

**PUBLIC FINANCE LIMITED**

**INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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**PUBLIC FINANCE LIMITED**  
(Incorporated in Hong Kong with limited liability)  
(Website: [www.publicfinance.com.hk](http://www.publicfinance.com.hk))

**INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The Board of Directors (the “Board”) of Public Finance Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Notes	For the six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest income	7	356,952	351,946
Interest expense	7	(99,605)	(97,556)
<b>NET INTEREST INCOME</b>		<b>257,347</b>	254,390
Fees and commission income	8	39,581	78,500
Other operating income	9	503	529
<b>OPERATING INCOME</b>		<b>297,431</b>	333,419
Operating expenses	10	(201,481)	(207,542)
Changes in fair value of investment properties		(1,200)	370
<b>OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES</b>		<b>94,750</b>	126,247
Credit loss expenses	11	(88,917)	(58,827)
<b>PROFIT BEFORE TAX</b>		<b>5,833</b>	67,420
Tax	12	(1,686)	(11,063)
<b>PROFIT FOR THE PERIOD</b>		<b>4,147</b>	56,357
<b>PROFIT ATTRIBUTABLE TO:</b>			
Owners of the Company		4,147	56,357

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	4,147	56,357
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,147</u>	<u>56,357</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	<u>4,147</u>	<u>56,357</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<b>ASSETS</b>			
Cash and short term placements	14	583,553	807,072
Loans and advances and receivables	15	5,041,566	4,987,855
Held-to-collect debt securities at amortised cost	16	69,569	69,486
Investment properties	17	22,960	24,160
Property and equipment	18	32,237	33,988
Land held under finance leases	19	35,083	35,759
Right-of-use assets		58,379	52,456
Deferred tax assets		14,611	15,382
Tax recoverable		18,567	7,172
Intangible assets		-	-
Other assets	20	23,897	22,708
<b>TOTAL ASSETS</b>		<b>5,900,422</b>	<b>6,056,038</b>
<b>EQUITY AND LIABILITIES</b>			
<b>LIABILITIES</b>			
Customer deposits at amortised cost	21	4,264,436	4,406,165
Lease liabilities		62,805	54,923
Current tax payable		1,603	1,603
Deferred tax liabilities		7,350	7,450
Other liabilities	20	91,108	98,205
<b>TOTAL LIABILITIES</b>		<b>4,427,302</b>	<b>4,568,346</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	22	671,038	671,038
Reserves		802,082	816,654
<b>TOTAL EQUITY</b>		<b>1,473,120</b>	<b>1,487,692</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,900,422</b>	<b>6,056,038</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2024	671,038	816,654	1,487,692
Profit for the period	-	4,147	4,147
Other comprehensive income	-	-	-
Dividends declared	-	(18,719)	(18,719)
As at 30 June 2024 (Unaudited)	<b>671,038</b>	<b>802,082</b>	<b>1,473,120</b>

	Share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2023	671,038	975,679	1,646,717
Profit for the period	-	56,357	56,357
Other comprehensive income	-	-	-
Dividends declared	-	(50,505)	(50,505)
As at 30 June 2023 (Unaudited)	671,038	981,531	1,652,569
Profit for the period	-	24,168	24,168
Other comprehensive income	-	-	-
Dividends declared	-	(189,045)	(189,045)
As at 31 December 2023 (Audited)	<b>671,038</b>	<b>816,654</b>	<b>1,487,692</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended	
		2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		5,833	67,420
Adjustments for:			
Depreciation of property and equipment and land held under finance leases	10	4,215	3,921
Depreciation of right-of-use assets	10	21,788	22,609
Other interest expenses	7	1,542	791
Net losses on disposal of property and equipment	9	3	4
Increased/(decrease) in credit loss expenses for loans and advances and receivables		2,538	(7,048)
Decrease in credit loss expenses for held-to-collect debt securities at amortised cost and bank placements		-	(3)
Decrease/(increase) in fair value of investment properties		1,200	(370)
Payment of dismantling cost		-	(176)
Profits tax paid		(12,410)	(70,201)
Operating profit before changes in operating assets and liabilities		24,709	16,947
(Increase)/decrease in operating assets:			
(Increase)/decrease in loans and advances and receivables		(56,249)	28,619
Decrease in held-to-collect debt securities at amortised cost		19,894	398
(Increase)/decrease in other assets		(1,189)	68,546
		(37,544)	97,563
Decrease in operating liabilities:			
Decrease in deposits and balances of banks and other financial institutions at amortised cost		-	(100,000)
(Decrease)/increase in customer deposits at amortised cost		(141,729)	69,314
Decrease in other liabilities		(7,268)	(49,284)
		(148,997)	(79,970)
Net cash (outflow)/inflow from operating activities		(161,832)	34,540

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	18	(1,791)	(3,559)
Net cash outflow from investing activities		(1,791)	(3,559)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(21,200)	(21,502)
Dividends paid on shares		(18,719)	(50,505)
Net cash outflow from financing activities		(39,919)	(72,007)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(203,542)</b>	<b>(41,026)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>817,008</b>	<b>1,000,396</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>613,466</b>	<b>959,370</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and short term placements repayable on demand		261,028	429,315
Money at call and short notice with an original maturity within three months		322,541	520,055
Placements with banks and financial institutions with an original maturity within three months		-	10,000
Held-to-collect debt securities at amortised cost with an original maturity within three months		29,897	-
		<b>613,466</b>	<b>959,370</b>
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>			
Interest paid		(90,629)	(74,433)
Interest received		357,443	353,572



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

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

The principal activities of the Group have not changed during the period and consist of deposit-taking, personal and commercial lending, which comprise mainly the granting of personal loans, revolving loans, property mortgage loans, hire purchase loans to individuals and small to medium size companies, remittance service, the provision of finance to purchasers of taxis and the letting of investment properties except Public Securities Limited as mentioned below.

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

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

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

Public Securities Limited notified the Securities and Futures Commission ("SFC") of the cessation of carrying on with its business of Type 1 (dealing in securities) regulated activity on 31 December 2023 under the licence granted by the SFC pursuant to section 116 of the Securities and Futures Ordinance. Public Securities Limited will apply for revocation of such licence after the clients' unclaimed assets are properly dealt with.

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

### **2. BASIS OF PREPARATION**

These unaudited interim condensed consolidated financial statements have been prepared in compliance with the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”) and in accordance with the same accounting policies adopted in the Company’s 2023 annual financial statements, except for the changes in accounting policies as set out in Note 5 below.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s 2023 annual financial statements.

The financial information relating to the year ended 31 December 2023 that is included in the 2024 interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated audited financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

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

The Company’s external auditors have reported on the 2023 annual financial statements. The Independent Auditor’s Report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 3. BASIS OF CONSOLIDATION

The unaudited interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries for the period ended 30 June 2024.

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

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

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

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

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 3. BASIS OF CONSOLIDATION (Continued)

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

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

The subsidiaries consolidated for accounting purpose are as follows:

Name	30 June 2024		31 December 2023		Principal activities
	Total assets (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	Total assets (Audited) HK\$'000	Total equity (Audited) HK\$'000	
Public Financial Limited	10,101	10,101	10,101	10,101	Investment holding
Public Securities Limited	30,706	28,526	44,279	40,862	Securities brokerage
Public Securities (Nominees) Limited	1,123	1,123	1,120	1,117	Provision of nominee services

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 4. BASIS OF CAPITAL DISCLOSURES

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

Should the Company have not complied with the externally imposed capital requirements of the HKMA, capital management plans should be submitted to the HKMA for restoration of capital to the minimum required level as soon as possible.

The computation of the total capital ratio and other regulatory capital ratios is based on the solo basis of the Company for regulatory reporting purpose. No subsidiary will be consolidated for capital adequacy ratio computation as the subsidiaries do not satisfy the criteria as stipulated in the Banking (Capital) Rules (the “Capital Rules”) issued by the HKMA.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Company’s consolidation group except that liquidity, capital and other performance indicators of Public Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the SFC.

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Capital Rules. The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the required CCB ratio for 2023 and 2024 is 2.5%, whilst the required CCyB ratio for 2023 and 2024 is 1.0%.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 5. ACCOUNTING POLICIES

#### Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's interim financial information.

- Amendments to HKFRS 16      *Lease Liability in a Sale and Leaseback*
- Amendments to HKAS 1      *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
- Amendments to HKAS 1      *Non-current Liabilities with Covenants (the "2022 Amendments")*
- Amendments to HKAS 7 and HKFRS 7      *Supplier Finance Arrangements*

The nature and impact of the revised HKFRSs that are applicable to the Group are described below.

#### **Amendments to HKFRS 16 – *Lease Liability in a Sale and Leaseback***

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

#### **Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current (the "2020 Amendments")* and Amendments to HKAS 1 – *Non-current Liabilities with Covenants (the "2022 Amendments")***

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 5. ACCOUNTING POLICIES (Continued)

#### Changes in accounting policies and disclosures (Continued)

##### ***Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current (the “2020 Amendments”) and Amendments to HKAS 1 – Non-current Liabilities with Covenants (the “2022 Amendments”) (Continued)***

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 1 January 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

##### ***Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements***

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim financial information.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 5. ACCOUNTING POLICIES (Continued)

#### Issued but not yet effective HKFRSs

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

- HKFRS 18 *Presentation and Disclosure in Financial Statements*<sup>4</sup>
- HKFRS 19 *Subsidiaries without Public Accountability: Disclosures*<sup>4</sup>
- Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments*<sup>3</sup>
- Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>1</sup>
- Amendments to HKAS 21 *Lack of Exchangeability*<sup>2</sup>

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION

#### Operating segment information

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar economic characteristics, products and services and delivery methods. The operating segments are identified by Senior Management who is designated as the "Chief Operating Decision Maker" to make decisions about resources allocation to the segments and assess their performance that is measured net of associated direct expenses. A summary of the operating segments is as follows:

- the core businesses of the Group are personal and commercial lending businesses, which comprise mainly the granting of personal loans, revolving loans, property mortgage loans, hire purchase loans to individuals and small to medium size companies, remittance service, and the provision of finance to purchasers of taxis;
- the stockbroking segment comprises securities dealing and receipt of commission income; and
- other businesses segment comprises mainly the letting of investment properties.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION (Continued)

#### Operating segment information (Continued)

The following table discloses the revenue and profit information for operating segments for the six months ended 30 June 2024 and 30 June 2023.

	Personal and commercial lending businesses For the six months ended 30 June		Stockbroking For the six months ended 30 June		Other businesses For the six months ended 30 June		Total For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Segment revenue</b>								
External:								
Net interest income/ (expense)	257,307	255,913	40	(1,523)	-	-	257,347	254,390
Fees and commission income	39,581	40,345	-	38,155	-	-	39,581	78,500
Other operating income/ (expense)	109	157	(1)	(23)	395	395	503	529
Operating income	296,997	296,415	39	36,609	395	395	297,431	333,419
Operating profit/ (loss) after credit loss expenses before tax	9,492	43,255	(2,367)	23,878	(1,292)	287	5,833	67,420
Tax							(1,686)	(11,063)
<b>Profit for the period</b>							<b>4,147</b>	<b>56,357</b>
<b>Other segment information</b>								
Depreciation of property and equipment and land held under finance leases	(4,215)	(3,921)	-	-	-	-	(4,215)	(3,921)
Depreciation of right-of-use assets	(21,788)	(22,609)	-	-	-	-	(21,788)	(22,609)
Changes in fair value of investment properties	-	-	-	-	(1,200)	370	(1,200)	370
Credit loss expenses	(88,917)	(58,827)	-	-	-	-	(88,917)	(58,827)
Net losses on disposal of property and equipment	(3)	(4)	-	-	-	-	(3)	(4)

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION (Continued)

#### Operating segment information (Continued)

The following table discloses certain assets and liabilities information regarding operating segments as at 30 June 2024 and 31 December 2023.

	Personal and commercial lending businesses		Stockbroking		Other businesses		Total	
	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Segment assets other than intangible assets	5,812,352	5,963,716	31,932	45,608	22,960	24,160	5,867,244	6,033,484
Intangible assets	-	-	-	-	-	-	-	-
Segment assets	5,812,352	5,963,716	31,932	45,608	22,960	24,160	5,867,244	6,033,484
Unallocated assets: Deferred tax assets and tax recoverable							33,178	22,554
<b>Total assets</b>							<b>5,900,422</b>	<b>6,056,038</b>
Segment liabilities	4,417,545	4,557,142	577	1,924	227	227	4,418,349	4,559,293
Unallocated liabilities: Deferred tax liabilities and tax payable							8,953	9,053
<b>Total liabilities</b>							<b>4,427,302</b>	<b>4,568,346</b>
<b>Other segment information</b> Additions to non-current assets - capital expenditure	1,791	16,698	-	-	-	-	1,791	16,698

#### Geographical information

Over 90% (2023: over 90%) of the Group's operating income, profit before tax, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented in the interim financial statements.

#### Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer amounts to less than 10% (2023: less than 10%) of the Group's total operating income or revenue.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 7. INTEREST INCOME AND EXPENSE

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest income from:		
Loans and advances and receivables	347,912	342,912
Short term placements and placements with banks	7,516	7,960
Held-to-collect debt securities at amortised cost	1,524	1,074
	<b>356,952</b>	<b>351,946</b>
Interest expense on:		
Deposits from banks and financial institutions	-	852
Deposits from customers	98,002	94,017
Bank loans	61	1,896
Others	1,542	791
	<b>99,605</b>	<b>97,556</b>

Interest income and interest expense for the six months ended 30 June 2024, calculated using the effective interest method for financial assets and financial liabilities which are not designated at fair value through profit or loss ("FVPL"), amounted to HK\$356,952,000 and HK\$99,605,000 (2023: HK\$351,946,000 and HK\$97,556,000) respectively.

### 8. FEES AND COMMISSION INCOME

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Fees and commission income:		
Personal and commercial lending	39,581	40,345
Stockbroking	-	38,155
	<b>39,581</b>	<b>78,500</b>

All fees and commission income and expenses are related to financial assets or financial liabilities which are not designated at FVPL. No fees and commission income and expenses are related to trust and other fiduciary activities.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 9. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Gross rental income	398	398
Less: Direct operating expenses	(3)	(3)
Net rental income	395	395
Net losses on disposal of property and equipment	(3)	(4)
Others	111	138
	<b>503</b>	<b>529</b>

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

There were no net gains or losses arising from equity investments at fair value through other comprehensive income ("FVOCI"), loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the six months ended 30 June 2024 and 30 June 2023.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 10. OPERATING EXPENSES

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Staff costs:		
Salaries and other staff costs	129,891	128,812
Pension contributions	6,868	6,845
Less: Forfeited contributions	(76)	(112)
Net contribution to retirement benefit schemes	6,792	6,733
	<b>136,683</b>	135,545
Other operating expenses:		
Depreciation of right-of-use assets	21,788	22,609
Depreciation of property and equipment and land held under finance leases	4,215	3,921
Administrative and general expenses	17,685	16,895
Others	21,110	28,572
Operating expenses before changes in fair value of investment properties	<b>201,481</b>	207,542

As at 30 June 2024 and 30 June 2023, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the periods ended 30 June 2024 and 30 June 2023 arose in respect of staff who left the schemes during the periods.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 11. CREDIT LOSS EXPENSES

The following tables show the changes in expected credit loss (“ECL”) on financial instruments for the period recorded in the consolidated income statement.

	For the six months ended 30 June 2024 (Unaudited)			
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	(3,195)	797	91,374	88,976
- accrued interest and other receivables	(70)	7	-	(63)
- cash and short term placements	-	-	-	-
- placements with banks and financial institution	-	-	-	-
- held-to-collect debt securities at amortised cost	-	-	-	-
- loan commitments	4	-	-	4
	<b>(3,261)</b>	<b>804</b>	<b>91,374</b>	<b>88,917</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 11. CREDIT LOSS EXPENSES (Continued)

	For the six months ended 30 June 2023 (Unaudited)			
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	(3,653)	1,784	60,762	58,893
- accrued interest and other receivables	(65)	-	-	(65)
- cash and short term placements	(3)	-	-	(3)
- placements with banks and financial institution	-	-	-	-
- held-to-collect debt securities at amortised cost	-	-	-	-
- loan commitments	2	-	-	2
	<b>(3,719)</b>	<b>1,784</b>	<b>60,762</b>	<b>58,827</b>



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 12. TAX

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current tax charge	1,015	10,772
Deferred tax charge, net	671	291
	<b>1,686</b>	<b>11,063</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

	For the six months ended 30 June			
	2024 (Unaudited)		2023 (Unaudited)	
	HK\$'000	%	HK\$'000	%
Profit before tax	<b>5,833</b>		<b>67,420</b>	
Tax at the applicable tax rate	<b>963</b>	<b>16.5</b>	11,124	16.5
Estimated tax effect of net expenses/(income) that are/is not deductible/(taxable)	<b>723</b>	<b>12.4</b>	(61)	(0.1)
Tax charge at the Group's effective rate	<b>1,686</b>	<b>28.9</b>	11,063	16.4

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 13. DIVIDENDS

#### (a) Dividends attributable to the interim period

	For the six months ended 30 June			
	2024 (Unaudited) HK cents per ordinary share	2023 (Unaudited) HK cents per ordinary share	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interim dividend	<b>2.373</b>	11.223	<b>6,141</b>	29,045

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

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

	For the six months ended 30 June			
	2024 (Unaudited) HK cents per ordinary share	2023 (Unaudited) HK cents per ordinary share	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Final dividend in respect of the previous year	<b>7.233</b>	19.515	<b>18,719</b>	50,505

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 14. CASH AND SHORT TERM PLACEMENTS

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Cash and placements with banks and financial institutions	<b>261,028</b>	235,974
Money at call and short notice	<b>322,541</b>	571,114
Gross cash and short term placements	<b>583,569</b>	807,088
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	<b>(16)</b>	(18)
Credit loss expenses released to the consolidated income statement during the period/year	-	2
	<b>(16)</b>	(16)
Cash and short term placements	<b>583,553</b>	807,072

Over 90% (31 December 2023: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's Investors Service ("Moody's"), an external credit agency.

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Loans and advances to customers	<b>5,137,495</b>	5,081,178
Accrued interest	<b>37,176</b>	37,244
Gross loans and advances and receivables	<b>5,174,671</b>	5,118,422
Less: Impairment allowances		
- specifically assessed	<b>(44,584)</b>	(39,585)
- collectively assessed	<b>(88,521)</b>	(90,982)
	<b>(133,105)</b>	(130,567)
Loans and advances and receivables	<b>5,041,566</b>	4,987,855

Over 90% (31 December 2023: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2023: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, taxi licences and vehicles.

Loans and advances and receivables are summarised as follows:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Neither past due nor impaired loans and advances and receivables	<b>4,705,378</b>	4,726,231
Past due but not impaired loans and advances and receivables	<b>383,911</b>	308,859
Credit impaired loans and advances	<b>84,906</b>	82,731
Credit impaired receivables	<b>476</b>	601
Gross loans and advances and receivables	<b>5,174,671</b>	5,118,422

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

About 33% (31 December 2023: about 33%) of “Neither past due nor impaired loans and advances and receivables” were property mortgage loans and taxi financing loans secured by customer deposits, properties, taxi licences and vehicles.

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

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances %	Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	47,368	0.92	44,404	0.88
One year or less but over six months	1,249	0.03	14,861	0.29
Over one year	3,196	0.06	-	-
Loans and advances overdue for more than three months	51,813	1.01	59,265	1.17
Rescheduled loans and advances overdue for three months or less	22,544	0.43	21,405	0.42
Impaired loans and advances overdue for three months or less	10,549	0.21	2,061	0.04
Total overdue and impaired loans and advances	84,906	1.65	82,731	1.63

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (a) (ii) Ageing analysis of overdue and impaired accrued interest and other receivables

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Accrued interest and other receivables overdue for:		
Six months or less but over three months	<b>142</b>	51
One year or less but over six months	-	550
Over one year	<b>299</b>	-
Accrued interest and other receivables overdue for more than three months	<b>441</b>	601
Impaired accrued interest and other receivables overdue for three months or less	<b>35</b>	-
Total overdue and impaired accrued interest and other receivables	<b>476</b>	601

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
<b>(i) Analysis of overdue loans and advances and receivables</b>		
Loans and advances and receivables overdue for more than three months	<b>52,254</b>	59,866
Impairment allowances specifically assessed	<b>30,875</b>	31,091
Current market value and fair value of collateral	<b>12,160</b>	23,040
<b>(ii) Analysis of impaired loans and advances and receivables</b>		
Impaired loans and advances and receivables	<b>85,382</b>	83,332
Impairment allowances specifically assessed	<b>44,584</b>	39,585
Current market value and fair value of collateral	<b>15,320</b>	23,040

Over 90% (31 December 2023: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<b>12,160</b>	23,040
Covered portion of overdue loans and advances	<b>7,821</b>	16,624
Uncovered portion of overdue loans and advances	<b>43,992</b>	42,641

The assets taken as collateral should satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified.
- The asset is marketable and there exists a readily available secondary market for disposal of the asset.
- The Group's right to repossess the asset is legally enforceable without impediment.
- The Group is able to secure control over the asset if necessary.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (d) Repossessed assets

As at 30 June 2024, the total value of repossessed assets of the Group amounted to HK\$6,520,000 (31 December 2023: Nil).

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

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances %	Gross amount HK\$'000	Percentage of total loans and Advances %
Loans and advances overdue for three months or less	<b>382,697</b>	<b>7.4</b>	307,996	6.1
Accrued interest and other receivables overdue for three months or less	<b>1,214</b>		<b>863</b>	

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables

An analysis of changes in the gross amount of loans and advances and receivables is as follows:

	30 June 2024 (Unaudited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 2024	4,985,649	49,441	83,332	5,118,422
New loans/financing originated	1,709,726	-	-	1,709,726
Loans/financing derecognised or repaid during the period (other than write-offs)	(1,503,917)	(8,362)	(12,312)	(1,524,591)
Transfer to 12-month expected credit loss (Stage 1)	12,084	(2,966)	(9,118)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(54,800)	54,941	(141)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(116,442)	(36,065)	152,507	-
Total transfer between stages	(159,158)	15,910	143,248	-
Write-offs	-	-	(128,886)	(128,886)
As at 30 June 2024	<b>5,032,300</b>	<b>56,989</b>	<b>85,382</b>	<b>5,174,671</b>
Arising from:				
Loans and advances	4,995,694	56,895	84,906	5,137,495
Accrued interest and other receivables	36,606	94	476	37,176
	<b>5,032,300</b>	<b>56,989</b>	<b>85,382</b>	<b>5,174,671</b>

The amount outstanding on financial assets that were written off during the period and are still subject to enforcement action amounted to HK\$102,885,000.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

	31 December 2023 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 2023	5,014,189	38,635	73,559	5,126,383
New loans/financing originated	2,592,669	-	-	2,592,669
Loans/financing derecognised or repaid during the year (other than write-offs)	(2,350,387)	(5,862)	(11,434)	(2,367,683)
Transfer to 12-month expected credit loss (Stage 1)	9,002	(805)	(8,197)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(47,483)	47,698	(215)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(232,341)	(30,225)	262,566	-
Total transfer between stages	(270,882)	16,668	254,154	-
Write-offs	-	-	(232,947)	(232,947)
<b>As at 31 December 2023</b>	<b>4,985,649</b>	<b>49,441</b>	<b>83,332</b>	<b>5,118,442</b>
Arising from:				
Loans and advances	4,949,050	49,397	82,731	5,081,178
Accrued interest and other receivables	36,599	44	601	37,244
	<b>4,985,649</b>	<b>49,441</b>	<b>83,332</b>	<b>5,118,422</b>

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$188,954,000.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

An analysis of credit risk exposure by the Group's internal credit rating system is as follows:

	30 June 2024 (Unaudited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
<b>Internal rating grades:</b>				
<b>Performing</b>				
Pass	4,994,847	-	-	4,994,847
Special Mention	37,453	56,989	-	94,442
<b>Non-performing</b>				
Substandard	-	-	66,766	66,766
Doubtful	-	-	4,764	4,764
Loss	-	-	13,852	13,852
<b>Total</b>	<b>5,032,300</b>	<b>56,989</b>	<b>85,382</b>	<b>5,174,671</b>
	31 December 2023 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
<b>Internal rating grades:</b>				
<b>Performing</b>				
Pass	4,935,073	-	-	4,935,073
Special Mention	50,576	49,441	-	100,017
<b>Non-performing</b>				
Substandard	-	-	62,006	62,006
Doubtful	-	-	16,468	16,468
Loss	-	-	4,858	4,858
<b>Total</b>	<b>4,985,649</b>	<b>49,441</b>	<b>83,332</b>	<b>5,118,422</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

An analysis of changes in the corresponding ECL allowances is as follows:

	30 June 2024			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
As at 1 January 2024	66,681	24,301	39,585	130,567
New loans/financing originated	34,174	-	-	34,174
Loans/financing derecognised or repaid during the period (other than write-offs)	(34,014)	(2,329)	(44,444)	(80,787)
Transfer to 12-month expected credit loss (Stage 1)	2,258	(494)	(1,764)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,576)	1,626	(50)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(2,939)	(20,641)	23,580	-
Total transfer between stages	(2,257)	(19,509)	21,766	-
Impact on period end expected credit loss of exposures transferred between stages during the period	(1,038)	22,642	100,410	122,014
Movements due to changes in credit risk	(130)	-	13,642	13,512
Recoveries	-	-	42,511	42,511
Write-offs	-	-	(128,886)	(128,886)
As at 30 June 2024	<b>63,416</b>	<b>25,105</b>	<b>44,584</b>	<b>133,105</b>
Arising from:				
Loans and advances	62,368	25,098	44,584	132,050
Accrued interest and other receivables	1,048	7	-	1,055
	<b>63,416</b>	<b>25,105</b>	<b>44,584</b>	<b>133,105</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

	31 December 2023			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
		(Audited)		
As at 1 January 2023	71,421	21,985	39,791	133,197
New loans/financing originated	52,750	-	-	52,750
Loans/financing derecognised or repaid during the year (other than write-offs)	(48,769)	(2,932)	(96,181)	(147,882)
Transfer to 12-month expected credit loss (Stage 1)	1,661	(289)	(1,372)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,516)	1,688	(172)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,001)	(17,996)	24,997	-
Total transfer between stages	(6,856)	(16,597)	23,453	-
Impact on year end expected credit loss of exposures transferred between stages during the year	(650)	21,845	198,773	219,968
Movements due to changes in credit risk	(1,215)	-	13,275	12,060
Recoveries	-	-	93,421	93,421
Write-offs	-	-	(232,947)	(232,947)
As at 31 December 2023	<u>66,681</u>	<u>24,301</u>	<u>39,585</u>	<u>130,567</u>
Arising from:				
Loans and advances	65,563	24,301	39,585	129,449
Accrued interest and other receivables	1,118	-	-	1,118
	<u>66,681</u>	<u>24,301</u>	<u>39,585</u>	<u>130,567</u>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (g) Finance lease receivables

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

	Undiscounted lease payments		Net investment in finance leases	
	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Amounts receivable under finance leases:				
Within one year	<b>79,455</b>	80,134	<b>55,865</b>	56,177
Over one year but within two years	<b>65,147</b>	66,507	<b>44,514</b>	45,488
Over two years but within three years	<b>50,909</b>	51,657	<b>31,862</b>	32,345
Over three years but within four years	<b>48,289</b>	47,041	<b>30,245</b>	28,689
Over four years but within five years	<b>46,573</b>	46,829	<b>29,554</b>	29,344
Over five years	<b>632,212</b>	654,173	<b>499,735</b>	514,962
	<b>922,585</b>	946,341	<b>691,775</b>	707,005
Less: Unearned finance income	<b>(230,810)</b>	(239,336)		
Net investment in finance leases	<b>691,775</b>	707,005		

The Group has entered into finance lease arrangements with customers in respect of motor vehicles and equipment. The terms of the finance leases entered into range from 1 to 25 years.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. HELD-TO-COLLECT DEBT SECURITIES AT AMORTISED COST

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Unlisted:		
Treasury bills (including Exchange Fund Bills)	<b>69,576</b>	69,493
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	(7)	(7)
Credit loss expenses charged to the consolidated income statement during the period/year	-	-
	<b>(7)</b>	<b>(7)</b>
Held-to-collect debt securities at amortised cost	<b>69,569</b>	69,486
Analysed by type of issuers:		
- Central governments	<b>69,569</b>	69,486

There were no impairment allowances specifically assessed made against held-to-collect debt securities at amortised cost as at 30 June 2024 and 31 December 2023.

There were neither impaired nor overdue held-to-collect debt securities at amortised cost as at 30 June 2024 and 31 December 2023.

All exposures attributed to the held-to-collect debt securities at amortised cost were rated with a grading of Aa3 based on the credit rating of Moody's as at 30 June 2024 and 31 December 2023.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 17. INVESTMENT PROPERTIES

	<b>HK\$'000</b>
At valuation:	
As at 1 January 2023	24,800
Changes in fair value recognised in the consolidated income statement	<u>(640)</u>
As at 31 December 2023 and 1 January 2024 (Audited)	<b>24,160</b>
Changes in fair value recognised in the consolidated income statement	<u>(1,200)</u>
As at 30 June 2024 (Unaudited)	<b><u>22,960</u></b>

The Group's investment properties are situated in Hong Kong and are held under medium-term leases in Hong Kong.

All investment properties were classified under Level 3 in the fair value hierarchy. During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

As at 30 June 2024, investment properties were revalued according to the valuation assessed by C S Surveyors Limited, a firm of independent professionally qualified valuers. Accounts Department has discussions with the valuer on the valuation methodology and valuation results at least twice a year when the valuation is performed for interim and annual financial reporting.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 17. INVESTMENT PROPERTIES (Continued)

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

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Range HK\$	Weighted average HK\$	Range HK\$	Weighted average HK\$
Price per square metre	<b>72,000 to 73,000</b>	<b>73,000</b>	76,000 to 77,000	77,000

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

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 18. PROPERTY AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
As at 1 January 2023	6,247	129,825	1,695	137,767
Additions	-	16,698	-	16,698
Disposals/write-off	-	(11,781)	-	(11,781)
As at 31 December 2023 and 1 January 2024 (Audited)	<b>6,247</b>	<b>134,742</b>	<b>1,695</b>	<b>142,684</b>
Additions	-	1,791	-	1,791
Disposals/write-off	-	(3,152)	-	(3,152)
As at 30 June 2024 (Unaudited)	<b>6,247</b>	<b>133,381</b>	<b>1,695</b>	<b>141,323</b>
Accumulated depreciation:				
As at 1 January 2023	2,431	108,874	1,674	112,979
Provided during the year	124	7,072	21	7,217
Disposals/write-off	-	(11,500)	-	(11,500)
As at 31 December 2023 and 1 January 2024 (Audited)	<b>2,555</b>	<b>104,446</b>	<b>1,695</b>	<b>108,696</b>
Provided during the period	63	3,476	-	3,539
Disposals/write-off	-	(3,149)	-	(3,149)
As at 30 June 2024 (Unaudited)	<b>2,618</b>	<b>104,773</b>	<b>1,695</b>	<b>109,086</b>
Net carrying amount:				
As at 30 June 2024 (Unaudited)	<b>3,629</b>	<b>28,608</b>	-	<b>32,237</b>
As at 31 December 2023 (Audited)	3,692	30,296	-	33,988

There were no impairment allowances made against the above items of property and equipment as at 30 June 2024 and 31 December 2023. There were no movements in impairment allowances for the period ended 30 June 2024 and for the year ended 31 December 2023.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 19. LAND HELD UNDER FINANCE LEASES

	<b>HK\$'000</b>
Cost:	
As at 1 January 2023, 31 December 2023, 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	<u><b>60,623</b></u>
Accumulated depreciation and impairment:	
As at 1 January 2023 (Audited)	23,510
Depreciation provided during the year	<u>1,354</u>
As at 31 December 2023 and 1 January 2024 (Audited)	<b>24,864</b>
Depreciation provided during the period	<u><b>676</b></u>
As at 30 June 2024 (Unaudited)	<u><b>25,540</b></u>
Net carrying amount:	
As at 30 June 2024 (Unaudited)	<u><b>35,083</b></u>
As at 31 December 2023 (Audited)	<u><b>35,759</b></u>

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 20. OTHER ASSETS AND OTHER LIABILITIES

#### Other assets

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Interest receivable from financial institutions	<b>309</b>	731
Other debtors, deposits and prepayments	<b>22,990</b>	21,057
Amount due from a fellow subsidiary	<b>598</b>	920
	<b>23,897</b>	22,708

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

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

#### Other liabilities

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Creditors, accruals and interest payable*	<b>91,108</b>	98,205

\* As at 30 June 2024, the balances also include the impairment allowances of HK\$9,000 (31 December 2023: HK\$5,000) on off-balance sheet credit exposures, including loan commitments.

### 21. CUSTOMER DEPOSITS AT AMORTISED COST

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

### 22. SHARE CAPITAL

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Issued and fully paid: 258,800,000 (2023: 258,800,000) ordinary shares	<b>671,038</b>	671,038

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 23. LEASES

#### (a) As lessor

The Group leases its investment properties as described in Note 17 to the interim financial statements under operating lease arrangements with a lease term of 2 years.

As at 30 June 2024 and 31 December 2023, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Within one year	<b>515</b>	550
Over one year but within two years	<b>436</b>	-
	<b>951</b>	550

#### (b) As lessee

The Group has entered into certain future lease arrangements with landlords with the terms of the leases range from 2 to 3 years. As at 30 June 2024 and 31 December 2023, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Within one year	<b>1,413</b>	4,529
In the second to fifth years, inclusive	<b>3,396</b>	13,224
	<b>4,809</b>	17,753

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 24. OFF-BALANCE SHEET EXPOSURE

#### Contingent liabilities and commitments

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Contractual amount HK\$'000	Credit risk- weighted amount HK\$'000	Contractual amount HK\$'000	Credit risk- weighted amount HK\$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position:				
- With an original maturity of not more than one year	12,652	-	16,357	-
Undrawn loan facilities with an original maturity of not more than one year or which are unconditionally cancellable, granted to:				
- Customers	21,517	-	11,009	-
	<b>34,169</b>	-	<b>27,366</b>	-

As at 30 June 2024 and 31 December 2023, the corresponding ECLs for the outstanding off-balance sheet exposures, including loan commitments under stage 1, amounted to HK\$9,000 and HK\$5,000 respectively.

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk-weighted amounts are calculated in accordance with the Capital Rules and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

As at 30 June 2024 and 31 December 2023, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

During the period, no derivative activities were transacted by the Group (2023: Nil).

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

##### ***Liquid or/and very short term and variable rate financial instruments***

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

##### ***Fixed rate financial instruments***

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

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

There were no financial instruments carried at fair value at 30 June 2024 and 31 December 2023.

For the period ended 30 June 2024 and the year ended 31 December 2023, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the period ended 30 June 2024 and the year ended 31 December 2023, there were no purchases, issues and settlements related to the Level 3 financial instruments.

There were no gain or loss and no OCI reported in the consolidated income statement and consolidated statement of comprehensive income respectively related to Level 3 financial instruments for the period ended 30 June 2024 and the year ended 31 December 2023.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 26. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below show an analysis of financial assets and financial liabilities analysed by principal according to the periods that they are expected to be recovered or settled. There were no key off-balance sheet items as at 30 June 2024 and 31 December 2023.

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	30 June 2024 (Unaudited)			Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
			Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000			
<b>Financial assets:</b>								
Gross cash and short term placements	261,028	322,541	-	-	-	-	-	583,569
Gross loans and advances and receivables	24,436	218,997	377,953	1,207,387	1,797,027	1,463,965	84,906	5,174,671
Gross held-to-collect debt securities at amortised cost	-	-	69,576	-	-	-	-	69,576
Other assets	-	-	-	-	-	-	23,897	23,897
<b>Total financial assets</b>	<b>285,464</b>	<b>541,538</b>	<b>447,529</b>	<b>1,207,387</b>	<b>1,797,027</b>	<b>1,463,965</b>	<b>108,803</b>	<b>5,851,713</b>
<b>Financial liabilities:</b>								
Customer deposits at amortised cost	52,601	1,085,149	1,723,549	1,403,137	-	-	-	4,264,436
Lease liabilities	-	3,170	5,858	23,396	30,381	-	-	62,805
Other liabilities	739	21,361	20,306	16,563	3,126	-	29,013	91,108
<b>Total financial liabilities</b>	<b>53,340</b>	<b>1,109,680</b>	<b>1,749,713</b>	<b>1,443,096</b>	<b>33,507</b>	<b>-</b>	<b>29,013</b>	<b>4,418,349</b>
<b>Net liquidity gap</b>	<b>232,124</b>	<b>(568,142)</b>	<b>(1,302,184)</b>	<b>(235,709)</b>	<b>1,763,520</b>	<b>1,463,965</b>	<b>79,790</b>	<b>1,433,364</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 26. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	31 December 2023 (Audited)							
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
<b>Financial assets:</b>								
Gross cash and short term placements	235,974	571,114	-	-	-	-	-	807,088
Gross loans and advances and receivables	22,236	220,868	375,293	1,234,588	1,742,659	1,440,047	82,731	5,118,422
Gross held-to-collect debt securities at amortised cost	-	-	69,493	-	-	-	-	69,493
Other assets	-	-	-	-	-	-	22,708	22,708
<b>Total financial assets</b>	<b>258,210</b>	<b>791,982</b>	<b>444,786</b>	<b>1,234,588</b>	<b>1,742,659</b>	<b>1,440,047</b>	<b>105,439</b>	<b>6,017,711</b>
<b>Financial liabilities:</b>								
Deposits and balances of banks and other financial institutions at amortised cost	-	-	-	-	-	-	-	-
Customer deposits at amortised cost	33,159	708,687	1,726,510	1,937,809	-	-	-	4,406,165
Lease liabilities	-	3,371	6,590	22,453	22,484	25	-	54,923
Other liabilities	349	15,019	20,982	15,833	2,437	73	43,512	98,205
<b>Total financial liabilities</b>	<b>33,508</b>	<b>727,077</b>	<b>1,754,082</b>	<b>1,976,095</b>	<b>24,921</b>	<b>98</b>	<b>43,512</b>	<b>4,559,293</b>
<b>Net liquidity gap</b>	<b>224,702</b>	<b>64,905</b>	<b>(1,309,296)</b>	<b>(741,507)</b>	<b>1,717,738</b>	<b>1,439,949</b>	<b>61,927</b>	<b>1,458,418</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### **Risk Management Structure**

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

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

#### **Interest Rate Risk Management**

Interest rate risk in banking book ("IRRBB") is internally defined as current or prospective risk arising from adverse movements in market interest rates to the Group's positions in the banking book. Changes in market interest rate affect economic value of interest-bearing assets, liabilities and off-balance commitments and net interest income ("NII") from such financial instruments. The primary objective of interest rate risk management is to minimise/contain the potential adverse effects of interest rate movements in economic value of equity ("EVE") and NII by closely monitoring the net repricing gap of the Group's assets and liabilities.

The IRRBB comprises gap risk, basis risk and option risk. Gap risk arises from changes in interest rates on assets, liabilities and off-balance sheet positions of different maturities. Basis risk arises from imperfect correlation of timing between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. Option risk arises from the optional elements embedded in the Group's assets and liabilities that provide customers the right to prepay or early repay one's assets or liabilities such that cash flows related to such financial contracts are altered.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Interest Rate Risk Management (Continued)

The Board is ultimately responsible for management of IRRBB and defines the overall risk appetite for management of IRRBB. The RMC is responsible for reviewing IRRBB policies, establishing risk limits in relation to EVE and NII in accordance with risk appetite and maintaining management oversight on IRRBB. The ALCO is responsible for identifying, measuring, evaluating, controlling and monitoring IRRBB and ensuring the timely implementation of IRRBB management strategy by different departments and business lines in response to the changing market conditions. Risk Management Department (“RMD”) assesses, monitors and reports interest rate risk exposures against approved risk limits and key interest rate risk related matters (such as limit excesses) to the ALCO at least monthly, and escalates to the RMC and the Board for further deliberations/approval of proposed actions as necessary. The Group manages its IRRBB exposures at a desired level and within its risk tolerance thresholds through strategic planning of balance sheet compositions with matching of repricing maturity for its on-balance sheet instruments and/or off-balance sheet derivatives in each significant currency. Currently, the Group does not use interest rate instruments like interest rate swaps and interest rate futures for hedging purpose as the Group is not engaged in complex business transactions involving derivative financial instruments. Where the Group decides to implement a hedging to manage IRRBB, the hedge accounting treatment is required to be made in accordance with the HKFRSs. The Group conducts stress testing via scenario analyses to assess the adverse impact of various interest rate shocks on the Group’s EVE and NII, and the outcomes are deliberated in ALCO and RMC meetings. The Group establishes model for IRRBB assessment including yield curve levels’ projection of relevant interest-bearing assets and early redemption of loans. Any revisions to the existing IRRBB model or assessment methodology are deliberated by ALCO and RMC for the approval by the Board. Internal Audit Department performs independent reviews on the effectiveness of the IRRBB management system, including but not limited to the implementation/compliance of the approved policies, monitoring of risk limits, escalation of limit breaches and adequacy of IRRBB assessment methodology.

The Group employs various analytical techniques to measure IRRBB and its impact on EVE and NII on monthly basis, including interest rate repricing profile analysis, and scenario assessment on the Group’s EVE and NII under both parallel and non-parallel interest rate shocks.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Market Risk Management

##### (a) Currency risk

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

The Group has limited foreign currency risk as the Group's assets and liabilities were mainly denominated in Hong Kong Dollars ("HKD") for the period ended 30 June 2024 and for the year ended 31 December 2023. Directors considered that currency risk was insignificant to the Group. Accordingly, no quantitative market risk disclosures for currency risk have been made.

##### (b) Price risk

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

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Credit Risk Management

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

The Group has a credit risk management process to measure, monitor and control credit risk. Its credit policy defines the credit extension and measurement criteria, credit review, approval and monitoring processes, and the loan classification and provisioning systems. It has a hierarchy of credit authority which approves credit in compliance with the Group's credit policy. Credit risk exposures are measured and monitored against credit limits and other control limits (such as connected exposures, large exposures and risk concentration limits approved by the Board or dedicated committees). The Group's loan exposures are concentrated in consumer financing, purchase of properties, property investment and transportation segment in Hong Kong; and such lendings are monitored and controlled within the approved concentration limits. Segregation of duties in key credit functions is in place to ensure separate credit control and monitoring. Management and recovery of problem credits are handled by an independent work-out team.

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

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

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

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Credit Risk Management (Continued)

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

RMC is responsible for reviewing and assessing the adequacy of risk management framework for identifying, measuring, monitoring and controlling the credit risk of existing and new products, and reviewing credit risk management policies and credit risk tolerance limits.

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

The “Neither past due nor impaired loans and advances and receivables” are shown in Note 15 to the interim financial statements.

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity Risk Management

Liquidity risk is the risk that the Group cannot meet its current obligations. Major sources of liquidity risk of the Group are the early or unexpected withdrawals of deposits in cash outflow and the delay in cash inflow from loan repayments. To manage liquidity risk, the Group has established a liquidity risk management framework which incorporates liquidity risk tolerance, management oversight on liquidity risk, liquidity risk and funding strategy, risk related metrics and tools for liquidity risk management, internal liquidity risk pricing, and the manner of reporting significant matters. The major objectives of liquidity risk management framework are to (i) specify the roles and responsibilities of relevant parties on liquidity risk management, (ii) identify, measure and control liquidity risk exposures with proper implementation of funding strategies, (iii) effectively report significant risk related matters for management oversight, and (iv) manage the liquidity profile within risk tolerance. The liquidity risk management framework is cascaded to all business lines to ensure a consistent liquidity risk strategy, policies and practices across the Group. Liquidity risk related policies are reviewed by Senior Management and dedicated committees, and significant changes in such policies are approved by the Board or committees delegated by the Board.

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

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



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity Risk Management (Continued)

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

The liquidity risk related metrics include at least liquidity maintenance ratio (with internal risk tolerance higher than the statutory liquidity maintenance ratio); cash-flow mismatches under normal and different stress scenarios; concentration related limits of deposits and other funding sources, and maturity profile of major assets and liabilities (including on-balance sheet and off-balance sheet items). Systems and procedures are in place to measure and manage liquidity risk by cash-flow projections in both baseline and stressed scenarios arising from off-balance sheet exposures and contingent funding obligations. In baseline scenario, expected cash outflow is derived from the aforesaid exposures and obligations including uncommitted facilities and other contingent obligations with regard to not only the contractual terms in agreements with customers but also the manner of past months' utilisation and genuine drawdowns of the credit facilities. In stressed scenario, the utilisation and drawdowns of credit facilities are expected to escalate to some extent.

The funding strategies of the Group are to (i) diversify funding sources for mitigating liquidity risk exposures; (ii) minimise disruptions due to operational issues such as transfer of liquidity across group entities; (iii) ensure contingency funding is available to the Group; and (iv) maintain sufficient liquidity cushion to meet critical liquidity needs such as loan commitments and deposit withdrawals in stressed situations. The Group has established concentration limits of funding sources taking into account the risk profile of the Group. For instance, intra-group funding and funding from the largest funding provider are restricted to be not more than 10% and 5% of total funding sources respectively to reduce reliance on single source of funding. Medium and long term funding is maintained at a level of at least 20% of total funding source to pursue stable funding structure.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity Risk Management (Continued)

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

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

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

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity Risk Management (Continued)

##### *Regulatory liquidity ratio*

Pursuant to section 97H of the Hong Kong Banking Ordinance and Rule 7 of the Banking (Liquidity) Rules, the Company is required to comply with the liquidity maintenance ratio requirement.

	For the six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Average liquidity maintenance ratio	<b>83.8%</b>	113.8%

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

Liquidity exposures and funding needs are measured and assessed at the level of individual legal entities (i.e. the Company and its core operating subsidiaries). Pursuant to the HKMA/SFC's requirements, the transferability of liquidity of the Company and its operating subsidiaries takes into account the need of compliance with trigger points of liquidity related ratios and minimum liquidity capital level; and other legal and regulatory limitations such as limits of connected exposures and capital related ratios.

#### **Operational Risk Management**

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

The Group has an operational risk management function in place to identify, measure, monitor and control operational risk. Its operational risk management policy defines the responsibilities of various committees, business units and supporting departments, and highlights key operational risk factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their potential impact. Operational risk exposures are monitored by appropriate key risk indicators for tracking and escalation to management for providing early warning signals of increased operational risk or a breakdown in operational risk management. Regular operational risk management reports are received and consolidated from various parties and reported to the ORMC for monitoring and control of operational risk. Pursuant to such regular reporting and monitoring, there were no significant operational loss events being identified in the first half of year 2024. The Group also purchased relevant insurances as risk migration tools to contain potential operational losses within risk tolerance level. Business continuity plans are in place to ensure continuity of banking operations in the event of business disruption.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Cyber Security Risk Management**

Cyber security risk is the risk of loss resulting from a cyber attack or information security breach on the Group. The Group has put in place adequate resources and established cyber security risk management policy in accordance with the requirements of the HKMA's Cybersecurity Fortification Initiative and other industry standards to provide guidance on managing cyber security risk, improving cyber resilience as well as ensuring adequate cyber security awareness throughout the Group. The Group also periodically engaged qualified professional assessors to conduct assessments and simulation attacks to assess the robustness of the Group's cyber security controls.

#### **Climate risk management**

Climate risk is defined as the risk from climate changes, the related impacts and the economic and financial consequences, as a result of physical damage caused by extreme weather events or from transitioning towards a low-carbon economy. The Group has established climate-related risk management policies in accordance with the requirements of the Supervisory Policy Manual Module GS-1 "Climate Risk Management" issued by the HKMA to define the roles and responsibilities of various committees, business units and supporting departments, and provide guidance on managing climate-related risks as well as ensuring adequate awareness on importance of climate changes throughout the Group. Moreover, the Group's priority on managing climate-related risks and opportunities has been formulated into strategies and action plans to achieve the Public Bank Group's overall sustainability commitment of Carbon Neutral Position for Scopes 1 and 2 by 2030 and Net Zero Carbon by 2050. In order to achieve the commitment, the Group's priority is on developing the risk management processes, infrastructure and tools to systematically identify and assess climate-related risks and to embed climate-related risk management considerations into the day-to-day business activities of the Group. The Group has also conducted climate risk stress testing exercise to identify potential vulnerabilities brought by climate changes and plan for responses towards achieving climate resilience.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital Management

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

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

#### Capital adequacy ratios

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

	<b>30 June 2024 (Unaudited)</b>	31 December 2023 (Audited)
CET1 Capital Ratio	<b>29.5%</b>	29.0%
Tier 1 Capital Ratio	<b>29.5%</b>	29.0%
Total Capital Ratio	<b>30.5%</b>	30.0%

The above capital ratios are higher than the minimum capital ratios required by the HKMA. The capital adequacy ratios above are calculated after the deduction of proposed dividends.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital Management (Continued)

##### *Capital disclosures*

The components of capital base include the following items:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
CET1 capital instruments	<b>671,038</b>	671,038
Retained earnings	<b>776,300</b>	765,965
Disclosed reserves	-	-
CET1 capital before deduction	<b>1,447,338</b>	1,437,003
Deduct:		
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	<b>(7,027)</b>	(8,227)
Regulatory reserve for general banking risk	-	-
Deferred tax assets in excess of deferred tax liabilities	<b>(7,261)</b>	(7,932)
CET1 capital after deduction	<b>1,433,050</b>	1,420,844
Additional Tier 1 capital	-	-
Tier 1 capital after deductions	<b>1,433,050</b>	1,420,844
Reserve attributable to fair value gains	<b>3,162</b>	3,702
Regulatory reserve for general banking risk	-	-
Collective provisions	<b>46,688</b>	46,813
	<b>46,688</b>	46,813
Tier 2 capital	<b>49,850</b>	50,515
Capital base	<b>1,482,900</b>	1,471,359
Total risk weighted assets	<b>4,863,854</b>	4,906,554

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital Management (Continued)

##### *Capital conservation buffer (CCB)*

The Company is subject to the 2.5% CCB ratio effective from 1 January 2019.

##### *Countercyclical capital buffer (CCyB)*

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

As at 30 June 2024, the Company has reserved a capital buffer, inclusive of CCyB ratio of 1.0%, to the private sector credit exposures in Hong Kong.

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

Jurisdiction (“J”)	Applicable JCCyB ratio in effect %	30 June 2024 (Unaudited)		
		Total RWA used in computation of CCyB ratio HK\$’000	CCyB ratio %	CCyB amount HK\$’000
Hong Kong, China	1.000	3,628,638	1.000	36,286

Jurisdiction	Applicable JCCyB ratio in effect %	31 December 2023 (Audited)		
		Total RWA used in computation of CCyB ratio HK\$’000	CCyB ratio %	CCyB amount HK\$’000
Hong Kong, China	1.000	3,596,563	1.000	35,966

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital Management (Continued)

##### *Leverage ratio*

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

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Tier 1 Capital	<b>1,433,050</b>	1,420,844
Exposure Measure for Leverage Ratio	<b>5,954,976</b>	6,096,459
Leverage Ratio	<b>24.1%</b>	23.3%

The disclosure on leverage ratio has been effective since 31 March 2015 and the relevant disclosures can be viewed in the Regulatory Disclosure Statement for the position date of 30 June 2024 to be published in the Company's website at [www.publicfinance.com.hk](http://www.publicfinance.com.hk) under "Regulatory Disclosures" on or before 30 September 2024.

##### *Principal subsidiaries and basis of consolidation*

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

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

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

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



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital Management (Continued)

##### *Capital instruments*

To comply with the Banking (Disclosure) Rules, the Company will present all the information relating to the disclosure of regulatory capital instruments and the reconciliation to the Company's published interim financial statements in the Regulatory Disclosure Statement for the position date of 30 June 2024 to be published in the Company's website at [www.publicfinance.com.hk](http://www.publicfinance.com.hk) under "Regulatory Disclosures" section on or before 30 September 2024.

The disclosure will include the following information:

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

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

		<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
	Note		
<b>CET1 capital instruments issued</b>			
Ordinary shares:			
258,800,000 issued and fully paid ordinary shares	22	<b>671,038</b>	671,038

##### *Regulatory disclosures*

Further disclosures with respect to capital adequacy and risk management were shown in the regulatory disclosures templates as required by Banking (Disclosure) Rules. The Company will publish the Regulatory Disclosure Statement for the position date of 30 June 2024 in the Company's website at [www.publicfinance.com.hk](http://www.publicfinance.com.hk) under "Regulatory Disclosures" section on or before 30 September 2024.

## SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

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

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

	30 June 2024									
	Gross loans and advances	Impairment allowances collectively assessed	Impairment allowances specifically assessed	New impairment allowances for loans charged to income statement	Amount of impaired loans and Advances written off	Collateral	Percentage of gross advances covered by collateral	Impaired loans and advances	Loans and advances overdue for more than three months	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	
Loans and advances for use in Hong Kong										
Manufacturing	4,999	65	-	12	-	-	-	-	-	-
Building and construction, property development and investment										
Property development	-	-	-	-	-	-	-	-	-	-
Property investment	46,585	4	-	1	-	46,585	100.0	-	-	-
Civil engineering works	7,743	100	-	50	-	-	-	-	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-	-
Recreational activities	-	-	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-	-	-
Wholesale and retail trade	42,146	544	-	576	399	-	-	-	-	-
Transport and transport equipment	636,389	1,794	1,648	3,050	-	516,330	81.1	4,773	-	-
Hotels, boarding houses and catering	-	-	-	-	-	-	-	-	-	-
Financial concerns	-	-	-	-	-	-	-	-	-	-
Stockbrokers	-	-	-	-	-	-	-	-	-	-
Non-stockbroking companies and individuals for the purchase of shares	-	-	-	-	-	-	-	-	-	-
Professional and private individuals										
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	-	-	-	-	-	-	-	-	-	-
Loans for the purchase of other residential properties	1,137,853	113	1	13	-	1,137,853	100.0	7,821	7,821	-
Loans for credit card advances	-	-	-	-	-	-	-	-	-	-
Loans for other business purposes	-	-	-	-	-	-	-	-	-	-
Loans for other private purposes	3,252,064	84,333	42,271	164,829	128,110	25,325	0.8	71,616	43,321	-
Trade finance	-	-	-	-	-	-	-	-	-	-
Other loans and advances	-	-	-	-	-	-	-	-	-	-
Loans and advances for use outside Hong Kong	9,716	513	664	1,169	377	-	-	696	671	-
Total loans and advances (excluding other receivables)	5,137,495	87,466	44,584	169,700	128,886	1,726,093	33.6	84,906	51,813	-

## SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

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

	31 December 2023								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New Impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	6,225	82	-	51	-	-	-	-	-
Building and construction, property development and investment									
Property development	-	-	-	-	-	-	-	-	-
Property investment	44,301	4	-	1	-	44,301	100.0	-	-
Civil engineering works	5,844	78	-	163	106	-	-	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	-	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-	-
Wholesale and retail trade	43,620	579	113	996	483	-	-	113	113
Transport and transport equipment	650,749	401	-	211	-	580,793	89.2	-	-
Hotels, boarding houses and catering	-	-	-	-	-	-	-	-	-
Financial concerns	-	-	-	-	-	-	-	-	-
Stockbrokers	-	-	-	-	-	-	-	-	-
Non-stockbroking companies and individuals for the purchase of shares	-	-	-	-	-	-	-	-	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	-	-	-	-	-	-	-	-	-
Loans for the purchase of other residential properties	1,085,529	107	2	16	-	1,085,529	100.0	16,624	16,624
Loans for credit card advances	-	-	-	-	-	-	-	-	-
Loans for other business purposes	-	-	-	-	-	-	-	-	-
Loans for other private purposes	3,238,966	88,316	39,329	282,348	231,603	25,564	0.8	65,822	42,367
Trade finance	-	-	-	-	-	-	-	-	-
Other loans and advances	-	-	-	-	-	-	-	-	-
Loans and advances for use outside Hong Kong	5,944	297	141	992	755	-	-	172	161
Total loans and advances (excluding other receivables)	5,081,178	89,864	39,585	284,778	232,947	1,736,187	34.2	82,731	59,265

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

## SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

### (B) MAINLAND ACTIVITIES

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

Type of counterparties	30 June 2024		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
People's Republic of China ("PRC") nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	498	-	498
Total	<b>498</b>	-	<b>498</b>
Total assets after provision	<b>5,878,591</b>		
On-balance sheet exposures as percentage of total assets	<b>0.01%</b>		
Type of counterparties	31 December 2023		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	567	-	567
Total	<b>567</b>	-	<b>567</b>
Total assets after provision	<b>6,020,535</b>		
On-balance sheet exposures as percentage of total assets	<b>0.01%</b>		

Note:

The analysis of non-bank Mainland China exposures is disclosed with reference to the Banking (Disclosure) Rules and Completion Instructions for the HKMA Return of Mainland Activities.

## **SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)**

### **(C) INTERNATIONAL CLAIMS**

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

As at 30 June 2024 and 31 December 2023, the Company had no international claims on foreign counterparties.

## **BUSINESS PERFORMANCE**

For the six months ended 30 June 2024, the Group recorded a profit after tax of HK\$4.1 million, representing a decrease of HK\$52.3 million or 92.6% as compared with the profit after tax of HK\$56.4 million for the corresponding period in 2023.

During the period under review, the Group's interest income increased by HK\$5.0 million or 1.4% to HK\$357.0 million mainly driven by the increase in loan volume from personal loan and property mortgage loan, whilst interest expense increased by HK\$2.1 million or 2.1% to HK\$99.6 million mainly driven by the higher interest cost on fixed deposits. Consequently, the Group's net interest income increased by HK\$2.9 million or 1.2% to HK\$257.3 million from HK\$254.4 million in the corresponding period in 2023. Non-interest income of the Group decreased by HK\$38.9 million or 49.3% to HK\$40.1 million mainly due to the cessation of securities trading of a subsidiary, Public Securities Limited.

The Group's operating expenses decreased by HK\$6.1 million or 2.9% to HK\$201.5 million mainly due to decrease in marketing expenses and cessation of the aforesaid securities trading in the period under review.

Overall impaired loans to total loans ratio of the Group increased slightly by 0.02% to 1.65% as at 30 June 2024 from 1.63% as at 31 December 2023. Credit loss expenses increased by HK\$30.1 million or 51.1% to HK\$88.9 million mainly due to increase in credit charges for unsecured personal lending during the period under review.

Total gross loans and advances of the Group increased by HK\$56.3 million or 1.1% to HK\$5.14 billion as at 30 June 2024 from HK\$5.08 billion as at 31 December 2023. The Group's customer deposits decreased by HK\$141.8 million or 3.2% to HK\$4.26 billion as at 30 June 2024 from HK\$4.41 billion as at 31 December 2023. Total assets of the Group stood at HK\$5.90 billion as at 30 June 2024.

The Group will continue to focus on its personal and commercial lending businesses. Moving forward, the Group will also allocate more resources to drive business growth via electronic channels in line with its fintech development plan and loan products to promote green finance.

By Order of the Board  
**Public Finance Limited**  
**Tang Wing Chew**  
*Chairman*

18 July 2024