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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended	
		2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Interest income	6	728,743	876,347
Interest expense	6	(91,061)	(273,039)
NET INTEREST INCOME		637,682	603,308
Other operating income	7	130,257	130,440
OPERATING INCOME		767,939	733,748
Operating expenses	8	(422,094)	(427,104)
Changes in fair value of investment properties		3,577	(11,731)
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		349,422	294,913
Credit loss expenses	9	(48,502)	(116,929)

* For identification purpose only

		For the six months ended	
		30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT BEFORE TAX		300,920	177,984
Tax	<i>10</i>	<u>(54,565)</u>	<u>(36,859)</u>
PROFIT FOR THE PERIOD		<u>246,355</u>	<u>141,125</u>
ATTRIBUTABLE TO:			
Owners of the Company		<u>246,355</u>	<u>141,125</u>
EARNINGS PER SHARE (HK\$)	<i>12</i>		
Basic		<u>0.224</u>	<u>0.129</u>
Diluted		<u>0.224</u>	<u>0.129</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	246,355	141,125
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations, net of tax	<u>10,376</u>	<u>(20,124)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>256,731</u>	<u>121,001</u>
ATTRIBUTABLE TO:		
Owners of the Company	<u>256,731</u>	<u>121,001</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Cash and short term placements		5,924,208	6,224,637
Placements with banks and financial institutions maturing after one month but not more than twelve months		2,265,376	1,771,165
Derivative financial instruments		8,490	25,751
Loans and advances and receivables	13	25,655,455	26,078,500
Equity investments at fair value through other comprehensive income		6,804	6,804
Held-to-collect debt securities at amortised cost	14	6,838,797	6,735,263
Investment properties		361,517	357,940
Property and equipment		187,248	191,142
Land held under finance leases		676,229	680,165
Right-of-use assets		125,191	112,918
Deferred tax assets		35,418	34,603
Tax recoverable		82	1,772
Goodwill		2,774,403	2,774,403
Intangible assets		718	718
Other assets		278,074	442,542
TOTAL ASSETS		45,138,010	45,438,323
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		1,083,992	421,138
Derivative financial instruments		12,153	2,682
Customer deposits at amortised cost		33,315,684	34,192,747
Dividends payable		54,896	131,750
Unsecured bank loans at amortised cost		1,537,696	1,575,018
Lease liabilities		128,954	118,200
Current tax payable		38,847	41,273
Deferred tax liabilities		46,158	45,358
Other liabilities		452,654	645,016
TOTAL LIABILITIES		36,671,034	37,173,182
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		109,792	109,792
Reserves	15	8,357,184	8,155,349
TOTAL EQUITY		8,466,976	8,265,141
TOTAL EQUITY AND LIABILITIES		45,138,010	45,438,323

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
	<i>Note</i>	
TOTAL EQUITY		
Balance at the beginning of the period	8,265,141	7,977,386
Profit for the period	246,355	141,125
Other comprehensive income in translation reserve	10,376	(20,124)
Total comprehensive income for the period	256,731	121,001
Dividends declared on shares	<i>11(a)</i> (54,896)	(32,938)
Balance at the end of the period	8,466,976	8,065,449

NOTES TO INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and in compliance with the Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They also contain certain disclosure information required under the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

The interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group’s 2020 Annual Report.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s 2020 Annual Report, except for the changes in accounting policies as set out in note 4 below.

2. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries for the period ended 30 June 2021.

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

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

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.

3. BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the interim reporting period related to the 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 ("SFC").

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 ("CET1") 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 2020 and 2021 is 2.5%, whilst the required countercyclical capital buffer ratio for 2020 and 2021 is 1.0%.

4. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are generally effective for accounting periods beginning on or after 1 January 2021. The Group has adopted the following revised standards for the first time for the interim financial statements:

- Amendments to HKFRS 9, HKAS 39, *Interest Rate Benchmark Reform – Phase 2*
HKFRS 7, HKFRS 4 and HKFRS 16

The nature and impact of the amendments are described below.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component.

These amendments have no impact on the interim financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 interim financial statements:

- Amendments to HKAS 1 and *Disclosure of Accounting Policies*¹
HKFRS Practice Statement 2
- Amendments to HKAS 8 *Definition of Accounting Estimates*¹

¹ *Effective for annual periods beginning on or after 1 January 2023*

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

Amendments to HKAS 1 (Revised) *Presentation of Financial Statements* and HKFRS Practice Statement 2 *Making Materiality Judgements* replace the requirement of entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements. The amendments to HKFRS Practice Statement 2 provide guidance on applying materiality judgements on accounting policy disclosures. In assessing the materiality of accounting policy information, entities are required to consider both the size of the transactions, other events or conditions and the nature of them. The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provide a new definition for accounting estimates. The new definition states that accounting estimates are monetary amounts that are subject to material uncertainty. The amendments clarify the distinction among changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

5. 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 six months ended 30 June 2021 and 30 June 2020.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	637,771	603,642	(89)	(334)	-	-	637,682	603,308
Other operating income:								
Net fees and commission income	60,732	62,192	43,460	35,967	-	52	104,192	98,211
Others	19,074	24,791	(4)	186	6,995	7,252	26,065	32,229
Operating income	717,577	690,625	43,367	35,819	6,995	7,304	767,939	733,748
Operating profit/(loss) after credit loss expenses before tax	273,588	173,527	23,820	16,228	3,512	(11,771)	300,920	177,984
Tax							(54,565)	(36,859)
Profit for the period							246,355	141,125
Other segment information								
Depreciation of property and equipment and land held under finance leases	(20,410)	(20,435)	-	-	-	-	(20,410)	(20,435)
Depreciation of right-of-use assets	(29,940)	(32,628)	-	-	-	-	(29,940)	(32,628)
Changes in fair value of investment properties	-	-	-	-	3,577	(11,731)	3,577	(11,731)
Credit loss expenses	(48,502)	(116,929)	-	-	-	-	(48,502)	(116,929)
Net (losses)/gains on disposal of property and equipment	(7)	7	-	-	-	-	(7)	7

The following table discloses certain assets and liabilities information regarding operating segments as at 30 June 2021 and 31 December 2020.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets and goodwill	41,521,550	41,847,763	444,304	421,085	361,535	357,979	42,327,389	42,626,827
Intangible assets	-	-	718	718	-	-	718	718
Goodwill	2,774,403	2,774,403	-	-	-	-	2,774,403	2,774,403
Segment assets	44,295,953	44,622,166	445,022	421,803	361,535	357,979	45,102,510	45,401,948
Unallocated assets:								
Deferred tax assets and tax recoverable							35,500	36,375
Total assets							45,138,010	45,438,323
Segment liabilities	36,366,747	36,797,289	159,224	152,484	5,161	5,028	36,531,132	36,954,801
Unallocated liabilities:								
Deferred tax liabilities and tax payable							85,005	86,631
Dividends payable							54,896	131,750
Total liabilities							36,671,033	37,173,182
Other segment information								
Additions to non-current assets – capital expenditure	12,592	56,549	-	-	-	-	12,592	56,549

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 six months ended 30 June 2021 and 30 June 2020.

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue from external customers:		
Hong Kong	711,800	671,362
Mainland China	56,139	62,386
	<u>767,939</u>	<u>733,748</u>

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 30 June 2021 and 31 December 2020.

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets:		
Hong Kong	4,095,143	4,093,386
Mainland China	30,163	23,900
	<u>4,125,306</u>	<u>4,117,286</u>

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% (2020: less than 10%) of the Group's total operating income or revenue.

6. INTEREST INCOME AND EXPENSE

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from:		
Loans and advances and receivables	681,042	779,516
Short term placements and placements with banks	24,125	38,096
Held-to-collect debt securities at amortised cost	23,576	58,735
	<u>728,743</u>	<u>876,347</u>
Interest expense on:		
Deposits from banks and financial institutions	617	3,929
Deposits from customers	77,908	243,302
Bank loans	11,065	24,069
Others	1,471	1,739
	<u>91,061</u>	<u>273,039</u>

Interest income and interest expense for the six months ended 30 June 2021, calculated using the effective interest method for financial assets and financial liabilities which are not designated at fair value through profit or loss (“FVPL”), amounted to HK\$728,743,000 and HK\$91,061,000 (2020: HK\$876,347,000 and HK\$273,039,000) respectively.

7. OTHER OPERATING INCOME

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees and commission income:		
Retail and commercial banking and other businesses	61,993	63,305
Wealth management services, stockbroking and securities management	43,460	35,967
	105,453	99,272
Less: Fees and commission expenses	(1,261)	(1,061)
Net fees and commission income	104,192	98,211
Gross rental income	7,032	7,290
Less: Direct operating expenses	(38)	(38)
Net rental income	6,994	7,252
Gains less losses arising from dealing in foreign currencies	20,097	13,159
Net losses on derivative financial instruments	(3,663)	(1,275)
	16,434	11,884
Net (losses)/gains on disposal of property and equipment	(7)	7
Gain on termination of leases	1,052	709
Dividend income from listed investments	129	79
Dividend income from unlisted investments	35	35
Government subsidies	977	11,495
Others	451	768
	130,257	130,440

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

For the six months ended 30 June 2021, the government subsidy was granted from the Financial Industry Recruitment Scheme for Tomorrow which aims to create full-time jobs in the financial services sector under the Anti-epidemic Fund of the Hong Kong Government.

For the six months ended 30 June 2020, the government subsidies were granted from Employment Support Scheme and Subsidy Scheme for the Securities Industry which aim to retain employment under the same fund.

There were no net gains or losses arising from equity investments at fair value through other comprehensive income, loans and advances and receivables, financial assets and liabilities measured at amortised cost and financial assets and liabilities designated at FVPL for the six months ended 30 June 2021 and 30 June 2020.

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.

8. OPERATING EXPENSES

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other staff costs	259,637	252,158
Pension contributions	12,134	13,632
Less: Forfeited contributions	(24)	(50)
Net contribution to retirement benefit schemes	12,110	13,582
	271,747	265,740
Other operating expenses:		
Depreciation of right-of-use assets	29,940	32,628
Depreciation of property and equipment and land held under finance leases	20,410	20,435
Administrative and general expenses	36,974	41,610
Others	63,023	66,691
Operating expenses before changes in fair value of investment properties	422,094	427,104

As at 30 June 2021 and 30 June 2020, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the periods ended 30 June 2021 and 30 June 2020 arose in respect of staff who left the schemes during the periods.

9. CREDIT LOSS EXPENSES

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

	For the six months ended 30 June 2021			
	(Unaudited)			
	12-month expected credit loss (Stage 1) <i>HK\$'000</i>	Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i>	Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	119	6,088	42,018	48,225
– trade bills, accrued interest and other receivables	2	48	186	236
– cash and short term placements	(30)	–	–	(30)
– placements with banks and financial institutions	50	–	–	50
– held-to-collect debt securities at amortised cost	11	–	–	11
– loan commitments	10	–	–	10
	162	6,136	42,204	48,502

	For the six months ended 30 June 2020			
	(Unaudited)			
	12-month expected credit loss (Stage 1) <i>HK\$'000</i>	Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i>	Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	(12,648)	(6,147)	135,961	117,166
– trade bills, accrued interest and other receivables	(390)	(14)	80	(324)
– cash and short term placements	(12)	–	–	(12)
– placements with banks and financial institutions	64	–	–	64
– held-to-collect debt securities at amortised cost	38	–	–	38
– loan commitments	(3)	–	–	(3)
	(12,951)	(6,161)	136,041	116,929

10. TAX

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge:		
Hong Kong	44,792	21,441
Overseas	9,494	11,466
Deferred tax charge, net	279	3,952
	<u>54,565</u>	<u>36,859</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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:

	For the six months ended 30 June 2021					
	(Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>262,037</u>		<u>38,883</u>		<u>300,920</u>	
Tax at the applicable tax rate	43,236	16.5	9,721	25.0	52,957	17.6
Estimated tax effect of net expenses that are not deductible	<u>1,387</u>	<u>0.5</u>	<u>221</u>	<u>0.6</u>	<u>1,608</u>	<u>0.5</u>
Tax charge at the Group's effective rate	<u>44,623</u>	<u>17.0</u>	<u>9,942</u>	<u>25.6</u>	<u>54,565</u>	<u>18.1</u>

For the six months ended 30 June 2020

(Unaudited)

	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	<u>131,709</u>		<u>46,275</u>		<u>177,984</u>	
Tax at the applicable tax rate	21,732	16.5	11,569	25.0	33,301	18.7
Estimated tax effect of net expenses that are not deductible	<u>3,339</u>	<u>2.5</u>	<u>219</u>	<u>0.5</u>	<u>3,558</u>	<u>2.0</u>
Tax charge at the Group's effective rate	<u>25,071</u>	<u>19.0</u>	<u>11,788</u>	<u>25.5</u>	<u>36,859</u>	<u>20.7</u>

11. DIVIDENDS

(a) Dividends declared during the interim period

	For the six months ended 30 June			
	2021 (Unaudited) <i>HK\$ per ordinary share</i>	2020 (Unaudited) <i>HK\$ per ordinary share</i>	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Interim dividend	<u>0.05</u>	<u>0.03</u>	<u>54,896</u>	<u>32,938</u>

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

	For the six months ended 30 June			
	2021 (Unaudited) <i>HK\$ per ordinary share</i>	2020 (Unaudited) <i>HK\$ per ordinary share</i>	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Second interim dividend in respect of the previous period	<u>0.12</u>	<u>0.15</u>	<u>131,750</u>	<u>164,688</u>

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$246,355,000 (2020: HK\$141,125,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2020: 1,097,917,618) during the period.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 30 June 2020.

13. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Loans and advances to customers	25,725,459	26,154,721
Trade bills	27,530	20,981
Loans and advances, and trade bills	25,752,989	26,175,702
Accrued interest	67,569	69,389
Other receivables	13,911	14,000
Gross loans and advances and receivables	25,834,469	26,259,091
Less: Impairment allowances*		
– specifically assessed	(52,178)	(60,022)
– collectively assessed	(126,836)	(120,569)
	(179,014)	(180,591)
Loans and advances and receivables	25,655,455	26,078,500

Over 90% (31 December 2020: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2020: 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\$28,000 and HK\$18,000 on off-balance sheet credit exposures as at 30 June 2021 and 31 December 2020 respectively.

Loans and advances and receivables are summarised as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Neither past due nor impaired loans and advances and receivables	25,147,118	25,475,337
Past due but not impaired loans and advances and receivables	463,225	551,920
Credit impaired loans and advances	212,460	222,914
Credit impaired receivables	11,666	8,920
	<hr/>	<hr/>
Gross loans and advances and receivables	25,834,469	26,259,091
	<hr/> <hr/>	<hr/> <hr/>

About 70% (31 December 2020: about 69%) 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

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances %	Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	38,205	0.15	62,784	0.24
One year or less but over six months	47,739	0.19	45,939	0.17
Over one year	86,142	0.33	49,327	0.19
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and advances overdue for more than three months	172,086	0.67	158,050	0.60
Rescheduled loans and advances overdue for three months or less	35,948	0.14	53,761	0.21
Impaired loans and advances overdue for three months or less	4,426	0.02	11,103	0.04
	<hr/>	<hr/>	<hr/>	<hr/>
Total overdue and impaired loans and advances	212,460	0.83	222,914	0.85
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	383	525
One year or less but over six months	2,434	2,017
Over one year	8,804	6,338
Trade bills, accrued interest and other receivables overdue for more than three months	11,621	8,880
Impaired trade bills, accrued interest and other receivables overdue for three months or less	45	40
Total overdue and impaired trade bills, accrued interest and other receivables	11,666	8,920

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

	30 June 2021 (Unaudited) Mainland			31 December 2020 (Audited) Mainland		
	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	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	<u>73,188</u>	<u>110,519</u>	<u>183,707</u>	<u>93,218</u>	<u>73,712</u>	<u>166,930</u>
Impairment allowances specifically assessed	<u>29,093</u>	<u>8,838</u>	<u>37,931</u>	<u>33,759</u>	<u>7,995</u>	<u>41,754</u>
Current market value and fair value of collateral			<u>238,044</u>			<u>200,875</u>
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	<u>113,607</u>	<u>110,519</u>	<u>224,126</u>	<u>158,122</u>	<u>73,712</u>	<u>231,834</u>
Impairment allowances specifically assessed	<u>43,340</u>	<u>8,838</u>	<u>52,178</u>	<u>52,027</u>	<u>7,995</u>	<u>60,022</u>
Current market value and fair value of collateral			<u>249,580</u>			<u>216,561</u>

Over 90% (31 December 2020: 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:**

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u><u>238,044</u></u>	<u><u>200,875</u></u>
Covered portion of overdue loans and advances	<u><u>137,279</u></u>	<u><u>116,065</u></u>
Uncovered portion of overdue loans and advances	<u><u>34,807</u></u>	<u><u>41,985</u></u>

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) Repossessed assets

As at 30 June 2021, the total value of repossessed assets of the Group amounted to HK\$30,640,000 (31 December 2020: HK\$19,890,000).

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

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %
Loans and advances overdue for three months or less	<u>460,396</u>	<u>1.79</u>	<u>548,698</u>	<u>2.10</u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u>2,829</u>		<u>3,222</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:

	30 June 2021 (Unaudited)			
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross loans and advances and receivables as at 1 January 2021	25,759,389	267,868	231,834	26,259,091
New loans/financing originated	4,016,046	827	2,358	4,019,231
Loans/financing derecognised or repaid during the period (other than write-offs)	(4,273,906)	(26,633)	(37,394)	(4,337,933)
Transfer to 12-month expected credit loss (Stage 1)	112,408	(84,366)	(28,042)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(129,398)	129,600	(202)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(86,889)	(74,603)	161,492	-
Total transfer between stages	(103,879)	(29,369)	133,248	-
Write-offs	-	-	(105,920)	(105,920)
As at 30 June 2021	<u>25,397,650</u>	<u>212,693</u>	<u>224,126</u>	<u>25,834,469</u>
Arising from:				
Loans and advances	25,301,939	211,060	212,460	25,725,459
Trade bills, accrued interest and other receivables	95,711	1,633	11,666	109,010
	<u>25,397,650</u>	<u>212,693</u>	<u>224,126</u>	<u>25,834,469</u>

The amount outstanding on financial assets that were written off during the period and are still subject to enforcement action amounted to HK\$84,937,000.

	31 December 2020 (Audited)			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
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	<u>25,759,389</u>	<u>267,868</u>	<u>231,834</u>	<u>26,259,091</u>
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
	<u>25,759,389</u>	<u>267,868</u>	<u>231,834</u>	<u>26,259,091</u>

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.

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

	30 June 2021 (Unaudited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Internal rating grades:				
Performing				
Pass	25,215,311	–	–	25,215,311
Special Mention	182,339	212,693	–	395,032
Non-performing				
Substandard	–	–	73,359	73,359
Doubtful	–	–	135,258	135,258
Loss	–	–	15,509	15,509
Total	25,397,650	212,693	224,126	25,834,469

	31 December 2020 (Audited)			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

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

	30 June 2021 (Unaudited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
As at 1 January 2021	96,492	24,077	60,022	180,591
New loans/financing originated	37,442	-	179	37,621
Loans/financing derecognised or repaid during the period (other than write-offs)	(38,155)	(3,072)	(59,815)	(101,042)
Transfer to 12-month expected credit loss (Stage 1)	5,411	(1,298)	(4,113)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,925)	1,971	(46)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(2,628)	(15,784)	18,412	-
Total transfer between stages	858	(15,111)	14,253	-
Impact on period end expected credit loss of exposures transferred between stages during the period	(2,296)	24,236	71,861	93,801
Movements due to changes in credit risk	2,282	83	15,726	18,091
Recoveries	-	-	55,872	55,872
Write-offs	-	-	(105,920)	(105,920)
As at 30 June 2021	96,623	30,213	52,178	179,014
Arising from:				
Loans and advances	95,367	30,152	50,939	176,458
Trade bills, accrued interest and other receivables	1,228	61	1,239	2,528
Loan commitments	26	-	-	26
Financial guarantees and letters of credit	2	-	-	2
	96,623	30,213	52,178	179,014

	31 December 2020 (Audited)			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total 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	<u>96,492</u>	<u>24,077</u>	<u>60,022</u>	<u>180,591</u>
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
	<u>96,492</u>	<u>24,077</u>	<u>60,022</u>	<u>180,591</u>

(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:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Minimum lease payments HK\$'000	<i>HK\$'000</i>	Present value of minimum lease payments HK\$'000	<i>HK\$'000</i>
Amounts receivable under finance leases:				
Within one year	384,847	370,053	250,242	237,644
In the second to fifth years, inclusive	1,079,431	1,046,511	655,632	627,982
Over five years	5,140,447	5,190,583	3,943,862	3,952,305
	6,604,725	6,607,147	4,849,736	4,817,931
Less: Unearned finance income	(1,754,989)	(1,789,216)		
Present value of minimum lease payments receivables	4,849,736	4,817,931		

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.

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Certificates of deposit held	3,594,084	3,536,714
Treasury bills and government bonds (including Exchange Fund Bills)	2,280,253	2,047,479
Other debt securities	965,145	1,151,744
Gross held-to-collect debt securities at amortised cost	6,839,482	6,735,937
Less: Impairment allowances collectively assessed		
As at 1 January 2021 and 2020	(674)	(610)
Credit loss expenses charged to the consolidated income statement during the period/year	(11)	(64)
	(685)	(674)
	6,838,797	6,735,263
Listed or unlisted:		
– Listed in Hong Kong	497,719	566,036
– Listed outside Hong Kong	34,961	35,855
– Unlisted	6,306,802	6,134,046
	6,839,482	6,735,937
Analysed by type of issuers:		
– Central governments	2,280,253	2,047,479
– Public sector entities	400,000	499,991
– Banks and other financial institutions	4,159,229	4,188,467
	6,839,482	6,735,937

There were no impairment allowances specifically assessed made against held-to-collect debt securities at amortised cost as at 30 June 2021 and 31 December 2020.

There were neither impaired nor overdue held-to-collect debt securities at amortised cost as at 30 June 2021 and 31 December 2020.

All exposures attributed to the held-to-collect debt securities at amortised cost were rated with a grading of Baa1 or above based on the credit rating of Moody's Investors Service, an external credit agency, as at 30 June 2021 and 31 December 2020.

15. RESERVES

	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 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	-	-	-	-	-	(164,688)	-	(164,688)
As at 31 December 2020 and 1 January 2021 (Audited)	4,013,296	829	96,116	3,982	53,280	3,934,806	53,040	8,155,349
Profit for the period	-	-	-	-	-	246,355	-	246,355
Other comprehensive income	-	-	-	-	-	-	10,376	10,376
Transfer from regulatory reserve to retained profits	-	-	-	-	(9,083)	9,083	-	-
Dividends declared	-	-	-	-	-	(54,896)	-	(54,896)
As at 30 June 2021 (Unaudited)	4,013,296	829	96,116	3,982	44,197	4,135,348	63,416	8,357,184

[#] *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.*

16. LEASES

(a) As lessor

The Group leases its investment properties under operating lease arrangements, and the terms of the leases range from 1 to 4 years.

As at 30 June 2021 and 31 December 2020, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within one year	7,912	5,579
In the second to fifth years, inclusive	<u>4,679</u>	<u>1,649</u>
	<u>12,591</u>	<u>7,228</u>

(b) As lessee

The Group has entered into certain future lease arrangements with landlords with a lease term of 3 years during the period. As at 30 June 2021 and 31 December 2020, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within one year	4,649	4,282
In the second to fifth years, inclusive	14,533	11,122
Over five years	<u>–</u>	<u>30</u>
	<u>19,182</u>	<u>15,434</u>

17. 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 period:

	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	30 June 2021 (Unaudited) 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	22,602	22,602	19,595	-	-
Transaction-related contingencies	6,084	3,042	244	-	-
Trade-related contingencies	13,853	2,771	2,553	-	-
Forward forward deposits placed	-	-	-	-	-
Forward asset purchases	-	-	-	-	-
	<u>42,539</u>	<u>28,415</u>	<u>22,392</u>	-	-
Derivatives held for trading:					
Foreign exchange rate contracts	1,913,769	38,679	7,735	8,490	12,153
Other commitments with an original maturity of:					
Not more than one year	-	-	-	-	-
More than one year	82,400	41,200	41,200	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,274,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>4,312,796</u></u>	<u><u>108,294</u></u>	<u><u>71,327</u></u>	<u><u>8,490</u></u>	<u><u>12,153</u></u>
				30 June 2021 (Unaudited) Contractual amount <i>HK\$'000</i>	
Capital commitments contracted for, but not provided in the consolidated statement of financial position				<u><u>7,470</u></u>	

	31 December 2020 (Audited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	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	–	–	–	–	–
	<u>51,602</u>	<u>30,572</u>	<u>22,655</u>	–	–
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	<u>2,439,894</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>3,502,978</u></u>	<u><u>74,466</u></u>	<u><u>37,992</u></u>	<u><u>25,751</u></u>	<u><u>2,682</u></u>
				31 December 2020 (Audited) Contractual amount <i>HK\$'000</i>	

Capital commitments contracted for, but not provided in the consolidated statement of financial position	<u><u>13,144</u></u>
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The corresponding ECLs for the outstanding off-balance sheet exposures are included in the analysis of changes in ECL allowances as disclosed in note 13(f) to the interim financial statements.

18. 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.

	30 June 2021 (Unaudited)						Repayable within an indefinite period HK\$'000	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		
Financial assets:								
Gross cash and short term placements	1,337,373	4,587,410	-	-	-	-	-	5,924,783
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,955,203	310,400	-	-	-	2,265,603
Gross loans and advances and receivables	768,128	1,451,956	771,714	2,230,861	6,612,659	13,775,025	224,126	25,834,469
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	579,201	887,021	4,485,948	887,312	-	-	6,839,482
Other assets	66	192,390	11,607	40,944	1,021	-	32,046	278,074
Gross foreign exchange contracts	116,292	1,339,892	457,585	-	-	-	-	1,913,769
Total financial assets	2,221,859	8,150,849	4,083,130	7,068,153	7,500,992	13,775,025	262,976	43,062,984
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	760,812	128,180	145,000	50,000	-	-	-	1,083,992
Customer deposits at amortised cost	12,870,821	7,280,993	10,244,797	2,912,845	6,228	-	-	33,315,684
Unsecured bank loans at amortised cost	-	90,000	-	1,447,696	-	-	-	1,537,696
Lease liabilities	-	4,812	9,158	34,678	76,517	3,789	-	128,954
Other liabilities	3,249	211,416	11,078	3,812	151	-	222,948	452,654
Gross foreign exchange contracts	116,358	1,339,412	461,662	-	-	-	-	1,917,432
Total financial liabilities	13,751,240	9,054,813	10,871,695	4,449,031	82,896	3,789	222,948	38,436,412
Net liquidity gap	(11,529,381)	(903,964)	(6,788,565)	2,619,122	7,418,096	13,771,236	40,028	4,626,572

	31 December 2020 (Audited)							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	1,219,086	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

INTERIM DIVIDEND

The Board has on 29 June 2021 declared an interim dividend of HK\$0.05 (2020: HK\$0.03) per share payable on 4 August 2021 to shareholders whose names appear on the register of members of the Company on 21 July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the period under review, the economy of Hong Kong was still adversely affected by the ongoing Novel Coronavirus (“COVID-19”) pandemic though there were signs of gradual economic recovery in the second quarter of 2021 with improved employment situation as revealed by the decline of unemployment rate to 6.0% in May 2021 from the peak of 7.2% in February 2021. The US Federal Reserve continued the adoption of easing policy and market interest rates stayed low with adverse impact on investment return of interest-bearing assets. Financial market remained volatile amidst pandemic situation, but ample market liquidity was observed under the easing monetary policies adopted by nations.

Under the aforesaid challenging operating environment in the period under review, the Group conducted its loan business cautiously with strategic focus on secured lending segments at reasonable interest yields to contain credit risk whilst managing its funding cost of customer deposits to minimise the adverse impact on its net interest margin under the low interest rate environment. The Group continued to diversify 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 profit growth.

FINANCIAL REVIEW

Revenue and earnings

For the six months ended 30 June 2021, the Group’s profit after tax increased by HK\$105.2 million or 74.6% to HK\$246.4 million as compared to the corresponding period in 2020.

The Group’s basic earnings per share for the six months ended 30 June 2021 was HK\$0.22. The Board of Directors has declared an interim dividend of HK\$0.05 per share on 29 June 2021, payable on 4 August 2021.

During the period under review, total interest income of the Group decreased by HK\$147.6 million or 16.8% to HK\$728.7 million contributed mainly from the decreases in interest income from loans and advances and investments in debt securities under the low interest rate environment; whilst total interest expense decreased by HK\$182.0 million or 66.6% to HK\$91.1 million mainly due to decrease in funding cost of customer deposits. As a result, the Group's net interest income increased by HK\$34.4 million or 5.7% to HK\$637.7 million. Other operating income of the Group decreased by HK\$0.2 million or 0.1% to HK\$130.3 million mainly due to the decrease in government subsidies received of HK\$10.5 million, outweighing the increase in fees and commission income from wealth management services, stockbroking and securities management of HK\$7.5 million in the period under review.

Operating expenses of the Group decreased by HK\$5.0 million or 1.2% to HK\$422.1 million mainly due to the decrease in marketing expenses.

Fair value of investment properties increased by HK\$3.6 million during the period under review as compared to a revaluation loss of HK\$11.7 million in the corresponding period of last year.

Credit loss expense decreased by HK\$68.4 million or 58.5% to HK\$48.5 million mainly due to decrease in credit charge for consumer financing loans and advances with lower loan delinquency and bankruptcy cases during the period under review.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) recorded a decrease of HK\$422.7 million or 1.6% to HK\$25.75 billion as at 30 June 2021 from HK\$26.18 billion as at 31 December 2020. The Group's customer deposits declined by HK\$877.1 million or 2.6% to HK\$33.32 billion as at 30 June 2021 from HK\$34.19 billion as at 31 December 2020.

Total assets of the Group stood at HK\$45.14 billion as at 30 June 2021.

Business performance of key subsidiaries

Public Bank (Hong Kong)

During the period under review, total loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank, decreased by HK\$246.2 million or 1.21% to HK\$20.13 billion as at 30 June 2021 from HK\$20.38 billion as at 31 December 2020. Customer deposits (excluding a deposit from a subsidiary) decreased by HK\$338.9 million or 1.2% to HK\$28.93 billion as at 30 June 2021 from HK\$29.27 billion as at 31 December 2020. Impaired loans to total loans ratio of Public Bank (Hong Kong) was 0.73% as at 30 June 2021.

Public Bank (Hong Kong) will continue to develop and expand its retail and commercial banking businesses and its core customer base, expedite the pace of its digital transformation and develop its banking and financial service and stockbroking businesses.

Public Finance

Total loans and advances of Public Finance, a deposit-taking company, decreased by HK\$176.7 million or 3.2% to HK\$5.28 billion as at 30 June 2021 from HK\$5.46 billion as at 31 December 2020. Customer deposits decreased by HK\$499.0 million or 9.7% to HK\$4.66 billion as at 30 June 2021 from HK\$5.16 billion as at 31 December 2020. Impaired loans to total loans ratio of Public Finance was 1.25% as at 30 June 2021.

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 period under review, 93.4% of the Group's operating income and 90.9% of the profit before tax were contributed by retail and commercial banking businesses. When compared to the first half of 2020, the Group's operating income from retail and commercial banking businesses increased by HK\$27.0 million or 3.9% to HK\$717.6 million mainly due to the increase in net interest income of the Group. Profit before tax from retail and commercial banking businesses increased by HK\$100.1 million or 57.7% to HK\$273.6 million with the reduction of credit loss expenses during the period under review. The Group's operating income from wealth management services, stockbroking and securities management increased by HK\$7.6 million or 21.2% to HK\$43.4 million. Profit before tax from wealth management services, stockbroking and securities management increased by HK\$7.6 million or 46.9% to HK\$23.8 million during the period under review.

Group's branch network

As at 30 June 2021, Public Bank (Hong Kong), a subsidiary of the Company, 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, a subsidiary of Public Bank (Hong Kong), had a network of 43 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 83 branches as at 30 June 2021 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 71.1% 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\$237.7 million on consolidated basis, which represented an annualised return of 7.2% in regard to the Company's investment. Dividend income received from Public Bank (Hong Kong) was HK\$110.4 million during the period under review. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) will be disclosed in the 2021 Interim 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 interim financial statements) as at the end of the period under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the period 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 30 June 2021, there was no charge over the assets of the Group. There was also no important event affecting the Group which had occurred since 30 June 2021.

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 or associates during the period under review.

The Group relies principally on its internally generated capital, customer deposits and deposits from financial institutions 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 approximately HK\$1.54 billion as at 30 June 2021. 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 0.18 times as at 30 June 2021, which was relatively the same as compared to the position of 31 December 2020. The bank borrowings as at 30 June 2021 had remaining maturity periods of less than one year. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange swaps and forward contracts to reduce the foreign exchange rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates were minimal. There were also no foreign currency investments hedged by foreign currency borrowings and other hedging instruments during the period under review.

The consolidated CET1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 22.1% and 22.8% respectively as at 30 June 2021.

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 was 0.83% as at 30 June 2021. 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 30 June 2021, the Group's staff force stood at 1,304 employees. For the six months ended 30 June 2021, the Group's total staff related costs amounted to HK\$271.7 million.

PROSPECTS

The economies of Hong Kong and Mainland China are anticipated to recover gradually in the second half of 2021, but the prospects remain uncertain depending on the development of pandemic and geopolitical risk factors. The risk appetites for corporate investments/business expansion and individuals' private consumption are expected to remain conservative in the near term with loan growth momentum being constrained in Hong Kong and Mainland China, but the situation may be improved by the growing population receiving COVID-19 vaccination and the further relaxation of the social distancing measures.

Downward pressure on the Group's net interest margin will persist as market interest rates are expected to stay low for a considerable period despite a more optimistic view toward the US economic outlook being projected by the US Federal Reserve. Competition in the banking and financing industry in Hong Kong is also expected to intensify with the operations of virtual banks and the usage of technology with higher transparency of product pricing in the industry, 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 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 pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

The Group will continue to seek loan growth at reasonable yields and manage down its funding cost under the low interest rate environment. 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 focus on expanding 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 expand its banking and financing businesses and maintain its financial performance in the second half of 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 six months ended 30 June 2021.

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 period covered by the 2021 Interim 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 Provisions A.4.1, A.5.1 and E.1.2 of the CG Code as explained below with considered reasons for such deviations. Also, the non-compliance with Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules is explained below.

Deviations from Code Provisions A.4.1 and E.1.2 of the CG Code

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 and invite the chairmen of the audit, remuneration and nomination committees to attend and be available to answer questions at the AGM. Tan Sri Dato' Sri Dr. Teh Hong Piow, the Board Chairman of the Company, was absent from the 2021 AGM of the Company held in April 2021 due to other engagement. The 2021 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 2021 AGM by electronic means in Malaysia due to the outbreak of COVID-19.

At the 2021 AGM, the Company had strictly followed the regulatory restrictions under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G) and the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” issued by the SFC and the Stock Exchange dated 1 April 2020. To reduce the risk of spreading of COVID-19 by dis-allowing group gathering for long time while providing the opportunity for the shareholders to raise questions at the 2021 AGM, the Company had invited shareholders to submit their comments/feedback/enquiries via a Q&A form and the Company had replied shareholders’ enquiries promptly after the meeting. This deviated from the Code Provision E.1.2 of the CG Code that requires the chairmen of the board and various committees to answer questions at the AGM. The Company will review such arrangement in future general meetings.

Non-compliance with Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules, and deviation from Code Provision A.5.1 of the CG Code

Following the re-designation of Mr. Lai Wan from Independent Non-Executive Co-Chairman to Non-Executive Co-Chairman of the Company, and his cessation to be the Chairman of the Nomination and Remuneration Committee (“NRC”) on 8 June 2021, the Board comprised eight members, including one Executive Director, five Non-Executive Directors and two Independent Non-Executive Directors, and thus (i) the number of Independent Non-Executive Directors of the Company fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules; (ii) the Company did not meet the requirement under Rule 3.10(2) of the Listing Rules that at least one of the Independent Non-Executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) the Company did not meet the composition requirements of the Audit Committee under Rule 3.21 of the Listing Rules to comprise a majority of Independent Non-Executive Directors and with at least one Independent Non-Executive Director with appropriate professional qualifications, or accounting or related financial management expertise as required under Rule 3.10(2); and (iv) the Company did not meet the composition requirements of the NRC under Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the CG Code to comprise a majority of Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.

However, following the appointment of Mr. Lim Chao Li as Independent Non-Executive Director, Chairman of the NRC and member of the Audit Committee of the Company on 14 July 2021, the Company had complied with the Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1 of the CG Code.

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. Lim Chao Li, and two Non-Executive Directors, namely Mr. Lai Wan and Mr. Quah Poh Keat. The unaudited interim results for the six months ended 30 June 2021 as set out in this announcement has been reviewed by the Audit Committee.

PUBLICATION OF 2021 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 June 2021 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2021 Interim 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-August 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 period. 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

16 July 2021

As at the date of this announcement, the Board of the Company comprises Tan Sri Dato' Sri Dr. Teh Hong Piow, Mr. Lai Wan, 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. Lee Chin Guan, Mr. Tang Wing Chew and Mr. Lim Chao Li as Independent Non-Executive Directors.