

MEVAS Bank Limited



ANNOUNCEMENT OF 2009 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 2009.

UNAUDITED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2009	2008	Variance %
Interest income		63,318	123,256	
Interest expense		(30,609)	(72,429)	
Net interest income	4	32,709	50,827	-35.6%
Fee and commission income		10,565	18,504	
Fee and commission expense		(570)	(1,379)	
Net fee and commission income	5	9,995	17,125	-41.6%
Net trading income	6	580	1,200	
Other operating income	7	2,413	1,287	
Operating income		45,697	70,439	-35.1%
Operating expenses	8	(80,101)	(31,902)	151.1%
Operating (loss)/profit before impairment losses		(34,404)	38,537	-189.3%
Impairment losses on loans and advances	9	(10,474)	(4,827)	
Operating (loss)/profit before gains or losses on certain investments and fixed assets		(44,878)	33,710	-233.1%
Net gain on disposal of furniture and equipment		-	1	
Net (loss)/gain on disposal of available-for-sale securities		(203)	206	
(Loss)/profit before income tax		(45,081)	33,917	-232.9%
Income tax credit/(expense)	10	7,062	(5,400)	-230.8%
(Loss)/profit attributable to shareholders of the Bank		(38,019)	28,517	-233.3%
Dividend				
Interim dividend paid		-	30,000	

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK\$'000	2009	2008
(Loss)/profit for the period	<u>(38,019)</u>	<u>28,517</u>
Other comprehensive income		
Fair value gains on available-for-sale securities	209	2,000
Amounts transferred to profit or loss upon disposal of available-for-sale securities	203	(206)
Related tax effect	<u>(51)</u>	<u>(303)</u>
Other comprehensive income for the period, net of tax	<u>361</u>	<u>1,491</u>
Total comprehensive (loss)/income for the period	<u>(37,658)</u>	<u>30,008</u>

UNAUDITED BALANCE SHEET

HK\$'000	Note	As at 30 Jun 2009	As at 31 Dec. 2008
ASSETS			
Cash and balances with banks		3,061,755	4,327,407
Placements with banks maturing between one and twelve months		150,000	-
Derivative financial instruments	11	5	2,717
Financial assets at fair value through profit or loss	12	13,103	82,721
Advances and other accounts	13	1,622,744	1,851,267
Available-for-sale securities	14	11,764	11,450
Furniture and equipment	15	7,523	8,384
Investment properties	16	63,000	63,000
Current income tax assets		10,046	2,607
Deferred income tax assets	19	1,419	1,847
Total assets		4,941,359	6,351,400
LIABILITIES			
Deposits from banks		27,399	14,088
Derivative financial instruments	11	31	2,733
Deposits from customers	17	4,411,396	5,747,294
Deposits from customers designated at fair value through profit or loss	18	13,103	82,721
Other accounts and accruals		105,887	83,363
Total liabilities		4,557,816	5,930,199
EQUITY			
Share capital		400,000	400,000
Reserves			
(Accumulated losses)/Retained earnings	21	(17,346)	20,673
Investment revaluation reserve		889	528
Total equity		383,543	421,201
Total equity and liabilities		4,941,359	6,351,400

UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

HK\$'000	Attributable to shareholders of the Bank			Total equity
	Share capital	Investment revaluation reserve	Retained earnings/ (Accumulated losses)	
Balance at 1 January 2009	400,000	528	20,673	421,201
Total comprehensive income/(loss) for the period	-	361	(38,019)	(37,658)
Balance at 30 June 2009	400,000	889	(17,346)	383,543

HK\$'000	Attributable to shareholders of the Bank			Total equity
	Share capital	Investment revaluation reserve	Retained earnings	
Balance at 1 January 2008	400,000	44	47,688	447,732
Total comprehensive income for the period	-	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

UNAUDITED CASH FLOW STATEMENT

For the six months ended 30 June

HK\$'000	2009	2008
Cash flows from operating activities		
Cash absorbed by operations	(1,115,553)	(200,778)
Hong Kong profits tax paid	-	(564)
	<u>(1,115,553)</u>	<u>(201,342)</u>
Net cash flow used in operating activities		
Cash flows from investing activities		
Purchase of investment properties	-	(71,000)
Purchase of furniture and equipment	(99)	-
Proceeds from disposal of furniture and equipment	-	1,068
	<u>(99)</u>	<u>(69,932)</u>
Net cash flow used in investing activities		
Cash flows from financing activities		
Dividend paid on ordinary shares	-	(30,000)
	<u>-</u>	<u>(30,000)</u>
Net cash flow used in financing activities		
	<u>-</u>	<u>(30,000)</u>
Net decrease in cash and cash equivalents	(1,115,652)	(301,274)
Cash and cash equivalents at beginning of the period	4,327,407	4,650,918
Cash and cash equivalents at end of the period	<u>3,211,755</u>	<u>4,349,644</u>
 Analysis of the balance of cash and cash equivalents:		
Cash and balances with banks	115,908	201,189
Money at call and short notice	2,945,847	3,618,455
Placements with banks with original maturity within three months	150,000	530,000
	<u>3,211,755</u>	<u>4,349,644</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

Except as described in Note 3 below, the accounting policies and methods of computation used in the preparation of the 2009 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 2008.

The 2009 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 2009 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

Interest income

Cash and balances with banks	15,132	58,897
Investments in unlisted securities	665	3,810
Advances to customers	47,423	59,940
Others	98	609
	<u>63,318</u>	<u>123,256</u>

Interest expense

Deposits from banks/ Deposits from customers	<u>30,609</u>	<u>72,429</u>
--	---------------	---------------

Included within interest income

Interest income on financial assets not designated at fair value through profit or loss	<u>62,653</u>	<u>119,446</u>
---	---------------	----------------

Included within interest expense

Interest expense on financial liabilities not designated at fair value through profit or loss	<u>29,645</u>	<u>68,316</u>
---	---------------	---------------

5. Net fee and commission income

For the six months ended
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	1,867	1,603
- Credit card	6,118	7,610

Other fee and commission income

- Securities brokerage and investment services fees	755	5,213
- Insurance distribution and related commissions	1,202	1,500
- Retail investment funds and fiduciary services fees and commissions	123	1,509
- Other fees	500	1,069
	<u>10,565</u>	<u>18,504</u>

Fee and commission expense

Handling fees and commission	246	516
Other fees paid	324	863
	<u>570</u>	<u>1,379</u>

6. Net trading income

For the six months ended
HK\$'000

Net gain arising from dealing in foreign currencies	<u>580</u>	<u>1,200</u>
---	------------	--------------

7. Other operating income

For the six months ended HK\$'000	2009	2008
Dividend income from investments in available-for-sale securities		
- unlisted investments	607	550
Initial fair value recognition of available-for-sale securities	-	484
Gross rental income from investment properties	1,800	250
Others	6	3
	<u>2,413</u>	<u>1,287</u>

8. Operating expenses

For the six months ended HK\$'000	2009	2008
Employee compensation and benefit expenses (including Directors' remuneration)	5,157	5,163
Management fee paid to a fellow subsidiary, Dah Sing Bank, Limited	7,950	7,950
Premises and equipment expense, excluding depreciation		
- Rental of premises	4,974	4,659
- Others	1,480	1,047
Depreciation (Note 15)	960	673
Advertising costs	5,771	4,777
Auditors' remuneration	260	260
Others	53,549	7,373
	<u>80,101</u>	<u>31,902</u>

9. Impairment losses on loans and advances

For the six months ended HK\$'000	2009	2008
Net charge of impairment losses on loans and advances		
- Collectively assessed	<u>10,474</u>	<u>4,827</u>
Of which		
- New allowances (including amounts directly written off in the period)	12,941	8,001
- Recoveries	<u>(2,467)</u>	<u>(3,174)</u>
Net charge to income statement	<u>10,474</u>	<u>4,827</u>

10. Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

For the six months ended HK\$'000	2009	2008
Current income tax credit/(expense)	7,439	(5,515)
Deferred income tax assets		
- Impact of change of Hong Kong tax rate	-	(12)
- Origination and reversal of temporary differences	<u>(377)</u>	<u>127</u>
	<u>7,062</u>	<u>(5,400)</u>

11. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 30 June 2009 were as follows:

HK\$'000	Contract/ notional amount	Fair values	
		Assets	Liabilities
Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Currency forwards	7,409	5	(31)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	-	-	-
Interest rate options	-	-	-
Total recognised derivative financial assets/ (liabilities)	<u>7,409</u>	<u>5</u>	<u>(31)</u>

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2008 were as follows:

	Contract/ notional amount	Fair values	
		Assets	Liabilities
Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Currency forwards	5,701	2	(9)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	91,320	1,338	(1,347)
Interest rate options	91,320	1,377	(1,377)
Total recognised derivative financial assets/ (liabilities)	<u>188,341</u>	<u>2,717</u>	<u>(2,733)</u>

The credit risk weighted amounts of the above off-balance sheet exposures calculated in accordance with Banking (Capital) Rules and without taking into account the effect of bilateral netting arrangement that the Bank entered into, are as follows:

	As at 30 Jun 2009	As at 31 Dec 2008
Derivatives		
Interest rate swaps	-	1,000
Interest rate options	-	1,596
	<u>-</u>	<u>2,596</u>

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 are the amounts that have been calculated with reference to 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 2009	As at 31 Dec 2008
Debt securities at fair value through profit or loss:		
- Unlisted	<u>13,103</u>	<u>82,721</u>
Included within debt securities are:		
- Certificates of deposit held	13,103	61,565
- Other debt securities	-	21,156
	<u>13,103</u>	<u>82,721</u>

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

13. Advances and other accounts

HK\$'000	As at 30 Jun 2009	As at 31 Dec 2008
Loans and advances to individuals		
- Credit cards	299,261	330,921
- Mortgages	712,873	778,211
- Others	186,026	226,272
Loans and advances to corporate entities		
- Term loans	416,461	509,917
Gross advances to customers	<u>1,614,621</u>	<u>1,845,321</u>
Less: impairment allowances		
- Collectively assessed	(10,040)	(12,100)
Other assets	18,163	18,046
Advances and other accounts	<u>1,622,744</u>	<u>1,851,267</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 2009		As at 31 Dec 2008	
	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	76,854	100.0	81,270	100.0
- Financial concerns	36,018	-	30,303	-
- Stockbrokers	4,400	-	4,400	-
- Manufacturing	-	-	26,641	-
- Transport and transport equipment	48,265	100.0	89,454	58.2
	<u>165,537</u>	<u>75.6</u>	<u>232,068</u>	<u>57.4</u>
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	24,008	100.0	25,820	99.9
- Loans for the purchase of other residential properties	488,542	100.0	535,716	99.8
- Credit card advances	299,261	-	330,921	-
- Others	309,495	40.0	361,678	37.9
	<u>1,121,306</u>	<u>56.8</u>	<u>1,254,135</u>	<u>55.6</u>
Loans for use in Hong Kong	1,286,843	59.2	1,486,203	55.9
Loans for use outside Hong Kong	327,778	38.1	359,118	35.9
	<u>1,614,621</u>	<u>54.9</u>	<u>1,845,321</u>	<u>52.0</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 (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 overdue loans and collectively assessed loan impairment allowances are as follows:

	As at 30 Jun 2009		
	Outstanding balance	Gross advances overdue for more than 3 months	Collectively assessed impairment allowances
Loans for use in Hong Kong			
Individuals			
- Loans for the purchase of other residential properties	488,542	1,383	17
- Credit card advances	<u>299,261</u>	<u>1,886</u>	<u>5,041</u>
	As at 31 Dec 2008		
	Outstanding balance	Gross advances overdue for more than 3 months	Collectively assessed impairment allowances
Loans for use in Hong Kong			
Individuals			
- Loans for the purchase of other residential properties	535,716	-	21
- Credit card advances	<u>330,921</u>	<u>1,253</u>	<u>4,532</u>

13. Advances and other accounts (Continued)

(b) Non-bank Mainland exposures

Type of counterparties	As at 30 Jun 2009		Total
	On-balance sheet exposure	Off-balance sheet exposure	
Mainland entities	168,452	-	168,452
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	90,034	-	90,034
	90,034	-	90,034

Type of counterparties	As at 31 Dec 2008		Total
	On-balance sheet exposure	Off-balance sheet exposure	
Mainland entities	217,274	-	217,274
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	104,186	-	104,186
	104,186	-	104,186

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 2009	As at 31 Dec 2008
Gross advances to customers		
- Hong Kong	1,459,465	1,504,420
- China	75,001	75,000
- Others	80,155	265,901
	1,614,621	1,845,321
Gross advances overdue for over 3 months		
- Hong Kong	4,323	1,782

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 2009	As at 31 Dec 2008
Impairment allowances made in respect of loans collectively assessed as impaired	<u>4,323</u>	<u>1,782</u>
Impaired loans and advances as a % of total loans and advances to customers	<u>0.27</u>	<u>0.10</u>

Note:

(a) The Bank did not have any individually impaired loans and advances as at 30 June 2009 and 31 December 2008.

(b) 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) Gross amount of overdue loans

	As at 30 Jun 2009		As at 31 Dec 2008	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	<u>4,323</u>	<u>0.27</u>	<u>1,782</u>	<u>0.10</u>
	<u>4,323</u>	<u>0.27</u>	<u>1,782</u>	<u>0.10</u>

(iii) Rescheduled advances net of amounts included in advances overdue for more than 3 months

	As at 30 Jun 2009	% of total	As at 31 Dec 2008	% of total
Advances to customers	<u>9,338</u>	<u>0.58</u>	<u>4,434</u>	<u>0.24</u>

(e) Repossessed collateral

The Bank did not hold any repossessed collateral as at 30 June 2009 and 31 December 2008.

14. Available-for-sale securities

HK\$'000	As at 30 Jun 2009	As at 31 Dec 2008
Debt securities:		
- Unlisted	<u>325</u>	<u>325</u>
Equity securities:		
- Listed in Hong Kong	57	118
- Unlisted	<u>11,382</u>	<u>11,007</u>
	<u>11,439</u>	<u>11,125</u>
Total available-for-sale securities	<u>11,764</u>	<u>11,450</u>
Available-for-sale securities are analysed by issuers as follows:		
- Corporate entities	11,689	11,375
- Others	<u>75</u>	<u>75</u>
	<u>11,764</u>	<u>11,450</u>

15. Furniture and equipment

	HK\$'000
At 1 January 2008	
Cost	16,656
Accumulated depreciation	<u>(6,016)</u>
Net book amount	<u>10,640</u>
Year ended 31 December 2008	
Opening net book amount	10,640
Additions	656
Disposals	(1,314)
Depreciation charge	<u>(1,598)</u>
Closing net book amount	<u>8,384</u>
At 31 December 2008	
Cost	15,565
Accumulated depreciation	<u>(7,181)</u>
Net book amount	<u>8,384</u>
Six months ended 30 June 2009	
Opening net book amount	8,384
Additions	99
Disposals	-
Depreciation charge (Note 8)	<u>(960)</u>
Closing net book amount	<u>7,523</u>
At 30 June 2009	
Cost	15,588
Accumulated depreciation	<u>(8,065)</u>
Net book amount	<u>7,523</u>

16. Investment properties

HK\$'000	Six months ended 30 Jun 2009	Year ended 31 Dec 2008
At beginning of the period/ year	63,000	-
Additions	-	71,000
Fair value losses on revaluation	-	(8,000)
	<u>63,000</u>	<u>63,000</u>
At end of the period/ year	63,000	63,000

The investment properties were acquired from Dah Sing Bank, Limited in June 2008 based on the open market value as at 31 December 2007.

The investment properties were revalued at 31 December 2008. Valuations were made on the basis of open market value by independent, professionally qualified valuer Savills (Valuation and Professional Services) Limited.

17. Deposits from customers

HK\$'000	As at 30 Jun 2009	As at 31 Dec 2008
Demand deposits and current accounts	1,309,618	909,120
Savings deposits	149,366	113,516
Time, call and notice deposits	2,952,412	4,724,658
	<u>4,411,396</u>	<u>5,747,294</u>

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

HK\$'000	As at 30 Jun 2009	As at 31 Dec 2008
Structured deposits	-	30,487
Other deposits from customers designated at fair value through profit or loss	13,103	52,234
	<u>13,103</u>	<u>82,721</u>

During the six months ended 30 June 2009 and during the year of 2008, the Bank did not designate on initial recognition any 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\$53,000 higher (31 December 2008: HK\$99,000 higher) than the above carrying amount.

19. Deferred income tax

Deferred income tax assets and liabilities are netted 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 netted amounts are as follows:

HK\$'000	As at 30 Jun 2009	As at 31 Dec 2008
Deferred income tax assets:		
- Deferred income tax assets to be recovered after more than 12 months	<u>2,482</u>	<u>2,821</u>
Deferred income tax liabilities:		
- Deferred income tax liabilities to be settled after more than 12 months	<u>(1,063)</u>	<u>(974)</u>
	<u>1,419</u>	<u>1,847</u>

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

	Six months ended 30 Jun 2009	Year ended 31 Dec 2008
At 1 January	1,847	204
Tax (charged)/credited to the income statement (Note 10)	(377)	1,747
Tax charged to equity	(51)	(104)
At 30 June/ 31 December	<u>1,419</u>	<u>1,847</u>

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 assets:

	Impairment allowances and provisions	Accelerated tax depreciation	Total
At 1 January 2008	1,506	-	1,506
Credited to the income statement	1,315	-	1,315
At 31 December 2008 and 1 January 2009	<u>2,821</u>	-	<u>2,821</u>
Charged to the income statement	(339)	-	(339)
At 30 June 2009	<u>2,482</u>	-	<u>2,482</u>

Deferred income tax liabilities:

	Accelerated Tax depreciation	Investment revaluation	Total
At 1 January 2008	1,302	-	1,302
Credited to the income statement	(432)	-	(432)
Charged to equity	-	104	104
At 31 December 2008 and 1 January 2009	<u>870</u>	<u>104</u>	<u>974</u>
Charged to the income statement	38	-	38
Charged to equity	-	51	51
At 30 June 2009	<u>908</u>	<u>155</u>	<u>1,063</u>

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 2009

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	Indefinite	Total
Assets								
Cash and balances with banks	115,908	2,945,847	-	-	-	-	-	3,061,755
Placements with banks maturing between one and twelve months	-	-	150,000	-	-	-	-	150,000
Derivative financial instruments	-	5	-	-	-	-	-	5
Financial assets at fair value through profit or loss	-	3,756	9,347	-	-	-	-	13,103
Advances and other accounts	344,220	13,796	23,332	143,412	584,692	504,854	8,438	1,622,744
Available-for-sale securities	-	-	-	-	-	-	11,764	11,764
Furniture and equipment	-	-	-	-	-	-	7,523	7,523
Investment properties	-	-	-	-	-	-	63,000	63,000
Current income tax assets	-	-	-	2,607	7,439	-	-	10,046
Deferred income tax assets	-	-	-	-	1,419	-	-	1,419
Total assets	460,128	2,963,404	182,679	146,019	593,550	504,854	90,725	4,941,359
Liabilities								
Deposit from banks	27,399	-	-	-	-	-	-	27,399
Derivative financial instruments	-	31	-	-	-	-	-	31
Deposits from customers	1,458,985	1,354,951	1,116,225	480,639	596	-	-	4,411,396
Deposits from customers designated at fair value through profit or loss	-	3,756	9,347	-	-	-	-	13,103
Other accounts and accruals	-	79,150	3,178	10,266	1,401	-	11,892	105,887
Total liabilities	1,486,384	1,437,888	1,128,750	490,905	1,997	-	11,892	4,557,816
Net liquidity gap	(1,026,256)	1,525,516	(946,071)	(344,886)	591,553	504,854	78,833	383,543

20. Maturity analysis (Continued)

As at 31 December 2008

	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	Indefinite	Total
Assets								
Cash and balances with banks	83,094	4,244,313	-	-	-	-	-	4,327,407
Derivative financial instruments	-	2	1	2	2,712	-	-	2,717
Financial assets at fair value through profit or loss	-	30,487	9,935	42,299	-	-	-	82,721
Advances and other accounts	391,557	21,878	28,829	114,645	724,382	568,960	1,016	1,851,267
Available-for-sale securities	-	-	-	-	-	-	11,450	11,450
Furniture and equipment	-	-	-	-	-	-	8,384	8,384
Investment properties	-	-	-	-	-	-	63,000	63,000
Current income tax assets	-	-	-	2,607	-	-	-	2,607
Deferred income tax assets	-	-	-	-	1,847	-	-	1,847
Total assets	474,651	4,296,680	38,765	159,553	728,941	568,960	83,850	6,351,400
Liabilities								
Deposit from banks	14,088	-	-	-	-	-	-	14,088
Derivative financial instruments	-	9	1	2	2,721	-	-	2,733
Deposits from customers	1,022,636	2,408,532	1,889,600	426,075	451	-	-	5,747,294
Deposits from customers designated at fair value through profit or loss	-	30,487	9,935	42,299	-	-	-	82,721
Other accounts and accruals	-	30,709	6,997	32,896	1,401	-	11,360	83,363
Total liabilities	1,036,724	2,469,737	1,906,533	501,272	4,573	-	11,360	5,930,199
Net liquidity gap	(562,073)	1,826,943	(1,867,768)	(341,719)	724,368	568,960	72,490	421,201

In respect of certificates of deposit held for investment purpose and included in financial assets at fair value through profit or loss as at balance sheet date, the applicable balance, analysed based on the remaining period at the balance sheet date 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 2009					
Certificates of deposit held included in:					
Financial assets at fair value through profit or loss	3,756	9,347	-	-	13,103
As at 31 December 2008					
Certificates of deposit held included in:					
Financial assets at fair value through profit or loss	9,331	9,935	42,299	-	61,565

21. Accumulated losses / Retained profits

At 30 June 2009, a regulatory reserve amounting to HK\$15,976,000 (31 December 2008: HK\$12,714,000) 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 profits and in consultation with the HKMA.

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 2009	As at 31 Dec 2008
Direct credit substitutes	269	269
Commitments that are unconditionally cancellable without prior notice	2,193,866	2,265,225
Other commitments with an original maturity of: - under 1 year	178,305	178,333
	2,372,440	2,443,827
	Credit risk weighted amount	
	As at 30 Jun 2009	As at 31 Dec 2008
Contingent liabilities and commitments	29,493	29,478

(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 2009	As at 31 Dec 2008
No later than 1 year	4,919	7,178
Later than 1 year and no later than 5 years	1,371	2,946
	6,290	10,124

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

	As at 30 Jun 2009	As at 31 Dec 2008
No later than 1 year	3,600	3,600
Later than 1 year and no later than 5 years	3,351	5,151
	6,951	8,751

23. Event after the balance sheet date

On 22 July 2009, the Bank agreed with the Securities and Futures Commission, the HKMA and 15 other distributing banks in Hong Kong to offer to repurchase holdings in all outstanding Lehman Brothers Minibonds distributed by the Bank from eligible customers (the “Repurchase Scheme”). Details of the Repurchase Scheme have been set out in the announcement made by the Bank’s immediate holding company, Dah Sing Banking Group Limited, on 23 July 2009.

Under the Repurchase Scheme, the Bank will, without admission of liability, make an offer to repurchase at a price equivalent to 60% of the nominal value of the principal invested for eligible customers below the age of 65 as at 1 July 2009 or at 70% of the nominal value of the principal invested for eligible customers aged 65 or above as at 1 July 2009. The Repurchase Scheme includes additional payments to the eligible customers based on the amounts recoverable from the Lehman Brothers Minibonds which will be repurchased by the Bank under the Repurchase Scheme. The Bank has also made a voluntary offer to make ex gratia payments to those eligible customers who had previously settled with the Bank on a case-by-case basis, to bring them in line with the terms of the Repurchase Scheme, and will make available an amount equivalent to the total commission income received as a Lehman Brothers Minibonds distributor of approximately HK\$4 million to the trustee of the Lehman Brothers Minibonds to fund the trustee’s expenses in realising the value of the underlying collateral.

The Bank estimated that, in addition to the amount that has been paid or committed to be paid in previously settled cases, it will have to pay out a further sum of approximately HK\$75 million as a result of the Repurchase Scheme and the voluntary offer to customers who have previously settled with the Bank.

At present, the net amount which could be recoverable from the Lehman Brothers Minibonds on collateral recovery and realisation is uncertain. Any adjustment in the provision to account for the effect of the settlement with customers under the Repurchase Scheme could affect our results in the second half of 2009.

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

	As at 30 Jun 2009		
	Banks	Others	Total
Asia Pacific excluding Hong Kong	303,476	208,616	512,092
North and South America	1,077	2,382	3,459
Caribbean	-	84,807	84,807
Europe	1,339,799	-	1,339,799
	<u>1,644,352</u>	<u>295,805</u>	<u>1,940,157</u>
	As at 31 Dec 2008		
	Banks	Others	Total
Asia Pacific excluding Hong Kong	123,427	215,519	338,946
North and South America	557	2,007	2,564
Caribbean	-	127,416	127,416
Europe	349,560	-	349,560
	<u>473,544</u>	<u>344,942</u>	<u>818,486</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.

25. Currency concentrations

The following sets out the Bank's net foreign exchange position in currencies that constitute more than 10% of the total net position in all foreign currencies as at 30 June 2009 and the corresponding comparative balances.

Equivalent in HK\$'000

At 30 Jun 2009	USD	RMB	AUD	NZD
Spot assets	937,325	54,705	136,246	147,729
Spot liabilities	(936,813)	(53,397)	(135,656)	(144,762)
Forward purchases	-	-	348	634
Forward sales	(339)	-	(1,731)	(4,029)
Net long/(short) position	<u>173</u>	<u>1,308</u>	<u>(793)</u>	<u>(428)</u>
	USD	RMB	AUD	NZD
Spot assets	1,215,557	56,135	123,958	131,840
Spot liabilities	(1,222,321)	(54,473)	(124,642)	(132,758)
Forward purchases	2,682	-	175	319
Forward sales	(744)	(1,023)	(142)	(136)
Net (short)/long position	<u>(4,826)</u>	<u>639</u>	<u>(651)</u>	<u>(735)</u>

26. Capital adequacy ratio

	As at 30 Jun 2009	As at 31 Dec 2008
Capital adequacy ratio		
- Core	17.4%	16.0%
- Overall	<u>18.7%</u>	<u>17.0%</u>

The capital adequacy ratio of the Bank is computed in accordance with the Banking (Capital) Rules. The Bank has adopted the standardised (credit risk) approach for the calculation of the risk-weighted amount for credit risk, and the basic indicator approach for the calculation of the risk-weighted amount for operational risk.

The Bank has been exempted by the HKMA to maintain capital against market risk as it met all the relevant criteria specified in the Banking (Capital) Rules.

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

HK\$'000	As at 30 Jun 2009	As at 31 Dec 2008
Core capital:		
Paid up ordinary share capital	400,000	400,000
Published reserves	4,697	34,974
Profit and loss account	(38,019)	(27,015)
Less: net deferred tax assets	<u>(1,419)</u>	<u>(1,847)</u>
	365,259	406,112
Less: 50% of total amount of deductible items	<u>(150)</u>	<u>(150)</u>
Core capital	<u>365,109</u>	405,962
Supplementary capital		
Reserve attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	400	237
Regulatory reserve	15,976	12,714
Collective impairment allowances for impaired assets	<u>10,040</u>	<u>12,100</u>
	26,416	25,051
Less: 50% of total amount of deductible items	<u>(150)</u>	<u>(150)</u>
Supplementary capital	<u>26,266</u>	24,901
Total capital base	<u>391,375</u>	<u>430,863</u>

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.

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

27. Liquidity ratio

	Six months ended 30 Jun 2009	Year ended 31 Dec 2008
Liquidity ratio	<u>118.1%</u>	<u>105.2%</u>

The liquidity ratio 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 with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance.

BUSINESS AND FINANCIAL REVIEW

The Bank recorded a loss of \$38 million for the six months ended 30 June 2009 as compared to a net profit of \$28.5 million recorded in the same period in 2008.

The loss incurred was mainly due to higher operating expenses driven largely by provisions made for possible settlement with customers relating to retail investment products distributed by the Bank prior to the last quarter of 2008, and higher impairment losses on loans to customers caused by the weakening credit conditions. Despite our more stringent credit control and collection measures, loan impairment charges were much higher in the first six-month period, reflecting weaker asset quality and business conditions during the period.

The net interest income decreased by 36% over the corresponding period due to the narrowing spread and the decline in the interest income resulting from reduction in interest-earning assets. The net fee and commission income also decreased considerably by 42% as compared to the same period last year, mainly due to significant fall in income from wealth management and securities investment services.

In the first half of 2009, we continued our prudent business approach to preserve higher liquidity, enhance capital adequacy, improve asset quality and manage our funding costs. Our loan portfolio by the end of June 2009 declined by 13% relative to the end of 2008, caused mainly by the drop in the mortgages and retail lending to individuals and syndicated lending to corporate entities. Capital adequacy ratio of the Bank remained strong and stood at 18.7% at the end of June 2009.

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 2009 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, 10 August 2009