

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