

Public Finance Limited

Annual Disclosures

Key Elements of Disclosure Policy

Public Finance Limited

The Disclosure Policy of Public Finance Limited (the “Company”) sets out the approach used by the Company to (i) determine the content, appropriateness and frequency of the information it discloses to the general public relating to its state of affairs including its profit and loss and its financial resources (including capital/liquidity resources) and (ii) describe its own risk profile as required by the Banking (Disclosure) Rules (the “Rules”). The key elements of the Disclosure Policy are summarized as follows:

| Key Policy Sections | Key Elements |
|----------------------------|--|
| 1 Objective | The objective of the Policy is to ensure that the Company complies with the requirements under the Rules issued by the Hong Kong Monetary Authority (“HKMA”) on solo basis and consolidated basis. |
| 2 Responsibilities | <p>To elaborate clearly the Board’s responsibilities including approval of the formulation or amendments of the Policy and approval of the internal review and internal control processes on compliance with the requirement of disclosure statements; and Senior Management’s responsibilities including the approach to determine the content, appropriateness and frequency of public disclosures relating to the Company’s financial resources, ensuring that the Company’s disclosures to the general public are relevant and adequate to convey an accurate impression of the Company’s actual risk profile, and the fulfilling of requirement to attest in writing that the disclosures made pursuant to the Rules have been prepared in accordance with the internal review and internal control processes approved by the Board.</p> <p>The roles and responsibilities of dedicated departments/staff including Accounts Department, Corporate Secretariat Department, Accounts Manager, Company Secretary and Internal Audit Department are also documented.</p> |

| | |
|--|--|
| <p>3 Interaction with Other Statutory Requirements</p> | <p>Other than the disclosure requirements under the Rules (“Internal Requirement”), the Company should ensure compliance with other disclosure requirements under the Banking Ordinance, the HKMA’s Supervisory Policy Manual (“SPM”) guidelines, Companies Ordinance, Hong Kong Financial Reporting Standards (“HKFRSs”) and other relevant statutory/ regulatory requirements (“External Requirement”). The Company should minimize the overlap between the Disclosures made pursuant to External Requirement and the Disclosures made pursuant to Internal Requirement.</p> |
| <p>4 Proprietary and Confidential Information</p> | <p>In exceptional cases, disclosure of certain information as required by the Rules may seriously prejudice the Company’s competitive position. In such cases, prior consent would be obtained from the HKMA for the Company not to disclose the confidential and proprietary information. A statement on what information it has declined to disclose and the general information that will be disclosed relating to the relevant disclosure requirement would be made instead.</p> |
| <p>5 Materiality</p> | <p>“Material Information” of the Company is defined pursuant to Hong Kong Accounting Standard (“HKAS”) 1 (Revised) “Presentation of Financial Statements” Para 7, HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and the Rules. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.</p> |

| | |
|---|--|
| <p>6 Consolidated Group Level Exposures</p> | <p>Under accounting consolidation of subsidiaries of the Company, the subsidiaries including Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited are in compliance with the HKFRS.</p> <p>Under regulatory consolidation of subsidiaries for capital adequacy and liquidity ratio computation of the Company, no subsidiary is consolidated.</p> |
| <p>7 Basis of Disclosures</p> | <p><u>Approaches for Calculation of Capital Charge</u> The risks that impact capital charge or regulatory capital are Credit Risk, Operational Risk and Market Risk. The different approaches for the computation of risk weighted amounts and corresponding capital charge or regulatory capital for each of the risks are documented. Regarding credit risk and operational risk, the Company adopts standardized approach. Regarding market risk, the Company is exempted from the aforesaid computation.</p> <p><u>Disclosure of the Remuneration System</u> The Policy briefs the disclosure requirement on the Company’s extent of compliance with the guideline in the Part 3 (disclosure on remuneration) of the SPM module CG-5 “Guideline on a Sound Remuneration System” issued by the HKMA.</p> <p><u>Liquidity Disclosures</u> The Policy briefs the approach of liquidity related disclosures of liquidity risk position and profile stated by reference to the guidelines of the HKMA SPM module “LM1 – Regulatory Framework for Supervision of Liquidity Risk”.</p> <p><u>Other Key Disclosures</u> The Policy also briefs the approaches of disclosures of key prudential ratios; framework/overview of risk management; details of risk-weighted amounts and capital components; linkages between financial statements and regulatory exposures; credit quality of exposures and effects of mitigations; counterparty credit risk exposures; leverage ratio details; remuneration policy and system; liquidity risk management matters; market and interest rate risk in Company’s book and other key disclosures as shown in the Policy in compliance with Standard Disclosure Templates specified by the HKMA.</p> |

| | |
|--|---|
| 8 Procedures for Compilation, Verification and Review of Disclosures, and the Internal Review and Internal Control Processes | The Board and the Senior Management are required to ensure that the information to be disclosed pursuant to the Rules is not false or misleading in any material respect. Senior Management is required to attest in writing that the disclosures made pursuant to the Rules have been prepared in accordance with the internal review and internal control processes approved by the Board. The disclosure information, before submission to the Board for approval, shall be verified by Head of Internal Audit Department who is an independent qualified management staff and is not involved in the preparation of the disclosure information. Internal review and internal control processes on (i) compliance with the disclosure requirements, (ii) compilation of liquidity maintenance ratio, (iii) notification of material liquidity issues to the HKMA, (iv) compilation of liquidity related disclosures are also formulated in the Policy. |
| 9 Frequency and Key Contents of Disclosures | The Company shall make disclosures for quarterly, semi-annual/interim and annual reporting periods pursuant to Parts 2A, 3, 3A and 4 of the Rules. Checklists and index of templates regarding the disclosures are made for ease of implementation. The Company shall either include the Standard Disclosure Templates (as specified by the HKMA) applicable to its disclosures in the interim and annual financial statements published by it; or provide a direct link in its interim and annual financial statements to the relevant sections of its website where the Standard Disclosure Templates can be found. |
| 10 Medium, Location and Timing of Disclosure | The Company shall prepare statements under the requirement of the Rules to disclose information in both Chinese and English languages and in form exclusively of a standalone document or a discrete section of the Company's financial statements. The Company shall signpost in the standalone document or the discrete section of financial statements, the location where the information published elsewhere is published, providing a reference to the format and templates specified by the HKMA; the full title of the separate document in which the information is published; a link to the relevant section of the Company's website; and the page and paragraph number of the separate document. The Company shall make it clear in its disclosure statement which information contained in the statement has been audited and which information contained in the statement has not been audited. When the Company's disclosure statement for an annual reporting period is published, the statement shall describe the key elements of its disclosure policy in accordance with the Rules; or provide a cross-reference to another location where the aforesaid description is readily accessible by the general public. |

| | |
|--|--|
| | <p>The Company shall ensure that the disclosure statement is available for inspection for at least 12 months beginning on the date of publication of the disclosure statement. A table is given for ease of implementing stipulated timelines available for inspection for different reporting periods and for ensuring the timely compilation of disclosures in stipulated periods and before statutory deadlines.</p> <p>The Company shall keep at least one copy of its disclosure statement in principal place of business in Hong Kong (i.e. Head Office) and make a relevant copy available for inspection by the general public during the business hours. The Company shall establish and maintain an archive on the Company's website of all relevant disclosure statements relating to reporting periods ending on or after 30 June 2013.</p> <p>The publication of disclosure statement shall not be made later than 8 weeks, 3 months and 4 months after the end of the reporting period for quarterly disclosure, interim disclosure and annual disclosure, respectively.</p> <p>Whenever (i) a new capital instrument is issued and included in the Company's capital base or (ii) there is a redemption/conversion/write-down or other material change in the nature, of a capital instrument included in the Company's capital base, the Company must update the full terms and conditions of such capital instrument in the website as soon as practicable.</p> |
|--|--|