	322,602	27,627	350,229
Interest expense	(251,973)	-	(251,973)
Inter-segment	23,263	(23,263)	-
Net interest income	93,892	4,364	98,256
Other income	35,317	958	36,275
Operating income	129,209	5,322	134,531
Operating expenses	(67,016)	-	(67,016)
Operating profit before impairment losses on loans and advances	62,193	5,322	67,515
Impairment losses on loans and advances	(9,428)	5,078	(4,350)
Operating profit after impairment losses on loans and advances	52,765	10,400	63,165
Profit before income tax	53,835	10,400	64,235
Total assets	6,275,746	732,252	7,007,998
Total liabilities	6,560,266	-	6,560,266

For the year ended 31 December 2006

	Personal banking HK\$'000	Commercial banking HK\$'000	Total HK\$'000
Interest income	299,973	7,139	307,112
Interest expense	(230,131)	-	(230,131)
Inter-segment	5,985	(5,985)	-
Net interest income	75,827	1,154	76,981
Other income	26,296	-	26,296
Operating income	102,123	1,154	103,277
Operating expenses	(58,973)	-	(58,973)
Operating profit before impairment losses on loans and advances	43,150	1,154	44,304
Impairment losses on loans and advances	(15,145)	(5,078)	(20,223)
Operating profit/(loss) after impairment losses on loans and advances	28,005	(3,924)	24,081
Profit/(loss) before income tax	28,581	(3,924)	24,657
Total assets	6,045,239	507,834	6,553,073
Total liabilities	6,158,139	-	6,158,139

Personal banking business includes the acceptance of deposits from individual customers and extension of residential mortgage lending, personal loans, overdraft and credit card services, the provision of insurance sales and investment services.

Commercial banking business includes the provision of finance to commercial, industrial and institutional customers.

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5. Net interest income	2007 HK\$'000	Restated 2006 HK\$'000
Interest income		
Cash and short term funds	211,447	199,461
Investments in unlisted securities	7,033	7,953
Loans and advances	129,624	97,669
Others	2,125	2,029
	<u>350,229</u>	<u>307,112</u>
Interest expense		
Deposits from banks and customers	<u>251,973</u>	<u>230,131</u>
Included within interest income		
Interest income on financial assets not designated at fair value through profit or loss	<u>343,204</u>	<u>298,585</u>
Included within interest expense		
Interest expense on financial liabilities not designated at fair value through profit or loss	<u>240,872</u>	<u>217,443</u>
6. Net fee and commission income	2007 HK\$'000	2006 HK\$'000
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	5,186	2,895
- Credit card	15,282	15,497
Other fee and commission income		
- Securities brokerage and investment services	5,979	2,281
- Insurance	3,241	2,006
- Retail investment funds and fiduciary services	3,700	2,373
- Other fees	1,155	1,015
	<u>34,543</u>	<u>26,067</u>
Fee and commission expense		
Handling fees and commission	2,198	1,885
Other fees paid	747	273
	<u>2,945</u>	<u>2,158</u>
7. Net trading income	2007 HK\$'000	2006 HK\$'000
Net gain arising from dealing in foreign currencies	<u>1,115</u>	<u>888</u>

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8. Other operating income

	<u>2007</u>	<u>2006</u>
	HK\$'000	HK\$'000
Dividend income from investments in available-for-sale securities		
- unlisted investments	955	850
Initial fair value recognition of available-for-sale securities	2,592	639
Others	<u>15</u>	<u>10</u>
	<u>3,562</u>	<u>1,499</u>

9. Operating expenses

	<u>2007</u>	<u>2006</u>
	HK\$'000	HK\$'000
Auditors' remuneration	521	521
Advertising costs	12,447	10,246
Depreciation	2,154	1,844
Staff costs		
- Salaries and other costs	10,317	8,687
- Pension costs	581	380
Management fee paid to a fellow subsidiary, Dah Sing Bank, Limited	16,400	14,462
Premises and equipment expense, excluding depreciation		
- Rental of premises	7,744	6,211
- Others	2,419	2,524
Others	<u>14,433</u>	<u>14,098</u>
	<u>67,016</u>	<u>58,973</u>

10. Impairment losses on loans and advances

	<u>2007</u>	<u>2006</u>
	HK\$'000	HK\$'000
Net charge of loan impairment losses on loans and advances		
- Collectively assessed	<u>4,350</u>	<u>20,223</u>

11. Income tax expense

Hong Kong profits tax has been calculated at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2006: 17.5%).

	<u>2007</u>	<u>2006</u>
	HK\$'000	HK\$'000
Current income tax	7,615	-
Deferred income tax	<u>3,173</u>	<u>4,315</u>
	<u>10,788</u>	<u>4,315</u>

12. Derivative financial instruments

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

	Contract/ notional amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000
Derivative held for trading			
a) <i>Foreign exchange derivatives</i>			
Currency forwards	3,577	6	(3)
Currency options purchased and written	14,322	39	(40)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	100,400	-	(1,179)
Total recognised derivative financial assets/(liabilities)	118,299	45	(1,222)

The notional principal amounts of outstanding derivative contracts and their fair values as of 31 December 2006 were as follows:

	Contract/ notional amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000
Derivative held for trading			
a) <i>Foreign exchange derivatives</i>			
Currency forwards	3,953	1	(13)
Currency options purchased and written	12,578	-	-
b) <i>Interest rate derivatives</i>			
Interest rate swaps	153,000	-	(2,015)
Total recognised derivative financial assets/(liabilities)	169,531	1	(2,028)

As at 31 December, the credit risk weighted amounts of the above off-balance sheet exposures without taking into account the effect of bilateral netting arrangements that the Bank entered into, are as follows:

	2007 HK\$'000	2006 HK\$'000
Derivatives		
- Exchange rate contracts	-	8
- Interest rate contracts	120	153
	120	161

The above positions taken in financial instruments arose from the execution of trade orders from customers or transactions taken to hedge these positions and funding management of the Bank.

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 for 2007 are the amounts that have been calculated in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority ("HKMA"). The corresponding amounts for 2006 are the amounts that have been calculated in accordance with the Third Schedule of the Hong Kong Banking Ordinance and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

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13. Financial assets at fair value through profit or loss

	As at 31 Dec 2007 HK\$'000	As at 31 Dec 2006 HK\$'000
Debt securities at fair value through profit or loss:		
- unlisted	<u>245,949</u>	<u>257,497</u>
Included within debt securities are:		
- Certificates of deposit held	194,698	209,538
- Other debt securities	<u>51,251</u>	<u>47,959</u>
	<u>245,949</u>	<u>257,497</u>

14. Advances and other accounts

	As at 31 Dec 2007 HK\$'000	As at 31 Dec 2006 HK\$'000	Variance %
Gross advances to customers	2,056,579	1,664,008	23.6
Other assets	<u>40,232</u>	<u>28,568</u>	40.8
Gross advances and other accounts	<u>2,096,811</u>	<u>1,692,576</u>	23.9
Less: Impairment allowances			
- Collectively assessed	<u>(8,606)</u>	<u>(19,180)</u>	-55.1
Advances and other accounts	<u>2,088,205</u>	<u>1,673,396</u>	24.8

14. 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 31 Dec 2007		As at 31 Dec 2006	
	Outstanding balance HK\$'000	% of gross advances covered by collateral %	Outstanding balance HK\$'000	% of gross advances covered by collateral %
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property investment	75,326	100.0	61,348	100.0
- Financial concerns	67,562	-	-	-
- Stockbrokers	22,000	-	30,800	-
- Wholesale and retail trade	3,519	100.0	3,632	100.0
- Manufacturing	66,691	-	71,459	-
- Transport and transport equipment	122,365	48.8	120,857	55.0
- Recreational activities	50,030	-	47,900	-
	<u>407,493</u>	34.0	<u>335,996</u>	39.1
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	22,655	100.0	15,228	100.0
- Loans for the purchase of other residential properties	583,720	100.0	529,998	100.0
- Credit card advances	296,806	-	290,891	-
- Others	342,301	35.4	255,077	28.9
	<u>1,245,482</u>	58.4	<u>1,091,194</u>	56.7
Loans for use in Hong Kong	1,652,975	52.4	1,427,190	52.6
Loans for use outside Hong Kong	403,604	30.0	236,818	6.6
	<u>2,056,579</u>	48.0	<u>1,664,008</u>	46.0

14. Advances and other accounts (Continued)

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

	As at 31 Dec 2007	As at 31 Dec 2006
	HK\$'000	HK\$'000
Gross advances to customers		
- Hong Kong	1,652,975	1,427,190
- China	282,424	221,262
- Others	121,180	15,556
	<u>2,056,579</u>	<u>1,664,008</u>
Gross advances overdue for over 3 months		
- Hong Kong	<u>5,071</u>	<u>2,138</u>

(c) Impaired, overdue and rescheduled assets

(i) Impaired loans

	As at 31 Dec 2007	As at 31 Dec 2006
	HK\$'000	HK\$'000
Impaired loans and advances		
- Collectively impaired	<u>2,411</u>	<u>2,138</u>
Impairment allowances made		
- Collectively assessed	<u>2,411</u>	<u>2,138</u>

Note: 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.

14. Advances and other accounts (Continued)

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

(ii) Overdue loans

	As at 31 Dec 2007 HK\$'000	% of total advances to customers	As at 31 Dec 2006 HK\$'000	% of total advances to customers
Gross advances to customers which have been overdue for:				
- Six months or less but over three months	2,411	0.12	2,138	0.13
- One year or less but over six months	<u>2,660</u>	0.13	<u>-</u>	-
	<u>5,071</u>	0.25	<u>2,138</u>	0.13

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

	As at 31 Dec 2007 HK\$'000	% of total advances to customers	As at 31 Dec 2006 HK\$'000	% of total advances to customers
Rescheduled advances	<u>860</u>	0.04	<u>495</u>	0.03

There were no advances to banks and financial institutions nor other assets that were classified under impaired, overdue and rescheduled assets as at 31 December 2007 and 31 December 2006.

(iv) Repossessed assets

As at 31 December 2007 and 31 December 2006, the Bank did not have any repossessed assets.

15. Available-for-sale securities

	As at 31 Dec 2007 HK\$'000	As at 31 Dec 2006 HK\$'000
Debt securities:		
- unlisted	325	325
Equity securities:		
- listed in Hong Kong	121	141
- unlisted	11,591	10,312
	11,712	10,453
Total available-for-sale securities	12,037	10,778
Market value of listed securities	121	141
Available-for-sale securities are analysed by categories of issuers as follows:		
- Corporate entities	11,962	10,703
- Others	75	75
	12,037	10,778

16. Deposits from customers

	As at 31 Dec 2007 HK\$'000	As at 31 Dec 2006 HK\$'000
Demand deposits and current account	1,301,186	1,050,355
Savings deposits	89,012	59,144
Time, call and notice deposits	4,724,289	4,547,823
	6,114,487	5,657,322

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

	As at 31 Dec 2007 HK\$'000	As at 31 Dec 2006 HK\$'000
Structured deposits	193,330	240,107
Other deposits from customers designated at fair value through profit or loss	151,841	168,375
	<u>345,171</u>	<u>408,482</u>

During the year, the Bank designated on initial recognition HK\$20,750,000 (2006: HK\$108,850,000) of deposits from customers at fair value through profit or loss.

The amount that the Bank would be contractually required to pay at maturity to the holders of these deposits is HK\$8,339,000 (2006: HK\$16,425,000) higher than the above carrying amount.

18. Retained profits / (Accumulated losses)

At 31 December 2007, a regulatory reserve amounting to HK\$16,798,000 (2006: nil) has been earmarked in the retained profits of the Bank. The regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes. Movements in the regulatory reserve are made directly through retained profits and in consultation with the Hong Kong Monetary Authority.

19. Investment revaluation reserve

	As at 31 Dec 2007 HK\$'000	As at 31 Dec 2006 HK\$'000
Investment revaluation reserve	44	693

D. CROSS-BORDER CLAIMS

As at 31 December 2007

	Banks HK\$'000	Others HK\$'000	Total HK\$'000
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>

As at 31 December 2006

	Banks HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	1,664	135,736	137,400
North and South America	1,916	-	1,916
Caribbean	-	54,518	54,518
	<u>3,580</u>	<u>190,254</u>	<u>193,834</u>

The above 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.

E. CONTINGENT LIABILITIES AND 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:

	Contract amount	
	As at 31 Dec 2007 HK\$'000	As at 31 Dec 2006 HK\$'000
Direct credit substitutes	269	269
Other commitments which are unconditionally cancelable	2,118,164	1,701,573
Other commitments with an original maturity of: - under 1 year	147,447	67,902
	2,265,880	1,769,744
	Credit risk weighted amount	
	As at 31 Dec 2007	As at 31 Dec 2006
Contingent liabilities and commitments	29,052	269

F. 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 31 December 2007 and the corresponding comparative balances.

	As at 31 Dec 2007		As at 31 Dec 2006	
	USD	CNY	USD	CNY
Equivalent in HK\$'000				
Spot assets	693,160	33,418	715,652	32,931
Spot liabilities	(690,615)	(32,408)	(717,456)	(30,736)
Forward purchases	39	-	2,542	318
Forward sales	(299)	-	(4)	(318)
Net long position	2,285	1,010	734	2,195

G. CAPITAL ADEQUACY RATIO

	As at 31 Dec 2007 Basel II basis	As at 31 Dec 2006 Basel I basis
Capital adequacy ratio	16.3%	17.4%

The capital adequacy ratio of the Bank as at 31 December 2007 is computed on Basel II basis in accordance with the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk. The capital adequacy ratio of the Bank as at 31 December 2006 is computed on Basel I basis in accordance with the Third Schedule of the Hong Kong Banking Ordinance.

G. CAPITAL ADEQUACY RATIO (Continued)

For the year ended 31 December 2006, the Bank met the relevant criteria specified in the guideline entitled "Maintenance of Adequate Capital Against Market Risks" issued by the HKMA and has been exempted by the Hong Kong Monetary Authority ("HKMA") from the calculation of capital charge for market risk.

For the year ended 31 December 2007, the Bank met the relevant criteria specified in the Banking (Capital) Rules and has been exempted by the HKMA from the same calculation.

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 ratios reported above have incorporated such market risk capital charge.

The capital base after deductions used in the calculation of the above capital adequacy ratio and reported to the Hong Kong Monetary Authority is analysed as follows:

	As at 31 Dec 2007 Basel II basis HK\$'000	As at 31 Dec 2006 Basel I basis HK\$'000
Core capital:		
Paid up ordinary share capital	400,000	400,000
Reserves	(5,759)	(26,101)
Income statement	53,447	20,342
Classified as regulatory reserve	(16,798)	-
Less: net deferred tax assets	(204)	-
Less: 50% of total amount of deductible items	(150)	-
Core capital	<u>430,536</u>	<u>394,241</u>
Supplementary capital:		
Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	20	485
Regulatory reserve	16,798	-
Collective impairment allowances for impaired assets	8,606	19,180
Less: 50% of total amount of deductible items	(150)	-
Supplementary capital	<u>25,274</u>	<u>19,665</u>
Deductions		(300)
Total capital base after deductions	<u>455,810</u>	<u>413,606</u>

The capital base as at 31 December 2007 shown above is calculated in accordance with the Banking (Capital) Rules effective from 1 January 2007. The capital base as at 31 December 2006 was calculated in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

The comparatives of the components of the core capital and supplementary capital were not restated on the ground that different approaches were used to calculate the regulatory capital of the Group in the years ended 31 December 2007 and 2006.

H. LIQUIDITY RATIO

	As at 31 Dec 2007	As at 31 Dec 2006
Liquidity ratio	<u>101.9%</u>	<u>102.6%</u>

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

BUSINESS AND FINANCIAL REVIEW

The Bank recorded a net profit of HK\$53.4 million for the year ended 31 December 2007, up HK\$33.1 million or 163% relative to 2006.

The increase in profit was mainly attributable to the strong increase in net interest income, net fee and commission income, and lower impairment charges on loans and advances. Net interest income increased by HK\$21 million underpinned by strong growth in loan asset which was boosted by higher syndicated loan balance. Net interest margin improved from 1.26% in 2006 to 1.48% in 2007.

Benefited from booming equity markets in 2007, net fee and commission was up by 32% with increased wealth management business and securities trading volume.

Operating expenses increased by 13.6% as a result of higher staff costs, premises expenses and advertising spending. Higher growth in operating income brought the cost to income ratio down from 57.1% in 2006 to 49.8% in 2007.

The Bank's profit generation in 2007 led to the build-up of retained profits which enabled the Bank to earmark a regulatory reserve in its retained profits in accordance with regulatory requirements of the HKMA. With this earmarking for regulatory reserve which is determined on the basis of the loan loss provision per the HKMA guidelines, taking into consideration loan impairment allowances made, the loan loss impairment of the Bank as determined on the basis of Hong Kong Accounting Standard no. 39 was adjusted accordingly, resulting in a much lower net collective impairment charge in the year.

Taxation charge increased in tandem with the rise in profit.

As at 31 December 2007, gross advances to customers increased significantly by 24% from HK\$1.66 billion in 2006 to HK\$2.06 billion, mainly in syndicated loan with further acquisition of syndication loan from Dah Sing Bank, Limited, a fellow subsidiary, and increase in mortgage loan. With a relatively strong deposit base and a low loan-to-deposit ratio, the Bank exercised tighter control on deposit cost with the result that our customer deposits, including structured deposits, increased only 6.5% relative to 2006.

PUBLICATION OF ANNUAL STATUTORY FINANCIAL STATEMENTS ON THE BANK'S WEBSITE

The statutory financial statements of the Bank for the year ended 31 December 2007 and all the disclosures required to be made pursuant to the Banking (Disclosure) Rules will be published on the Bank's website (www.mevas.com) in due course.

STATEMENT OF COMPLIANCE

In preparing the statutory financial statements of the Bank for the year ended 31 December 2007, the Bank has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Friday, 18 April 2008