

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 626; Website: www.publicfinancial.com.hk)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Interest income	8	1,653,284	1,955,887
Interest expense	8	(420,312)	(595,615)
NET INTEREST INCOME		1,232,972	1,360,272
Other operating income	9	324,960	245,119
OPERATING INCOME		1,557,932	1,605,391
Operating expenses	10	(858,654)	(885,454)
Changes in fair value of investment properties		(33,376)	62,560
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		665,902	782,497
Credit loss expenses	11	(185,605)	(222,118)
PROFIT BEFORE TAX		480,297	560,379
Tax	12	(83,300)	(94,039)
PROFIT FOR THE YEAR		396,997	466,340

* For identification purpose only

		Year ended 31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>			
ATTRIBUTABLE TO:			
Owners of the Company		396,997	466,340
		<hr/>	
EARNINGS PER SHARE (HK\$)			
Basic	<i>14</i>	0.362	0.425
		<hr/>	
Diluted		0.362	0.425
		<hr/>	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	396,997	466,340
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations, net of tax	55,446	(14,575)
Surplus on revaluation of properties	–	3,982
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	452,443	455,747
ATTRIBUTABLE TO:		
Owners of the Company	452,443	455,747

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2020 HK\$'000	31 December 2019 HK\$'000
ASSETS			
Cash and short term placements		6,224,637	4,444,441
Placements with banks and financial institutions maturing after one month but not more than twelve months		1,771,165	1,532,536
Derivative financial instruments		25,751	15,445
Loans and advances and receivables	15	26,078,500	28,630,953
Equity investments at fair value through other comprehensive income		6,804	6,804
Held-to-collect debt securities at amortised cost	16	6,735,263	6,078,760
Investment properties		357,940	391,316
Property and equipment		191,142	168,169
Land held under finance leases		680,165	688,036
Right-of-use assets		112,918	128,668
Deferred tax assets		34,603	35,233
Tax recoverable		1,772	–
Goodwill	17	2,774,403	2,774,403
Intangible assets		718	718
Other assets		442,542	327,358
TOTAL ASSETS		45,438,323	45,222,840
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		421,138	787,235
Derivative financial instruments		2,682	4,651
Customer deposits at amortised cost		34,192,747	33,917,425
Dividends payable		131,750	164,688
Unsecured bank loans at amortised cost		1,575,018	1,542,693
Lease liabilities		118,200	132,944
Current tax payable		41,273	63,253
Deferred tax liabilities		45,358	41,186
Other liabilities		645,016	591,379
TOTAL LIABILITIES		37,173,182	37,245,454
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		109,792	109,792
Reserves	18	8,155,349	7,867,594
TOTAL EQUITY		8,265,141	7,977,386
TOTAL EQUITY AND LIABILITIES		45,438,323	45,222,840

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	Year ended 31 December	
		2020	2019
		HK\$'000	HK\$'000
TOTAL EQUITY			
Balance at the beginning of the year		7,977,386	7,741,223
Profit for the year		396,997	466,340
Other comprehensive income in translation reserve		55,446	(14,575)
Other comprehensive income in property revaluation reserve		–	3,982
Total comprehensive income for the year		452,443	455,747
Dividends declared on shares	<i>13(a)</i>	(164,688)	(219,584)
Balance at the end of the year		8,265,141	7,977,386

NOTES TO FINANCIAL STATEMENTS

1. STATUTORY FINANCIAL STATEMENTS

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2020. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2020, which will be available in the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company in around mid-February 2021.

The figures in this announcement of the results of the Group for the year ended 31 December 2020 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the Group's auditor, Ernst & Young. The work of Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (a collective term which includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They also contain certain disclosure information required under the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority ("HKMA").

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVPL") and equity investments at fair value through other comprehensive income ("FVOCI").

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

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, directly or indirectly, 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:

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

The 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.

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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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 purposes are Public Bank (Hong Kong) Limited (“Public Bank (Hong Kong)”), Public Finance Limited (“Public Finance”), Winton (B.V.I.) Limited and their subsidiaries.

4. BASIS OF CAPITAL DISCLOSURES

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

Should the Group 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 consolidated total capital ratio and other regulatory capital ratios of the Group is based on the consolidation of the Company, Public Bank (Hong Kong) and Public Finance for regulatory reporting purposes.

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 Financial Securities Limited and Public Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission of Hong Kong.

A portion of retained profits, based on a percentage of gross loans and advances, is set aside as a non-distributable regulatory reserve as part of Common Equity Tier 1 capital and is included in the capital base pursuant to the HKMA capital requirements.

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Banking (Capital) Rules (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 capital conservation buffer ratio for 2019 and 2020 is 2.5%, whilst the required countercyclical capital buffer ratio for 2019 and 2020 is 2.0% and 1.0%, respectively.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2020. The Group has adopted the *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) and the following revised standards for the first time for the current year’s financial statements:

- Amendments to HKFRS 3 *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8 *Definition of Material*
- Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*

Except for the amendments included in Amendments to HKFRS 9, HKAS 39 and HKFRS 7, which are not relevant to the preparation of the Group’s consolidated financial statements, the nature and impact of the Conceptual Framework and the amendments are described below.

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework has no impact on the Group’s financial statements.

The amendments to HKFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Furthermore, a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on the Group’s financial statements, but may impact future periods should the Group enter into any business combinations.

The amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. These amendments have no impact on the Group’s financial statements.

The amendment to HKFRS 16 provides relief to lessees from applying lease modification accounting to coronavirus disease (“COVID-19”) related rent concessions. The relief applies to lessees only. Lessors are required to apply the existing requirements of HKFRS 16. The amendment applies to annual reporting periods beginning on or after 1 June 2020 and early application is permitted.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has assessed all COVID-19 related rent concessions given by lessors. All necessary lease modifications have been made and the Group did not apply the practical expedient provided in the amendment.

Issued but not yet effective HKFRSs

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

- Amendments to HKFRS 10 and HKAS 28 (2011) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹*

¹ *No mandatory effective date yet determined but available for adoption*

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 when the sale or contribution of assets between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment allowances on loans and advances and receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGUs") to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2020 and 31 December 2019 was HK\$2,774,403,000, of which HK\$832,321,000 was attributed to Public Bank (Hong Kong) and HK\$1,942,082,000 was attributed to Public Finance. Further details are set out in note 17 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

7. 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. A summary of the operating segments is as follows:

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit taking and lending, interest rate risk management and the overall funding management of the Group;
- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and
- other businesses segment comprises taxi trading, leasing of taxis and letting of investment properties.

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2020 and 31 December 2019.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	1,233,474	1,361,070	(502)	(798)	-	-	1,232,972	1,360,272
Other operating income:								
Net fees and commission income	126,502	144,342	82,975	52,781	52	289	209,529	197,412
Others	99,967	31,974	871	(5)	14,593	15,738	115,431	47,707
Operating income	1,459,943	1,537,386	83,344	51,978	14,645	16,027	1,557,932	1,605,391
Operating profit/(loss) after credit loss expenses before tax	467,586	468,966	45,620	28,601	(32,909)	62,812	480,297	560,379
Tax							(83,300)	(94,039)
Profit for the year							396,997	466,340
Other segment information								
Depreciation of property and equipment and land held under finance leases	(41,306)	(35,000)	-	-	-	-	(41,306)	(35,000)
Depreciation of right-of-use assets	(64,092)	(66,605)	-	-	-	-	(64,092)	(66,605)
Changes in fair value of investment properties	-	-	-	-	(33,376)	62,560	(33,376)	62,560
Credit loss expenses	(185,605)	(222,118)	-	-	-	-	(185,605)	(222,118)
Net gains/(losses) on disposal of property and equipment	3	(101)	-	-	-	-	3	(101)

The following table discloses certain assets and liabilities information regarding operating segments as at 31 December 2020 and 31 December 2019.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets and goodwill	41,847,763	41,595,033	421,085	425,413	357,979	392,040	42,626,827	42,412,486
Intangible assets	-	-	718	718	-	-	718	718
Goodwill	2,774,403	2,774,403	-	-	-	-	2,774,403	2,774,403
Segment assets	44,622,166	44,369,436	421,803	426,131	357,979	392,040	45,401,948	45,187,607
Unallocated assets:								
Deferred tax assets and tax recoverable							36,375	35,233
Total assets							45,438,323	45,222,840
Segment liabilities	36,797,289	36,784,169	152,484	184,779	5,028	7,379	36,954,801	36,976,327
Unallocated liabilities:								
Deferred tax liabilities and tax payable							86,631	104,439
Dividends payable							131,750	164,688
Total liabilities							37,173,182	37,245,454
Other segment information								
Additions to non-current assets – capital expenditure	56,549	49,289	-	-	-	-	56,549	49,289

Geographical information

Geographical information is analysed by the Group based on the locations of the principal operations of the branches and subsidiaries which are responsible for reporting the results or booking the assets.

The following table discloses the segment revenue information for geographical segments for the years ended 31 December 2020 and 31 December 2019.

	2020	2019
	HK\$'000	HK\$'000
Segment revenue from external customers:		
Hong Kong	1,428,855	1,475,354
Mainland China	129,077	130,037
	1,557,932	1,605,391

Segment revenue is allocated to the reportable segments with reference to interest, fees and commission income generated by these segments.

The following table discloses the non-current asset information for geographical segments as at 31 December 2020 and 31 December 2019.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets:		
Hong Kong	4,093,386	4,126,160
Mainland China	23,900	25,150
	4,117,286	4,151,310

Non-current assets consist of investment properties, property and equipment, land held under finance leases, goodwill, right-of-use assets and intangible assets.

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer amounted to less than 10% (2019: less than 10%) of the Group's total operating income or revenue.

8. INTEREST INCOME AND EXPENSE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from:		
Loans and advances and receivables	1,491,737	1,701,004
Short term placements and placements with banks	62,988	118,439
Held-to-collect debt securities at amortised cost	98,559	136,444
	1,653,284	1,955,887
Interest expense on:		
Deposits from banks and financial institutions	5,211	19,823
Deposits from customers	374,886	522,270
Bank loans	36,844	49,817
Others	3,371	3,705
	420,312	595,615

Interest income and interest expense for the year ended 31 December 2020, calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVPL, amounted to HK\$1,653,284,000 and HK\$420,312,000 (2019: HK\$1,955,887,000 and HK\$595,615,000) respectively.

9. OTHER OPERATING INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fees and commission income:		
Retail and commercial banking and other businesses	128,886	146,635
Wealth management services, stockbroking and securities management	82,975	52,781
	211,861	199,416
Less: Fees and commission expenses	(2,332)	(2,004)
Net fees and commission income	209,529	197,412
Gross rental income	14,659	15,551
Less: Direct operating expenses	(78)	(77)
Net rental income	14,581	15,474
Gains less losses arising from dealing in foreign currencies	5,596	18,149
Net gains on derivative financial instruments	23,070	10,794
	28,666	28,943
Net gains/(losses) on disposal of property and equipment	3	(101)
Gain on termination of leases	1,342	1,212
Dividend income from listed investments	156	103
Dividend income from unlisted investments	35	35
Government subsidies	68,874	–
Others	1,774	2,041
	324,960	245,119

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

The government subsidies were granted from the Employment Support Scheme, Subsidy Scheme for the Securities Industry and one-off subsidy for transport trades under the Anti-epidemic Fund of the Hong Kong Government which aims to retain employment and combat COVID-19 epidemic.

There were no net gains or losses arising from equity investments at 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 years ended 31 December 2020 and 31 December 2019.

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.

10. OPERATING EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs:		
Salaries and other staff costs	509,449	528,452
Pension contributions	25,627	24,786
Less: Forfeited contributions	(59)	(158)
Net contribution to retirement benefit schemes	25,568	24,628
	535,017	553,080
Other operating expenses:		
Depreciation of right-of-use assets	64,092	66,605
Depreciation of property and equipment and land held under finance leases	41,306	35,000
Auditors' remuneration	4,468	4,258
Administrative and general expenses	79,407	82,532
Others	134,364	143,979
Operating expenses before changes in fair value of investment properties	858,654	885,454

As at 31 December 2020 and 31 December 2019, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the years ended 31 December 2020 and 31 December 2019 arose in respect of staff who left the schemes during the years.

12. TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax charge:		
Hong Kong	53,892	58,918
Overseas	24,036	24,248
Over-provision in prior years	(1,058)	(920)
Deferred tax charge, net	6,430	11,793
	83,300	94,039

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled 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:

	Hong Kong		2020 Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	393,478		86,819		480,297	
Tax at the applicable tax rate	64,924	16.5	21,705	25.0	86,629	18.0
Estimated tax effect of net (income)/ expenses that is/are not (taxable)/ deductible	(2,490)	(0.6)	219	0.3	(2,271)	(0.5)
Adjustments in respect of current tax of previous years	(1,058)	(0.3)	–	–	(1,058)	(0.2)
Tax charge at the Group's effective rate	61,376	15.6	21,924	25.3	83,300	17.3

	Hong Kong		2019 Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	462,921		97,458		560,379	
Tax at the applicable tax rate	76,382	16.5	24,364	25.0	100,746	18.0
Estimated tax effect of net (income)/ expenses that is/are not (taxable)/ deductible	(5,791)	(1.2)	4	–	(5,787)	(1.0)
Adjustments in respect of current tax of previous years	(920)	(0.2)	–	–	(920)	(0.2)
Tax charge at the Group's effective rate	69,671	15.1	24,368	25.0	94,039	16.8

13. DIVIDENDS

(a) Dividends declared during the year

	2020 <i>HK\$ per</i> <i>ordinary share</i>	2019 <i>HK\$ per</i> <i>ordinary share</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
First interim dividend declared and paid	0.03	0.05	32,938	54,896
Second interim dividend declared	0.12	0.15	131,750	164,688
	0.15	0.20	164,688	219,584

(b) Dividends attributable to the previous financial year and paid during the year

	2020 <i>HK\$ per</i> <i>ordinary share</i>	2019 <i>HK\$ per</i> <i>ordinary share</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Second interim dividend in respect of the previous year	0.15	0.17	164,688	186,646

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year of HK\$396,997,000 (2019: HK\$466,340,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2019: 1,097,917,618) during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 31 December 2019.

15. LOANS AND ADVANCES AND RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loans and advances to customers	26,154,721	28,720,607
Trade bills	20,981	34,195
Loans and advances, and trade bills	26,175,702	28,754,802
Accrued interest	69,389	78,340
Other receivables	26,245,091	28,833,142
	14,000	16,257
Gross loans and advances and receivables	26,259,091	28,849,399
Less: Impairment allowances*		
– specifically assessed	(60,022)	(69,083)
– collectively assessed	(120,569)	(149,363)
	(180,591)	(218,446)
Loans and advances and receivables	26,078,500	28,630,953

Over 90% (31 December 2019: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2019: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

* The balances also include the impairment allowances of HK\$18,000 and HK\$72,000 on off-balance sheet credit exposures as at 31 December 2020 and 31 December 2019 respectively.

Loans and advances and receivables are summarised as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Neither past due nor impaired loans and advances and receivables	25,475,337	28,109,726
Past due but not impaired loans and advances and receivables	551,920	542,502
Credit impaired loans and advances	222,914	192,737
Credit impaired receivables	8,920	4,434
Gross loans and advances and receivables	26,259,091	28,849,399

About 69% (31 December 2019: about 63%) of “Neither past due nor impaired loans and advances and receivables” were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

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

	2020		2019	
	Gross amount	Percentage of total loans and advances	Gross amount	Percentage of total loans and advances
	HK\$'000	%	HK\$'000	%
Loans and advances overdue for:				
Six months or less but over three months	62,784	0.24	69,725	0.24
One year or less but over six months	45,939	0.17	10,869	0.04
Over one year	49,327	0.19	30,646	0.11
Loans and advances overdue for more than three months	158,050	0.60	111,240	0.39
Rescheduled loans and advances overdue for three months or less	53,761	0.21	67,422	0.23
Impaired loans and advances overdue for three months or less	11,103	0.04	14,075	0.05
Total overdue and impaired loans and advances	222,914	0.85	192,737	0.67

(ii) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables

	2020	2019
	HK\$'000	HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	525	430
One year or less but over six months	2,017	562
Over one year	6,338	3,265
Trade bills, accrued interest and other receivables overdue for more than three months	8,880	4,257
Impaired trade bills, accrued interest and other receivables overdue for three months or less	40	177
Total overdue and impaired trade bills, accrued interest and other receivables	8,920	4,434

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

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

	2020			2019		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	93,218	73,712	166,930	75,678	39,819	115,497
Impairment allowances specifically assessed	33,759	7,995	41,754	46,187	4	46,191
Current market value and fair value of collateral			200,875			87,374
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	158,122	73,712	231,834	157,352	39,819	197,171
Impairment allowances specifically assessed	52,027	7,995	60,022	69,079	4	69,083
Current market value and fair value of collateral			216,561			117,829

Over 90% (31 December 2019: 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.

- (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:**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u>200,875</u>	87,374
Covered portion of overdue loans and advances	<u>116,065</u>	50,011
Uncovered portion of overdue loans and advances	<u>41,985</u>	61,229

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.

The main types of guarantors for credit risk mitigation are as follows:

- Central governments with a grading of Aa3 or above
- Unrated public sector enterprises
- Banks with a grading of Baa2 or above
- Unrated corporations
- Individual shareholders and directors of corporate customers

(d) **Reposessed assets**

As at 31 December 2020, the total value of reposessed assets of the Group amounted to HK\$19,890,000 (31 December 2019: HK\$10,170,000).

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

	2020 Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %	2019 Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %
Loans and advances overdue for three months or less	<u>548,698</u>	2.10	539,581	1.88
Trade bills, accrued interest and other receivables overdue for three months or less	<u>3,222</u>		<u>2,921</u>	

(f) **Impairment allowances on loans and advances and receivables and off-balance sheet credit exposures**

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

	2020			Total <i>HK\$'000</i>
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	
Gross loans and advances and receivables				
as at 1 January 2020	28,402,801	249,427	197,171	28,849,399
New loans/financing originated	7,511,474	122	4,807	7,516,403
Loans/financing derecognised or repaid during the year (other than write-offs)	(9,685,392)	(66,262)	(27,254)	(9,778,908)
Transfer to 12-month expected credit loss (Stage 1)	100,724	(78,156)	(22,568)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(214,904)	220,558	(5,654)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(355,314)	(57,821)	413,135	–
Total transfer between stages	(469,494)	84,581	384,913	–
Write-offs	–	–	(327,803)	(327,803)
As at 31 December 2020	25,759,389	267,868	231,834	26,259,091
Arising from:				
Loans and advances	25,666,048	265,759	222,914	26,154,721
Trade bills, accrued interest and other receivables	93,341	2,109	8,920	104,370
	25,759,389	267,868	231,834	26,259,091

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$271,090,000.

	2019			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 2019	29,701,281	172,349	198,525	30,072,155
New loans/financing originated	8,290,617	142	1,325	8,292,084
Loans/financing derecognised or repaid during the year (other than write-offs)	(9,112,871)	(40,771)	(43,947)	(9,197,589)
Transfer to 12-month expected credit loss (Stage 1)	51,973	(25,148)	(26,825)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(176,976)	186,288	(9,312)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(351,223)	(43,433)	394,656	–
Total transfer between stages	(476,226)	117,707	358,519	–
Write-offs	–	–	(317,251)	(317,251)
As at 31 December 2019	28,402,801	249,427	197,171	28,849,399
Arising from:				
Loans and advances	28,280,321	247,549	192,737	28,720,607
Trade bills, accrued interest and other receivables	122,480	1,878	4,434	128,792
	28,402,801	249,427	197,171	28,849,399

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$254,695,000.

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

	2020			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Internal rating grades:				
Performing				
Pass	25,494,492	–	–	25,494,492
Special Mention	264,897	267,868	–	532,765
Non-performing				
Substandard	–	–	154,654	154,654
Doubtful	–	–	61,236	61,236
Loss	–	–	15,944	15,944
Total	25,759,389	267,868	231,834	26,259,091

	2019			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Internal rating grades:				
Performing				
Pass	28,229,561	–	–	28,229,561
Special Mention	173,240	249,427	–	422,667
Non-performing				
Substandard	–	–	134,448	134,448
Doubtful	–	–	50,870	50,870
Loss	–	–	11,853	11,853
Total	28,402,801	249,427	197,171	28,849,399

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

	2020			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
As at 1 January 2020	111,417	37,946	69,083	218,446
New loans/financing originated	58,926	–	264	59,190
Loans/financing derecognised or repaid during the year (other than write-offs)	(67,459)	(8,761)	(110,713)	(186,933)
Transfer to 12-month expected credit loss (Stage 1)	4,563	(821)	(3,742)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(3,802)	4,134	(332)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(10,864)	(27,638)	38,502	–
Total transfer between stages	(10,103)	(24,325)	34,428	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(1,854)	19,219	255,716	273,081
Movements due to changes in credit risk	5,565	(2)	34,430	39,993
Recoveries	–	–	104,617	104,617
Write-offs	–	–	(327,803)	(327,803)
As at 31 December 2020	96,492	24,077	60,022	180,591
Arising from:				
Loans and advances	95,248	24,064	58,969	178,281
Trade bills, accrued interest and other receivables	1,226	13	1,053	2,292
Loan commitments	16	–	–	16
Financial guarantees and letters of credit	2	–	–	2
	96,492	24,077	60,022	180,591

	2019			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
As at 1 January 2019	108,901	29,569	56,106	194,576
New loans/financing originated	78,392	–	34	78,426
Loans/financing derecognised or repaid during the year (other than write-offs)	(70,368)	(5,788)	(125,890)	(202,046)
Transfer to 12-month expected credit loss (Stage 1)	3,486	(532)	(2,954)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(2,374)	2,697	(323)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(9,708)	(23,109)	32,817	–
Total transfer between stages	(8,596)	(20,944)	29,540	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(413)	35,109	282,289	316,985
Movements due to changes in credit risk Recoveries	3,501	–	25,228	28,729
Write-offs	–	–	119,027	119,027
	–	–	(317,251)	(317,251)
As at 31 December 2019	111,417	37,946	69,083	218,446
Arising from:				
Loans and advances	109,604	37,921	68,952	216,477
Trade bills, accrued interest and other receivables	1,741	25	131	1,897
Loan commitments	69	–	–	69
Financial guarantees and letters of credit	3	–	–	3
	111,417	37,946	69,083	218,446

(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:

	2020	2019	2020	2019
	Minimum lease payments HK\$'000	HK\$'000	Present value of minimum lease payments HK\$'000	HK\$'000
Amounts receivable under finance leases:				
Within one year	370,053	435,909	237,644	307,461
In the second to fifth years, inclusive	1,046,511	1,287,254	627,982	900,142
Over five years	5,190,583	4,303,929	3,952,305	3,529,219
	6,607,147	6,027,092	4,817,931	4,736,822
Less: Unearned finance income	(1,789,216)	(1,290,270)		
Present value of minimum lease payments receivables	4,817,931	4,736,822		

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.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Certificates of deposit held	3,536,714	2,212,500
Treasury bills and government bonds (including Exchange Fund Bills)	2,047,479	2,473,783
Other debt securities	1,151,744	1,393,087
Gross held-to-collect debt securities at amortised cost	6,735,937	6,079,370
Less: Impairment allowances collectively assessed		
As at 1 January 2020 and 2019	(610)	(623)
Credit loss expenses (charged)/released to the consolidated income statement during the year	(64)	13
	(674)	(610)
	6,735,263	6,078,760
Listed or unlisted:		
– Listed in Hong Kong	566,036	1,112,965
– Listed outside Hong Kong	35,855	126,267
– Unlisted	6,134,046	4,840,138
	6,735,937	6,079,370
Analysed by type of issuers:		
– Central governments	2,047,479	2,473,783
– Public sector entities	499,991	199,982
– Banks and other financial institutions	4,188,467	3,405,605
	6,735,937	6,079,370

There were no impairment allowances specifically assessed made against held-to-collect debt securities at amortised cost as at 31 December 2020 and 31 December 2019.

There were neither impaired nor overdue held-to-collect debt securities at amortised cost as at 31 December 2020 and 31 December 2019.

All exposures attributed to the held-to-collect debt securities at amortised cost were rated with a grading of A3 or above based on the credit rating of Moody's Investors Service, an external credit agency, as at 31 December 2020 and 31 December 2019.

17. GOODWILL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost and net carrying amount:		
At the beginning and the end of the year	<u>2,774,403</u>	<u>2,774,403</u>

Impairment test of goodwill

There are two CGUs, namely Public Bank (Hong Kong) and Public Finance, which represent the main operating entities within the business segment “retail and commercial banking businesses” identified by the Group. Goodwill acquired through business combinations is allocated on a pro-rate basis to the two CGUs based on the ratio of the recoverable amount of a CGU to that of the other CGU at the date of acquisition. The carrying amount of goodwill as at 31 December 2020 and 31 December 2019 was HK\$2,774,403,000, of which HK\$832,321,000 was attributed to Public Bank (Hong Kong) and HK\$1,942,082,000 was attributed to Public Finance. The recoverable amounts of the CGUs at each subsequent reporting date are determined based on the value-in-use using the present value of cash flows taking into account the expected operating synergy, profitability and growth of businesses arising from the acquisition of Public Bank (Hong Kong) and its subsidiaries. The cash flow projections are based on financial budgets approved by management covering a 10-year period and assumed growth rates are used to extrapolate the cash flows in the following 40 years. The financial budgets are prepared based on a 10-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments, long-term economic cycle, availability of financial resources for business expansion and compliance with regulatory capital and liquidity requirements, and achievement of business targets extrapolated from a track record of financial results. Management’s financial model assumes an average growth rate of 2.2% per annum for both CGUs from the eleventh to fiftieth years taking into account long-term gross domestic product (“GDP”) growth and other relevant economic factors. Discount rate of 6.2% is used for both CGUs based on the pre-tax weighted average cost of capital plus an appropriate risk premium relating to the CGUs at the date of assessment.

No impairment loss has been recognised in respect of goodwill for the years ended 31 December 2020 and 31 December 2019 as its value-in-use exceeded its carrying amount.

18. RESERVES

	Note	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2019		4,013,296	829	96,116	-	296,540	3,212,481	12,169	7,631,431
Profit for the year		-	-	-	-	-	466,340	-	466,340
Other comprehensive income		-	-	-	3,982	-	-	(14,575)	(10,593)
Transfer from regulatory reserve to retained profits		-	-	-	-	(88,805)	88,805	-	-
Dividends for 2019	13	-	-	-	-	-	(219,584)	-	(219,584)
As at 31 December 2019 and 1 January 2020		4,013,296	829	96,116	3,982	207,735	3,548,042	(2,406)	7,867,594
Profit for the year		-	-	-	-	-	396,997	-	396,997
Other comprehensive income		-	-	-	-	-	-	55,446	55,446
Transfer from regulatory reserve to retained profits		-	-	-	-	(154,455)	154,455	-	-
Dividends for 2020	13	-	-	-	-	-	(164,688)	-	(164,688)
As at 31 December 2020		4,013,296	829	96,116	3,982	53,280	3,934,806	53,040	8,155,349

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor.

Deducted from the contributed surplus of the Group as at 31 December 2020 was positive goodwill of HK\$98,406,000 (31 December 2019: HK\$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

[#] *The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as a buffer of capital to absorb potential financial losses in excess of the accounting standards' requirements pursuant to the HKMA's guidelines.*

19. LEASES

(a) As lessor

The Group leases its investment properties under operating lease arrangements, and the terms of the leases range from 1 to 3 years.

As at 31 December 2020 and 31 December 2019, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	5,579	10,222
In the second to fifth years, inclusive	1,649	4,975
	7,228	15,197

(b) As lessee

The Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 1 to 5 years. As at 31 December 2020 and 31 December 2019, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	4,282	1,271
In the second to fifth years, inclusive	11,122	1,992
Over five years	30	–
	15,434	3,263

20. OFF-BALANCE SHEET EXPOSURE

Contingent liabilities, commitments and derivatives

The following is a summary of the contractual amount of each significant class of contingent liabilities, commitments and derivatives of the Group outstanding at the end of the year:

	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	2020 Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	22,727	22,727	18,792	-	-
Transaction-related contingencies	6,899	3,449	831	-	-
Trade-related contingencies	21,976	4,396	3,032	-	-
Forward forward deposits placed	-	-	-	-	-
Forward asset purchases	-	-	-	-	-
	51,602	30,572	22,655	-	-
Derivatives held for trading:					
Foreign exchange rate contracts	995,089	35,697	7,140	25,751	2,682
Other commitments with an original maturity of:					
Not more than one year	-	-	-	-	-
More than one year	16,393	8,197	8,197	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,439,894	-	-	-	-
	3,502,978	74,466	37,992	25,751	2,682
					2020 Contractual amount <i>HK\$'000</i>
Capital commitments contracted for, but not provided in the consolidated statement of financial position					13,144

	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	2019 Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	26,492	26,492	21,787	–	–
Transaction-related contingencies	8,410	4,204	775	–	–
Trade-related contingencies	9,507	1,901	1,811	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	–	–	–	–	–
	44,409	32,597	24,373	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	1,013,380	25,620	7,107	15,445	4,651
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	519	260	260	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	3,231,474	–	–	–	–
	4,289,782	58,477	31,740	15,445	4,651
					2019 Contractual amount <i>HK\$'000</i>

Capital commitments contracted for, but not provided
in the consolidated statement of financial position 21,191

The corresponding ECLs for the outstanding off-balance sheet exposures are included in the analysis of changes in ECL allowances in note 15(f) to the financial statements.

21. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below show an analysis of financial assets and financial liabilities (including key off-balance sheet items) analysed by principal according to the periods that they are expected to be recovered or settled.

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	2020			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			
Financial assets:								
Gross cash and short term placements	1,219,086	5,006,156	-	-	-	-	-	6,225,242
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,511,190	260,152	-	-	-	1,771,342
Gross loans and advances and receivables	374,845	2,034,659	667,486	2,358,970	6,702,319	13,888,978	231,834	26,259,091
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	384,690	1,451,321	4,178,935	720,991	-	-	6,735,937
Other assets	38	361,421	12,766	41,840	2,161	-	24,316	442,542
Gross foreign exchange contracts	-	564,884	430,205	-	-	-	-	995,089
Total financial assets	1,593,969	8,351,810	4,072,968	6,839,897	7,425,471	13,888,978	262,954	42,436,047
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	51,282	269,856	100,000	-	-	-	-	421,138
Customer deposits at amortised cost	12,195,713	6,429,072	11,910,812	3,649,643	7,507	-	-	34,192,747
Unsecured bank loans at amortised cost	-	379,000	-	100,000	1,096,018	-	-	1,575,018
Lease liabilities	-	4,630	9,144	33,826	65,230	5,370	-	118,200
Other liabilities	3,307	392,278	24,925	6,458	182	-	217,866	645,016
Gross foreign exchange contracts	-	555,009	417,011	-	-	-	-	972,020
Total financial liabilities	12,250,302	8,029,845	12,461,892	3,789,927	1,168,937	5,370	217,866	37,924,139
Net liquidity gap	(10,656,333)	321,965	(8,388,924)	3,049,970	6,256,534	13,883,608	45,088	4,511,908

	2019							Total HK\$'000
	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	
Financial assets:								
Gross cash and short term placements	1,128,726	3,316,134	-	-	-	-	-	4,444,860
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,158,967	373,722	-	-	-	1,532,689
Gross loans and advances and receivables	622,577	2,700,333	1,113,429	2,933,967	7,772,135	13,509,787	197,171	28,849,399
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	896,703	899,327	3,145,272	1,138,068	-	-	6,079,370
Other assets	227	226,216	18,484	48,690	5,314	-	28,427	327,358
Gross foreign exchange contracts	-	522,902	102,926	387,552	-	-	-	1,013,380
Total financial assets	1,751,530	7,662,288	3,293,133	6,889,203	8,915,517	13,509,787	232,402	42,253,860
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	161,350	535,885	90,000	-	-	-	-	787,235
Customer deposits at amortised cost	10,815,799	8,018,572	10,474,590	4,601,386	7,078	-	-	33,917,425
Unsecured bank loans at amortised cost	-	370,000	-	80,000	1,092,693	-	-	1,542,693
Lease liabilities	-	5,289	10,548	41,052	68,078	7,977	-	132,944
Other liabilities	3,098	276,801	88,347	33,425	113	-	189,595	591,379
Gross foreign exchange contracts	-	512,182	102,907	387,497	-	-	-	1,002,586
Total financial liabilities	10,980,247	9,718,729	10,766,392	5,143,360	1,167,962	7,977	189,595	37,974,262
Net liquidity gap	(9,228,717)	(2,056,441)	(7,473,259)	1,745,843	7,747,555	13,501,810	42,807	4,279,598

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting year covered by the 2020 Annual Report, in compliance with the code provisions (“Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for the deviations under Code Provision A.4.1 and Code Provision E.1.2 of the CG Code as explained below with considered reasons for such deviations. The principles as set out in the CG Code have been applied in our corporate governance structure.

Under Code Provision A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term and subject to re-election. The Board is of the view that the current practice of appointing Non-Executive Directors without a specific term but otherwise subject to rotation and re-election by shareholders at an annual general meeting (“AGM”) of the Company is fair and reasonable, and does not intend to change the current practice at the moment.

Under Code Provision E.1.2 of the CG Code, the chairman of the board shall attend the AGM. Tan Sri Dato’ Sri Dr. Teh Hong Piow, the Board Chairman of the Company, was absent from the 2020 AGM of the Company held in March 2020 due to other engagement. The 2020 AGM was chaired by the Executive Director, Mr. Tan Yoke Kong, with the consent of members present. The Chairmen of the Company’s Audit Committee and Nomination and Remuneration Committee, and the respective Chairmen of the Board Committees of Public Bank (Hong Kong) and Public Finance also participated in the 2020 AGM by means of tele-conferencing in Malaysia due to the outbreak of COVID-19 to answer questions raised therein, if any.

DIVIDENDS

The first interim dividend of HK\$0.03 (2019: HK\$0.05) per ordinary share was paid on Wednesday, 5 August 2020. The second interim dividend of HK\$0.12 (2019: HK\$0.15) per ordinary share was declared on Tuesday, 29 December 2020 and will be payable on Friday, 26 February 2021 to shareholders of the Company whose names appear on the register of members on Friday, 29 January 2021. The Directors do not recommend the payment of a final dividend for the year (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 16 April 2021 to Thursday, 22 April 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming AGM, all properly completed transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 April 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the economy of Hong Kong was adversely affected by the outbreak of COVID-19 and entered into a recession with negative GDP growth and escalation of unemployment rate to a peak in the past 15 years. The pandemic outbreak of COVID-19 also threatened the global economic outlook, causing the US Federal Reserve to cut the federal funds rate to near 0%. Market interest rates were falling with lower return on interest-bearing assets. Financial market became more volatile amidst pandemic situation, elevated Sino-US political and trade disputes, as well as high volatilities of fund flows from the easing monetary policies adopted by nations.

Under the aforesaid challenging operating environment in the year under review, the domestic credit demand and profitability of financial institutions in banking sector of Hong Kong were affected. The Group conducted its loan and customer deposit businesses cautiously at reasonable interest yields and costs to minimise associated credit and liquidity risks. The Group also diversified revenue sources into fee-based businesses amidst weaker consumer sentiment and subdued corporate loan demands and will continue to pursue long-term business growth prudently with sustainable profitability growth.

FINANCIAL REVIEW

Revenue and earnings

For the year ended 31 December 2020, the Group recorded a profit after tax of HK\$397.0 million, representing a decrease of HK\$69.3 million or 14.9% when compared to the previous year.

The Group's basic earnings per share for 2020 was HK\$0.36. The Board declared a first interim dividend of HK\$0.03 per share in June 2020 and a second interim dividend of HK\$0.12 per share in December 2020. The Board did not recommend the payment of a final dividend, making a total dividend for the year of HK\$0.15 per share (2019: HK\$0.20 per share).

For the year under review, the Group's interest income decreased by HK\$302.6 million or 15.5% to HK\$1.65 billion from lower yields on loan portfolio, debt securities and bank placements whilst the Group's interest expense decreased by HK\$175.3 million or 29.4% to HK\$420.3 million mainly due to lower funding costs of customer deposits. Consequently, the Group's net interest income decreased by HK\$127.3 million or 9.4% to HK\$1.23 billion. The lower net interest income in the year under review was mainly due to the subdued loan demand and the compression of net interest margin amidst the low interest rate environment. Other operating income from stockbroking, foreign exchange earnings and other business activities of the Group increased by HK\$79.8 million or 32.6% to HK\$325.0 million.

Total operating expenses (before changes in fair value of investment properties) decreased by HK\$26.8 million or 3.0% to HK\$858.7 million, mainly due to decrease in performance-related staff costs and marketing expenses.

Fair value of investment properties decreased by HK\$33.4 million during the year under review, whilst a revaluation gain of HK\$62.6 million was recognised in the previous year.

Credit loss expenses decreased by HK\$36.5 million or 16.4% to HK\$185.6 million in 2020 as compared to 2019 mainly due to decrease in provisions for unsecured consumer financing loans driven by the reduction in the unsecured lending exposures of the Group and the lower bad debts in the current year.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) decreased by HK\$2.57 billion or 8.9% to HK\$26.18 billion as at 31 December 2020 from HK\$28.75 billion as at 31 December 2019. Customer deposits increased by HK\$0.27 billion or 0.8% to HK\$34.19 billion as at 31 December 2020 from HK\$33.92 billion as at 31 December 2019.

As at 31 December 2020, the Group's total assets stood at HK\$45.44 billion.

Key financial and business performance indicators

The Group's return on equity, based on profit after tax to average equity, stood at a healthy level of 4.9% in the year under review. Due to the low interest environment, the Group's net interest margin was under downward pressure, but the Group expanded its fee-based businesses in stockbroking and insurance business operations and implemented effective cost control to achieve a reasonable return in the challenging year of 2020. The Group will continue to diversify income streams whilst seeking satisfactory yields on loans and other interest-bearing assets and acquiring customer deposits at reasonable costs to maintain the sustainability of net interest margin and profitability from time to time.

The Group's cost to income ratio was maintained at a satisfactory level of 55.1%, and was affected by increase of information system costs and compliance costs to fulfill or address increasing regulatory requirements. The Group aims to contain operating expenses but will continue to conserve resources to implement digital transformation and strengthen security controls against risks of potential cyber threats.

The Group's impaired loans to total loans ratio stood at a satisfactory level of 0.85% as at 31 December 2020, indicating the loan asset quality at group level was well-managed amidst economic downturn. The Group continues to adopt prudent underwriting standards to ensure healthy level of impaired loans and to take prompt actions to pursue loans recovery with regard to problem credits.

Business performance of key subsidiaries

Public Bank (Hong Kong)

During the year under review, total loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank, recorded a decrease of HK\$1.91 billion or 8.6% to HK\$20.38 billion as at 31 December 2020 from HK\$22.29 billion as at 31 December 2019. Customer deposits (excluding a deposit from a subsidiary) increased by HK\$0.70 billion or 2.5% to HK\$29.27 billion as at 31 December 2020 from HK\$28.57 billion as at 31 December 2019. Impaired loans to total loans ratio of Public Bank (Hong Kong) increased by 0.28% to 0.58% as at 31 December 2020 from 0.30% as at 31 December 2019.

Public Bank (Hong Kong) will continue to develop and expand its retail and commercial banking businesses and its core customer base, identify suitable locations for the establishment of new branches and the relocation of its existing branches in order to expand its reach of existing and potential customers, expedite the pace of its digital transformation and develop its banking and financial services and stockbroking businesses.

Public Finance

Total loans and advances of Public Finance, a deposit-taking company, recorded a decline of HK\$682.3 million or 11.1% to HK\$5.46 billion as at 31 December 2020 from HK\$6.14 billion as at 31 December 2019. Customer deposits decreased by HK\$414.4 million or 7.4% to HK\$5.16 billion as at 31 December 2020 from HK\$5.58 billion as at 31 December 2019. Impaired loans to total loans ratio of Public Finance decreased by 0.29% to 1.69% as at 31 December 2020 from 1.98% as at 31 December 2019.

Public Finance will continue to focus on its consumer financing business and deposit-taking business.

Segmental information

The Group's businesses comprise three main segments: (i) retail and commercial banking businesses, (ii) wealth management services, stockbroking and securities management, and (iii) other businesses. For the year under review, 93.7% of the Group's operating income and 97.4% of the profit before tax were contributed by retail and commercial banking businesses. When compared to the previous year, the Group's operating income from retail and commercial banking businesses decreased by HK\$77.4 million or 5.0% to HK\$1.46 billion mainly due to the decrease in net interest income of the Group, whilst the Group's operating income from wealth management services, stockbroking and securities management increased by HK\$31.4 million or 60.3% to HK\$83.3 million. Profit before tax from retail and commercial banking businesses decreased by HK\$1.4 million or 0.29% to HK\$467.6 million, whilst profit before tax from wealth management services, stockbroking and securities management increased by HK\$17.0 million or 59.5% to HK\$45.6 million during the year under review.

Group's branch network

As at 31 December 2020, Public Bank (Hong Kong) had a branch network of 32 branches in Hong Kong and 5 branches in Shenzhen in the People's Republic of China to provide a broad range of commercial and retail banking services. Public Finance had a network of 44 branches in Hong Kong. Winton Financial Limited ("Winton Financial"), another operating subsidiary of the Company which operates under a money lenders licence, had a network of 3 branches in Hong Kong to provide personal financing to its target customer segment. In total, the Group had a combined branch network of 84 branches as at 31 December 2020 to serve its customers.

Significant investments

The Company has a significant investment, with a value of 5% or more of the Company's total assets, in Public Bank (Hong Kong). The principal businesses of Public Bank (Hong Kong) are discussed under the "Group's branch network" of this section. The investment cost in the subsidiary amounted to HK\$6.59 billion or 71.4% of total assets of the Company, and such cost reflected the fair value of the Company's investment. Public Bank (Hong Kong)'s business strategy focuses on its loan development, deposit-taking, stockbroking and bancassurance business operations; and continues to strike a balance between pursuing business growth and maintaining sound liquidity and asset quality. Public Bank (Hong Kong) and its subsidiaries recorded a profit of HK\$419.9 million on consolidated basis, which represented 6.4% in regard to the return of the Company's investment. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) will be disclosed in the 2020 Annual Report.

Contingent liabilities and commitments

The Group had no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments as disclosed in the notes to the financial statements) as at the end of the year under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the year under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 31 December 2020, there was no charge over the assets of the Group. There was also no important event affecting the Group which had occurred since 31 December 2020.

OPERATIONAL REVIEW

Funding and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable cost to meet all contractual financial commitments, to fund growth in loans and advances and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be self-sufficient in funding their business growth. The Group did not have material acquisitions or disposals of subsidiaries and associates during the year under review.

The Group relies principally on its internally generated capital, customer deposits, deposits from financial institutions and the issuance of certificates of deposit to fund its retail and commercial banking businesses and its consumer financing business. The Group's bank borrowings in the form of term loans denominated in Hong Kong dollars at floating interest rates stood at HK\$1.58 billion as at the end of 2020. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.19 times as at 31 December 2020, which was relatively the same as compared to the position of 31 December 2019. The bank borrowings as at 31 December 2020 had remaining maturity periods of less than two years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange and interest rate swaps and forward contracts to reduce the foreign exchange rate risk and interest rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates and interest rates were minimal. There were also no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments during the year under review.

The consolidated Common Equity Tier 1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 21.3% and 22.1% respectively as at 31 December 2020.

The Group continues to safeguard its capital adequacy position and manage key risks cautiously.

Asset quality and credit management

The Group's impaired loans to total loans ratio increased by 0.18% to 0.85% as at 31 December 2020 from 0.67% as at 31 December 2019. The Group will continue to manage credit risk cautiously and undertake prudent yet flexible business development strategies to strike a balance between business/income growth and prudent risk management.

The direct exposures to United Kingdom and Europe were assessed as insignificant and manageable as the core operations of the Group are principally based in Hong Kong.

Human resources management

The Group is committed to promoting a sound corporate culture by setting out culture values including (but not limited to) caring attitude; discipline; ethics and integrity; excellence; trust; and prudence. The culture values are articulated in policies, procedures and processes that are relevant to the day-to-day or routine business/supporting operations, training and performance appraisal of the Group's staff. Dedicated heads of key departments are responsible to assist the Board to set out the culture related behavioural expectations of staff in carrying out their day-to-day responsibilities; build up an effective, continual and regular communication channel to share examples of misconduct, improper behaviour and disciplines with the staff for their alerts; promote an open exchange of views in relation to culture and behavioural standards; and put in place a clear ownership structure for core risks and culture reform initiatives.

The objective of the Group's human resources management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives taking into account both business performance and the adherence to the Group's culture and behavioural standards, and to promote career development and progression within the Group. Staff enroll in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market and regulatory developments, and to improve their management and business skills. Staff also participate in social activities organised by the Group to promote team spirit and social responsibility to the community.

As at 31 December 2020, the Group's staff force stood at 1,363 employees. For the year ended 31 December 2020, the Group's total staff related costs amounted to HK\$535.0 million.

PROSPECTS

The economic outlook and operating environment of Hong Kong are anticipated to remain challenging in year 2021. In light of the prolonged pandemic situation in Hong Kong and the high unemployment rate, it is anticipated that credit charge on its consumer loans for the Group would remain under pressure in year 2021. The Group has extended the application timeline for debt relief measures (e.g. principal moratorium or extension of due dates) to eligible borrowers to support their business operations and alleviate their financial difficulties in the tough pandemic situation. The risk appetites for corporate investments/business expansion and individuals' private consumption are expected to remain conservative in the near term with weak loan demand and loan growth momentum in Hong Kong.

Competition in the banking and financing industry in Hong Kong is also expected to be intensified with the entrance of virtual banks, which will continue to exert pressure on the pricing of banking and financing products. The increase in compliance-related and system-related costs in meeting the increasing regulatory and supervisory requirements are expected to impact the cost efficiency and earnings growth of banks and financial institutions in Hong Kong. Despite the foregoing, the Group will continue to seek sustainable business expansion and market penetration, and to pursue profitability growth by diversification of income streams, improvement of net interest margin, enhancement of operating cost efficiency and effective reduction of bad debts. The Group will also adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

The Group will continue to seek loans at reasonable yields under the low interest rate environment and manage down its funding cost by increasing demand and savings deposits. The Group will continue to adopt sound and flexible marketing strategies to expand customer base and channels of services, launch attractive marketing promotions at reasonable costs, and optimise the utilisation of system resources to enhance service quality and efficiency of banking operations. The Group will also strive for the diversification of income streams by development of fee-based businesses in stockbroking and insurance businesses.

The Group will continue to expand its retail and commercial banking businesses and its consumer financing business through its extensive branch network of Public Bank (Hong Kong), Public Finance and Winton Financial, supporting its growth in loan developments, deposit takings and fee-based businesses, and implementing appropriate marketing strategies at reasonable costs. The Group will continue to optimise and refine the existing products and services in the near term to grow its retail and commercial lending businesses and consumer financing business. Moving forward, the Group will also allocate more resources to drive the digitalisation process of its financial services and business growth from electronic channels.

Barring unforeseen circumstances, the Group will strive to maintain its banking and financing businesses and improve its financial performance in year 2021. The Group is also committed to fostering a healthy and strong corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Mr. Tang Wing Chew, Mr. Lee Chin Guan and Mr. Lai Wan, and one Non-Executive Director, namely Mr. Quah Poh Keat. The annual results for the year ended 31 December 2020 as set out in this announcement have been reviewed by the Audit Committee.

PUBLICATION OF 2020 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2020 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2020 Annual Report containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in or around mid-February 2021.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

By Order of the Board
Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

Hong Kong, 15 January 2021

As at the date of this announcement, the Board of the Company comprises Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Chang Kat Kiam, Mr. Chong Yam Kiang and Mr. Quah Poh Keat as Non-Executive Directors, Mr. Tan Yoke Kong as Executive Director, and Mr. Lai Wan, Mr. Lee Chin Guan and Mr. Tang Wing Chew as Independent Non-Executive Directors.