大眾金融控股有限公司

PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) Stock Code: 626

ANNUAL REPORT 2022

TRUST

CARING

EXCELLENCE

EXCELLENCE
is our Commitment

DISCIPLINE

PRUDENCE

ETHICS & INTEGRITY

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Corporate Information

Board of Directors
Non-Executive Chairman
Lai Wan

Executive Director
Tan Yoke Kong

Non-Executive Directors
Dato' Chang Kat Kiam
Quah Poh Keat
Chong Yam Kiang

Independent Non-Executive Directors
Lee Chin Guan
Lim Chao Li
Cheah Kim Ling

Joint Secretaries
Tan Yoke Kong
Chan Sau Kuen

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business
2/F, Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong
Telephone : (852) 2541 9222
Facsimile : (852) 2815 9232
Website : www.publicfinancial.com.hk

Share Listing
Main Board of The Stock Exchange of Hong Kong Limited
Stock Code : 626

Principal Registrar
MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

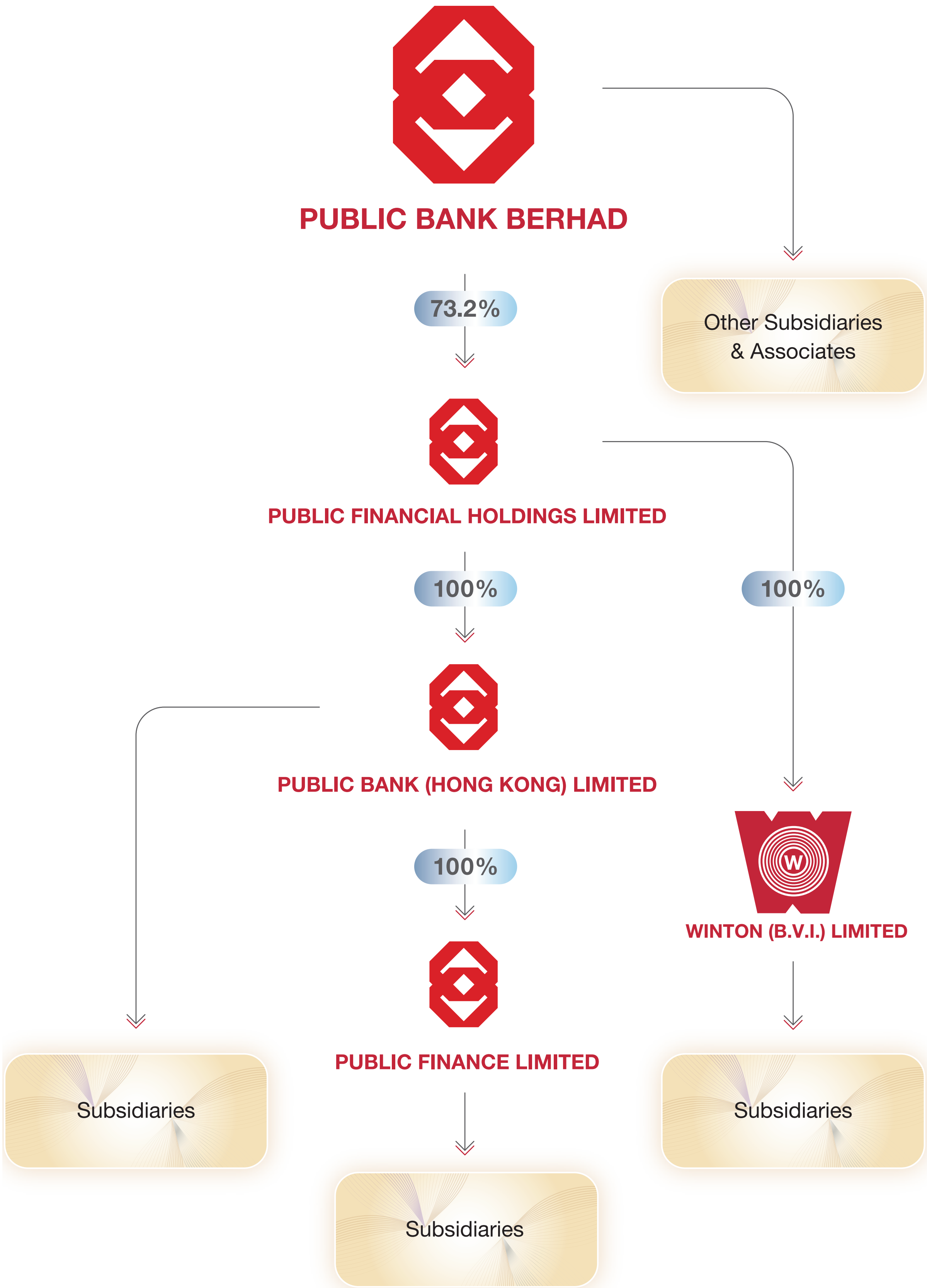
Hong Kong Branch Registrar
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185

Auditors
Ernst & Young
Certified Public Accountants

Legal Advisers
Charles Yeung Clement Lam Liu & Yip
Deacons
Siao, Wen and Leung

Principal Bankers
CIMB Bank Berhad
JPMorgan Chase Bank, N.A. Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Public Bank Berhad
Public Bank (L) Ltd
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Group Structure



Public Bank (Hong Kong) Limited Branch Network

HEAD OFFICE AND BRANCHES

Head Office

2/F, Public Bank Centre, 120 Des Voeux Road Central, Central
Tel : 2541 9222
Telex : 73085 CBHK HKHH
P.O. Box : G.P.O. Box 824
Fax : 2541 0009
Website : www.publicbank.com.hk

HONG KONG ISLAND

1 **Main Branch**
G/F, Public Bank Centre
120 Des Voeux Road Central, Central
Tel: 2541 9222 Fax: 2545 2866
Manager: Yam Oi Yin, Pauline

2 **Western Branch**
Shop 2-3, G/F, Kam Kwan Building
163-173 Des Voeux Road West, Sai Ying Pun
Tel: 2858 2220 Fax: 2858 2638
Manager: Li Siu Ying, Alice

3 **Wanchai Commercial Centre**
9/F, Tower 188,
Nos. 188-190 Hennessy Road, Wanchai
Tel: 2891 4171 Fax: 2834 1012
Manager: Lee Wai Kwan, Luceta

4 **North Point Branch**
Shop 2, G/F, Two Chinachem Exchange Square
338 King's Road, North Point
Tel: 2568 5141 Fax: 2567 0655
Manager: Chow Yuet Kei, Mary

5 **Shek Tong Tsui Branch**
Shop B1, G/F, Hong Kong Plaza
188 Connaught Road West, Sai Wan
Tel: 2546 2055 Fax: 2559 7962
Manager: Chau Cheung Kwong, Billy

6 **Causeway Bay Branch**
G/F and M/F
447 Hennessy Road, Causeway Bay
Tel: 2572 2363 Fax: 2572 3033
Manager: Chong Mei Kuen, Joe

7 **Central Branch**
Unit A, G/F, Wing On House
71 Des Voeux Road Central, Central
Tel: 2147 2140 Fax: 2147 2244
Manager: Fong Fung Mei, Marisa

8 **Aberdeen Branch**
Shop B, G/F, Kong Kai Building
184 Aberdeen Main Road, Aberdeen
Tel: 2871 0928 Fax: 2871 0383
Manager: Wong Chun Hoi, Wilson

9 **Shau Kei Wan Branch**
Shop C, G/F, Island Walk,
163 Shau Kei Wan Road, Shau Kei Wan
Tel: 2884 3993 Fax: 2885 9283
Manager: Chan Chi Ho, Eric

10 **Quarry Bay Branch**
Shop 8, G/F, Oceanic Mansion
1010-1026 King's Road, Quarry Bay
Tel: 2856 3880 Fax: 2856 0833
Manager: Wong Kei Man, Allison

KOWLOON

11 **Yaumatei Branch**
G/F, Ek Nam Building
486 Nathan Road, Yaumatei
Tel: 2381 1678 Fax: 2395 6398
Manager: Ngan Pui Shan, Sandy

12 **Kowloon City Branch**
G/F, 15 Nga Tsin Wai Road, Kowloon City
Tel: 2382 0147 Fax: 2718 4281
Manager: Chan Chi Man, Mandy

13 **Hung Hom Branch**
G/F, Hunghom Commercial Centre
37 Ma Tau Wai Road, Hung Hom
Tel: 2363 9213 Fax: 2363 3195
Manager: Choi Kam Yee, Catalina

14 **Kwun Tong Branch**
Unit 2310, Tower 1, Millennium City 1
388 Kwun Tong Road, Kwun Tong
Tel: 2389 9119 Fax: 2389 9969
Manager: Chow Yiu Hung, Howard

15 **Mongkok Branch**
G/F, JCG Building
16 Mongkok Road, Mongkok
Tel: 2391 8393 Fax: 2391 6909
Manager: Chan Shiu Man, Ricky

16 **San Po Kong Branch**
Shop B, G/F, Perfect Industrial Building
31 Tai Yau Street, San Po Kong
Tel: 2326 8318 Fax: 2326 9180
Manager: Wong Lik Kin, Loppy

17 **Cheung Sha Wan Branch**
Unit C2, G/F, 746 Cheung Sha Wan Road
Cheung Sha Wan
Tel: 2786 9858 Fax: 2786 9506
Manager: Leung Siu Fong, Kennis

18 **Wong Tai Sin Branch**
Shop 641-642, 6/F,
Tsz Wan Shan Shopping Centre, Wong Tai Sin
Tel: 2328 7332 Fax: 2328 7991
Manager: Leung Siu Ying, Fanny

19 **To Kwa Wan Branch**
Shop Nos. 109 & 120, G/F,
Block B, I-Feng Mansions
No. 237A To Kwa Wan Road, To Kwa Wan
Tel: 2362 0238 Fax: 2362 3999
Manager: Leung Ho Chuen, Noel

20 **Prince Edward Branch**
G/F, 751 Nathan Road, Prince Edward
Tel: 2397 3830 Fax: 2397 1006
Manager: Ting Lai May, May

21 **Tai Kok Tsui Branch**
Unit B, Shop No. 1, G/F, Tai Moon Building
Cosmopolitan Estate, Nos. 43-59 Tai Tsun Street
Tai Kok Tsui
Tel: 2392 1538 Fax: 2392 1101
Manager: Tsu Shuk Yi, Carmen

22 **Tsim Sha Tsui Branch**
Shop 141-146, 1/F, New Mandarin Plaza,
No. 14 Science Museum Road, Tsim Sha Tsui
Tel: 2721 1218 Fax: 2721 1028
Manager: Chan Wai Cheong, Daniel

NEW TERRITORIES

23 **Yuen Long Branch**
Shop 5, G/F, Fu Ho Building
3-7 Kau Yuk Road, Yuen Long
Tel: 2479 4265 Fax: 2473 3934
Manager: Lam Wong Kan, Kent

24 **Tsuen Wan Branch**
G/F, Victory Court,
185-187 Castle Peak Road, Tsuen Wan
Tel: 2490 4191 Fax: 2490 4811
Manager: Chui Pui Ching, Anny

25 **Kwai Chung Branch**
Shop 102, 1/F, Wealthy Garden,
No. 208 Hing Fong Road, Kwai Chung
Tel: 2480 0002 Fax: 2401 2367
Manager: Tsung Yuen Man, Emily

26 **Tai Po Branch**
Eastmost Shop on G/F,
Nos. 37/39 Po Yick Street, Tai Po
Tel: 2657 2861 Fax: 2657 7389
Manager: Yan Yi Kam, Patrick

27 **Fanling Branch**
G/F, 11 Wo Lung Street
Luen Wo Market, Fanling
Tel: 2669 1559 Fax: 2669 8780
Manager: Chan Sau Ping, Rebecca

28 **Sheung Shui Branch**
G/F, 137 San Shing Avenue, Sheung Shui
Tel: 2639 0307 Fax: 3124 0091
Manager: Kan Wai Man, Daniel

29 **Tuen Mun Branch**
Shop J on G/F, Mai Kei Building
Nos. 124-148 Ho Pong Street, Tuen Mun
Tel: 2440 1298 Fax: 2440 1398
Manager: Sing Tak Wai, Ali

30 **Sai Kung Branch**
G/F, 16 Yi Chun Street, Sai Kung
Tel: 2792 8588 Fax: 2791 0077
Manager: Kee Ka Wai

31 **Tseung Kwan O Branch**
Shop 106, 1/F, Savannah Place,
No. 3 Chi Shin Street, Tseung Kwan O
Tel: 2701 7688 Fax: 2701 7628
Manager: Lam Kwok Sing, Nelson

32 **Shatin Branch**
Shop 4-6B,
Lucky Plaza Commercial Centre, Shatin
Tel: 2601 6308 Fax: 2601 3686
Manager: Chow Wing Hung, Desmond

MAINLAND CHINA

33 **Shenzhen Branch**
No. 3060 Chunfeng Road, Nanhu Street,
Luohu District, Shenzhen
People's Republic of China
Tel : (86-755) 2518 2822
Fax : (86-755) 2518 2327
Manager : Hui Lee Ming, Carmond

34 **Futian Sub-branch**
1-3 Jinrun Mansion, No. 6019 Shennan Road
Futian District, Shenzhen
People's Republic of China
Tel : (86-755) 8280 0026
Fax : (86-755) 8280 0016
Manager : Zheng Shu Fen, Kitty

35 **Shekou Sub-branch**
Shop No. 155-156, Coastal Building (East Block)
Hai De San Dao, Nanshan District, Shenzhen
People's Republic of China
Tel : (86-755) 8627 1388
Fax : (86-755) 8627 0699
Manager : Qi Han Qiao, Ken

36 **Longhua Sub-branch**
No. 110, Block 1, Laimeng Spring Garden
(Land No.: A818-0449), Minzhi Office, Longhua
New District, Shenzhen, People's Republic of China
Tel : (86-755) 2377 7601
Fax : (86-755) 2377 6919
Manager : Wu Yan Wen, Wincy

37 **Qianhai Sub-branch**
Shop No. 0933, Block 9 &12, Phase 2
Zhongzhou Huafu, Xinan Street, Baoan District
Shenzhen, People's Republic of China
Tel : (86-755) 2557 8838
Fax : (86-755) 8228 3559
Manager : Ye Jun Liang, Leo

Shenyang Representative Office
Unit 2907B, No. 262 Shifu Road, Shenhe District
Shenyang, Liaoning Province
People's Republic of China
Tel : (86-24) 2279 1368
Fax : (86-24) 2279 1369
Representative : Li Yu Jie

Shanghai Representative Office
Room I J, 24/F, Jin Sui Mansion
No. 379 South Pu Dong Road, Shanghai
People's Republic of China
Tel : (86-21) 5887 8851
Fax : (86-21) 5887 9951
Representative : Yang Min

Public Finance Limited Branch Network

HEAD OFFICE AND BRANCHES

Head Office
1105-7 Wing On House, 71 Des Voeux Road Central, Central
Tel : 2525 9351 Fax : 2845 0681
P.O. Box : G.P.O. Box 11102
Website : www.publicfinance.com.hk

HONG KONG ISLAND

1 **World-Wide House Central Branch**
Rm 2, 3 and 5, 20/F, World-Wide House
19 Des Voeux Road Central, Central
Tel: 2522 4067 Fax: 2537 3623
Manager: Sze Jane M.

2 **Queen Victoria Street Central Branch**
G/F, 14 Queen Victoria Street, Central
Tel: 2526 6415 Fax: 2877 9088
Manager: Chan Wai, Eddy

3 **Wing On House Central Branch**
11/F., Wing On House
71 Des Voeux Road Central, Central
Tel: 2524 8676 Fax: 2877 9084
Manager: Leung Kwok Chung, Kelvin

4 **Wan Chai Branch**
4/F., CNT House, 120 Johnston Road, Wan Chai
Tel: 2574 6245 Fax: 2893 6653
Manager: Lau Hing Tai, Chris

5 **Russell Street Causeway Bay Branch**
Unit 02A & 03, 30/F, Soundwill Plaza
38 Russell Street, Causeway Bay
Tel: 2891 7028 Fax: 2893 3769
Manager: Kong Wai Man, Raymond

6 **Causeway Bay Branch**
No. 2201-2202, 22/F., Island Beverley
1 Great George Street, Causeway Bay
Tel: 2893 6575 Fax: 2893 2770
Manager: Fung Kit Ying, Irene

7 **North Point Branch**
Shop No. 1, G/F., Wah Hing Building
449-455 King's Road, North Point
Tel: 2561 0160 Fax: 2856 3647
Manager: Lau Siu Kai, Dickie

8 **Shau Kei Wan Branch**
G/F., 134 Shau Kei Wan Road, Sai Wan Ho
Tel: 2567 0461 Fax: 2885 8501
Manager: Li Wing Kin, Nakai

9 **Shek Tong Tsui Branch**
Office No. 1, 11/F, Pacific Plaza
410-418 Des Voeux Road West, Sai Wan
Tel: 2817 6125 Fax: 2817 7618

10 **Western District Branch**
G/F, 161 Des Voeux Road West, Sai Ying Pun
Tel: 2547 9148 Fax: 2546 1142
Manager: Law Tak Lam

11 **Aberdeen Branch**
Shop A, G/F, Kong Kai Building
184-188 Aberdeen Main Road, Aberdeen
Tel: 2553 8231 Fax: 2554 3897
Manager: Lao Pak Tao, Tommy

12 **Chai Wan Branch**
G/F., 77 Block B, Walton Estate
341-343 Chai Wan Road, Chai Wan
Tel: 2557 8003 Fax: 2557 4088

13 **Quarry Bay Branch**
G/F, 14 Hoi Kwong Street, Quarry Bay
Tel: 2516 6368 Fax: 2579 0084
Manager: Chan Ho Ming

14 **Admiralty Branch**
Shop 2010, 2/F, United Centre
95 Queensway, Admiralty
Tel: 2520 1323 Fax: 2520 6889
Manager: Lai Chun Yip

KOWLOON

15 **Star House Branch**
Unit 921, 9/F
Star House, 3 Salisbury Road, Tsim Sha Tsui
Tel: 2730 8395 Fax: 2730 2346
Manager: Chung Wang Wai, Terry

16 **Tsim Sha Tsui Branch**
Shop No. 51-53, 1/F, Harbour Crystal Centre
100 Granville Road, Tsim Sha Tsui East
Tel: 2369 3236 Fax: 2311 0433

17 **Jordan Road Branch**
Shop 2A, G/F, Kent Building
39 & 39A Jordan Road, Jordan
Tel: 2736 4711 Fax: 2314 8432
Manager: Tse Chung Yin, Leo

18 **Nathan Road Branch**
G/F., 480 Nathan Road
Yau Ma Tei
Tel: 2771 5285 Fax: 2770 4127

19 **Mongkok Branch**
Flat B, 1/F, JCG Building, 16 Mongkok Road
Mongkok
Tel: 2394 0253 Fax: 2787 5630
Manager: Tang Ka Mun, Eric

20 **Sham Shui Po Branch**
G/F, 52 Un Chau Street, Sham Shui Po
Tel: 2728 2347 Fax: 2729 9685

21 **Cheung Sha Wan Branch**
Unit C1, G/F, 746 Cheung Sha Wan Road
Cheung Sha Wan
Tel: 2744 5416 Fax: 2785 3634
Manager: Cheung Chun Ming, Jimmy

22 **Hung Hom Branch**
G/F, 130 Ma Tau Wai Road, Hung Hom
Tel: 2334 4307 Fax: 2764 4876

23 **San Po Kong Branch**
G/F, 92 Shung Ling Street, San Po Kong
Tel: 2328 3175 Fax: 2325 4504
Manager: Chan Shun Yiu, Jason

24 **Kowloon City Branch**
Shop LG11C, LG/F, Kowloon City Plaza
128 Carpenter Road, Kowloon City
Tel: 2382 4893 Fax: 2716 4819

25 **Kwun Tong Branch**
Unit 804, 8/F, Kwun Tong View
410 Kwun Tong Road, Kwun Tong
Tel: 2344 0264 Fax: 2763 5427
Manager: Lee Man Fai, Eric

26 **Wong Tai Sin Branch**
G/F, 89 Fung Tak Road
Fung Wong New Village, Wong Tai Sin
Tel: 2320 5112 Fax: 2726 0106
Manager: Tam Chun Fung, Eric

27 **Prince Edward Branch**
Shop D, G/F
785-787A Nathan Road, Prince Edward
Tel: 2380 3260 Fax: 2380 4100
Manager: Lo Chi Wai

28 **Ngau Tau Kok Branch**
Shop 29, G/F, Wang Kwong House
33 Ngau Tau Kok Road, Ngau Tau Kok
Tel: 2757 8299 Fax: 2757 8737

29 **Kowloon Bay Branch**
Shop No. 7, G/F, Exchange Tower
33 Wang Chiu Road, Kowloon Bay
Tel: 2756 7320 Fax: 2758 5706
Manager: Tsoi Tung Fai, Ronnie

30 **Tai Kok Tsui Branch**
Shop 3B, G/F, Tai Wing Building
44-60 Tai Tsun Street, Cosmopolitian Estate
Tai Kok Tsui
Tel: 2791 2033 Fax: 2791 2710
Manager: Lo King Wai, Steve

NEW TERRITORIES

31 **Tseung Kwan O Branch**
Shop No. S12A, G/F., Bauhinia Garden
11 Tong Chun Street, Tseung Kwan O
Tel: 2790 5600 Fax: 2790 5618
Manager: Wong Tsang San

32 **Kwai Chung Branch**
Shop 86A & 88A, 3/F, Kwai Chung Plaza
7-11 Kwai Foo Road, Kwai Chung
Tel: 2420 0121 Fax: 2485 0590
Manager: Yeung Chui Ming

33 **Tsuen Wan Branch**
Unit 1101, 11/F, Kolour • Tsuen Wan I
68 Chung On Street, Tsuen Wan
Tel: 2493 4187 Fax: 2417 4497
Manager: Lee Siu Leung, Keith

34 **Tuen Mun Branch**
Shop 7, G/F, Mei Hang Building, Kai Man Path
Tuen Mun
Tel: 2457 2901 Fax: 2440 2503
Manager: Li Ka Wa, Andrew

35 **Yuen Long Branch**
G/F, 182 Main Road, Yuen Long
Tel: 2476 2146 Fax: 2475 9903
Manager: Kong Tsan Wing, Murphy

36 **Tai Po Branch**
Shop C, G/F, Kwong Fuk Place,
8 Kwong Fuk Road, Tai Po
Tel: 2656 5207 Fax: 2657 7019
Manager: Woo Ying Kam, Alex

37 **Sha Tin Branch**
Portion of Shop 4-6B,
Lucky Plaza Commercial Centre, Sha Tin
Tel: 2699 5633 Fax: 2691 4588
Manager: Law Man Yan

38 **Sheung Shui Branch**
G/F, 6 Lung Sum Avenue, Sheung Shui
Tel: 2673 2729 Fax: 2673 9278
Manager: Fong Tsz Kin, Kenny

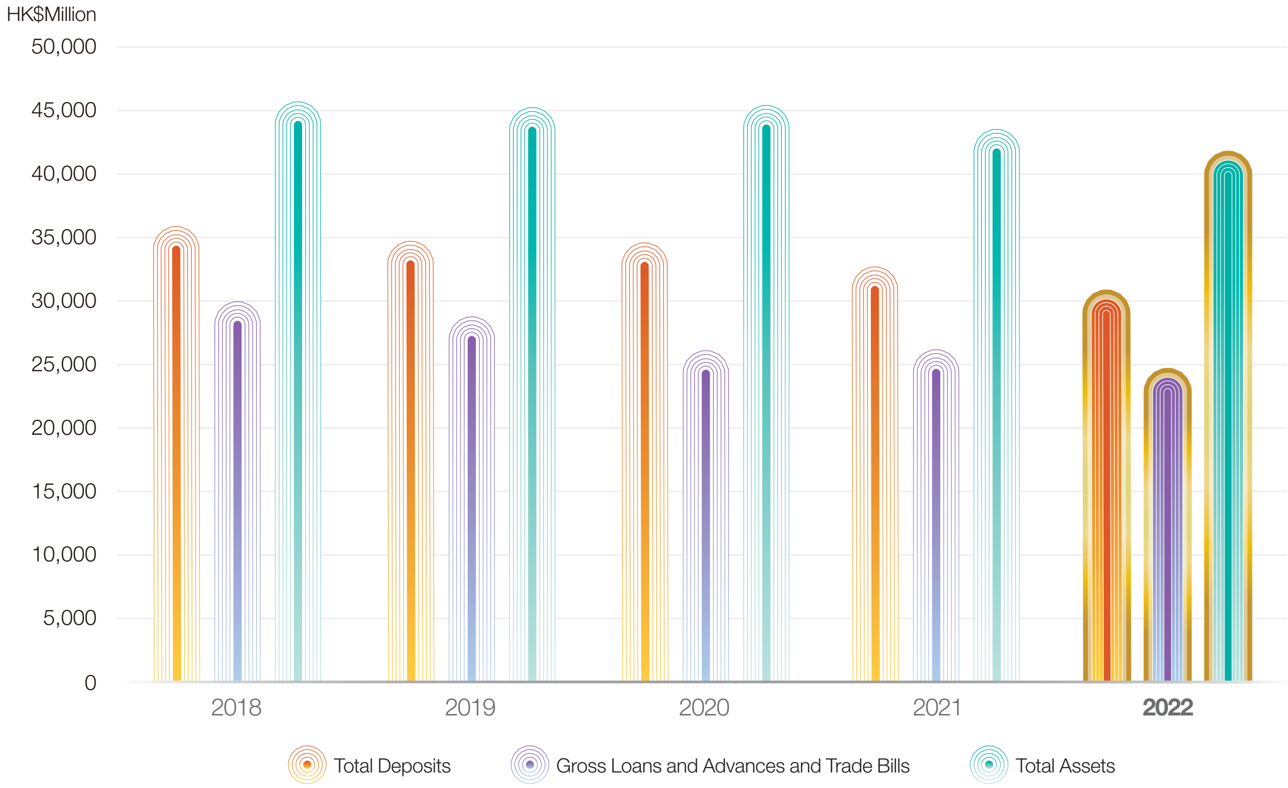
39 **Tai Wai Branch**
Shop E, G/F, On Ting Mansion
49-55 Chik Fu Street, Tai Wai
Tel: 2609 2611 Fax: 2609 4088
Manager: Lai Wing Yee, Maggie

40 **Nan Fung Centre Branch**
Rm 1523, Nan Fung Centre
264-298 Castle Peak Road, Tsuen Wan
Tel: 2414 1198 Fax: 2413 1624
Manager: Hui Sze Yin, Wilfred

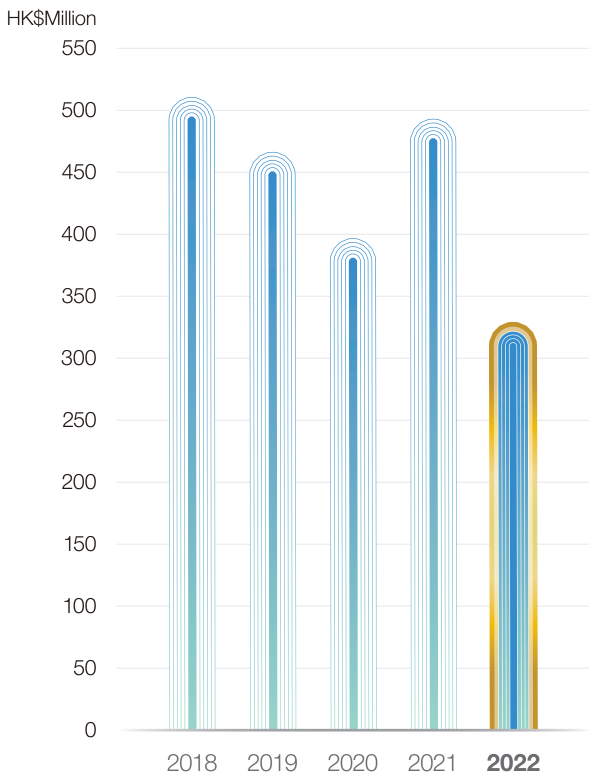
41 **Fanling Branch**
Shop 1, G/F, Wo Fung Court
8 Wo Fung Street, Luen Wo Market, Fanling
Tel: 2669 0260 Fax: 2669 1187
Manager: Lee Wing Fai, Joe

42 **Ma On Shan Branch**
Shop A02, G/F, Ma On Shan Centre
1 On Chun Street, Ma On Shan
Tel: 2621 6428 Fax: 2621 6768

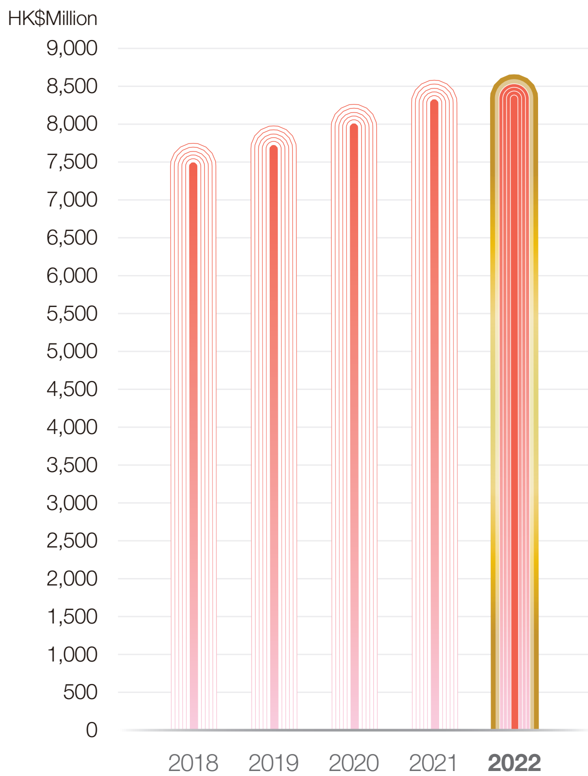
Five-year Financial Summary



Profit



Equity



Five-year Financial Summary

2022 FINANCIAL HIGHLIGHTS

Profit for the year:	**HK$328.7 million**
Gross loans and advances and trade bills:	**HK$24,789.6 million**
Total deposits:	**HK$30,943.6 million**
Equity:	**HK$8,644.6 million**
Earnings per share:	
Basic	**HK$0.299**
Diluted	**HK$0.299**
Total dividends per share:	**HK$0.16**

A summary of the results and of the assets and liabilities of Public Financial Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the last five financial years, as extracted from the published audited financial statements, is set out below.

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Gross cash and short term placements, and placements with banks and financial institutions maturing after one month but not more than twelve months	**5,233,354**	6,611,383	7,996,584	5,977,549	5,510,650
Gross loans and advances and trade bills	**24,789,582**	26,166,163	26,175,702	28,754,802	29,974,965
Gross held-to-collect debt securities at amortised cost	**7,438,241**	6,479,715	6,735,937	6,079,370	6,203,572
Goodwill	**2,774,403**	2,774,403	2,774,403	2,774,403	2,774,403
Other assets	**1,682,351**	1,496,488	1,755,697	1,636,716	1,287,300
Total assets	**41,917,931**	43,528,152	45,438,323	45,222,840	45,750,890
Deposits and balances of banks and other financial institutions at amortised cost	**497,157**	465,638	421,138	787,235	572,712
Customer deposits at amortised cost	**30,446,412**	32,175,337	34,192,747	33,917,425	35,284,322
Dividends payable	**120,771**	164,687	131,750	164,688	186,646
Unsecured bank loans at amortised cost	**1,552,087**	1,579,636	1,575,018	1,542,693	1,444,614
Other liabilities	**656,924**	573,546	852,529	833,413	514,786
Total liabilities	**33,273,351**	34,958,844	37,173,182	37,245,454	38,003,080
Equity	**8,644,580**	8,569,308	8,265,141	7,977,386	7,747,810
Profit for the year	**328,697**	496,461	396,997	466,340	510,478
Basic earnings per share (HK$)	**0.299**	0.452	0.362	0.425	0.465
Diluted earnings per share (HK$)	**0.299**	0.452	0.362	0.425	0.465

Chairman's Statement

I have the pleasure to report the financial results of the Group for the financial year ended 31 December 2022.

Mr. Lai Wan
Chairman

FINANCIAL PERFORMANCE

For the year ended 31 December 2022, the Group recorded a profit after tax of HK$328.7 million, representing a decline of HK$167.8 million or 33.8% compared with the previous year. The Group's basic earnings per share for 2022 was HK$0.30 (2021: HK$0.45).

Total operating income of the Group decreased by HK$141.2 million or 9.3% to HK$1.37 billion mainly due to the lower net interest income by HK$131.0 million driven by the heightened funding cost. Total operating expenses (before changes in fair value of investment properties) decreased marginally by HK$7.5 million or 0.9% to HK$823.6 million, mainly due to decrease in staff-related costs.

The fair value of investment properties decreased by HK$13.2 million to HK$429.3 million during the year under review compared with a revaluation gain of HK$9.0 million in the previous year.

Credit loss expenses increased by HK$39.8 million or 43.8% to HK$130.6 million compared with HK$90.8 million in the previous year. The increase in credit loss expenses was mainly due to increase in credit charge for unsecured consumer financing loans and hire purchase financing affected by the fifth wave of COVID-19 pandemic in Hong Kong, which caused, among others, depreciation in transport licence value during the year under review.

Chairman's Statement

BUSINESS PERFORMANCE

The Group's total loans and advances (including trade bills) decreased by HK$1.38 billion or 5.3% to HK$24.79 billion as at 31 December 2022 from HK$26.17 billion as at 31 December 2021. The decline in loans and advances was mainly due to the subdued loan demand under pandemic situation coupled with certain loan redemptions from commercial borrowers under the higher interest rate environment. The Group's customer deposits decreased by HK$1.73 billion or 5.4% to HK$30.45 billion as at 31 December 2022 from HK$32.18 billion as at 31 December 2021. The decline in customer deposits was due to the limited funding need for supporting subdued lending activities and the Group's funding cost management measures on fixed deposits to minimise the adverse impact on net interest margin.

During the year under review, Public Bank (Hong Kong) Limited ("Public Bank (Hong Kong)"), a wholly-owned subsidiary of the Company, recorded a decrease in total loans and advances (including trade bills) of HK$1.22 billion or 5.9% to HK$19.32 billion as at 31 December 2022 from HK$20.54 billion as at 31 December 2021 and a decrease in customer deposits (excluding deposits from a subsidiary) of HK$1.32 billion or 4.8% to HK$26.42 billion as at 31 December 2022 from HK$27.74 billion as at 31 December 2021.

Public Finance Limited ("Public Finance"), a wholly-owned subsidiary of Public Bank (Hong Kong), recorded a decrease in total loans and advances of HK$134.2 million or 2.6% to HK$5.09 billion as at 31 December 2022 from HK$5.22 billion as at 31 December 2021 and a decrease in customer deposits of HK$394.5 million or 8.4% to HK$4.29 billion as at 31 December 2022 from HK$4.69 billion as at 31 December 2021.

DIVIDENDS

The Board of Directors (the "Board") had declared a first interim dividend of HK$0.05 per share in June 2022 and a second interim dividend of HK$0.11 per share in December 2022, making a total dividend declared for the year of HK$0.16 per share (2021: HK$0.20 per share). The total dividend for 2022 amounted to HK$175.7 million.

BRANCH NETWORK AND BUSINESS STRATEGY

As at 31 December 2022, 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 ("PRC"), and it continued to focus on providing a broad range of commercial and retail banking services to its targeted market segments. Public Finance had a branch network of 42 branches in Hong Kong, and it continued to focus on its core business in personal lending in 2022. Another wholly-owned subsidiary of the Company, Winton Financial Limited ("Winton Financial"), which operates under a money lenders licence, had a branch network of 3 branches in Hong Kong to provide personal financing to its targeted customer segment. Currently, the Group has a combined branch network of 77 branches in Hong Kong and 5 branches in the PRC.

The Group will continue to expand its retail and commercial banking and consumer financing businesses, as well as its wealth management services, stockbroking and securities management fee-based businesses through the extensive branch network of the Group, offering competitive products whilst providing premium customer service. Moving forward, the Group will also allocate more resources to drive the digitalisation process of its financial services and business growth via electronic channels in line with its fintech development plan. The Group will continue to adopt prudent and flexible business strategies and adjust to market and environmental changes accordingly in the expansion of its customer base and business.

The Group will also continue to further improve its operating cost efficiency and effectiveness by optimisation of system and staff resources, streamlining the support services and making use of synergies from the combined branch network of Public Bank (Hong Kong), Public Finance and Winton Financial.

Chairman's Statement

ACKNOWLEDGEMENT

On behalf of the Board, I would like to pay a special tribute and express our deep appreciation to the late Tan Sri Dato' Sri Dr. Teh Hong Piow, who was the Non-Executive Chairman of the Group until his demise on 12 December 2022, for his outstanding and visionary leadership and immeasurable contributions to the Group.

I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, dedication and perseverance, and sincere gratitude to our customers for their invaluable patronage and to the shareholders for their continued confidence in and support for the Group. I would also like to express our appreciation and gratitude to the Hong Kong Monetary Authority (the "HKMA"), the Securities and Futures Commission ("SFC"), The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and other relevant authorities for their invaluable advice, guidance and support.

Lai Wan
Chairman

Management Discussion and Analysis

OVERVIEW

During the year under review, the economy of Hong Kong was adversely affected by the fifth wave of COVID-19 pandemic in Hong Kong though there were signs of gradual economic recovery since the second quarter of 2022 with improved employment situation. In response to the high inflation, the US Federal Reserve accelerated its balance sheet reduction programme and raised its benchmark interest rates seven times in 2022 which had adverse impact on funding costs for the corporate sector. Due to the much higher interest rate environment and heightened geopolitical factors such as the Russia-Ukraine conflicts, there was a downward adjustment on the property price coupled with underperformance in the stock market in 2022 with dampened investment sentiment.

Under the aforesaid challenging operating environment in the year 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 the pace of its funding cost escalation to minimise the adverse impact on its net interest margin. 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 year ended 31 December 2022, the Group recorded a profit after tax of HK$328.7 million, representing a decrease of HK$167.8 million or 33.8% compared with the previous year.

The Group's basic earnings per share for 2022 was HK$0.30. The Board declared a first interim dividend of HK$0.05 per share in June 2022 and a second interim dividend of HK$0.11 per share in December 2022. The Board did not recommend the payment of a final dividend, making a total dividend declared for the year of HK$0.16 per share (2021: HK$0.20 per share).

For the year under review, the Group's interest income increased by HK$51.1 million or 3.5% to HK$1.50 billion contributed mainly from the growth in interest income from bank placements and investments in debt securities under the higher interest rate environment; whilst total interest expense increased by HK$182.1 million or 108.5% to HK$349.9 million mainly due to funding cost escalation on customer deposits. As a result, the Group's net interest income decreased by HK$131.0 million or 10.2% to HK$1.15 billion. Other operating income of the Group decreased by HK$10.2 million or 4.4% to HK$223.0 million mainly due to the decrease in fees and commission income from stockbroking business and lesser gains from foreign exchange activities in the year under review.

Total operating expenses (before changes in fair value of investment properties) decreased marginally by HK$7.5 million or 0.9% to HK$823.6 million, mainly due to decrease in staff-related costs.

The fair value of investment properties decreased by HK$13.2 million during the year under review compared with a revaluation gain of HK$9.0 million in the previous year.

Credit loss expenses increased by HK$39.8 million or 43.8% to HK$130.6 million in 2022 compared with 2021 mainly due to increase in credit charge for unsecured consumer financing loans and hire purchase financing affected by the fifth wave of COVID-19 pandemic in Hong Kong which caused, among others, depreciation in transport licence value during the year under review.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) decreased by HK$1.38 billion or 5.3% to HK$24.79 billion as at 31 December 2022 from HK$26.17 billion as at 31 December 2021. Customer deposits decreased by HK$1.73 billion or 5.4% to HK$30.45 billion as at 31 December 2022 from HK$32.18 billion as at 31 December 2021.

As at 31 December 2022, the Group's total assets stood at HK$41.92 billion.

Key financial and business performance indicators

The Group's return on equity, based on profit after tax to average equity, stood at 3.8% in the year under review. Due to the heightened funding cost, the Group's net interest margin was under downward pressure, but the Group implemented effective cost control and credit risk management to achieve a reasonable return in the highly challenging year of 2022. 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 59.9% despite the increase in information system costs and compliance costs to fulfil or address increasing regulatory requirements. The Group aims to contain operating expenses but will continue to allocate adequate resources to implement digital transformation and strengthen security controls against potential cyber threats.

The Group's impaired loans to total loans ratio stood at a satisfactory level of 1.23% as at 31 December 2022, reflecting that 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 for 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 and a direct subsidiary of the company, recorded a decrease of HK$1.22 billion or 5.9% to HK$19.32 billion as at 31 December 2022 from HK$20.54 billion as at 31 December 2021. Customer deposits (excluding deposits from a subsidiary) decreased by HK$1.32 billion or 4.8% to HK$26.42 billion as at 31 December 2022 from HK$27.74 billion as at 31 December 2021. Impaired loans to total loans ratio of Public Bank (Hong Kong) increased by 0.30% to 1.14% as at 31 December 2022 from 0.84% as at 31 December 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 services and stockbroking businesses.

Public Finance

Total loans and advances of Public Finance, a deposit-taking company and a direct subsidiary of Public Bank (Hong Kong), recorded a decrease of HK$134.2 million or 2.6% to HK$5.09 billion as at 31 December 2022 from HK$5.22 billion as at 31 December 2021. Customer deposits decreased by HK$394.5 million or 8.4% to HK$4.29 billion as at 31 December 2022 from HK$4.69 billion as at 31 December 2021. Impaired loans to total loans ratio of Public Finance increased by 0.26% to 1.44% as at 31 December 2022 from 1.18% as at 31 December 2021.

Public Finance will continue to focus on its consumer financing business and deposit-taking business, and also embark on its digital transformation.

FINANCIAL REVIEW (Continued)

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, 94.7% of the Group's operating income and 98.9% of the profit before tax were contributed by retail and commercial banking businesses. Compared with the previous year, the Group's operating income from retail and commercial banking businesses decreased by HK$133.4 million or 9.3% to HK$1.30 billion mainly due to the decrease in net interest income of the Group as affected by the funding cost escalation. Profit before tax from this segment decreased by HK$161.8 million or 28.7% to HK$402.1 million mainly due to the aforesaid decrease in net interest income as well as the increase in credit loss expenses of unsecured consumer financing loans and hire purchase financing. The Group's operating income from wealth management services, stockbroking and securities management decreased by HK$9.2 million or 14.0% to HK$56.4 million. Profit before tax from this segment decreased by HK$12.7 million or 44.5% to HK$15.8 million during the year under review.

Group's branch network

As at 31 December 2022, Public Bank (Hong Kong) had a branch network of 32 branches in Hong Kong and 5 branches in Shenzhen in the PRC to provide a broad range of commercial and retail banking services. Public Finance had a branch network of 42 branches in Hong Kong to focus on its core business in personal lending. Winton Financial, another operating subsidiary of the Company which operates under a money lenders licence, had a branch network of 3 branches in Hong Kong to provide personal financing to its targeted customer segment. In total, the Group had a combined branch network of 82 branches as at 31 December 2022 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 the provision of retail and commercial banking businesses. The investment cost in the subsidiary amounted to HK$6.59 billion or 71.9% 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$331.2 million on consolidated basis, which represented a return of 5.0% from the Company's investment. Dividend income received from Public Bank (Hong Kong) was HK$230.6 million during the year under review. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) are shown in note 1 to the financial statements of this 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 2022, 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 2022.

Management Discussion and Analysis

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 year 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 cash and cash equivalents are mainly denominated in Hong Kong dollars ("HKD") or United States dollars ("USD"). Its bank borrowings are in the form of term loans denominated in HKD at floating interest rates and stood at approximately HK$1.55 billion as at the end of 2022. Based on the level of bank borrowings compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.18 times as at 31 December 2022, which was relatively the same compared with the position of 31 December 2021. The bank borrowings as at 31 December 2022 had remaining maturity periods of less than three years. 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 year under review.

The consolidated Common Equity Tier 1 ("CET1") capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 24.3% and 25.0% respectively as at 31 December 2022.

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 0.33% to 1.23% as at 31 December 2022 from 0.90% as at 31 December 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 Europe and Russia were assessed as insignificant and manageable as the core operations of the Group are principally based in Hong Kong.

OPERATIONAL REVIEW (Continued)

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. Despite COVID-19 pandemic, staff enrolled in external training courses, seminars, professional and technical courses via electronic means 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 participated in social/charitable activities organised by the Group/non-profit making organisations to promote team spirit and social responsibility to the community.

As at 31 December 2022, the Group's staff force stood at 1,207 employees. For the year ended 31 December 2022, the Group's total staff related costs amounted to HK$511.9 million.

PROSPECTS

Given the recent almost fully relaxed anti-pandemic measures announced by the Hong Kong Government in late December 2022 and gradual resumption of more business activities, the economies of Hong Kong and Mainland China are anticipated to continue on a gradual recovery path in 2023, 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 in view of the recent resurgence of COVID-19 infected cases in both Hong Kong and Mainland China. Accordingly, loan growth momentum in Hong Kong and Mainland China will continue to be constrained, but the situation should improve when the Hong Kong and Mainland China borders are re-opened to the rest of the world.

As inflation remains high, the US Federal Reserve is anticipated to further adjust its benchmark interest rates upward in 2023, which will adversely affect the funding cost of the Group and loan demand of corporate borrowers. The lending rates on the loan book may continue to be constrained by the relatively slow adjustment on HKD prime rate. 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 increases 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.

Management Discussion and Analysis

PROSPECTS (Continued)

The Group will continue to seek loan growth at reasonable yields and manage its funding cost to grow net interest income. 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 for long term productivity and cost efficiency.

The Group will stay vigilant of the uncertainties on the road to recovery ahead and strive to expand its banking and financing businesses with disciplined cost control and prudent risk management in 2023. 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.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to adhere to a high standard of corporate governance to safeguard the interests of shareholders, customers, service vendors, peer banks, regulators, employees and other stakeholders.

The Company has complied with the code provisions ("Code Provision(s)") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation under Code Provision F.2.2 of the CG Code as explained below with considered reason for such deviation.

Under Code Provision F.2.2 of the CG Code, the chairman of the board shall attend the annual general meeting ("AGM"). The late Tan Sri Dato' Sri Dr. Teh Hong Piow, the then Board Chairman of the Company, was absent from the 2022 AGM of the Company held in May 2022 due to other engagement. The 2022 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 the Nomination and Remuneration Committee, and the respective Chairmen of the Board Committees of Public Bank (Hong Kong) and Public Finance who were in Malaysia also participated in the 2022 AGM by electronic means in Malaysia due to the fifth wave of COVID-19 pandemic in Hong Kong to answer questions raised therein, if any.

Save as disclosed above, the principles as set out in the CG Code have been applied in our corporate governance structure throughout the year.

The Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code. The current practices are reviewed and updated regularly to be in line with the local and international corporate governance practices. Public Bank (Hong Kong) and Public Finance, both being the major subsidiaries of the Company, are a licensed bank and a deposit-taking company respectively. They are incorporated in Hong Kong and are under the supervision of the HKMA. The respective Boards are fully committed to adopting and implementing the principles and best practices in corporate governance as set out in the Supervisory Policy Manual Module CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the HKMA. Specialised committees with clear terms of references and specific authorities delegated by the Boards, i.e. the Board Committees, have been set up by Public Bank (Hong Kong) and Public Finance.

Corporate Governance Report

BUSINESS MODEL AND STRATEGY

The Group has the mission to excel in customer service in retail and commercial banking and other businesses whilst maintaining long-term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board and the management have played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion; the input to setting the Group's risk appetite and tolerance levels; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. During the meetings of the Boards, Board Executive Committees, Business Strategy Steering Committees and Management Committees held by the Group companies during the year 2022, strategic priorities and business options were discussed and followed up on the implementation status. Details of the Group's business performance and financial review for the year 2022 are set out in the "Management Discussion and Analysis" section of this annual report.

BOARD OF DIRECTORS

Board Composition

The Board of the Company during the year and up to the date of this annual report comprised:

Non-Executive Directors	:	Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman (Deceased on 12 December 2022) Lai Wan, Chairman (Re-designated from Co-Chairman to Chairman on 18 January 2023) Dato' Chang Kat Kiam Quah Poh Keat Chong Yam Kiang
Independent Non-Executive Directors	:	Lee Chin Guan Tang Wing Chew (Resigned on 25 February 2022) Lim Chao Li Cheah Kim Ling (Appointed on 25 February 2022)
Executive Director	:	Tan Yoke Kong

The Non-Executive Directors provide the Group with a wide range of expertise and knowledge in the banking and finance sector. The Independent Non-Executive Directors are persons of high calibre with academic and professional qualifications in the fields of accounting, law, banking and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company.

BOARD OF DIRECTORS (Continued)

Board Composition (Continued)

The Independent Non-Executive Directors have given annual confirmations of their independence to the Company. From the annual confirmation of Mr. Lee Chin Guan, it is noted that he was appointed a Non-Independent Non-Executive Director instead of an Independent Non-Executive Director of Public Bank Berhad ("Public Bank"), the Company's holding company, on 27 December 2018 since Mr. Lee has a brother-in-law who was working in a senior position in Public Bank. Mr. Lee does not take up any executive roles and duties and is not involved in the daily management of business operations of Public Bank. Mr. Lee is also not involved in the daily management of the Company nor in any relationships or circumstances which would interfere with the exercise of his independent judgment. He continues to demonstrate the attributes of an independent non-executive director and there is no evidence that his tenure has had any impact on his independence. The Company considers these Directors including Mr. Lee to be independent under Rule 3.13 of the Listing Rules. Since Mr. Lee Chin Guan will retire and be subject to rotation and re-election at the 2023 AGM, the reasons why the Board believes that Mr. Lee is still independent and should be re-elected will be included in a circular to shareholders, and his re-appointment will be subject to a separate resolution to be approved at the 2023 AGM.

Biographical details of the Directors are set out in the "Brief Biography of Directors" section of this annual report. No relationship (including financial, business, family or other material/relevant relationship(s), if any), is between the Board members and in particular, between the Chairman/Co-Chairman of the Board and the Chief Executive.

The updated list of Directors of the Company identifying the roles and functions of the Directors and whether they are Independent Non-Executive Directors is available on the websites of the Company and of the Stock Exchange. Independent Non-Executive Directors are also identified as such in all corporate communications that disclose the names of Directors of the Company.

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks identification and internal controls over business operations, and ensures good corporate governance and compliance with legal and regulatory requirements. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

Board Independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination and Remuneration Committee, to ensure their effectiveness:

1. Three out of the eight Directors are Independent Non-Executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three Independent Non-Executive Directors and must appoint Independent Non-Executive Directors representing at least one-third of the Board.

2. The Nomination and Remuneration Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new Independent Non-Executive Director before appointment and also the continued independence of existing Independent Non-Executive Directors and their time commitments annually. On an annual basis, all Independent Non-Executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. The Nomination and Remuneration Committee will conduct the performance evaluation of the Independent Non-Executive Directors annually to assess their contributions.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Board Independence (Continued)

4. External independent professional advice is available as and when required by individual Directors.

5. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings.

6. No equity-based remuneration with performance-related elements will be granted to Independent Non-Executive Directors.

7. A Director (including Independent Non-Executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

8. The Chairman/Co-Chairman of the Board meets with Independent Non-Executive Directors annually without the presence of the Executive Director and Non-Executive Directors.

Board Process

The schedule of Board meetings for a year is planned in the preceding year. At least 14 days' notice of all Board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Board in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying Board papers are sent to all Directors at least 7 days before the date of Board meeting so that the Directors have the time to review the documents. Queries raised by Directors will receive a prompt and full response, if possible.

During the year, Board meetings were chaired by the Non-Executive Co-Chairman who had the responsibility of ensuring that each of the agenda items was adequately reviewed and thoroughly deliberated within a reasonable time frame. During his absence, one of the Directors as nominated by him in writing would assume the role as the Chairman of the meeting.

A Director is required to abstain from deliberations and decisions of the Board on matters where he is the interested party, and he does not exercise any influence over the Board in respect of the matter. In the event a corporate proposal is required to be approved by shareholders, interested Directors are required to abstain from voting on their shares held in the Company on the shareholders' resolutions pertaining to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the relevant shareholders' resolutions.

Minutes of each Board meeting record in sufficient details the matters considered and decisions made, including any concerns or views of the Directors or dissenting views expressed. Final drafts of minutes are circulated to all Directors for their perusal prior to confirmation of the minutes at the subsequent Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation. Upon receiving confirmation from the members at the Board meetings, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting and kept by the Company Secretary, and are open for inspection by Directors.

Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively, and has the liberty to seek external professional advice if so required. The cost of procuring these professional services will be borne by the Company. The Board also has direct access to the Senior Management and has unrestricted and immediate access to any information relating to the Company's business and affairs in the discharge of their duties.

BOARD OF DIRECTORS (Continued)

Board Process (Continued)

The Directors may request to be furnished with additional information or clarification, particularly in respect of complex and technical issues tabled to the Board.

During the year, nine scheduled Board meetings and two general meetings (i.e. an AGM and a Special General Meeting ("SGM")) were held.

Details of Directors' attendance at the Board meetings, Board Committee meetings and general meetings in 2022 are set out as follows:

	Number of meetings attended/held in 2022						
		Board Committees				General Meetings	
Directors	**Board**	**Audit Committee**	**Nomination and Remuneration Committee**	**Risk Management Committee of Public Bank (Hong Kong)**	**Risk Management Committee of Public Finance**	**AGM**	**SGM**
Number of meetings held during the year	9	7	3	6	6	1	1
Non-Executive Directors							
Tan Sri Dato' Sri Dr. Teh Hong Piow (Chairman) *(Note 1)*	8/9△	N/A	N/A	N/A	N/A	0/1	0/1
Lai Wan (Chairman) *(Note 2)*	9/9△	7/7	3/3	6/6	6/6	1/1	1/1
Dato' Chang Kat Kiam	9/9	7/7*	3/3*	6/6	6/6	1/1	1/1
Quah Poh Keat	9/9	7/7	3/3	6/6*	6/6	1/1	1/1
Chong Yam Kiang	9/9	7/7#	N/A	N/A	6/6#	1/1	1/1
Independent Non-Executive Directors							
Lee Chin Guan	9/9	7/7	3/3	6/6△	6/6△	1/1	1/1
Tang Wing Chew *(Note 3)*	2/2, 7/7*	2/2△, 5/5*	1/1, 2/2*	4/4, 2/2*	4/4, 2/2*	N/A	N/A
Lim Chao Li	9/9	7/7	3/3△	6/6	6/6	1/1	1/1
Cheah Kim Ling *(Note 4)*	7/7	5/5△	2/2	2/2	2/2	1/1	1/1
Executive Director							
Tan Yoke Kong	9/9	7/7#	3/3*	6/6#	N/A	1/1	1/1
Average Attendance Rate	99%	100%	100%	100%	100%	89%	89%

△ *Chairman of Board/Board Committee*

* *By invitation*

\# *In attendance*

Corporate Governance Report

BOARD OF DIRECTORS (Continued)
Board Process (Continued)

Notes:

1. *Deceased on 12 December 2022.*

2. *Re-designated from Co-Chairman to Chairman on 18 January 2023.*

3. *Resigned as Independent Non-Executive Director, and ceased to be the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee of the Company on 25 February 2022.*

   Resigned as Independent Non-Executive Director and ceased to be a member of Risk Management Committee of Public Bank (Hong Kong) on 15 August 2022.

   Re-designated from Independent Non-Executive Director to Non-Executive Director and ceased to be a member of Risk Management Committee of Public Finance on 15 August 2022.

   Mr. Tang continued to attend meetings as adviser after the aforesaid resignation and cessation.

4. *Appointed as Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee of the Company on 25 February 2022.*

   Appointed as Independent Non-Executive Director and a member of Risk Management Committees of Public Bank (Hong Kong) and Public Finance on 15 August 2022.

Board meetings were held to perform various board functions, including to discuss the business strategies of the Group; approve the Group's financial budget; monitor financial and operational performance; approve the annual and interim results and their release to the public; approve the payments of interim dividends; and set measurable objectives for the Board Diversity Policy, etc.

During the year, a meeting of the Co-Chairman and the Independent Non-Executive Directors without the presence of executives or other representatives of the Group was held to discuss issues that they wish to raise at the Board.

During the year, the Independent Non-Executive Directors also met with the external auditors in the absence of Executive Director and management to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise.

A joint meeting of Independent Non-Executive Directors with Internal Audit, Risk Management and Compliance functions of Public Bank (Hong Kong) and Public Finance without the presence of Executive Directors and management was also held to discuss any issues they wish to raise.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive

During the year, the Chairman and the Chief Executive of the Company were the late Tan Sri Dato' Sri Dr. Teh Hong Piow and Mr. Tan Yoke Kong respectively. Mr. Lai Wan, a Non-Executive Director, was the Co-Chairman of the Company to assist and share the duties and functions of the Chairman.

The roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board and ensuring that good corporate governance practices and procedures are established, while the Chief Executive is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive has been clearly established and set out in writing.

In view of the demise of Tan Sri Dato' Sri Dr. Teh Hong Piow on 12 December 2022, Mr. Lai Wan was re-designated from Non-Executive Co-Chairman to Non-Executive Chairman of the Company on 18 January 2023.

Appointment and Re-election of Directors

The Nomination and Remuneration Committee is responsible for assessing the candidate for appointment as Director and submit recommendation to the Board for consideration and approval.

The Bye-laws of the Company also provides that at every AGM of the Company, one-third of the Directors for the time being or the number nearest to but not less than one-third, and those Directors newly appointed subsequent to the preceding AGM, shall retire from office and shall be eligible for re-election. The performance of those Directors who are subject to re-election at the AGM of the Company will be assessed by the Nomination and Remuneration Committee and recommended to the Board to decide the tabling of the proposed re-election of Directors for shareholders' approval at the AGM.

All Directors are appointed subject to retirement by rotation and re-election at the AGM of the Company in accordance with the provision of the Company's Bye-laws.

Company Secretary

The Joint-secretaries, Mr. Tan Yoke Kong and Ms. Chan Sau Kuen, both are employees of the Company, play an important role in supporting the Board by ensuring good information flow within the Board and the Board Committees; and disseminating the decisions/policies made by the Board/Board Committees to relevant departments/staff for follow up/implementation, and ensure that the Board policies and procedures are followed by various business units, departments and employees of the Group. They are also responsible for ensuring that the relevant rules and regulations issued by the regulatory authorities as well as the Company's Memorandum of Association and Bye-laws are complied with. The Joint-secretaries assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes of the Company. They also attend and ensure that all Board and Board Committee meetings are properly convened, and that accurate and proper record of the proceedings and resolutions passed are taken and maintained.

The Joint-secretaries assist the Chairman in ensuring efficient flow of information from the Board or Board Committees to management for action. The Board approves the selection, appointment or dismissal of the Joint-secretaries via physical meetings. The Joint-secretaries report to the Board Chairman and/or the Chief Executive of the Company. All Directors have direct access to the advice and services of the Joint-secretaries.

During the year, both Joint-secretaries have taken no less than 15 hours of relevant professional training.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Directors' Training and Professional Development

All Directors shall keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable training for its Directors. Accordingly, the Company has put in place a training and development programme for the Directors including: (i) a comprehensive induction programme on the laws and regulations affecting directors and the Company, business operations, knowledge and current development of the banking and finance industry and the role, responsibilities and potential liabilities of directors for newly appointed Directors; and (ii) an on-going training and professional development programme for the Directors.

During the year, all the Directors have participated in a series of training which included, among others:

– development of national and global economy;

– corporate governance issues;

– regulatory updates; and

– banking industry development trend, etc.

The Directors have provided to the Company their records of training received in the year. All the then Directors of the Company namely the late Tan Sri Dato' Sri Dr. Teh Hong Piow, Mr. Lai Wan, Mr. Tan Yoke Kong, Dato' Chang Kat Kiam, Mr. Quah Poh Keat, Mr. Chong Yam Kiang, Mr. Lee Chin Guan, Mr. Tang Wing Chew, Mr. Lim Chao Li and Ms. Cheah Kim Ling complied with Code Provision C.1.4 of the CG Code during the year. The Nomination and Remuneration Committee conducted annual review of training attended by the Directors during the year.

During the year, the Directors of the Company were also provided with monthly commentaries on the Group's business, operations, and financial matters as well as regular updates on applicable legal and regulatory requirements.

Directors' Code of Ethics

The Directors observe a code of ethics (the "Code of Ethics") which has been formulated and adopted by the Company, to enhance the standard of corporate governance and corporate behaviour. The principles on which the Code of Ethics relies are those that concern corporate culture and values, transparency, integrity, accountability, corporate social responsibility and long-term sustainability, taking into account the relevant provisions/requirements by the governing authorities. If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a Board meeting at which the Independent Non-Executive Directors who, and whose close associates, have no material interest in the transaction shall be present. Under the Bye-laws of the Company, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement or other proposal in which he/she or any of his/her associate(s) has/have any material interest.

Directors' Securities Transactions

The Company has adopted its own code for securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code and the Company's own code for securities transactions by Directors throughout the year.

BOARD OF DIRECTORS (Continued)

Indemnification of Directors and Officers

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding the office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Board Diversity Policy

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Board has adopted a Board Diversity Policy, which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills, experience and background at the Board level. The Company also takes into consideration the benefits of diversity on the Board without focusing on a single diversity aspect in determining the optimal composition of the Board. Selection of candidates will follow the Group's Director Nomination Policy and also take into account this Policy.

On recommendation from the Nomination and Remuneration Committee, the Board will set measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. Nomination and Remuneration Committee will review the Board Diversity Policy at least annually to ensure its continued effectiveness from time to time.

The Board Diversity Policy is available on the website of the Company for public information.

For the year ended 31 December 2022, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Company's Board Diversity Policy was consistently implemented. As at the date of this annual report, the Board consists of one female and seven male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Currently, the male to female ratio in the workforce of the Group including Senior Management is approximately 2:3 which is in line with the banking industry and the population spread of Hong Kong. The Board considers that the gender diversity in workforce is currently achieved.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Director Nomination Policy

Director Nomination Policy of the Group is in place and was updated in the year. The updated Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board of Directors. Ms. Cheah Kim Ling has been nominated to the Boards of the Company, Public Bank (Hong Kong) and Public Finance as Independent Non-Executive Director in 2022 in accordance with the Policy.

Corporate Governance Policy

The Group believes that good corporate governance practices are essential for effective management to enhancing shareholders' value. The Board has adopted a Corporate Governance Policy which sets out the approach in maintaining a high standard of corporate governance practices and procedures in the Group.

The corporate governance principles of the Group emphasise on maintaining an effective Board, sound risk management and internal control systems, high standards of corporate responsibility and sustainability, and high degree of transparency and accountability, and thereby safeguard the interests of our shareholders, customers, employees and other stakeholders in a sustainable manner.

The Corporate Governance Policy sets out the following principles to follow in respect of the corporate governance practices of the Group:

1. To maintain an excellent Board with balanced composition of Board members and support from various Board Committees and Management Committees.

2. To achieve Board diversity pursuant to the Board Diversity Policy of the Company.

3. To formulate and oversee the risk management strategies, and the related framework and policies with the assistance of the Risk Management Committees ("RMCs") of Public Bank (Hong Kong) and Public Finance and other specific risk oversight Committees.

4. To ensure that there is a sound and fair remuneration system in place.

5. To provide a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities, and to maintain sound risk management and internal control systems and review their adequacy and effectiveness from time to time.

6. To maintain effective communications with shareholders to solicit and understand their views and keep the shareholders informed of the business and affairs of the Company by maintaining various channels of communications and having direct dialogue with shareholders. Shareholders' Communication Policy is in place to ensure effective ongoing dialogue with the shareholders.

7. To protect and serve, with due care and consideration of, the interest of all stakeholders.

8. To develop the Group's business in a sustainable way and participate in activities that are beneficial to the sustainable growth of the Group and the community.

9. To review and enhance its Corporate Governance Policy to ensure that it is in line with local and international corporate governance practices, and to disclose information concerning the Group in a timely, clear and objective manner.

BOARD OF DIRECTORS (Continued)

Corporate Governance Policy (Continued)

During the year, the Board had performed the following corporate governance functions which are included in the Board's terms of reference:

1. Reviewed the structure, size and composition of the Board pursuant to Code Provision B.3.1(a) of the CG Code under the Listing Rules.

2. Reviewed and discussed the Board Diversity Policy.

3. Reviewed the governance procedures and practices of the Group.

4. Reviewed and approved the amendments to: (i) Corporate Social Responsibility Policy; (ii) Corporate Governance Policy; (iii) Director Attendance Policy; (iv) Board Diversity Policy; (v) Directors' Code of Ethics; (vi) Director Nomination Policy; (vii) Succession Planning Policy; (viii) Shareholders' Communication Policy; (ix) Inside Information Disclosure Policy; (x) Procedures for Shareholders to Propose a Person for Election as a Director of the Company; and (xi) Supplier Code of Conduct.

5. Conducted annual review of (i) Code for Securities Transactions by Directors and Relevant Employees; (ii) Division of Responsibilities between the Chairman and the Chief Executive; and (iii) Policy on Payment of Dividend.

6. Reviewed the training, professional development and time commitment disclosure of the Directors.

BOARD COMMITTEES

Audit Committee

As at 31 December 2022, the Audit Committee of the Company comprised three Independent Non-Executive Directors and two Non-Executive Directors, and chaired by an Independent Non-Executive Director.

The major roles and functions of the Company's Audit Committee are as follows:

1. To draw up, review and update periodically a written charter of the Audit Committee for the Board's approval.

2. To evaluate and approve the appointment, replacement, dismissal, performance and remuneration of the Head of Internal Audit.

3. To approve the recruitment and dismissal of the managerial staff of Internal Audit Department.

4. To evaluate and approve the performance and remuneration of the managerial staff of Internal Audit Department.

5. To review the internal audit charter drawn up and updated periodically by the Head of Internal Audit, and recommend to the Board for approval.

6. To consider the appointment, re-appointment and removal of the external auditors, the audit fees, terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors in the Group.

Corporate Governance Report

BOARD COMMITTEES (Continued)
Audit Committee (Continued)

7. To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discuss with the external auditors on the nature and scope of the audit.

8. To develop and implement policy on the engagement of an external auditor to supply non-audit services.

9. To ensure the integrity of the Group's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them, before recommending to the Board for approval.

10. To discuss matters arising from the interim and final audits, and any matters the auditors may wish to discuss, and consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors.

11. To review the Group's financial control, internal control and risk management systems.

12. To discuss and review the risk management and internal control systems and ensure that management has discharged its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.

13. To approve the audit plan and internal audit framework, review the effectiveness of internal audit programme, ensure co-ordination between the internal and external auditors as well as regulatory authorities, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness.

14. To review reports of the Internal Audit Department and the internal audit function's work, including overall conclusions or assessments, key findings, material risks and issues, and follow-up of management's resolution of identified issues.

15. To establish a mechanism to assess the performance and effectiveness of the internal audit function.

16. To consider the major findings of internal investigations and management's response.

17. To review significant recommendations made by Internal Audit Department and management plans for their implementation.

18. To review the Group's financial and accounting policies and practices.

19. To review the external auditors' management letters, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response, and to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.

BOARD COMMITTEES (Continued)
Audit Committee (Continued)

20. To establish a whistleblowing policy and system for employees of the Group and those who deal with the Group to raise concerns, in confidence and without the risk of reprisals, about possible improprieties in financial reporting, internal control or other matters related to the Group and to ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action.

21. To review the effectiveness of the whistleblowing policy and system from time to time and the results of the review shall be reported to the Audit Committee at least annually.

22. To act as the key representative body for overseeing the Group's relation with the external auditors and the regulatory authorities.

The terms of reference of the Audit Committee are available on the websites of the Company and of the Stock Exchange.

The Audit Committee meets at least four times a year. Seven meetings were held during the year, three of which were in the presence of the external auditors. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action where appropriate.

During the year, the Audit Committee had performed the following work:

1. Reviewed the financial results and reports of the Group for the year ended 31 December 2021 and for the six months ended 30 June 2022.

2. Reviewed the audit progress, findings and recommendations of Internal Audit Departments on the operations and performance of the branches and departments of Public Bank (Hong Kong), Public Finance and other subsidiaries of the Group.

3. Reviewed the management's assessment on the re-appointment of the external auditors for the financial year ended 31 December 2022 and proposed the re-appointment of Messrs. Ernst & Young as the external auditors for 2022.

4. Approved the internal audit plan for 2023 of Winton (B.V.I.) Limited and its subsidiaries.

5. Reviewed the adequacy and effectiveness of risk management and internal control systems and processes of the Group for the year ended 31 December 2021.

6. Reviewed the external auditors' statutory audit plan, audit scope, engagement letters and audit results.

7. Reviewed a letter issued by external auditors pursuant to paragraph 290.28 of the Code of Ethics for Professional Accountants and the external auditor's report on the 2021 audit results.

8. Reviewed the validation results of Hong Kong Financial Reporting Standard 9 ("HKFRS 9") Model.

9. Noted the meeting minutes of the Audit Committees of Public Bank (Hong Kong) and Public Finance.

10. Noted the revised Internal Audit Succession Planning Frameworks of Public Bank (Hong Kong) and Public Finance.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

11. Noted the revised Audit Grading Frameworks of Public Bank (Hong Kong) and Public Finance.

12. Noted the revised Internal Audit Competency Frameworks of Public Bank (Hong Kong) and Public Finance.

13. Noted the revised Risk Assessment and Audit Planning Frameworks of Public Bank (Hong Kong) and Public Finance.

14. Reviewed and concurred the revised terms of reference of the Audit Committee.

15. Reviewed and concurred with the proposed Whistleblowing Policy and Procedures for Winton Financial.

16. Noted the proposed frequency and scope of internal audit's review on the management of money laundering/terrorism financing risks of Public Bank (Hong Kong) and Public Finance, and concurred the same of Winton (B.V.I.) Limited and its subsidiaries.

17. Noted the revised Internal Audit Charters of Public Bank (Hong Kong) and Public Finance.

18. Noted the 2023 Internal Audit Plans of Public Bank (Hong Kong) and Public Finance.

19. Noted the Internal Audit's Annual Assurance Statements for 2022 of Public Bank (Hong Kong) and Public Finance.

20. Noted the 2023 Training Plan for Public Bank (Hong Kong) and Public Finance's internal auditors.

21. Reviewed and considered the adoption of the Whistleblowing Policy and Procedures of Public Bank (Hong Kong) which applied to the Company.

22. Reviewed the revised HKFRS 9 Expected Credit Loss Allowance and Provision Model Paper.

23. Reviewed and discussed the whistleblowing cases reported.

Public Bank (Hong Kong) and Public Finance have established their respective Audit Committees with almost the same composition of members and similar terms of reference as those of the Company's Audit Committee, pursuant to the requirements of the HKMA. These Committees held regular meetings during the year to perform their functions as specified in the terms of reference.

BOARD COMMITTEES (Continued)

Nomination and Remuneration Committee

As at 31 December 2022, the Nomination and Remuneration Committee of the Company comprised three Independent Non-Executive Directors and two Non-Executive Directors, and chaired by an Independent Non-Executive Director.

The major roles and functions of the Company's Nomination and Remuneration Committee are as follows:

1. To assess and recommend to the Board suitable persons for appointment as Directors, Board Committee members, Chief Executive and Senior Management positions.

2. In the case of persons for appointment as Independent Non-Executive Director, to assess that the person meets the criteria of Independent Non-Executive Director as may be defined in the Listing Rules of the Stock Exchange, and also to perform the annual assessment.

3. To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competence, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Non-Executive Directors through annual review, with due regard for the benefits of diversity on the Board and the Company's corporate strategy.

4. To recommend to the Board the succession planning for Directors, in particular the Chairman, Chief Executive and Senior Management.

5. To ensure that all Directors receive appropriate continuous training programmes.

6. To review annually and recommend to the Board the remuneration policy and structure for the Directors, Chief Executive and Senior Management.

7. To oversee the performance evaluation of the Executive Directors, Chief Executive and Senior Management and recommend to the Board their remuneration packages, promotions, specific adjustments in remuneration and/or reward payments, if any.

8. To make recommendations to the Board on the remuneration of Non-Executive Directors and to ensure that the level of remuneration for Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

9. To review and recommend to the Board the compensation payable to the Executive Directors, Chief Executive and Senior Management in connection with any loss or termination of their office or appointment.

10. To review and recommend to the Board the compensation arrangements relating to dismissal or removal of Directors for misconduct.

11. Keeps abreast of the terms and conditions of service of the Executive Directors, Chief Executive and Senior Management including their total remuneration package for market comparability; and reviews and recommends changes to the Board whenever necessary.

12. To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Nomination and Remuneration Committee (Continued)

The Nomination and Remuneration Committee is authorised by the Board to investigate any activity within its terms of reference and to obtain legal or other independent professional advice at the Company's expense.

The terms of reference of the Nomination and Remuneration Committee are available on the websites of the Company and of the Stock Exchange.

The Nomination and Remuneration Committee meets at least once a year. Three meetings were held during the year.

During the year, the Nomination and Remuneration Committee reviewed and noted, inter-alia, movement of senior staff in the Group; annual salary review for employees; the size, composition and structure of the Board; the governance procedures and practices; results of annual assessment on effectiveness of the Board, Board Committees, Non-Executive Directors and the Chief Executive for the year 2021; assessment of independence of the Independent Non-Executive Directors; time commitment disclosure of the Directors; training attended by the Directors; and the review result of the implementation and effectiveness of the Shareholders' Communication Policy. In addition, it also reviewed and recommended to the Board for approval: (i) re-election of retiring Directors; (ii) the revised terms of reference of the Nomination and Remuneration Committee; (iii) the proposed changes to the composition of the Board and Board Committees of the Company and the proposed appointment of Ms. Cheah Kim Ling as Independent Non-Executive Director of the Company; (iv) the amendments to various policies relating to Directors and/or corporate governance matters; (v) the Board Diversity Policy, its progress on achieving pre-set objectives and setting measurable objectives for 2023; (vi) Succession Planning Policy for Senior Management positions; (vii) Directors' fees for 2021; (viii) staff annual increment for 2022; (ix) discretionary bonus and merit bonus for 2021; and (x) the revised salary structure of employees.

The emolument payable to Directors depends on their respective contractual terms under employment contracts, if any, and as recommended by the Nomination and Remuneration Committee and approved by the Board. Details of the Directors' remuneration are set out in note 13 to the financial statements.

Pursuant to the requirements of the HKMA, Public Bank (Hong Kong) and Public Finance have established their respective Nomination and Remuneration Committees, both having almost the same composition of members and similar terms of reference as those of the Company's Nomination and Remuneration Committee. These Committees held meetings during the year to perform their functions as specified in the terms of reference.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of the Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. Audit Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements. Management provides sufficient explanation and information to the Board/Audit Committee to enable it to make an informed assessment of financial and other information put before it for approval.

The Directors acknowledge their responsibilities for preparing the accounts of the Company. As at 31 December 2022, the Directors were not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors with respect to financial reporting and auditing are set out in the Independent Auditor's Report attached to this annual report.

Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Ernst & Young, is set out as follows:

Services rendered	**Fees paid/payable HK$'000**
Audit services	**4,321**
Non-audit services*	**282**
Total:	**4,603**

* *The non-audit service fees paid/payable to the external auditors were for advice on operations, accounting and taxation matters and for preparation, review and submission of tax returns. The provision of these services by external auditors to the Company and the Group were cost effective and efficient due to their knowledge and understanding of the operations of the Company and the Group.*

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Continued)
Risk Management and Internal Controls
The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound systems of risk management and internal controls and also reviewing their effectiveness to safeguard interests of shareholders, customers, employees, and the Group's assets. However, such systems are designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board has established an on-going process for identifying, evaluating and managing the significant risks (including environmental, social and governance ("ESG") risks) faced by the Group and this process includes enhancing the systems of risk management and internal controls from time to time in response to the changes to the business environment or regulatory guidelines.

Management assists the Board in the implementation of the Group's policies, procedures and limits within the Board's approved risk appetite by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The adequacy and effectiveness of the systems of risk management and internal controls of the Group are annually reviewed by the Board. The review covers all material controls, including financial, operational and compliance controls as well as the process for the identification, evaluation and management of the significant risks (including ESG risks) faced by the Company and the Group. The Board also reviews the adequacy of resources, employees' qualifications and experience, their training programmes, and budget of the Group's accounting, compliance, risk management, internal audit and financial reporting functions as well as those relating to the Group's ESG performance and reporting.

Key Risk Management and Internal Control Processes
The Group adopts the risk management framework of Public Bank Group, the parent bank group of the Company, with enhancements taking into account the operating environment and regulatory requirements in Hong Kong and Mainland China. The main features of the Group's systems of risk management and internal controls and the key processes that have been established in reviewing the adequacy and effectiveness of the aforesaid systems are stated below.

Group Risk Management Governance and Framework
The Board established a governance structure that is designed to govern the Group's business activities to be:

- consistent with the Group's overall business objectives and risk appetite
- conducted within clearly defined lines of responsibility, authority limits, and accountability aligned to risk management and control responsibilities
- subjected to adequate risk management and internal controls

Risk Management Committees
The RMCs of Public Bank (Hong Kong) and Public Finance are delegated by the respective Boards to oversee and manage all identified risks on an ongoing basis. They have also taken up the risk management functions and duties of the Group. Each of the RMCs is assisted by the specialised risk/compliance committees namely Assets and Liabilities Management Committee ("ALCO"), Operational Risk Management Committee ("ORMC"), Credit Risk Management Committee ("CRMC"), Anti-Money Laundering and Counter-Terrorist Financing (AML) and Compliance Committee, and Internal Capital Adequacy Assessment Process ("ICAAP") and Risk Management Working Group or equivalent committees with similar functions under Public Bank (Hong Kong) and Public Finance. The detailed functions of the specialised committees are set out in the "Other Committees Established in the Group" section of the Corporate Governance Report of this annual report.

ACCOUNTABILITY AND AUDIT (Continued)

Key Risk Management and Internal Control Processes (Continued)

Group Risk Management Governance and Framework (Continued)

Risk Management Committees (Continued)

As at 31 December 2022, RMCs of Public Bank (Hong Kong) and Public Finance comprised three Independent Non-Executive Directors and two Non-Executive Directors, and each was chaired by an Independent Non-Executive Director.

The major roles and functions of the RMCs are as follows:

1. To oversee the overall management of all risks covering market risk management, liquidity risk management, credit risk management, operational risk management, cyber security risk management, climate risk management and compliance risk management.

2. To review and approve major risk related policies and major risk tolerance limits which have potential material impact on risk profile and financial position at company-wide level, and to table to the Board for noting subsequently.

3. To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.

4. To review emerging risks and results of comprehensive risk assessment.

5. To ensure infrastructure, resources and systems are in place for compliance assessment and risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the risk taking activities and is reinforced with an effective compliance function and subject to an independent internal audit review.

6. To approve the appointment, resignation or dismissal of the Head of Compliance and Head of Risk Management, and evaluate their performance and remuneration.

7. To coordinate with Audit Committee to understand how the internal audit work plan and compliance work plan are aligned with the risks that have been identified so as to obtain assurance that the identified risks are managed in an integrated manner.

8. To oversee Senior Management's actions to ensure consistency with the risk strategy and policies approved by the Board including the risk appetite.

9. To approve policies and methodologies in assessing the compliance profile.

10. To review and concur with the revision of the compliance policy and to oversee its implementation.

The terms of references of the RMCs are available on the website of the Company.

The RMCs meet generally six times a year. Six meetings of each Committee were held during the year. The minutes of RMCs' meetings were tabled to their respective Boards for noting and for action where appropriate. Such minutes were also tabled to the Board of the Company for noting.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Continued)
Key Risk Management and Internal Control Processes (Continued)
Group Risk Management Governance and Framework (Continued)
Risk Management Committees (Continued)

During the year, the RMCs have reviewed the Group's risk appetite which defines the amount and type of risks that the Group is able and willing to accept in pursuit of its business objectives. The Group's risk appetite sets out the level of risk tolerance and limits to govern, manage and control the Group's risk-taking business activities. The strategic objectives, business plans, desired risk profile and capital plans are required to be aligned with the risk appetite. The setting, cascading, monitoring and review of the Group's risk appetite are governed by the processes as set out in the Group's Risk Management Policies.

The Group's ICAAP is in place to assess the adequacy of capital to support the risk-taking business activities of the Group. It involves the identification and assessment of risk areas that are applicable to the Group and that adequate capital is set aside to support the aforesaid activities. The Group's risk management policies, which set out the fundamental principles on risk governance, are to drive the development of risk management practices and tools which enable the identification, measurement, controlling and continuous monitoring of all applicable key risks (including the ESG risks) of the Group including the identification of emerging risks.

During the year, the RMCs also performed the work to concur/approve the Stress Testing Programme, Cybersecurity Programme, Risk Management Plan and Compliance Plan, Key Performance Indicators for Compliance Function and Risk Management Function; and review the Group's risk management policies/frameworks/assessments, Risk Appetite Metrics and Thresholds, Internal Capital Targets, Credit Risk Strategy, risk limit settings, outsourcing activities, Implementation Plan on Climate Risk Management and the terms of references of the RMCs and the related specialised committees.

The respective Risk Management Departments of Public Bank (Hong Kong) and Public Finance provide main support to the RMCs and the specialised risk committees in meeting their responsibilities for managing risks, and are responsible to develop and maintain risk management policies and procedures in respect of market risk, interest rate risk, liquidity risk, credit risk, operational risk, compliance risk, cyber security risk, ESG risk and other risks.

Compliance Departments of Public Bank (Hong Kong) and Public Finance identify key compliance risk areas as guided by the Group's Compliance Framework and conduct ongoing compliance reviews. Compliance reports are submitted to the respective RMCs for review.

ACCOUNTABILITY AND AUDIT (Continued)

Key Risk Management and Internal Control Processes (Continued)

Group Risk Management Governance and Framework (Continued)

Internal Audit Function

The respective Internal Audit Departments of Public Bank (Hong Kong) and Public Finance check for compliance with statutory/regulatory requirements, internal policies and procedures, and review the work processes/procedures for efficiency and effectiveness. They also assess the operating effectiveness of the risk management and internal control systems during their course of audits. Audits are carried out by Internal Audit Departments on all business units and branches, the frequency of which is determined by the level of assessed risks, to provide an independent and objective report on operational and management activities of these business units and branches. The annual audit plans are reviewed and approved by the respective Audit Committees. The audit findings are submitted to the respective Audit Committees for review.

The Audit Committees of Public Bank (Hong Kong) and Public Finance review internal control issues identified by the respective Internal Audit Departments, the external auditors, regulatory authorities and management, including the remedial actions taken to address and resolve any such issues identified, and evaluate the adequacy and effectiveness of their risk management and internal control systems. They also review the internal control functions with particular emphasis on the scope and frequency of audits and the adequacy of resources.

The Heads of Internal Audit Departments from Public Bank (Hong Kong) and Public Finance attend Audit Committee meetings by invitation. Minutes of each Audit Committee meeting are circulated to all members of Audit Committees for their perusal prior to confirmation of the minutes at the subsequent Audit Committee meeting. Members may request for clarifications or raise comments before the minutes are confirmed. Upon receiving confirmation from the members at the Audit Committee meeting, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting. The minutes of each Audit Committee meeting are also tabled to their respective Boards for noting and for action where appropriate.

The Company has its own Audit Committee and details of its roles and functions, work performed in 2022 and its review of the risk management and internal control systems are set out in "Board Committees" section on pages 29 to 32 of the Corporate Governance Report in this annual report.

Other Key Elements of Risk Management and Internal Controls

The other key processes and committees that have been established for the risk management and internal controls are detailed in "Other Committees Established in the Group" section of the Corporate Governance Report in this annual report.

There are policies and procedures to ensure compliance with internal controls and the relevant laws and regulations set out in operation manuals, guidelines and directives issued by the Group which are updated from time to time.

Policies and procedures are established within the Group to facilitate continuous identification of emerging risk events followed by comprehensive risk assessment to develop appropriate risk responses so that the risks are managed within the Group's risk appetite.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Continued)

Key Risk Management and Internal Control Processes (Continued)

Other Key Elements of Risk Management and Internal Controls (Continued)

Besides, all employees of the Group are encouraged to report material risk issues or transactions to higher authorities pursuant to the Whistleblowing Policies and Procedures of Public Bank (Hong Kong), Public Finance and Winton Financial. Complaint Officer of Public Bank (Hong Kong) and Complaints Department of Public Finance deal with complaints from stakeholders and third parties. The "Whistleblowing Mechanism" is independent of management and is clearly communicated to all employees of the Group.

All employees of the Group are also bound by the Code of Conduct and Inside Information Disclosure Policy to keep inside information in strict confidence and refrain from accepting personal benefits through the power or authority derived from their position. Information Security Guidelines and Corporate Information Security Management Policy are in place to restrict the unauthorised transfer of confidential information. There are well established lines of authority and responsibility for implementing the Anti-Bribery and Anti-Corruption ("ABAC") Policy within the Group. Every employee has the responsibility to implement, enforce and maintain the ABAC mechanism that adequately address bribery and corruption risks and promote a culture of integrity in the Group. Regular trainings/reminders are provided/sent to the employees.

The Group's risk management objectives and policies are detailed in note 40 to the financial statements in this annual report.

Annual Review of System Effectiveness

The Company has conducted a group-wide review of its risk management and internal control systems for the assessment on (i) risk management framework, (ii) control environment and activities, (iii) quality of information and effectiveness of communications, and (iv) monitoring process for the period from 1 January 2022 to 31 December 2022. No material internal control defect was noted in the review.

The review results as endorsed by the Audit Committee have been tabled to the Board of the Company for review in January 2023. In addition, the Board has received a Statement of Assurance from the Executive Director and Chief Executive and the Financial Controller of the Group that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects for the period from 1 January 2022 to 31 December 2022. The Board is of the view that the systems of risk management and internal controls in place for the year under review and up to the date of issuance of the annual report are sound and sufficient to safeguard the interests of various stakeholders. The resources, qualifications and experience of staff of the Group's accounting, compliance, risk management, internal audit and other key dedicated functions, and their training programmes and budget are adequate.

ACCOUNTABILITY AND AUDIT (Continued)

Other Committees Established in the Group

The key processes that have been established in reviewing the adequacy and integrity of the systems of risk management and internal controls in the Group include the following:

- Board Executive Committees under Public Bank (Hong Kong) and Public Finance consist of Executive Directors and Non-Executive Directors and are responsible for the management of the businesses of Public Bank (Hong Kong) and Public Finance in all aspects and the implementation of strategic business plans and policies approved and formulated by the respective Boards.

- Management Committees are established by the respective Boards of Public Bank (Hong Kong) and Public Finance to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- Credit Committees under Public Bank (Hong Kong) and Public Finance are responsible for making decision on loan applications for all types of loan facilities within their discretionary powers, assisting the respective Boards in formulating policy guidelines for the banking and lending businesses of Public Bank (Hong Kong) and Public Finance, and recommending applications for loan facilities exceeding the discretionary powers of the Credit Committees to the respective Boards for approval.

- CRMC under Public Bank (Hong Kong) reviews and assesses independently the credit risk profile and quality of assets, conducts stress-testing on major risks and post-mortem analysis on impaired assets, sets credit concentration risk limits of Public Bank (Hong Kong), implements credit risk management policies approved by the Board of Public Bank (Hong Kong) and assists the RMC in overseeing the integration of climate-related risk management into the credit risk management process.

- ALCOs under Public Bank (Hong Kong) and Public Finance review and assess the market risk, liquidity risk and interest rate risk of Public Bank (Hong Kong) and Public Finance, set the objectives for the asset and liability management function and implement the risk management policies approved by the respective Boards of Public Bank (Hong Kong) and Public Finance.

- ORMCs under Public Bank (Hong Kong) and Public Finance review operational risk profile, assess impact of operational loss events, set operational risk limits and implement operational risk management policies approved by the respective Boards of Public Bank (Hong Kong) and Public Finance.

- Finance Committees under Public Bank (Hong Kong) and Public Finance assist the respective Boards in the financial planning, capital management and budgeting process of the business of Public Bank (Hong Kong) and Public Finance and the review of the business performance, statutory and half-year accounts.

- Anti-Money Laundering and Counter-Terrorist Financing (AML) and Compliance Committee and Compliance Department of Public Bank (Hong Kong), and Anti-Money Laundering Committee, Compliance Working Group and Compliance Department of Public Finance are established to ensure the guidelines on prevention of money laundering are reviewed, updated and implemented; to handle all suspected money laundering cases as referred; to review the relevant policies and guidelines issued from time to time by the HKMA and other regulatory authorities; to assess the impact of the relevant regulatory requirements on Public Bank (Hong Kong) and Public Finance; and to ensure that the relevant business units and/or departments comply with the relevant regulatory requirements and internal policy guidelines of business units and departments.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Continued)

Other Committees Established in the Group (Continued)

- Nomination and Remuneration Committees of Public Bank (Hong Kong) and Public Finance are established to review and make recommendations to the respective Boards the overall remuneration policy of the Executive Director(s), Chief Executive, Senior Management and key personnel and to establish a formal and transparent procedure for developing policy on such remuneration of Public Bank (Hong Kong) and Public Finance and their subsidiaries; to review and make recommendations to the Boards the remuneration policies applicable to the employees; to review the structure, size and composition of the Boards and make recommendations of any proposed changes to the Boards to complement their corporate strategy; to make recommendations on the appointment, nomination policy, succession planning and any related matters for Directors, Chief Executive, Alternate Chief Executive(s) and Senior Management.

- Business Strategy Steering Committees under Public Bank (Hong Kong) and Public Finance are responsible for establishing effective business strategies to meet corporate goals and objectives; management of sustainability related matters including climate change risk; and to formulate strategic business directions to achieve growth, return, efficiency, and competitive edge in the financial industry.

- Business Continuity Committee of Public Bank (Hong Kong) is responsible for managing the overall formulation, implementation and maintenance of the Business Resumption Continuity Plan ("BRCP") of the bank. It plans for BRCP testing at least once a year and ensures the necessary measures for BRCP are taken for meeting the regulatory and business requirements.

- Human Resources Committees under Public Bank (Hong Kong) and Public Finance assist the respective Boards in formulating and implementing human resources policies including staff recruitment, promotion, career development, performance appraisal and remuneration of all staff, and proposing the succession plan for Senior Management positions to the Nomination and Remuneration Committee yearly.

- Information Technology (I.T.) Steering Committee under Public Bank (Hong Kong) and Information Technology Committee under Public Finance are responsible for establishing objectives, policies and strategies for the computerisation and digitalisation of the Group, recommending to the respective Boards on major acquisitions of computer hardware and software, and monitoring the progress of implementation of all information technology and digitalisation related projects.

- Fintech Sub-Committee under Public Bank (Hong Kong) is responsible for formulating short-term and long-term Fintech plans, deliberating on the budgets to be allocated thereon and reviewing the adequacy of resources in terms of time, personnel, training and support functions. It formulates key Fintech policies and monitors the effectiveness in implementing the key Fintech policies and projects.

- Bank Culture Committees under Public Bank (Hong Kong) and Public Finance are established to develop and promote a sound corporate culture and behavioural standards that promote prudent risk-taking and fair treatment of customers within the Group.

- Shenzhen Branch Management Sub-Committee under Public Bank (Hong Kong) is responsible to ensure the effectiveness of the branches' daily operations in Mainland China and that the operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved and in compliance with the requirements of the regulatory bodies in Mainland China.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with its shareholders and investors. The Shareholders' Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objectives of ensuring a transparent and timely communication with shareholders via various means including but not limited to, publication of financial reports and announcements, is available on the website of the Company.

The Company's general meetings are a valuable forum for the Board to communicate directly with the shareholders and to answer questions that shareholders may raise. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election and election of individual directors. The detailed procedures of conducting a poll are explained to shareholders at the commencement of the general meetings, to ensure that shareholders are familiar with such procedures.

To solicit and get feedback from shareholders, the Company provides shareholders with channels to express their views on matters affecting the Company including (i) Hong Kong Branch Share Registrar of the Company, Tricor Tengis Limited, for enquiries on shareholdings; (ii) Company Secretary of the Company for direct questions, request for publicly available information and provide comments and suggestions; and (iii) Whistleblowing Mechanism.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during the year under review and is effective.

The Company's last AGM was held on Friday, 20 May 2022 at 11:00 a.m. at Room 1-2, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong. A SGM was held immediately after the conclusion of the AGM at the same venue and on the same date. All the resolutions proposed at the meetings were approved by shareholders of the Company by poll. Details of the poll results of the AGM and SGM are available under the "Investor Relations" section of the Company's website at www.publicfinancial.com.hk and the website of the Stock Exchange at www.hkexnews.hk. All Directors, except the late Tan Sri Dato' Sri Dr. Teh Hong Piow, participated in the 2022 AGM and SGM.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner within 25 days after the end of the relevant periods in 2021 and 2022, which were well before the time limits as laid down in the Listing Rules. The notices of 2022 AGM and SGM have also been sent to the shareholders at least 21 days before the meetings.

The management personnel responsible for investor relations held regular meetings with equity research analysts, fund managers and institutional shareholders and investors. The market capitalisation of the Company as at 30 December 2022, the last trading day in 2022, was HK$2,645,981,459 (issued share capital: 1,097,917,618 shares at closing market price: HK$2.41 per share). The public float is around 26.8%.

The 2023 AGM will be held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 24 March 2023 at 11:00 a.m.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

On 20 May 2022, the shareholders of the Company have approved at the SGM the proposed amendments (the "Amendments") to the Bye-laws of the Company to bring the existing Bye-laws in line with (i) the Core Shareholder Protection Standards set out in Appendix 3 of the Listing Rules which took effect on 1 January 2022 and (ii) the relevant requirements of the applicable laws of Bermuda, and to make other amendments to the Bye-laws including explicitly setting out the flexibility of the Company to hold general meetings in physical form, hybrid form or electronic form, as well as other corresponding and housekeeping amendments. Details of the Amendments were set out in the circular of the Company dated 28 April 2022.

The latest Memorandum of Association and Bye-laws of the Company is available on both the websites of the Company and of the Stock Exchange.

DIVIDEND POLICY

Policy on Payment of Dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, the Company's long-term earning capacity and expected cash inflow and outflow, the frequency and form of dividend payments. The policy is reviewed periodically and submitted to the Board for approval if amendments are required.

Pursuant to the policy, the Company mainly considers the level of unappropriated earnings, the availability of investment that could generate reasonable returns to the shareholders, and the capital and liquidity position of the Company in proposing dividend payments.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance that might lead to warnings/reprimands from regulators and even the loss of operating licences. Accordingly, the Group has been allocating system and staff resources to ensure ongoing compliance with the rules and regulations and to maintain cordial working relationships with the regulators through effective communications. During the year under review, the Group has complied, to the best of our knowledge, with the Companies Ordinance, the Banking Ordinance, the Securities and Futures Ordinance ("SFO"), Securities and Futures (Financial Resources) Rules, Banking (Disclosure) Rules, Securities and Futures (Client Securities) Rules, Securities and Futures (Client Money) Rules, the Listing Rules, the Stock Exchange's Trading Rules and Clear House Rules, Code of Conduct for Persons Licensed by or Registered with the SFC, Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, China Banking and Insurance Regulatory Commission rules, and other relevant rules and regulations.

SHAREHOLDERS' RIGHTS

Convening of SGMs on Requisition by Shareholders

Shareholders shall have the right to request the Board to convene a SGM of the Company. Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company may send a written request to the Board of the Company to request for a SGM.

The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the registered office of the Company.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under section 74 of the Companies Act 1981 of Bermuda (the "Bermuda Companies Act") once a valid requisition is received.

Procedures for Making Proposals at General Meetings by Shareholders

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any number of members representing not less than one-twentieth (5%) of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under sections 79 and 80 of the Bermuda Companies Act once valid documents are received.

Procedures for Director's Nomination and Election by Shareholders

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should lodge at the principal place of business of the Company at 2/F, Public Bank Centre, 120 Des Voeux Road Central, Central, Hong Kong, a written notice signed by (i) such shareholder (other than the proposed person) duly qualified to attend and vote at the meeting of his/her intention to propose such person for election; and (ii) the proposed person indicating his/her willingness to be elected. The said notice must include the personal information of the proposed person as required by Rule 13.51(2) of the Listing Rules and consent of publication of his/her personal data.

The period during which the aforesaid notice may be given shall be at least seven days (or such other period as determined and announced by the Board). Such period will commence on the day after the despatch of the notice of general meeting for which such notice is given and end no later than seven days prior to the date of such general meeting. The Company would take appropriate actions and make necessary arrangements, and the shareholder concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under bye-law 116 of the Company's Bye-laws once valid notice is received.

The Procedures for Shareholders to Propose a Person for Election as a Director of the Company is available on the website of the Company.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (Continued)

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Public Financial Holdings Limited
2/F, Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong
Telephone : (852) 2541 9222
Fax : (852) 2545 5665
Email : investor@publicbank.com.hk

Shareholders may also make enquiries to the Board at the general meetings of the Company.

Brief Biography of Directors

Mr. Lai Wan

Mr. Lai Wan, aged 79, has 49 years of experience in the banking and finance related industries. He was appointed an Independent Non-Executive Director of the Company in December 2013, and became the Independent Non-Executive Co-Chairman of the Company in July 2015. Mr. Lai was re-designated as the Non-Executive Co-Chairman of the Company on 8 June 2021 and re-designated as the Non-Executive Chairman on 18 January 2023. He is a member of the Audit Committee and the Nomination and Remuneration Committee. Mr. Lai is currently the Non-Independent Non-Executive Chairman of Public Bank, the Non-Executive Chairman of Public Bank (Hong Kong) and a Non-Executive Director of Public Finance. Mr. Lai is also a member of various Board Committees of Public Bank (Hong Kong) and Public Finance. He holds directorship in another company in the Public Bank Group.

Mr. Lai graduated with a Bachelor of Arts (Honours) Degree in Economics from the University of Malaya and is an Associate of the Asian Institute of Chartered Bankers. He had served Bank Negara Malaysia for 20 years up to 1985 and had working experience in three finance companies from 1985 to 1994 where he had held senior management positions. Mr. Lai was appointed the President/Chief Executive Officer of a Malaysian bank in 1997 until his retirement on 31 December 2000.

Mr. Tan Yoke Kong

Mr. Tan Yoke Kong, aged 70, has 41 years of experience in the banking and finance industry. He was appointed an Executive Director of the Company in February 1992 and is a Joint-secretaries of the Company. He is currently the Executive Director and Chief Executive and a member of Board Executive Committee of Public Bank (Hong Kong). He is also a director of certain subsidiaries of the Company.

Prior to his transfer to the current appointment in Public Bank (Hong Kong) in 2006, Mr. Tan was an Executive Director and the Chief Executive of Public Finance, and had served as the Vice Chairman of The DTC Association (The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies) ("The DTC Association") and as a member of the Deposit-taking Companies Advisory Committee of the HKMA for several years. Mr. Tan is an Honorary Advisor of The Hong Kong Institute of Bankers (HKIB), a Fellow of the Association of Chartered Certified Accountants, United Kingdom, a Fellow of The Chartered Governance Institute, United Kingdom and a Fellow of The Hong Kong Chartered Governance Institute.

Dato' Chang Kat Kiam

Dato' Chang Kat Kiam, aged 68, has 48 years of experience in the banking and finance industry. He was appointed a Non-Executive Director of the Company in March 2004. He is also a Non-Executive Director and the Chairman or a member of various Board Committees of Public Bank (Hong Kong) and Public Finance.

Dato' Chang is currently the Deputy Chief Executive Officer of Public Bank. He also holds directorships in several other companies in the Public Bank Group. He holds a Master's Degree in Business Administration (Finance) from University of Hull, United Kingdom and is a Chartered Banker of the Chartered Banker Institute, United Kingdom and the Asian Institute of Chartered Bankers.

Mr. Chong Yam Kiang

Mr. Chong Yam Kiang, aged 72, has 53 years of experience in the banking and finance industry. He was appointed a Non-Executive Director of the Company in January 2009. Mr. Chong was re-designated from Executive Director to Non-Executive Director of Public Bank (Hong Kong), and appointed as the Executive Director and Chief Executive of Public Finance on 1 January 2020. He is a member of Board Executive Committees of Public Bank (Hong Kong) and Public Finance and also a director of certain subsidiaries of the Company. He is currently a member of the Deposit-taking Companies Advisory Committee of the HKMA and an Executive Committee member of The DTC Association.

Brief Biography of Directors

Mr. Quah Poh Keat

Mr. Quah Poh Keat, aged 70, has 35 years of experience in auditing, tax and insolvency practices and had worked in Malaysia and United Kingdom. He was appointed a Non-Executive Director of the Company in July 2008, re-designated as an Independent Non-Executive Director on 13 January 2009 and re-designated as a Non-Executive Director on 3 October 2013. He is currently a member of the Audit Committee and the Nomination and Remuneration Committee. Mr. Quah is also a Non-Executive Director of Public Finance, and a member of various Board Committees of Public Finance.

Mr. Quah is also an Independent Non-Executive Director of Kuala Lumpur Kepong Berhad, Paramount Corporation Berhad and Malayan Flour Mills Berhad, and a Non-Independent Non-Executive Director of LPI Capital Berhad, which are listed public companies in Malaysia.

Mr. Quah is a Fellow of the Chartered Tax Institute of Malaysia and the Association of Chartered Certified Accountants. He is also a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. He was a partner of KPMG Malaysia since October 1982 and appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until end of September 2007. He retired from the firm in December 2007. He was the Deputy Chief Executive Officer of Public Bank from October 2013 to December 2015.

Mr. Lee Chin Guan

Mr. Lee Chin Guan, aged 64, has 25 years of experience in legal matters, with 13 years of experience in legal practice, principally in commercial and corporate matters. He was appointed an Independent Non-Executive Director of the Company in September 2004 and is a member of the Audit Committee and Nomination and Remuneration Committee. He is also a Non-Independent Non-Executive Director of Public Bank, and an Independent Non-Executive Director and the Chairman or a member of various Board Committees of Public Bank (Hong Kong) and Public Finance. Mr. Lee is also an Independent Non-Executive Director of LPI Capital Berhad, which is a listed public company in Malaysia.

Mr. Lee qualified as a Barrister-at-Law from the Middle Temple, United Kingdom in 1982. He also holds a Bachelor's Degree in Science (Honours) from the University of Manchester Institute of Science and Technology, England and Degrees in Law from Cambridge University, Oxford University and Chicago-Kent College of Law.

Mr. Lim Chao Li

Mr. Lim Chao Li, aged 56, has over 30 years of experience in commerce, accountancy, finance, hospitality, property and technology industries and practices in Malaysia and United States. He was appointed an Independent Non-Executive Director of the Company in July 2021 and is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. He is also an Independent Non-Executive Director of Public Bank, Public Bank (Hong Kong) and Public Finance, and the Chairman or a member of various Board Committees of Public Bank (Hong Kong) and Public Finance. Mr. Lim is also a Non-Independent Non-Executive Director of JcbNext Berhad, which is a listed public company in Malaysia.

Mr. Lim holds a Bachelor of Science in Economics Degree majoring in Accounting and Finance from The Wharton School of Business, University of Pennsylvania, USA. He also holds a Bachelor of Applied Science (Systems Engineering) Degree from the School of Engineering and Applied Science, University of Pennsylvania, USA. Mr. Lim had previously served Deloitte & Touche USA and Johnson & Johnson Medical Malaysia. Currently, he is the Chief Commercial Officer of Hotel Equatorial Management Sdn Bhd.

Brief Biography of Directors

Ms. Cheah Kim Ling

Ms. Cheah Kim Ling, aged 65, has around 40 years of experience in banking industry in Malaysia. She was appointed an Independent Non-Executive Director of the Company in February 2022 and is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. She is also an Independent Non-Executive Director of Public Bank, Public Bank (Hong Kong) and Public Finance, and the Chairman or a member of various Board Committees of Public Bank (Hong Kong) and Public Finance.

Ms. Cheah holds a Bachelor of Accounting (Honours) Degree from the University of Malaya and is also a Chartered Accountant of the Malaysian Institute of Accountants. She had served Bank Negara Malaysia for 32 years whereby she was involved in all aspects of banking regulation from formulation of policies/regulations/guidelines to the administration of different legislations governing financial institutions. Ms. Cheah was also involved in formulating and executing strategies and policies for payment systems, administering the legislations, oversight of the payment systems and payment instruments, development of the payment infrastructure to support developments in the financial system and promoted the migration to electronic payments.

Our Corporate Family
Corporate Events & Recreational Activities

The 31st Annual General Meeting and Special General Meeting of Public Financial Holdings Limited held in May 2022.

Mr. Tan Yoke Kong, the Executive Director and Chief Executive, attended the "TVB ESG Awards" on behalf of the Group.

Mr. Tan receiving the ESG Special Recognition Award from Award presenters of TVB on behalf of the Group.

Senior Management appreciating the staff's generosity for donating mooncakes and gift bags to the elderly for celebration of Mid-Autumn Festival.

Corporate Culture & Social Responsibility Department packing the gift bags for delivery to the elderly.

Senior Management and staff happily donating Christmas gifts to underprivileged children.

Public Finance's staff supporting the "Christmas Gifts for Children" activity with love and action.

Public Securities' staff sending their warmest regards to underprivileged children by supporting "Christmas Gifts for Children" activity.

Senior Management and staff participating in The Community Chest New Territories Walk for Millions 2022 at the Cross Bay Link.

Winton Financial's staff creating their hand-made scented wax candles as gifts donation to the youth.

Senior Management and staff were ready to start on the Cross Bay Link.

Chinese Medicine Practitioner introducing the nine body constitutions in Traditional Chinese Medicine to staff via online workshop.

Our Corporate Family
Marketing & Promotions


大眾財務 大眾首選
新春多重賞
貸款額高達 HK$120萬
現金券高達 HK$10,000
新年大利是高達 HK$1,000
每月平息低至 0.16%
私人貸款 業主貸款 公務員貸款
樓宇按揭 分期／租賃 高息定期 的士融資
網上申請：
www.publicfinance.com.hk
貸款熱線：2848 1888
大眾財務有限公司
PUBLIC FINANCE LIMITED


大眾財務 大眾首選
免樓契
有樓在手 資金輕易可到手
私人屋苑
公屋/居屋/夾屋
唐樓
村屋
業主私人貸款 免手續費 免估價費 免律師費
私人貸款 業主貸款 公務員貸款
樓宇按揭 分期／租賃 高息定期 的士融資
網上申請：
www.publicfinance.com.hk
貸款熱線：2848 1888
大眾財務有限公司
PUBLIC FINANCE LIMITED


大眾財務 大眾首選
輕鬆清稅 盡享更多優惠
成功批核及提取貸款即享
高達 HK$2,000 超市禮券
還款期長達48個月
貸款額高達月薪15倍
每月平息低至0.16%
手續費豁免
個人化低息稅月私人貸款
私人貸款 業主貸款 公務員貸款
樓宇按揭 分期／租賃 高息定期 的士融資
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大眾財務有限公司
PUBLIC FINANCE LIMITED

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment and property holding company. The principal activities of its subsidiaries during the year were the provision of a comprehensive range of banking and financial services, stockbroking, the letting of investment properties, the provision of financing to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis.

Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the Group's financial position as at that date are set out in the financial statements on pages 66 to 166.

The first interim dividend of HK$0.05 (2021: HK$0.05) per ordinary share was paid on Wednesday, 3 August 2022. The second interim dividend of HK$0.11 (2021: HK$0.15) per ordinary share was declared on Wednesday, 28 December 2022 and will be payable on Friday, 24 February 2023 to shareholders of the Company whose names appear on the register of members on Tuesday, 31 January 2023. The Directors do not recommend the payment of a final dividend for the year (2021: Nil).

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 9.

BUSINESS REVIEW

A fair review of the Group's business, particulars of important events affecting the Group that have occurred since the year end of 2022 (if any), and indication of likely future development in the Group's business are provided in the "Chairman's Statement", "Management Discussion and Analysis" and "Notes to Financial Statements" sections of this annual report. An analysis using key financial performance indicators is set out in "Management Discussion and Analysis" section while the principal risks and uncertainties are contained in the "Notes to Financial Statements" section of this annual report. Compliance with relevant laws and regulations that have a significant impact on the Group can be found throughout the annual report, in particular, the "Corporate Governance Report". Discussions on the Group's environmental policies/performance and our relationship with key stakeholders are covered by a separate ESG Report which will be available on the Group's website under the "Corporate Social Responsibility" section and the website of the Stock Exchange at the same time as the publication of this annual report. The above sections form part of this Report of the Directors.

INVESTMENT PROPERTIES, PROPERTY AND EQUIPMENT AND LAND HELD UNDER FINANCE LEASES

Details of movements in the investment properties, property and equipment and land held under finance leases of the Group are set out in notes 23, 24 and 25 to the financial statements, respectively.

SHARE CAPITAL

There was no movement in the Company's issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 41(b) to the financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Bermuda Companies Act. As at 31 December 2022, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK$3,412,885,000 (inclusive of the Company's contributed surplus) are set out in note 41(b) to the financial statements as computed in accordance with generally accepted accounting principles of Hong Kong. In addition, the Company's share premium account in the amount of approximately HK$4,013,344,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS

During the year, the five largest customers of the Group accounted for less than 30% of the total operating income of the Group.

Report of the Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Non-Executive Directors:

Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman (Deceased on 12 December 2022)
Lai Wan, Chairman (Re-designated from Co-Chairman to Chairman on 18 January 2023)
Dato' Chang Kat Kiam
Quah Poh Keat
Chong Yam Kiang

Independent Non-Executive Directors:

Lee Chin Guan
Tang Wing Chew (Resigned on 25 February 2022)
Lim Chao Li
Cheah Kim Ling (Appointed on 25 February 2022)

Executive Director:

Tan Yoke Kong

Tan Sri Dato' Sri Dr. Teh Hong Piow, the then Non-Executive Chairman of the Company, passed away peacefully on 12 December 2022. The Company and the Board pay a special tribute for the immeasurable contributions that the late Tan Sri Dato' Sri Dr. Teh Hong Piow made to the Group during his tenure of office, and extend their deepest condolences to his family.

Upon approval from the Board, Mr. Lai Wan was re-designated from Non-Executive Co-Chairman to Non-Executive Chairman of the Company on 18 January 2023.

In accordance with bye-laws 112(A) and (B) of the Company's Bye-laws, Mr. Tan Yoke Kong, Mr. Quah Poh Keat and Mr. Lee Chin Guan shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

The Remuneration Policy of the Group is established and implemented to encourage employee behaviour that supports the Group's risk tolerance, risk management framework and long-term financial soundness. It is in line with the objectives, business strategies and long-term goals of the Group and structured in a way that will not encourage excessive risk-taking by employees but allows the Group to attract and retain employees with relevant skills, knowledge and expertise to discharge their specific functions.

The basis of determining the remuneration payable to the Directors is set out in the Corporate Governance Report on pages 33 to 34 of this annual report. Details of Directors' remuneration in the Group are set out in note 13 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as detailed in notes 30 and 37 to the financial statements, there has been no transaction, arrangement or contract of significance in relation to the Company's business to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to bye-law 170(A) of the Company's Bye-laws and subject to the provisions of the statutes, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all liability incurred by him as such Directors or officers of the Company in or about the execution or holding of his office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that this bye-law shall only have effect in so far as its provisions are not avoided by the Bermuda Companies Act. The liability insurance of the Directors and officers for the Company was/is in force during the year and as at the date on which this Report of the Directors is approved.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In January 2022, the Company entered into a facility agreement (the "Facility Agreement") with a total of eight financial institutions as the original lenders, United Overseas Bank Limited ("UOB") as mandated lead arranger, bookrunner and underwriter and UOB as the agent (the "Agent") for a HKD term loan facility in an aggregate amount of up to HK$1,100,000,000 (the "Facility"). The Facility replaced the facility agreement dated 23 January 2018 relating to a HK$1,100,000,000 term loan facility made available to the Company by Mizuho Bank, Ltd. and other financial institutions.

The final maturity date of the Facility shall be 36 months after the date of first utilisation of the Facility.

The Facility Agreement provides, among other things, that it is an event of default if Public Bank, the controlling shareholder (currently holding approximately 73.2% interest) of the Company, does not or ceases to beneficially own more than 50% of the issued share capital of, and ownership interests in, the Company free from any security or Public Bank does not or ceases to exercise management control over the Company.

If an event of default occurs, the Agent may, and shall if so directed by the Majority Lenders (as defined in the Facility Agreement), cancel the Facility immediately and demand immediate repayment of all or part of the loans made to the Company together with accrued interest.

The circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the Directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules were as follows:

Long positions in ordinary shares of the Company and associated corporations

			Number of ordinary shares					
	Interests in	Name of Directors	Directly beneficially owned	Through spouse or minor children	Through controlled corporations	Other interests	Total	Percentage of interests in the issued share capital %
1.	The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow *(Note 1)*	–	–	804,017,920 *(Note 2)*	–	804,017,920	73.2312
		Tan Yoke Kong	20,000	20,000	–	*10,000	50,000	0.0046
		Chong Yam Kiang	20,000	–	–	–	20,000	0.0018
		Dato' Chang Kat Kiam	300,000	–	–	–	300,000	0.0273
2.	Public Bank, the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow *(Note 1)*	123,556,410	–	4,420,974,855	–	4,544,531,265	23.4125
		Tan Yoke Kong	1,000	–	–	–	1,000	0.0000
		Chong Yam Kiang	94,200	–	–	–	94,200	0.0005
		Dato' Chang Kat Kiam	628,180	–	–	–	628,180	0.0032
		Lee Chin Guan	1,000,150	–	–	–	1,000,150	0.0052
		Lai Wan	–	93,270	–	–	93,270	0.0005
		Lim Chao Li	151,710	–	–	–	151,710	0.0008
		Cheah Kim Ling	–	51,960	–	–	51,960	0.0003
3.	Campu Lonpac Insurance Plc, a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow *(Note 1)*	–	–	3,850,000 *(Note 2)*	–	3,850,000	55.0000

* *Jointly held with another person*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Long positions in ordinary shares of the Company and associated corporations (Continued)

Notes:

1. *Tan Sri Dato' Sri Dr. Teh Hong Piow was the Non-Executive Chairman of the Company until his demise on 12 December 2022.*

2. *These shares were held by Public Bank, the Company's ultimate holding company, in which the late Tan Sri Dato' Sri Dr. Teh Hong Piow had direct and indirect interests of 4,544,531,265 shares. The late Tan Sri Dato' Sri Dr. Teh Hong Piow was therefore deemed to be interested in the shares of the Company and Campu Lonpac Insurance Plc, a fellow subsidiary of the Company, to the extent that Public Bank had interests.*

Save as disclosed above, none of the Directors had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the year or at the end of the year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement that will or may result in the Company issuing shares or that requires the Company to enter into any agreements that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the register of interests and short positions in the shares and underlying shares of the Company kept under section 336 of the SFO showed that, other than the interests of the late Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above, the following shareholders had interests of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of ordinary shares	Percentage of interests in the issued share capital %
Substantial shareholder			
Public Bank	Beneficial owner	804,017,920	73.2312

All the interests stated above represent long positions. Save as disclosed above and under the heading "Directors' interests and short positions in shares and underlying shares", no person had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded under section 336 of the SFO at the end of the year.

Report of the Directors

CORPORATE GOVERNANCE
The Group is committed to maintaining a high level of corporate governance practices. A detailed Corporate Governance Report is set out on pages 19 to 46 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT
Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

DONATIONS
During the year, the Group made charitable donations totalling HK$14,551 (2021: HK$109,000).

REVIEW BY AUDIT COMMITTEE
The Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Ms. Cheah Kim Ling, Mr. Lee Chin Guan and Mr. Lim Chao Li, and two Non-Executive Directors, namely Mr. Lai Wan and Mr. Quah Poh Keat. The 2022 annual report has been reviewed by the Audit Committee.

AUDITORS
Messrs. Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

PUBLICATION OF 2022 ANNUAL REPORT
The 2022 annual report in electronic form is now available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. Printed copies are also available upon written request to the Company c/o the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong specifying the name, address and request to receive the Group's annual report in printed copy.

ON BEHALF OF THE BOARD
Lai Wan
Director

18 January 2023

Independent Auditor's Report

Ernst & Young
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To the members of Public Financial Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Public Financial Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 166, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matters

Goodwill

Refer to the summary of significant accounting policies in note 5, significant accounting estimates in note 6 and the disclosures related to goodwill in note 28 to the financial statements.

Goodwill impairment testing of cash-generating units ("CGUs") relies on estimates of value-in-use based on estimated future cash flows. The Group is required to annually test the amount of goodwill for impairment.

We considered goodwill as a key audit matter due to (i) the significance of the goodwill of HK$2,774 million recognised in the consolidated financial statements of the Group; and (ii) the level of subjectivity associated with the assumptions used in estimating the value-in-use of the CGUs, including the Group's 5-year cash flow forecasts, the growth rates used to extrapolate the cash flows beyond 5 years and the discount rates applied.

How our audit addressed the key audit matter

We obtained management's goodwill impairment assessment and evaluated the appropriateness of the allocation of goodwill, assets and cash flows to their respective CGUs. We tested the mathematical accuracy of the cash flow forecasts utilized in the value-in-use calculations.

Our audit procedures also included evaluating the assumptions and methodologies used by the Group in performing the impairment assessment, in particular those relating to the Group's 5-year cash flow forecasts, the growth rates used to extrapolate the cash flows beyond 5 years and the discount rates applied.

In respect of the cash flow forecast, we understood the basis of preparing the forecasts and key assumptions therein. We performed back testing of the cash flow projections of previous forecasts to evaluate the accuracy of management's forecasting process. With the assistance of our internal specialist, we assessed the growth rates used to extrapolate the cash flows by comparing against internal information and external economic and market data.

In respect of the discount rate, with the assistance of our internal specialist, we formed an independent view of the appropriate discount rate applied in the calculation of value-in-use and compared to that used by the Group.

We evaluated the sensitivity of the model output to multiple reasonable alternative assumptions to assess if adverse changes would impact the result of impairment assessment of goodwill.

We evaluated the adequacy of financial statement disclosures relating to goodwill impairment.

KEY AUDIT MATTERS (Continued)

Key audit matters (Continued)

Impairment of loans and advances and receivables

Refer to the summary of significant accounting policies in note 5, significant accounting estimates in note 6 and the disclosures of loans and advances and receivables in note 20 to the financial statements.

The measurement of expected credit loss ("ECL") requires the application of significant judgements which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models, such as the probabilities of default, loss given default, expected future cash flows and forward-looking macroeconomic factors.

Due to the significance of loans and advances and receivables of HK$24,680 million and the corresponding subjectivity inherent in the estimation of ECL allowances, we considered this as a key audit matter.

How our audit addressed the key audit matter (Continued)

Our audit procedures included the assessment of the design and operating effectiveness of controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of loans and advances and receivables.

We also assessed the operating effectiveness of key controls over the application of the impairment methodology, the governance for the ECL models, inputs and assumptions used by the Group in calculating the ECL and the mathematical accuracy of the ECL calculations.

For collectively assessed ECL, in conjunction with our internal specialist, we assessed the validity of the Group's ECL model, including model input, model design and model performance. We assessed the Group's criteria for assessing if a significant increase in credit risk had occurred against the requirements of HKFRS 9 and tested the staging of the Group's financial assets against these criteria. We challenged whether historical experience is representative of current circumstances and the recent loss experience incurred in the portfolios. We assessed whether the forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings were consistent with internal information and external economic and market data with a particular focus on the impact of COVID-19. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions.

For a sample of exposures that were subject to an individual impairment assessment, we reviewed the Group's assumptions of the expected future cash flows, including assumptions in respect of the realizable value of collateral. In light of COVID-19, we included borrowers which are more vulnerable to the pandemic in our risk-based sampling approach to perform loan review procedures.

We also evaluated the adequacy of financial statement disclosures relating to the Group's exposure to credit risk.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Huen Chun Man.

Ernst & Young
Certified Public Accountants
Hong Kong
18 January 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Interest income	8	**1,500,836**	1,449,738
Interest expense	8	**(349,923)**	(167,827)
NET INTEREST INCOME		**1,150,913**	1,281,911
Fees and commission income	9	**179,794**	187,438
Fees and commission expenses	9	**(1,568)**	(2,528)
Net fees and commission income		**178,226**	184,910
Other operating income	10	**44,805**	48,287
OPERATING INCOME		**1,373,944**	1,515,108
Operating expenses	11	**(823,618)**	(831,120)
Changes in fair value of investment properties		**(13,222)**	8,995
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		**537,104**	692,983
Credit loss expenses	12	**(130,595)**	(90,809)
PROFIT BEFORE TAX		**406,509**	602,174
Tax	15	**(77,812)**	(105,713)
PROFIT FOR THE YEAR		**328,697**	496,461
ATTRIBUTABLE TO:			
Owners of the Company		**328,697**	496,461
EARNINGS PER SHARE (HK$)	17		
Basic		**0.299**	0.452
Diluted		**0.299**	0.452

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
PROFIT FOR THE YEAR	**328,697**	496,461
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations, net of tax	**(77,758)**	27,289
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**250,939**	523,750
ATTRIBUTABLE TO:		
Owners of the Company	**250,939**	523,750

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Cash and short term placements	18	**3,406,271**	4,320,631
Placements with banks and financial institutions maturing after one month but not more than twelve months	19	**1,826,570**	2,290,111
Derivative financial instruments		**343**	1,551
Loans and advances and receivables	20	**24,679,582**	26,067,203
Equity investments at fair value through other comprehensive income	21	**6,804**	6,804
Held-to-collect debt securities at amortised cost	22	**7,437,495**	6,479,066
Investment properties	23	**429,315**	366,935
Property and equipment	24	**190,263**	186,742
Land held under finance leases	25	**732,909**	672,293
Right-of-use assets	26	**106,895**	133,358
Deferred tax assets	33	**36,388**	38,845
Tax recoverable		**26,183**	1,903
Goodwill	28	**2,774,403**	2,774,403
Intangible assets	29	**718**	718
Other assets	27	**263,792**	187,589
TOTAL ASSETS		**41,917,931**	43,528,152
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		**497,157**	465,638
Derivative financial instruments		**2,002**	6,748
Customer deposits at amortised cost	31	**30,446,412**	32,175,337
Dividends payable	16	**120,771**	164,687
Unsecured bank loans at amortised cost	32	**1,552,087**	1,579,636
Lease liabilities	26	**110,745**	137,197
Current tax payable		**52,136**	72,537
Deferred tax liabilities	33	**49,767**	47,298
Other liabilities	27	**442,274**	309,766
TOTAL LIABILITIES		**33,273,351**	34,958,844

Consolidated Statement of Financial Position

31 December 2022

	Notes	**2022 HK$'000**	2021 HK$'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital	34	**109,792**	109,792
Reserves		**8,534,788**	8,459,516
TOTAL EQUITY		**8,644,580**	8,569,308
TOTAL EQUITY AND LIABILITIES		**41,917,931**	43,528,152

Lai Wan
Director

Tan Yoke Kong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital HK$'000	Share premium HK$'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 2022		**109,792**	**4,013,296**	**829**	**96,116**	**3,982**	**54,812**	**4,210,152**	**80,329**	**8,569,308**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**328,697**	**–**	**328,697**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(77,758)**	**(77,758)**
Transfer from regulatory reserve to retained profits		**–**	**–**	**–**	**–**	**–**	**(8,659)**	**8,659**	**–**	**–**
Dividends for 2022	16	**–**	**–**	**–**	**–**	**–**	**–**	**(175,667)**	**–**	**(175,667)**
As at 31 December 2022		**109,792**	**4,013,296**	**829**	**96,116**	**3,982**	**46,153**	**4,371,841**	**2,571**	**8,644,580**

	Note	Share capital HK$'000	Share premium HK$'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 2021		109,792	4,013,296	829	96,116	3,982	53,280	3,934,806	53,040	8,265,141
Profit for the year		–	–	–	–	–	–	496,461	–	496,461
Other comprehensive income		–	–	–	–	–	–	–	27,289	27,289
Transfer from retained profits to regulatory reserve		–	–	–	–	–	1,532	(1,532)	–	–
Dividends for 2021	16	–	–	–	–	–	–	(219,583)	–	(219,583)
As at 31 December 2021		109,792	4,013,296	829	96,116	3,982	54,812	4,210,152	80,329	8,569,308

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 2022 was positive goodwill of HK$98,406,000 (31 December 2021: 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 guidelines issued by the HKMA.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**406,509**	602,174
Adjustments for:			
Depreciation of property and equipment and land held under finance leases	11	**44,821**	41,741
Depreciation of right-of-use assets	11	**57,508**	60,199
Net losses on disposal of property and equipment	10	**57**	7
Gain on termination of leases	10	**(490)**	(1,524)
Other interest expenses	8	**2,409**	2,897
Increase in credit loss expenses for loans and advances and receivables		**18,447**	3,685
Decrease in credit loss expenses for held-to-collect debt securities at amortised cost and bank placements		**(31)**	(166)
Dividend income from listed investments	10	**(220)**	(202)
Dividend income from unlisted investments	10	**(35)**	(35)
Decrease/(increase) in fair value of investment properties		**13,222**	(8,995)
Exchange differences		**(75,994)**	27,128
Payment of dismantling costs		**(125)**	(141)
Profits tax paid		**(119,386)**	(76,706)
Operating profit before changes in operating assets and liabilities		**346,692**	650,062
Decrease in operating assets:			
Decrease in placements with banks and financial institutions		**320,669**	506,998
Decrease in loans and advances and receivables		**1,369,174**	7,612
(Increase)/decrease in held-to-collect debt securities at amortised cost		**(765,382)**	126,242
(Increase)/decrease in other assets		**(76,203)**	254,953
Decrease in derivative financial instruments		**1,208**	24,200
		849,466	920,005
Decrease in operating liabilities:			
Increase in deposits and balances of banks and other financial institutions at amortised cost		**31,519**	44,500
Decrease in customer deposits at amortised cost		**(1,728,925)**	(2,017,410)
(Decrease)/increase in derivative financial instruments		**(4,746)**	4,066
Increase/(decrease) in other liabilities		**130,949**	(336,783)
		(1,571,203)	(2,305,627)
Net cash outflow from operating activities		**(375,045)**	(735,560)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment properties	23	**(75,602)**	–
Purchases of property and equipment	24	**(38,193)**	(29,481)
Purchase of land held under finance leases	25	**(70,822)**	–
Sales proceeds from disposal of property and equipment		**–**	5
Dividends received from listed investments		**220**	202
Dividends received from unlisted investments		**35**	35
Net cash outflow from investing activities		**(184,362)**	(29,239)
CASH FLOWS FROM FINANCING ACTIVITIES			
New unsecured bank loans		**1,245,000**	124,000
Repayment of unsecured bank loans		**(1,272,549)**	(119,382)
Repayment of lease liabilities	26	**(57,677)**	(61,356)
Dividends paid on shares		**(219,583)**	(186,646)
Net cash outflow from financing activities		**(304,809)**	(243,384)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(864,216)**	(1,008,183)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**5,166,068**	6,174,251
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**4,301,852**	5,166,068
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand	39	**935,939**	1,042,204
Money at call and short notice with an original maturity within three months		**2,046,000**	2,898,597
Placements with banks and financial institutions with an original maturity within three months		**1,126,769**	1,225,267
Held-to-collect debt securities at amortised cost with an original maturity within three months		**193,144**	–
		4,301,852	5,166,068
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid		**(245,144)**	(192,130)
Interest received		**1,462,621**	1,446,187

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans HK$'000	Dividends payable HK$'000	Lease liabilities HK$'000	Total liabilities from financing activities HK$'000
As at 1 January 2022	1,579,636	164,687	137,197	1,881,520
Changes from financing cash flows:				
Proceeds from new unsecured bank loans	1,245,000	–	–	1,245,000
Repayment of unsecured bank loans	(1,272,549)	–	–	(1,272,549)
Dividends paid on ordinary shares	–	(219,583)	–	(219,583)
Repayment of lease liabilities	–	–	(57,677)	(57,677)
Total changes from financing cash flows	(27,549)	(219,583)	(57,677)	(304,809)
Other changes:				
Dividends declared on ordinary shares	–	175,667	–	175,667
Additions to lease liabilities	–	–	31,979	31,979
Interest expense on lease liabilities	–	–	2,298	2,298
Reassessment on lease liabilities	–	–	(1,974)	(1,974)
Exchange difference on lease liabilities	–	–	(1,078)	(1,078)
Total other changes	–	175,667	31,225	206,892
As at 31 December 2022	1,552,087	120,771	110,745	1,783,603

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Bank loans HK$'000	Dividends payable HK$'000	Lease liabilities HK$'000	Total liabilities from financing activities HK$'000
As at 1 January 2021	1,575,018	131,750	118,200	1,824,968
Changes from financing cash flows:				
Proceeds from new unsecured bank loans	124,000	–	–	124,000
Repayment of unsecured bank loans	(119,382)	–	–	(119,382)
Dividends paid on ordinary shares	–	(186,646)	–	(186,646)
Repayment of lease liabilities	–	–	(61,356)	(61,356)
Total changes from financing cash flows	4,618	(186,646)	(61,356)	(243,384)
Other changes:				
Dividends declared on ordinary shares	–	219,583	–	219,583
Additions to lease liabilities	–	–	76,519	76,519
Interest expense on lease liabilities	–	–	2,781	2,781
Reassessment on lease liabilities	–	–	831	831
Exchange difference on lease liabilities	–	–	222	222
Total other changes	–	219,583	80,353	299,936
As at 31 December 2021	1,579,636	164,687	137,197	1,881,520

Notes to Financial Statements

1. CORPORATE AND GROUP INFORMATION

The Company is incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is a limited liability company and its shares are listed on the Stock Exchange (stock code: 626).

During the year, the Group's principal activities were the provision of a comprehensive range of banking and financial services, stockbroking, the letting of investment properties, the provision of financing to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Public Bank, which is incorporated in Malaysia.

Particulars of the Company's subsidiaries are as follows:

Name	Issued ordinary share capital HK$	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Public Bank (Hong Kong) Limited	2,854,045,000	100	–	Provision of banking and financial services
Public Bank (Nominees) Limited	100,000	–	100	Provision of nominee services
Public Futures Limited	2	–	100	Dormant
Public Financial Securities Limited	48,000,000	–	100	Securities brokerage
Public Finance Limited	671,038,000	–	100	Deposit-taking and financing
Public Financial Limited	10,100,000	–	100	Investment holding
Public Securities Limited	10,000,000	–	100	Securities brokerage
Public Securities (Nominees) Limited	10,000	–	100	Provision of nominee services
Winton (B.V.I.) Limited	61,773	100	–	Investment holding

Notes to Financial Statements

1. CORPORATE AND GROUP INFORMATION (Continued)

Name	Issued ordinary share capital HK$	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Winton Financial Limited	4,000,010	–	100	Provision of personal and property mortgage loans, and financing of licensed public vehicles such as taxis
Winton Motors, Limited	78,000	–	100	Trading of taxi cabs, taxi licences and leasing of taxis

Notes:

1. *Except for Winton (B.V.I.) Limited, which is incorporated in the British Virgin Islands, all subsidiaries are incorporated in Hong Kong.*

2. *Except for Public Bank (Hong Kong), which operates in Hong Kong and Mainland China, all subsidiaries operate in Hong Kong.*

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 Hong Kong Institute of Certified Public Accountants ("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 Listing Rules. They also contain certain disclosure information required under the Banking (Disclosure) Rules issued by the 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 2022.

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).

3. BASIS OF CONSOLIDATION (Continued)

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), 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 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.

Notes to Financial Statements

4. BASIS OF CAPITAL DISCLOSURES (Continued)

The computation of the consolidated total capital ratio and other regulatory capital ratios is based on the consolidation of 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 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 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 ("CCB") ratio for 2021 and 2022 is 2.5%, whilst the required countercyclical capital buffer ("CCyB") ratio for 2021 and 2022 is 1.0%.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2022. The Group has adopted the following revised standards for the first time for the current year's financial statements:

• Amendments to HKFRS 3	*Reference to the Conceptual Framework*
• Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
• Amendments to HKAS 37	*Onerous Contracts – Costs of Fulfilling a Contract*
• *Annual Improvements to HKFRSs 2018-2020*	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the amendments are described below.

Amendments to HKFRS 3 - *Reference to the Conceptual Framework*

Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 (the "Conceptual Framework") without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combinations that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

5. ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

Amendments to HKAS 16 - *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to HKAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Amendments to HKAS 37 - *Onerous Contracts – Costs of Fulfilling a Contract*

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the costs of fulfilling the contract comprise the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs (e.g. the costs of direct labour and materials) of fulfilling that contract and an allocation of other costs that relate directly in fulfilling that contract (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations as at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

***Annual Improvements to HKFRSs 2018-2020* - Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41**

Annual Improvements to HKFRSs 2018-2020 set out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- Amendments to HKFRS 1 permit a subsidiary that elects to apply paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to HKFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. These amendments are also applied to an associate or joint venture that elects to apply paragraph D16(a) of HKFRS 1. These amendments had no impact on the financial statements of the Group as it is not a first-time adopter.

- Amendment to HKFRS 9 *Financial Instruments* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

- Amendment to HKFRS 16 *Leases* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This amendment removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

- Amendments to HKAS 41 remove the requirement to exclude cash flows for taxation when measuring the fair value of assets within the scope of HKAS 41. These amendments had no impact on the financial statements of the Group as it did not have assets in scope of HKAS 41 as at the reporting date.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

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 HKAS 1 and HKFRS Practice Statement 2 — *Disclosure of Accounting Policies*[1]
- Amendments to HKAS 8 — *Definition of Accounting Estimates*[1]
- Amendments to HKAS 1 — *Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
- Amendments to HKAS 1 — *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
- Amendments to HKFRS 10 and HKAS 28 (2011) — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
- Amendments to HKAS 12 — *Deferred tax related to Assets and Liabilities arising from a Single Transaction*[1]
- Amendments to HKFRS 16 — *Lease Liability in a Sale and Leaseback*[2]

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

[2] *Effective for annual periods beginning on or after 1 January 2024*

[3] *No mandatory effective date determined yet but available for adoption*

[4] *As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion*

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 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 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. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 *Non-current Liabilities with Covenants* clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted. The 2022 Amendments are not expected to have any significant impact on the Group's financial statements

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa. The 2020 Amendments are not expected to have any significant impact on the Group's financial statements.

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 resulting from a downstream transaction 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.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs (Continued)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in HKFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions. The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

(1) Foreign currency translation

These financial statements are presented in HKD, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in "Other operating income" or "Other operating expenses" in the consolidated income statement with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity which is taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(1) Foreign currency translation (Continued)

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries and overseas branches and offices are translated into the Group's presentation currency at the rates of exchange ruling at the end of the reporting period, and their statements of comprehensive income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement as part of gains or losses on disposal.

(2) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

<u>Initial recognition and measurement</u>

Financial assets are classified at initial recognition and subsequently measured at amortised cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(i) Financial assets (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity investments)
- Financial assets at FVPL

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and short term placements, placements with banks and financial institutions, loans and advances and receivables, and held-to-collect debt securities.

Financial assets at FVOCI (debt instruments)

The Group measures financial assets at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(i) Financial assets (Continued)

Financial assets designated at FVOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as financial assets designated at FVOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as "Other operating income" in the consolidated income statement when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, lease liabilities, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include deposits and balances of banks and other financial institutions at amortised cost, customer deposits at amortised cost, certificates of deposit issued at amortised cost, unsecured bank loan at amortised cost, other liabilities and foreign exchange contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated income statement.

This category generally applies to customer deposits at amortised cost and unsecured bank loans at amortised cost.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(3) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements in "Other liabilities" at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at FVPL. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement in "Net fees and commission income" on a straight-line basis over the life of the guarantee.

(4) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(4) Derecognition of financial assets and financial liabilities (Continued)

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(5) Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that will be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(6) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL(s)") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For credit cards and revolving facilities that include both the loan and undrawn commitments, financial guarantees and letters of credit, ECLs are calculated and presented together with the loan.

For accounts receivable from contracts with customers, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic conditions.

For loans and advances, trade bills, accrued interests, loan commitments, financial guarantee contracts and letters of credit, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL.

The Group considers that there has been a significant increase in credit risk (i.e. Stage 2 for ECL calculations) in all cases when contractual payments are more than 30 days past due. The Group considers a financial asset in default (i.e. Stage 3 (credit-impaired) for ECL calculations) in all cases when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(6) Impairment of financial assets (Continued)

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/ protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Group provides relief measures, including principal moratorium or extension of due dates, to relieve financial burden of loan borrowers affected by the COVID-19 pandemic. Borrowers with a significant increase in credit risk (e.g. contractual payments being more than 30 days past due) are not eligible for application of the aforesaid relief scheme. In determining the loan stage of loans under relief measures, the Group considers both the delinquent period and qualitative information on the loan repayment ability as mentioned above.

It is the Group's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Over 90% (31 December 2021: over 90%) of 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 ("Moody's"), an external credit agency. Over 90% (31 December 2021: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's. Therefore, they are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Moody's both to determine whether the debt instrument has a significant increase in credit risk and to estimate ECLs.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(7) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are also subject to impairment. Right-of-use assets are depreciated on a straight-line basis, as follows:

Land and buildings	Over the lease terms plus the extension option period

Land held under finance leases

The right-of-use of leasehold land is classified as “Land held under finance leases”. Lump sum payments were made upfront to acquire the leasehold land from the owners with medium-term or long-term, and no ongoing payments will be made under the terms of these land leases. Medium-term leases are leases with remaining lease periods of more than 10 years to 50 years. Long-term leases are leases with remaining lease periods of more than 50 years. It is stated at cost less accumulated depreciation and any impairment, and is depreciated over the remaining lease terms on a straight-line basis to the consolidated income statement.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or a rate) or a change in the assessment of an option to purchase the underlying asset).

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(7) Leases (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in "Other operating income" in the consolidated income statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

(8) Interest income and expense, fee and commission income and other operating income

(i) Interest income and expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

Once the value of a financial asset or a group of similar financial assets had been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(8) Interest income and expense, fee and commission income and other operating income (Continued)

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(a) <u>Fee income earned from services that are provided over a certain period of time</u>

Fees earned from the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

(b) <u>Fee income from providing transaction services</u>

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

(iii) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(iv) Net trading income

Net trading income arising from trading activities includes all gains and losses from changes in fair value for financial assets and financial liabilities held for trading. Gains and losses on foreign exchange trading and other transactions are also reported as "Net trading income" except for those gains and losses on translation of foreign currencies recognised in the translation reserve.

(v) Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the consolidated income statement as "Other operating income".

(9) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, amounts due from banks on demand or with original maturity within three months and held-to-collect debt securities at amortised cost with original maturity within three months.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(10) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or a liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in the consolidated income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (the "CGU(s)"), or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(10) Business combinations and goodwill (Continued)

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

(11) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(12) Property and equipment, and depreciation

Property and equipment are stated at cost, except for certain buildings transferred from investment properties which are stated at deemed cost at the date of transfer, less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 4%
Leasehold improvements:	
Own leasehold buildings	20% to 33 1/3%
Others	Over the shorter of the remaining lease terms and 7 years
Furniture, fixtures and equipment	10% to 33 1/3%
Motor vehicles	20% to 25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(13) Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services; or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(13) Investment properties (Continued)

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment, and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment, and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated income statement.

(14) Intangible assets (other than goodwill)

Intangible assets, representing eligibility rights to trade on or through Hong Kong Exchanges and Clearing Limited, are stated at cost less impairment. The useful lives are assessed to be indefinite and they are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis. The carrying amount of intangible assets is subject to an annual impairment test, and impairment, if any, is charged to the consolidated income statement.

(15) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the actual cost for taxi cabs and taxi licences. Net realisable value is based on estimated selling prices less any estimated costs to be incurred on disposal.

(16) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group will make an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or a CGU) exceeds its recoverable amount, the asset (or the CGU) that the Group considered impaired is written down to its recoverable amount.

For assets excluding goodwill, deferred tax assets and inventories of taxi licences, an assessment is made at each reporting date as to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period it arises.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(17) Repossessed assets and valuation of collateral

Collateral assets for loans and advances and receivables are repossessed by the Group when the borrowers are unable to service their repayments, and would be realised in satisfaction of outstanding debts. Advances with repossessed collateral assets will continue to be accounted for as customer advances, except for those where the Group has taken the legal title and control of the repossessed collateral assets, in which cases the repossessed assets are recognised under separate accounts with a corresponding reduction in the carrying amount of related advances. Individual impairment allowance is made on the shortfall between the expected net realisable value of the repossessed assets and the outstanding advances.

Repossessed assets are recognised at the lower of the carrying amount of the related loans and advances and receivables and fair value less costs to sell.

(18) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Operating expenses" in the consolidated income statement.

(19) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(19) Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credit and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credit and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Summary of significant accounting policies (Continued)

(20) Employee benefits

(i) Retirement benefit schemes

The Group participates in two defined contribution retirement benefit schemes for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds.

Contribution for Mandatory Provident Fund (MPF) Scheme is made based on a percentage of the participating employees' relevant monthly income from the Group while contribution for Occupational Retirement Schemes Ordinance (ORSO) Scheme is made based on the participating employees' basic salary, and the contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the respective schemes. When an employee leaves the Group prior to his/her interest in the Group's employer non-mandatory contributions vesting with the employee, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. The Group's mandatory contributions vest fully with the employee.

(ii) Employee leave entitlements

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

(21) Dividends

Final dividends proposed by the Directors will remain in retained profits within reserves in the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared by the Directors. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

(22) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainty (Continued)

Impairment allowances on loans and advances and receivables (Continued)

The Group's 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 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 2022 and 31 December 2021 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 28 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.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 a 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 that is measured net of associated direct expenses. 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.

7. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2022 and 31 December 2021.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Segment revenue								
External:								
Net interest income/(expense)	**1,150,987**	1,282,000	**(74)**	(89)	**–**	–	**1,150,913**	1,281,911
Net fees and commission income	**122,057**	119,218	**56,169**	65,692	**–**	–	**178,226**	184,910
Other operating income	**28,338**	33,559	**338**	2	**16,129**	14,726	**44,805**	48,287
Operating income	**1,301,382**	1,434,777	**56,433**	65,605	**16,129**	14,726	**1,373,944**	1,515,108
Operating profit/(loss) after credit loss expenses before tax	**402,136**	563,965	**15,794**	28,451	**(11,421)**	9,758	**406,509**	602,174
Tax							**(77,812)**	(105,713)
Profit for the year							**328,697**	496,461
Other segment information								
Depreciation of property and equipment and land held under finance leases	**(44,821)**	(41,741)	**–**	–	**–**	–	**(44,821)**	(41,741)
Depreciation of right-of-use assets	**(57,508)**	(60,199)	**–**	–	**–**	–	**(57,508)**	(60,199)
Changes in fair value of investment properties	**–**	–	**–**	–	**(13,222)**	8,995	**(13,222)**	8,995
Credit loss expenses	**(130,595)**	(90,809)	**–**	–	**–**	–	**(130,595)**	(90,809)
Net losses on disposal of property and equipment	**(57)**	(7)	**–**	–	**–**	–	**(57)**	(7)

Notes to Financial Statements

7. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses certain assets and liabilities information regarding operating segments as at 31 December 2022 and 31 December 2021.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Segment assets other than intangible assets and goodwill	**38,204,199**	39,950,012	**446,697**	395,219	**429,343**	367,052	**39,080,239**	40,712,283
Intangible assets	**–**	–	**718**	718	**–**	–	**718**	718
Goodwill	**2,774,403**	2,774,403	**–**	–	**–**	–	**2,774,403**	2,774,403
Segment assets	**40,978,602**	42,724,415	**447,415**	395,937	**429,343**	367,052	**41,855,360**	43,487,404
Unallocated assets:								
Deferred tax assets and tax recoverable							**62,571**	40,748
Total assets							**41,917,931**	43,528,152
Segment liabilities	**32,895,093**	34,556,925	**149,267**	111,985	**6,317**	5,412	**33,050,677**	34,674,322
Unallocated liabilities:								
Deferred tax liabilities and tax payable							**101,903**	119,835
Dividends payable							**120,771**	164,687
Total liabilities							**33,273,351**	34,958,844
Other segment information								
Additions to non-current assets – capital expenditure	**184,617**	29,481	**–**	–	**–**	–	**184,617**	29,481

7. SEGMENT INFORMATION (Continued)

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 2022 and 31 December 2021.

	2022 HK$'000	2021 HK$'000
Segment revenue from external customers:		
Hong Kong	**1,270,054**	1,403,743
Mainland China	**103,890**	111,365
	1,373,944	1,515,108

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 assets information for geographical segments as at 31 December 2022 and 31 December 2021.

	2022 HK$'000	2021 HK$'000
Non-current assets:		
Hong Kong	**4,209,104**	4,106,064
Mainland China	**25,399**	28,385
	4,234,503	4,134,449

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% (2021: less than 10%) of the Group's total operating income or revenue.

Notes to Financial Statements

8. INTEREST INCOME AND EXPENSE

	2022 HK$'000	2021 HK$'000
Interest income from:		
Loans and advances and receivables	**1,335,062**	1,366,108
Short term placements and placements with banks	**83,459**	43,955
Held-to-collect debt securities at amortised cost	**82,315**	39,675
	1,500,836	1,449,738
Interest expense on:		
Deposits from banks and financial institutions	**7,384**	1,085
Deposits from customers	**304,454**	142,065
Bank loans	**35,676**	21,780
Others	**2,409**	2,897
	349,923	167,827

Interest income and interest expense for the year ended 31 December 2022, calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVPL, amounted to HK$1,500,836,000 and HK$349,923,000 (2021: HK$1,449,738,000 and HK$167,827,000) respectively.

9. NET FEES AND COMMISSION INCOME

	2022 HK$'000	2021 HK$'000
Fees and commission income:		
Retail and commercial banking	**123,625**	121,746
Wealth management services, stockbroking and securities management	**56,169**	65,692
	179,794	187,438
Less: Fees and commission expenses	**(1,568)**	(2,528)
	178,226	184,910

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. OTHER OPERATING INCOME

	2022 HK$'000	2021 HK$'000
Gross rental income	16,203	14,798
Less: Direct operating expenses	(74)	(73)
Net rental income	16,129	14,725
Gains less losses arising from dealing in foreign currencies	22,229	34,555
Net losses on derivative financial instruments	(1,659)	(5,197)
	20,570	29,358
Net losses on disposal of property and equipment	(57)	(7)
Gain on termination of leases	490	1,524
Dividend income from listed investments	220	202
Dividend income from unlisted investments	35	35
Government subsidies	5,749	1,047
Others	1,669	1,403
	44,805	48,287

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

For the year ended 31 December 2022, the government subsidy was granted under Employment Support Scheme which aims to retain employment under the Anti-epidemic Fund of the Hong Kong Government.

For the year ended 31 December 2021, the government subsidy was granted under the Financial Industry Recruitment Scheme for Tomorrow which aims to create full-time jobs in the financial services sector under the same fund.

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 2022 and 31 December 2021.

Notes to Financial Statements

11. OPERATING EXPENSES

	Notes	**2022 HK$'000**	2021 HK$'000
Staff costs:			
Salaries and other staff costs		**485,198**	502,025
Pension contributions		**26,850**	23,716
Less: Forfeited contributions		**(143)**	(88)
Net contribution to retirement benefit schemes		**26,707**	23,628
		511,905	525,653
Other operating expenses:			
Depreciation of right-of-use assets	26	**57,508**	60,199
Depreciation of property and equipment and land held under finance leases	24, 25	**44,821**	41,741
Auditors' remuneration		**4,597**	4,550
Administrative and general expenses		**70,821**	70,271
Others		**133,966**	128,706
Operating expenses before changes in fair value of investment properties		**823,618**	831,120

As at 31 December 2022 and 31 December 2021, 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 2022 and 31 December 2021 arose in respect of staff who left the schemes during the years.

12. CREDIT LOSS EXPENSES

The following tables show the changes in ECL on financial instruments for the years recorded in the consolidated income statement.

	2022			
	12-month expected credit loss (Stage 1) HK$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK$'000	Lifetime expected credit loss credit impaired (Stage 3) HK$'000	Total HK$'000
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	(10,803)	10,271	130,276	129,744
– trade bills, accrued interest and other receivables	(97)	37	953	893
– cash and short term placements	(88)	–	–	(88)
– placements with banks and financial institutions	(40)	–	–	(40)
– held-to-collect debt securities at amortised cost	97	–	–	97
– loan commitments	(13)	–	–	(13)
– financial guarantees and letters of credit	2	–	–	2
	(10,942)	10,308	131,229	130,595

Notes to Financial Statements

12. CREDIT LOSS EXPENSES (Continued)

	2021			
	12-month expected credit loss (Stage 1) HK$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK$'000	Lifetime expected credit loss credit impaired (Stage 3) HK$'000	Total HK$'000
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	(13)	(2,153)	92,076	89,910
– trade bills, accrued interest and other receivables	107	–	944	1,051
– cash and short term placements	(193)	–	–	(193)
– placements with banks and financial institutions	52	–	–	52
– held-to-collect debt securities at amortised cost	(25)	–	–	(25)
– loan commitments	14	–	–	14
– financial guarantees and letters of credit	–	–	–	–
	(58)	(2,153)	93,020	90,809

13. DIRECTORS' REMUNERATION

The remuneration of each Director for the years ended 31 December 2022 and 31 December 2021, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	2022				
Name of Directors	**Fees**	**Salaries and other benefits *(Note 1)***	**Bonuses**	**Retirement benefit contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Tan Sri Dato' Sri Dr. Teh Hong Piow (Deceased on 12 December 2022)	1,200	–	–	–	1,200
Lai Wan	510	–	–	–	510
Tan Yoke Kong *(Note 2)*	250	2,773	1,051	249	4,323
Chong Yam Kiang	250	2,526	754	147	3,677
Quah Poh Keat *(Note 4)*	250	250	–	–	500
Dato' Chang Kat Kiam	375	–	–	–	375
Lee Chin Guan	510	–	–	–	510
Tang Wing Chew *(Note 5)*	323	187	–	–	510
Lim Chao Li	510	–	–	–	510
Cheah Kim Ling *(Note 6)*	448	–	–	–	448
	4,626	5,736	1,805	396	12,563

Notes to Financial Statements

13. DIRECTORS' REMUNERATION (Continued)

Name of Directors	Fees HK$'000	Salaries and other benefits *(Note 1)* HK$'000	Bonuses HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
	2021				
Tan Sri Dato' Sri Dr. Teh Hong Piow	1,200	–	–	–	1,200
Lai Wan	510	–	–	–	510
Tan Yoke Kong *(Note 2)*	250	2,463	1,211	243	4,167
Chong Yam Kiang	250	2,301	883	142	3,576
Quah Poh Keat *(Note 4)*	500	–	–	–	500
Dato' Chang Kat Kiam	375	–	–	–	375
Lee Chin Guan	510	–	–	–	510
Tang Wing Chew	510	–	–	–	510
Lim Chao Li *(Note 3)*	260	–	–	–	260
	4,365	4,764	2,094	385	11,608

Notes:

1. *Salaries and other benefits included basic salaries, housing allowances, other allowances, benefits in kind and share option benefits. No share option benefits were paid in 2022 (2021: Nil).*

2. *Mr. Tan Yoke Kong occupies a property of the Group at rent free. The estimated monetary value of the accommodation provided to him during the year which was not charged to the consolidated income statement was HK$913,920 (2021: HK$913,920).*

3. *Mr. Lim Chao Li was appointed on 14 July 2021 and his director's fee was paid on a pro-rata basis.*

4. *Mr. Quah Poh Keat resigned as a director of a subsidiary on 1 November 2021.*

5. *Mr. Tang Wing Chew resigned on 25 February 2022.*

6. *Ms. Cheah Kim Ling was appointed on 25 February 2022 and her director's fee was payable on a pro-rata basis.*

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2021: two) Directors, details of whose remuneration are set out in note 13 above.

Details of the remaining three (2021: three) highest paid individuals' remuneration are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**5,407**	4,734
Bonuses paid and payable	**1,040**	1,540
Retirement benefit scheme contributions	**229**	614
	6,676	6,888

The number of highest paid individuals whose remuneration fell within the band set out below is as follows:

	2022 Number of individuals	2021 Number of individuals
HK$2,000,001 – HK$2,500,000	**3**	3
	3	3

15. TAX

	Note	2022 HK$'000	2021 HK$'000
Current tax charge:			
Hong Kong		**59,430**	86,964
Overseas		**17,228**	20,039
Deferred tax charge/(credit), net	33	**1,154**	(1,290)
		77,812	105,713

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

Notes to Financial Statements

15. TAX (Continued)

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:

	2022					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**334,742**		**71,767**		**406,509**	
Tax at the applicable tax rate	**55,233**	**16.5**	**17,941**	**25.0**	**73,174**	**18.0**
Estimated tax effect of net expenses that are not deductible	**4,638**	**1.4**	**–**	**–**	**4,638**	**1.1**
Tax charge at the Group's effective rate	**59,871**	**17.9**	**17,941**	**25.0**	**77,812**	**19.1**

	2021					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	529,335		72,839		602,174	
Tax at the applicable tax rate	87,340	16.5	18,210	25.0	105,550	17.5
Estimated tax effect of net expenses that are not deductible	149	–	14	–	163	–
Tax charge at the Group's effective rate	87,489	16.5	18,224	25.0	105,713	17.5

16. DIVIDENDS

(a) Dividends declared during the year

	2022 HK$ per ordinary share	2021 HK$ per ordinary share	2022 HK$'000	2021 HK$'000
First interim dividend declared and paid	**0.05**	0.05	**54,896**	54,896
Second interim dividend declared	**0.11**	0.15	**120,771**	164,687
	0.16	0.20	**175,667**	219,583

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

	2022 HK$ per ordinary share	2021 HK$ per ordinary share	2022 HK$'000	2021 HK$'000
Second interim dividend in respect of the previous year	**0.15**	0.12	**164,687**	131,750

17. 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$328,697,000 (2021: HK$496,461,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2021: 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 2022 and 31 December 2021.

Notes to Financial Statements

18. CASH AND SHORT TERM PLACEMENTS

	2022 HK$'000	2021 HK$'000
Cash on hand	**208,154**	191,800
Placements with banks and financial institutions	**727,785**	850,404
Money at call and short notice	**2,470,656**	3,278,839
Gross cash and short term placements	**3,406,595**	4,321,043
Less: Impairment allowances collectively assessed		
As at 1 January 2022 and 2021	**(412)**	(605)
Credit loss expenses released to the consolidated income statement during the year	**88**	193
	(324)	(412)
Cash and short term placements	**3,406,271**	4,320,631

Over 90% (31 December 2021: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's.

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

19. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING AFTER ONE MONTH BUT NOT MORE THAN TWELVE MONTHS

	2022 HK$'000	2021 HK$'000
Gross placements with banks and financial institutions	**1,826,759**	2,290,340
Less: Impairment allowances collectively assessed		
As at 1 January 2022 and 2021	**(229)**	(177)
Credit loss expenses released/(charged) to the consolidated income statement during the year	**40**	(52)
	(189)	(229)
Placements with banks and financial institutions	**1,826,570**	2,290,111

Over 90% (31 December 2021: over 90%) of the placements maturing after one month but not more than twelve months were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's.

There were no overdue or rescheduled placements with banks and financial institutions maturing after one month but not more than twelve months and no impairment allowances specifically assessed for such placements accordingly.

20. LOANS AND ADVANCES AND RECEIVABLES

	2022 HK$'000	2021 HK$'000
Loans and advances to customers	**24,784,214**	26,154,174
Trade bills	**5,368**	11,989
Loans and advances, and trade bills	**24,789,582**	26,166,163
Accrued interest	**83,188**	72,416
	24,872,770	26,238,579
Other receivables	**9,535**	12,900
Gross loans and advances and receivables	**24,882,305**	26,251,479
Less: Impairment allowances		
– specifically assessed	**(84,823)**	(65,752)
– collectively assessed	**(117,900)**	(118,524)
	(202,723)	(184,276)
Loans and advances and receivables	**24,679,582**	26,067,203

Over 90% (31 December 2021: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2021: 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.

Loans and advances and receivables are summarised as follows:

	2022 HK$'000	2021 HK$'000
Neither past due nor impaired loans and advances and receivables	**23,315,258**	25,443,428
Past due but not impaired loans and advances and receivables	**1,245,696**	560,052
Credit impaired loans and advances	**305,536**	234,512
Credit impaired receivables	**15,815**	13,487
Gross loans and advances and receivables	**24,882,305**	26,251,479

About 71% (31 December 2021: about 69%) of "Neither past due nor impaired loans and advances and receivables" were property mortgage loans and hire purchase financing secured by properties, taxi licences, public light bus licences and vehicles.

Notes to Financial Statements

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2022		2021	
	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	**79,989**	**0.32**	53,091	0.21
One year or less but over six months	**67,286**	**0.27**	23,791	0.09
Over one year	**117,502**	**0.48**	118,101	0.45
Loans and advances overdue for more than three months	**264,777**	**1.07**	194,983	0.75
Rescheduled loans and advances overdue for three months or less	**25,349**	**0.10**	28,165	0.11
Impaired loans and advances overdue for three months or less	**15,410**	**0.06**	11,364	0.04
Total overdue and impaired loans and advances	**305,536**	**1.23**	234,512	0.90

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2022 HK$'000	2021 HK$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**1,142**	471
One year or less but over six months	**2,660**	1,158
Over one year	**11,833**	11,792
Trade bills, accrued interest and other receivables overdue for more than three months	**15,635**	13,421
Impaired trade bills, accrued interest and other receivables overdue for three months or less	**180**	66
Total overdue and impaired trade bills, accrued interest and other receivables	**15,815**	13,487

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.

Notes to Financial Statements

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2022 Hong Kong HK$'000	2022 Mainland China HK$'000	2022 Total HK$'000	2021 Hong Kong HK$'000	2021 Mainland China HK$'000	2021 Total HK$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	**196,845**	**83,567**	**280,412**	95,182	113,222	208,404
Impairment allowances specifically assessed	**60,818**	**11,076**	**71,894**	40,431	12,207	52,638
Current market value and fair value of collateral			**331,496**			259,176
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	**236,245**	**85,106**	**321,351**	133,141	114,858	247,999
Impairment allowances specifically assessed	**73,747**	**11,076**	**84,823**	53,545	12,207	65,752
Current market value and fair value of collateral			**352,228**			278,001

Over 90% (31 December 2021: 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.

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2022 **HK$'000**	2021 HK$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**331,496**	259,176
Covered portion of overdue loans and advances	**197,675**	147,671
Uncovered portion of overdue loans and advances	**67,102**	47,312

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 31 December 2022, the total value of repossessed assets of the Group amounted to HK$61,796,000 (31 December 2021: HK$34,145,000).

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2022 Gross amount HK$'000	2022 Percentage of total loans and advances %	2021 Gross amount HK$'000	2021 Percentage of total loans and advances %
Loans and advances overdue for three months or less	**1,238,856**	**5.00**	556,719	2.13
Trade bills, accrued interest and other receivables overdue for three months or less	**6,840**		3,333	

(f) Impairment allowances on loans and advances and receivables

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

	2022			
	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 2022	**25,752,582**	**250,898**	**247,999**	**26,251,479**
New loans/financing originated	**5,859,207**	**1,493**	**1,369**	**5,862,069**
Loans/financing derecognised or repaid during the year (other than write-offs)	**(6,893,566)**	**(55,895)**	**(71,267)**	**(7,020,728)**
Transfer to 12-month expected credit loss (Stage 1)	**81,484**	**(72,766)**	**(8,718)**	**–**
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	**(722,840)**	**723,224**	**(384)**	**–**
Transfer to lifetime expected credit loss credit impaired (Stage 3)	**(288,663)**	**(74,204)**	**362,867**	**–**
Total transfer between stages	**(930,019)**	**576,254**	**353,765**	**–**
Write-offs	**–**	**–**	**(210,515)**	**(210,515)**
As at 31 December 2022	**23,788,204**	**772,750**	**321,351**	**24,882,305**
Arising from:				
Loans and advances	**23,707,748**	**770,930**	**305,536**	**24,784,214**
Trade bills, accrued interest and other receivables	**80,456**	**1,820**	**15,815**	**98,091**
	23,788,204	**772,750**	**321,351**	**24,882,305**

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK$170,435,000.

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2021			
	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 2021	25,759,389	267,868	231,834	26,259,091
New loans/financing originated	7,151,313	1,900	4,132	7,157,345
Loans/financing derecognised or repaid during the year (other than write-offs)	(6,861,970)	(40,313)	(62,817)	(6,965,100)
Transfer to 12-month expected credit loss (Stage 1)	105,536	(90,293)	(15,243)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(190,526)	192,248	(1,722)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(211,160)	(80,512)	291,672	–
Total transfer between stages	(296,150)	21,443	274,707	–
Write-offs	–	–	(199,857)	(199,857)
As at 31 December 2021	25,752,582	250,898	247,999	26,251,479
Arising from:				
Loans and advances	25,670,854	248,808	234,512	26,154,174
Trade bills, accrued interest and other receivables	81,728	2,090	13,487	97,305
	25,752,582	250,898	247,999	26,251,479

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK$160,164,000.

Notes to Financial Statements

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

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

	2022 Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Internal rating grades:				
Performing				
Pass	**23,674,964**	**–**	**–**	**23,674,964**
Special Mention	**113,240**	**772,750**	**–**	**885,990**
Non-performing				
Substandard	**–**	**–**	**111,070**	**111,070**
Doubtful	**–**	**–**	**190,588**	**190,588**
Loss	**–**	**–**	**19,693**	**19,693**
Total	**23,788,204**	**772,750**	**321,351**	**24,882,305**

	2021 Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Internal rating grades:				
Performing				
Pass	25,540,678	–	–	25,540,678
Special Mention	211,904	250,898	–	462,802
Non-performing				
Substandard	–	–	85,574	85,574
Doubtful	–	–	145,513	145,513
Loss	–	–	16,912	16,912
Total	25,752,582	250,898	247,999	26,251,479

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

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

	2022			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 January 2022*	96,568	21,924	65,752	184,244
New loans/financing originated	58,300	–	484	58,784
Loans/financing derecognised or repaid during the year (other than write-offs)	(58,978)	(4,151)	(101,859)	(164,988)
Transfer to 12-month expected credit loss (Stage 1)	1,811	(607)	(1,204)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(2,273)	2,353	(80)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,816)	(16,550)	24,366	–
Total transfer between stages	(8,278)	(14,804)	23,082	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(690)	29,372	196,178	224,860
Movements due to changes in credit risk	(1,254)	(109)	13,344	11,981
Recoveries	–	–	98,357	98,357
Write-offs	–	–	(210,515)	(210,515)
As at 31 December 2022	85,668	32,232	84,823	202,723
Arising from:				
Loans and advances	84,432	32,182	81,873	198,487
Trade bills, accrued interest and other receivables	1,236	50	2,950	4,236
	85,668	32,232	84,823	202,723

* *Effective from 1 January 2022, the ECL allowances on off-balance sheet credit exposures, including loan commitments and financial guarantees and letters of credit, have been reclassified and included under other liabilities in note 27 to the financial statements.*

Notes to Financial Statements

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2021			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 January 2021	96,492	24,077	60,022	180,591
New loans/financing originated	54,147	–	531	54,678
Loans/financing derecognised or repaid during the year (other than write-offs)	(54,155)	(4,189)	(118,681)	(177,025)
Transfer to 12-month expected credit loss (Stage 1)	6,204	(3,346)	(2,858)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,643)	1,780	(137)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(5,903)	(15,362)	21,265	–
Total transfer between stages	(1,342)	(16,928)	18,270	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(3,442)	18,983	169,147	184,688
Movements due to changes in credit risk	4,900	(19)	23,753	28,634
Recoveries	–	–	112,567	112,567
Write-offs	–	–	(199,857)	(199,857)
As at 31 December 2021	96,600	21,924	65,752	184,276
Arising from:				
Loans and advances	95,235	21,911	63,755	180,901
Trade bills, accrued interest and other receivables	1,333	13	1,997	3,343
Loan commitments	30	–	–	30
Financial guarantees and letters of credit	2	–	–	2
	96,600	21,924	65,752	184,276

20. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(g) Finance lease receivables

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

	2022 Undiscounted lease payments HK$'000	2021 Undiscounted lease payments HK$'000	2022 Net investment in finance leases HK$'000	2021 Net investment in finance leases HK$'000
Amounts receivable under finance leases:				
Within one year	**454,967**	406,350	**281,222**	266,342
Over one year but within two years	**391,406**	348,885	**241,862**	229,645
Over two years but within three years	**337,546**	298,033	**197,822**	186,761
Over three years but within four years	**295,348**	256,102	**162,784**	150,386
Over four years but within five years	**261,430**	229,673	**134,254**	127,888
Over five years	**5,544,205**	5,232,762	**4,043,027**	4,014,407
	7,284,902	6,771,805	**5,060,971**	4,975,429
Less: Unearned finance income	**(2,223,931)**	(1,796,376)		
Net investment in finance leases	**5,060,971**	4,975,429		

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 30 years.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Unlisted equity investments in corporate entity, at fair value:		
At the beginning and the end of the year	**6,804**	6,804

The above investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature. Fair value is measured based on the present value of expected cash flows in the foreseeable future.

During the year, the Group received dividends of HK$35,000 (2021: HK$35,000) from the above investments.

Notes to Financial Statements

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

	2022 HK$'000	2021 HK$'000
Certificates of deposit held	3,232,848	3,384,230
Treasury bills and government bonds (including Exchange Fund Bills)	2,867,666	2,071,457
Other debt securities	1,337,727	1,024,028
Gross held-to-collect debt securities at amortised cost	7,438,241	6,479,715
Less: Impairment allowances collectively assessed		
As at 1 January 2022 and 2021	(649)	(674)
Credit loss expenses (charged)/released to the consolidated income statement during the year	(97)	25
	(746)	(649)
	7,437,495	6,479,066
Listed or unlisted:		
– Listed in Hong Kong	1,314,152	1,024,776
– Listed outside Hong Kong	149,790	107,590
– Unlisted	5,974,299	5,347,349
	7,438,241	6,479,715
Analysed by type of issuers:		
– Central governments	2,867,666	2,071,457
– Public sector entities	429,785	500,000
– Corporates	200,000	31,484
– Banks and other financial institutions	3,940,790	3,876,774
	7,438,241	6,479,715

There were no impairment allowances specifically assessed made against held-to-collect debt securities at amortised cost as at 31 December 2022 and 31 December 2021.

There were neither impaired nor overdue held-to-collect debt securities at amortised cost as at 31 December 2022 and 31 December 2021.

Over 90% (31 December 2021: over 90%) of 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.

23. INVESTMENT PROPERTIES

	HK$'000
At valuation:	
As at 1 January 2021	357,940
Changes in fair value recognised in the consolidated income statement	8,995
As at 31 December 2021 and 1 January 2022	**366,935**
Additions	**75,602**
Changes in fair value recognised in the consolidated income statement	**(13,222)**
As at 31 December 2022	**429,315**

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

All investment properties were classified under Level 3 in the fair value hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

As at 31 December 2022, investment properties were revalued according to the valuation assessed by C S Surveyors Limited, a firm of independent professionally qualified valuers. Finance and Control Department has discussions with the valuer on the valuation methodology and valuation results at least twice a year when the valuation is performed for interim and annual financial reporting.

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

	2022		2021	
	Range HK$	**Weighted average HK$**	Range HK$	Weighted average HK$
Price per square metre	**31,000 to 774,000**	**288,000**	32,000 to 521,000	195,000

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

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in note 35(a) to the financial statements.

Notes to Financial Statements

24. PROPERTY AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
As at 1 January 2021	83,518	391,628	1,856	477,002
Additions	–	29,481	–	29,481
Disposals/write-off	–	(6,873)	(396)	(7,269)
As at 31 December 2021 and 1 January 2022	**83,518**	**414,236**	**1,460**	**499,214**
Additions	**772**	**37,421**	**–**	**38,193**
Disposals/write-off	**–**	**(17,655)**	**–**	**(17,655)**
As at 31 December 2022	**84,290**	**434,002**	**1,460**	**519,752**
Accumulated depreciation:				
As at 1 January 2021	30,532	254,441	887	285,860
Provided during the year	1,668	31,935	266	33,869
Disposals/write-off	–	(6,861)	(396)	(7,257)
As at 31 December 2021 and 1 January 2022	**32,200**	**279,515**	**757**	**312,472**
Provided during the year	**1,694**	**32,668**	**253**	**34,615**
Disposals/write-off	**–**	**(17,598)**	**–**	**(17,598)**
As at 31 December 2022	**33,894**	**294,585**	**1,010**	**329,489**
Net carrying amount:				
As at 31 December 2022	**50,396**	**139,417**	**450**	**190,263**
As at 31 December 2021	51,318	134,721	703	186,742

There were no impairment allowances made against the above items of property and equipment as at 31 December 2022 and 31 December 2021. There were no movements in impairment allowances for the years ended 31 December 2022 and 31 December 2021.

25. LAND HELD UNDER FINANCE LEASES

	HK$'000
Cost:	
As at 1 January 2021, 31 December 2021, 1 January 2022	**815,428**
Additions	**70,822**
As at 31 December 2022	**886,250**
Accumulated depreciation and impairment:	
As at 1 January 2021	135,263
Depreciation provided during the year	7,872
As at 31 December 2021 and 1 January 2022	**143,135**
Depreciation provided during the year	**10,206**
As at 31 December 2022	**153,341**
Net carrying amount:	
As at 31 December 2022	**732,909**
As at 31 December 2021	672,293

The Group's land held under finance leases at net carrying amount is held under the following lease terms:

	2022 HK$'000	2021 HK$'000
Leaseholds:		
Held in Hong Kong		
– On long-term leases	**482,058**	482,930
– On medium-term leases	**236,266**	174,010
Held outside Hong Kong		
– On medium-term leases	**14,585**	15,353
	732,909	672,293

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

Notes to Financial Statements

26. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has entered into lease arrangements with landlords, and the terms of the leases range from 1 to 10 years.

The Group has several lease contracts that include extension options ranging from 2 to 3 years. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see note 6 to the financial statements). During the years ended 31 December 2022 and 31 December 2021, management had considered to exercise all extension options available in the lease contracts which had commenced, and therefore, all future cash outflows to which the Group is potentially exposed have already been reflected in the measurement of lease liabilities.

The Group also has certain leases of storage room with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the years:

Right-of-use assets:

	Land and buildings HK$'000
Cost:	
As at 1 January 2021	276,654
Additions	79,497
Reassessment	935
Written off	(59,792)
As at 31 December 2021 and 1 January 2022	**297,294**
Additions	**33,632**
Reassessment	**548**
Written off	**(17,498)**
As at 31 December 2022	**313,976**
Accumulated depreciation and impairment:	
As at 1 January 2021	163,736
Depreciation provided during the year	60,199
Written off	(59,792)
Exchange difference	(207)
As at 31 December 2021 and 1 January 2022	**163,936**
Depreciation provided during the year	**57,508**
Written off	**(15,387)**
Exchange difference	**1,024**
As at 31 December 2022	**207,081**
Net carrying amount:	
As at 31 December 2022	**106,895**
As at 31 December 2021	133,358

26. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the years:

Lease liabilities:

	Land and buildings HK$'000
As at 1 January 2021	118,200
Additions	76,519
Interest expense	2,781
Payments	(61,356)
Reassessment	831
Exchange difference	222
As at 31 December 2021 and 1 January 2022	**137,197**
Additions	**31,979**
Interest expense	**2,298**
Payments	**(57,677)**
Reassessment	**(1,974)**
Exchange difference	**(1,078)**
As at 31 December 2022	**110,745**

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

The following are the amounts recognised in profit or loss:

	2022 HK$'000	2021 HK$'000
Depreciation expense of right-of-use assets	**57,508**	60,199
Interest expense on lease liabilities	**2,298**	2,781
Expense relating to short-term leases	**466**	390
Expense relating to leases of low-value assets	**2,006**	2,412
	62,278	65,782

During the year, the Group had total cash outflows for leases of HK$57,677,000 (2021: HK$61,356,000). The future cash outflows relating to leases committed but not yet commenced are disclosed in note 35(b) to the financial statements.

Notes to Financial Statements

27. OTHER ASSETS AND OTHER LIABILITIES

Other assets

	2022 HK$'000	2021 HK$'000
Interest receivable from financial institutions	**43,226**	15,783
Other debtors, deposits and prepayments	**220,566**	131,341
Net amount of accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	**–**	40,465
	263,792	187,589

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

Other liabilities

	2022 HK$'000	2021 HK$'000
Creditors, accruals and other payables*	**189,506**	269,846
Interest payable	**130,917**	26,139
Net amount of accounts payable to HKSCC	**121,851**	13,781
	442,274	309,766

* *The balance also includes the impairment allowance of HK$21,000 on off-balance sheet credit exposures, including loan commitments and financial guarantees and letters of credit, as at 31 December 2022.*

Public Financial Securities Limited and Public Securities Limited maintain accounts with HKSCC through which they conduct securities trading transactions and settlement on a net basis.

27. OTHER ASSETS AND OTHER LIABILITIES (Continued)

In presenting the amounts due from and to HKSCC, the individual subsidiaries concerned have offset the gross amount of the accounts receivable from and the gross amount of the accounts payable to HKSCC. The amounts offset and the net balances are shown as follows:

	Gross amount HK$'000	Amount offset HK$'000	Net amount HK$'000
Other assets			
2022			
Amount of accounts receivable from HKSCC	**17,382**	**(17,382)**	**–**
2021			
Amount of accounts receivable from HKSCC	83,485	(43,020)	40,465
Other liabilities			
2022			
Amount of accounts payable to HKSCC	**(139,233)**	**17,382**	**(121,851)**
2021			
Amount of accounts payable to HKSCC	(56,801)	43,020	(13,781)

28. GOODWILL

	2022 HK$'000	2021 HK$'000
Cost and net carrying amount:		
At the beginning and the end of the year	**2,774,403**	2,774,403

Notes to Financial Statements

28. GOODWILL (Continued)

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-rata 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 2022 and 31 December 2021 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 plans approved by management and assumed growth rates are used to extrapolate the cash flows beyond 5 years. The financial projection considers 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 2.8% (2021: 3.0%) per annum for both CGUs from the sixth years taking into account long-term gross domestic product growth and other relevant economic factors. A discount rate of 8.1% (2021: 6.9%) 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 2022 and 31 December 2021 as its value-in-use exceeded its carrying amount.

29. INTANGIBLE ASSETS

	2022 HK$'000	2021 HK$'000
Cost:		
At the beginning and the end of the year	**1,085**	1,085
Accumulated impairment:		
At the beginning and the end of the year	**367**	367
Net carrying amount:		
At the beginning and the end of the year	**718**	718

Intangible assets represent trading rights held by the Group. The trading rights are retained for stock trading and stockbroking activities, and have indefinite useful lives as the trading rights have no expiry date. They comprise five units (31 December 2021: five units) of Stock Exchange Trading Right and one unit (31 December 2021: one unit) of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited.

30. LOANS TO DIRECTORS

No loans have been granted to Directors for the year ended 31 December 2022 (2021: Nil).

31. CUSTOMER DEPOSITS AT AMORTISED COST

	2022 HK$'000	2021 HK$'000
Demand deposits and current accounts	**3,535,991**	4,664,799
Savings deposits	**6,081,498**	8,114,446
Time, call and notice deposits	**20,828,923**	19,396,092
	30,446,412	32,175,337

32. UNSECURED BANK LOANS AT AMORTISED COST

	2022 HK$'000	2021 HK$'000
Unsecured bank loans	**1,552,087**	1,579,636
Repayable:		
On demand or within a period not exceeding one year	**1,552,087**	1,579,636
Within a period of more than one year but not exceeding two years	**–**	–
Within a period of more than two years but not exceeding five years	**–**	–
	1,552,087	1,579,636

The unsecured bank loans were denominated in HKD. Carrying amounts of the unsecured bank loans bore interest at floating interest rates and at prevailing market rates.

Notes to Financial Statements

33. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Impairment allowances for loans and advances and receivables HK$'000	Others HK$'000	Decelerated tax depreciation of property and equipment HK$'000	Total HK$'000
As at 1 January 2021	34,013	579	11	34,603
Deferred tax credited/(charged) to the consolidated income statement	3,309	(74)	(5)	3,230
Exchange difference	995	17	–	1,012
As at 31 December 2021 and 1 January 2022	**38,317**	**522**	**6**	**38,845**
Deferred tax credited to the consolidated income statement	**1,275**	**11**	**29**	**1,315**
Exchange difference	**(3,728)**	**(44)**	**–**	**(3,772)**
As at 31 December 2022	**35,864**	**489**	**35**	**36,388**

33. DEFERRED TAX (Continued)

Deferred tax liabilities:

	Accelerated tax depreciation of property and equipment HK$'000
As at 1 January 2021	45,358
Deferred tax charged to the consolidated income statement	1,940
As at 31 December 2021 and 1 January 2022	**47,298**
Deferred tax charged to the consolidated income statement	**2,469**
As at 31 December 2022	**49,767**

The Group has tax losses arising in Hong Kong of HK$9,698,000 (31 December 2021: HK$9,698,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have incurred losses for some time and it is not considered probable that taxable profit will be available against which tax losses can be utilised.

There are no significant income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Authorised: 2,000,000,000 (2021: 2,000,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid: 1,097,917,618 (2021: 1,097,917,618) ordinary shares of HK$0.10 each	**109,792**	109,792

Notes to Financial Statements

35. LEASES

(a) As lessor

The Group leases its investment properties as disclosed in note 23 to the financial statements under operating lease arrangements, and the terms of the leases range from 1 to 4 years.

As at 31 December 2022 and 31 December 2021, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**11,041**	10,054
Over one year but within two years	**6,974**	4,929
Over two years but within three years	**576**	1,918
Over three years but within four years	**–**	228
	18,591	17,129

(b) As lessee

The Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 2 to 3 years. As at 31 December 2022 and 31 December 2021, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**1,795**	4,331
In the second to fifth years, inclusive	**4,493**	8,074
	6,288	12,405

36. OFF-BALANCE SHEET EXPOSURE

(a) 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:

	2022 Contractual amount HK$'000	Credit equivalent amount HK$'000	Credit risk-weighted amount HK$'000	Positive fair value-assets HK$'000	Negative fair value-liabilities HK$'000
Direct credit substitutes	27,340	27,340	23,372	–	–
Transaction-related contingencies	13,533	6,767	2,011	–	–
Trade-related contingencies	7,698	1,540	1,380	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	–	–	–	–	–
	48,571	35,647	26,763	–	–
Derivatives held for trading:					
Foreign exchange contracts	594,620	7,105	1,421	343	2,002
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	155,840	77,920	77,920	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,306,996	–	–	–	–
	3,106,027	120,672	106,104	343	2,002

	2022 Contractual amount HK$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position	18,530

Notes to Financial Statements

36. OFF-BALANCE SHEET EXPOSURE (Continued)

(a) Contingent liabilities, commitments and derivatives (Continued)

	2021				
	Contractual amount HK$'000	Credit equivalent amount HK$'000	Credit risk-weighted amount HK$'000	Positive fair value-assets HK$'000	Negative fair value-liabilities HK$'000
Direct credit substitutes	23,011	23,011	18,365	–	–
Transaction-related contingencies	4,002	2,001	816	–	–
Trade-related contingencies	11,601	2,320	2,223	–	–
Forward forward deposits placed	272,874	272,874	54,575	–	–
Forward asset purchases	–	–	–	–	–
	311,488	300,206	75,979	–	–
Derivatives held for trading:					
Foreign exchange contracts	934,327	15,253	3,051	1,551	6,748
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	77,920	38,960	38,960	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,256,137	–	–	–	–
	3,579,872	354,419	117,990	1,551	6,748

	2021 Contractual amount HK$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position	8,347

36. OFF-BALANCE SHEET EXPOSURE (Continued)

(a) Contingent liabilities, commitments and derivatives (Continued)

As at 31 December 2022 and 31 December 2021, the corresponding ECLs for the outstanding off-balance sheet exposures, including loan commitments and financial guarantees and letters of credit under stage 1, amounted to HK$21,000 and HK$32,000 respectively.

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

As at 31 December 2022 and 31 December 2021, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

(b) Derivative financial instruments

The Group uses the following derivative financial instruments:

Currency forwards represent commitments to purchase foreign and domestic currencies, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations established in an organised financial market to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell a foreign currency or a financial instrument on a future date at a specified price. The credit risk is negligible, as changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of interest rates (for example, fixed rate or floating rate). No exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as used for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risk. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable, and the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Notes to Financial Statements

37. RELATED PARTY TRANSACTIONS

In addition to the remuneration details of the Directors, who represent the key management personnel of the Group, in note 13 to the financial statements, the Group had the following major transactions with related parties which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers during the year:

	Notes	2022 HK$'000	2021 HK$'000
Related party transactions included in the consolidated income statement:			
Ultimate holding company:			
Bank loans interest paid and payable	(b)	**4,906**	2,129
Deposits interest paid	(b)	**8**	–
Commitment fees paid	(d)	**3,971**	3,960
Credit information service charge	(e)	**271**	–
Fellow subsidiaries:			
Bank loans interest paid and payable	(b)	**4,342**	2,409
Commitment fees paid	(d)	**143**	139
Services fees	(d)	**6**	16
Key management personnel:			
Deposits interest paid	(b)	**14**	7
Commission income	(c)	**2**	4

	Notes	2022 HK$'000	2021 HK$'000
Related party transactions included in the consolidated statement of financial position:			
Ultimate holding company:			
Cash and short term funds	(a)	**3,652**	6,849
Deposits and balances of banks and other financial institutions at amortised cost	(b)	**16,116**	12,488
Bank loans	(b)	**215,000**	235,000
Interest payable	(b)	**247**	79
Fellow subsidiaries:			
Deposits and balances of banks and other financial institutions at amortised cost	(b)	**8,093**	6,256
Bank loans	(b)	**240,000**	245,000
Interest payable	(b)	**78**	11
Key management personnel:			
Deposits	(b)	**1,174**	2,582
Interest payable	(b)	**8**	1

37. RELATED PARTY TRANSACTIONS (Continued)

Notes:

(a) The Group placed deposits with Public Bank, the ultimate holding company, at prevailing market rates.

(b) The ultimate holding company, fellow subsidiaries, and key management personnel placed deposits with the Group at the prevailing market rates. Interest expenses were paid/payable by the Group for the year in respect of these placements. The balances were included in customer deposits in the consolidated statement of financial position. Bank loans were granted by Public Bank and Public Bank (L) Ltd, a fellow subsidiary, to the Group, and interest expenses were paid/payable by the Group in respect of these loans.

(c) Commission income was received from key management personnel of the Group for securities dealings through Public Financial Securities Limited and Public Securities Limited.

(d) Commitment fees were paid to Public Bank in order to obtain standby facilities granted by Public Bank to Public Bank (Hong Kong) and Public Finance.

Commitment fees were paid to Public Bank (L) Ltd in order to obtain revolving credit facilities granted by Public Bank (L) Ltd to Public Securities Limited.

Services fees were paid to Public Investment Bank Berhad from Public Securities Limited for referrals of stock broking transactions.

(e) The credit information service charge was paid to Public Bank for the share of cost borne by Public Bank (Hong Kong).

In addition, certain banking facilities of the Group are supported by letters of comfort issued by the ultimate holding company.

None of these related party transactions constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

Fixed rate financial instruments

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

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

The following tables show an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

	2022			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Derivative financial instruments	–	343	–	343
Equity investments at fair value through other comprehensive income	–	–	6,804	6,804
	–	343	6,804	7,147
Financial liabilities:				
Derivative financial instruments	–	2,002	–	2,002

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Derivative financial instruments	–	1,551	–	1,551
Equity investments at fair value through other comprehensive income	–	–	6,804	6,804
	–	1,551	6,804	8,355
Financial liabilities:				
Derivative financial instruments	–	6,748	–	6,748

Level 2 financial instruments comprise forward foreign exchange contracts and currency swaps. These instruments have been measured at fair value based on the forward foreign exchange rates that are quoted in an active market. As at 31 December 2022 and 31 December 2021, the effects of discounting were considered insignificant for the Level 2 financial instruments.

Level 3 financial instruments are measured at fair value based on the present value of expected cash flows in the foreseeable future.

For financial instruments measured at fair value on a recurring basis, the Group determines whether transfer has occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Finance and Control Department performs the valuation of financial instruments required for financial reporting purposes, including Level 3 fair values, at the end of each reporting period. The impact due to changes in fair value of the Level 3 financial instruments is insignificant to the Group.

For the years ended 31 December 2022 and 31 December 2021, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the years ended 31 December 2022 and 31 December 2021, there were no issues and settlements related to the Level 3 financial instruments.

There was no gain or loss and no OCI reported in the consolidated income statement and consolidated statement of comprehensive income respectively related to the Level 3 financial instruments for the years ended 31 December 2022 and 31 December 2021.

For fair value measurement at Level 3, changing one or more of the inputs to the reasonably possible alternative assumptions would not change the fair value significantly.

Notes to Financial Statements

39. 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. The Group's contractual undiscounted repayment obligations are shown in the sub-section "Liquidity risk management" in note 40 to the financial statements.

	2022							
	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Financial assets:								
Gross cash and short term placements	935,939	2,470,656	–	–	–	–	–	3,406,595
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	1,686,951	139,808	–	–	–	1,826,759
Gross loans and advances and receivables	575,314	1,979,025	1,170,195	2,053,263	5,971,251	12,780,828	352,429	24,882,305
Equity investments at fair value through other comprehensive income	–	–	–	–	–	–	6,804	6,804
Gross held-to-collect debt securities at amortised cost	–	720,455	1,691,476	3,762,752	1,263,558	–	–	7,438,241
Other assets	56	157,351	11,240	4,617	3,649	–	86,879	263,792
Gross foreign exchange contracts	–	594,620	–	–	–	–	–	594,620
Total financial assets	1,511,309	5,922,107	4,559,862	5,960,440	7,238,458	12,780,828	446,112	38,419,116
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	108,025	249,132	50,000	90,000	–	–	–	497,157
Customer deposits at amortised cost	9,671,382	6,214,728	9,592,685	4,943,996	23,621	–	–	30,446,412
Unsecured bank loans at amortised cost	–	1,552,087	–	–	–	–	–	1,552,087
Lease liabilities	–	4,474	9,171	35,971	52,910	8,219	–	110,745
Other liabilities	4,652	199,401	51,256	34,580	47	–	152,338	442,274
Gross foreign exchange contracts	–	596,279	–	–	–	–	–	596,279
Total financial liabilities	9,784,059	8,816,101	9,703,112	5,104,547	76,578	8,219	152,338	33,644,954
Net liquidity gap	(8,272,750)	(2,893,994)	(5,143,250)	855,893	7,161,880	12,772,609	293,774	4,774,162

39. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

2021	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Financial assets:								
Gross cash and short term placements	1,042,204	3,278,839	–	–	–	–	–	4,321,043
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	1,614,325	676,015	–	–	–	2,290,340
Gross loans and advances and receivables	583,355	1,680,795	1,177,633	2,610,649	6,180,010	13,756,324	262,713	26,251,479
Equity investments at fair value through other comprehensive income	–	–	–	–	–	–	6,804	6,804
Gross held-to-collect debt securities at amortised cost	–	281,031	1,340,646	3,611,281	1,246,757	–	–	6,479,715
Other assets	37	112,345	6,314	5,152	2,825	–	60,916	187,589
Gross foreign exchange contracts	–	589,682	344,645	–	–	–	–	934,327
Total financial assets	1,625,596	5,942,692	4,483,563	6,903,097	7,429,592	13,756,324	330,433	40,471,297
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	86,562	239,076	90,000	50,000	–	–	–	465,638
Customer deposits at amortised cost	12,826,136	5,854,040	10,289,052	3,198,869	7,240	–	–	32,175,337
Unsecured bank loans at amortised cost	–	1,579,636	–	–	–	–	–	1,579,636
Lease liabilities	–	4,510	8,618	33,733	77,521	12,815	–	137,197
Other liabilities	1,404	127,741	11,363	4,519	192	–	164,547	309,766
Gross foreign exchange contracts	–	591,530	347,994	–	–	–	–	939,524
Total financial liabilities	12,914,102	8,396,533	10,747,027	3,287,121	84,953	12,815	164,547	35,607,098
Net liquidity gap	(11,288,506)	(2,453,841)	(6,263,464)	3,615,976	7,344,639	13,743,509	165,886	4,864,199

Notes to Financial Statements

40. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise customer deposits, bank loans, and deposits and balances of banks and other financial institutions. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as cash and short term placements, held-to-collect debt securities at amortised cost, loans and advances and receivables, and equity investments at FVOCI, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts held for trading. The purpose is to manage or mitigate currency risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, credit risk and liquidity risk.

The Group's business activities comprise retail and commercial banking services. These activities expose the Group to a variety of risks, mainly interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk and compliance risk. The respective Boards of Public Bank (Hong Kong) and Public Finance review and approve risk management policies for managing each of these risks and they are summarised below.

Risk management structure

The Group's risk management is underpinned by the Group's risk appetite and is subject to the respective Boards' oversight through the RMCs of Public Bank (Hong Kong) and Public Finance, which are Board Committees overseeing the establishment of enterprise-wide risk management policies and processes. The RMCs are assisted by the specific risk oversight committees including the ALCO, ORMC, Credit Committee, CRMC, and Anti-Money Laundering and Counter-terrorist Financing and Compliance Committee or equivalent committees with similar functions of Public Bank (Hong Kong) and Public Finance.

The Group has established systems, policies and procedures for the control and monitoring of interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk, ESG risk and compliance risk which are approved by the respective Boards of Public Bank (Hong Kong) and Public Finance and reviewed regularly by their management, and other designated committees or working groups. Material risks are identified and assessed by designated committees and/or working groups before the launch of new products or business activities, and are monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of Public Bank (Hong Kong) and Public Finance also perform regular audits to ensure compliance with the policies and procedures.

Interest rate risk management

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

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management (Continued)

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

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

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

For computation of the impact on EVE, the Group adopts the six prescribed standardised interest rate shock scenarios defined by the HKMA (namely parallel up, parallel down, steepener, flattener, short rate up, and short rate down) and internal parallel up and down scenarios at 100 basis points.

For computation of the impact on NII over the next twelve months, the Group adopts the standardised and internal parallel up or down scenarios as mentioned above.

Notes to Financial Statements

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management (Continued)

The key modeling assumptions used by the Group in EVE and NII calculation include the followings:

(i) For EVE computation, commercial margins and other spread components have been excluded in the cash flows used in the computation and discount rate.

(ii) The repricing maturity of non-maturity deposits is determined based on the earliest date on which their interest rates can be adjusted. Based on such assumption, the repricing maturity of all non-maturity deposits is determined to be one day.

(iii) Conditional prepayment rates have been computed for the fixed-rate retail loan products based on historical data of past two years or more. Retail term deposits are assumed not to be subject to early redemption risk given the material early withdrawal penalty imposed by the Group.

(iv) The Group measures IRRBB exposures separately for each significant currency in view that yield curves for different currencies vary from one to another. The Group's significant currency is defined as HKD, USD, Renminbi ("RMB"), Australian dollar and other currencies that account for at least 5% of total on-balance sheet interest rate-sensitive position in all currencies and that the aggregate of significant currency should account for at least 90% of total on-balance sheet interest rate-sensitive position. The interest rate correlations between different currencies are assumed to be insignificant.

Pursuant to the above methodology and assumptions, the impacts on EVE and NII for the positions of 31 December 2022 and 31 December 2021 under various scenarios are as follows:

	2022		2021	
Scenario	**EVE HK$'000**	**NII HK$'000**	EVE HK$'000	NII HK$'000
Parallel up	**(101,415)**	**65,922**	(125,207)	51,527
Parallel down	**98,293**	**(67,916)**	122,426	(55,051)
Steepener	**24,604**	**(50,623)**	46,101	(38,264)
Flattener	**(40,420)**	**64,356**	(66,728)	47,575
Short rate up	**(81,469)**	**78,375**	(105,292)	57,981
Short rate down	**79,615**	**(80,748)**	100,858	(61,662)

Under the interest rate benchmark reform, interbank offerred rate ("IBOR") is gradually phasing out from 1 January 2022 and being replaced with a nearly risk-free interest rate. The contracted interest receivables from these financial instruments referencing to IBOR may not be determined when IBOR discontinues to be quoted. In addressing such risks, the Group had ceased to enter into new IBOR contracts and liaised with its counterparties to modify existing IBOR contracts by using other interest rate benchmarks or agreeing the fallback interest charging mechanism when IBOR discontinued. These actions for a smooth transition had been completed in year 2021.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management (Continued)

As at 31 December 2022, the Group's financial instruments subject to the interest rate benchmark reform comprised the following non-derivative financial assets only:

	USD LIBOR HK$ million	GBP LIBOR HK$ million	JPY LIBOR HK$ million	Others HK$ million
As at 31 December 2022	**437**	**–**	**–**	**–**
As at 31 December 2021	639	21	–	–

Market risk management

(a) Currency risk

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk positions arise from foreign exchange dealings, commercial banking operations and structural foreign currency exposures. All foreign exchange positions are managed by the Group's Treasury Department within limits approved by the Board of Public Bank (Hong Kong).

The Group's assets and liabilities are mainly denominated in HKD, USD and RMB. The Group has limited foreign currency risk as the Group's net foreign currency positions are small, except for net structural position of RMB denominated operating capital.

As at 31 December 2022, if RMB had strengthened or weakened by 100 basis points against HKD with all other variables held constant, the Group's equity would have increased or decreased by HK$11 million (31 December 2021: HK$12 million) mainly as a result of foreign exchange impact arising from the net structural position of RMB denominated operating capital.

(b) Price risk

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

The Group monitors price risk principally by limits established for transactions and open positions. These limits are reviewed and approved by the respective Boards of Public Bank (Hong Kong) and Public Finance and are monitored on a daily basis.

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

Notes to Financial Statements

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management

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

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

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

Credit and compliance audits are periodically conducted by Internal Audit Departments of Public Bank (Hong Kong) and Public Finance to evaluate the effectiveness of credit reviews, approval and monitoring processes and to ensure that the established credit policies and procedures are complied with.

Compliance Departments of Public Bank (Hong Kong) and Public Finance conduct compliance tests at selected business units on identified high risk areas for adherence to regulatory and operational requirements and credit policies.

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

Credit Committees of Public Bank (Hong Kong) and Public Finance also monitor the quality of past due or impaired financial assets by internal grading comprising "substandard", "doubtful" and "loss" accounts through meeting discussions and management reports. Impaired financial assets include those subject to personal bankruptcy petitions, corporate winding-up and rescheduled arrangements.

RMCs of Public Bank (Hong Kong) and Public Finance are responsible for reviewing and assessing the adequacy of risk management framework for identifying, measuring, monitoring and controlling the credit risk of existing and new products. The Committees also review credit risk management policies and credit risk tolerance limits. The RMC of Public Bank (Hong Kong) is assisted by CRMC for discharging its responsibilities on credit risk management issues.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management (Continued)

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

The "Neither past due nor impaired loans and advances and receivables" are shown in note 20 to the financial statements.

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

Maximum credit exposures for off-balance sheet items without taking into account the fair value of collateral are as follows:

	2022 **HK$'000**	2021 HK$'000
Credit related contingent liabilities	**48,571**	38,614
Loan commitments and other credit related commitments	**2,462,836**	2,334,057

Liquidity risk management

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

ALCOs of Public Bank (Hong Kong) and Public Finance monitor the liquidity position as part of the ongoing management of assets and liabilities, and set up trigger limits to monitor liquidity risk. They also closely monitor the liquidity of the subsidiaries on a periodic basis to ensure that the liquidity structure of the subsidiaries' assets, liabilities and commitments can meet their funding needs, and that internal liquidity trigger limits are complied with.

Treasury Department of Public Bank (Hong Kong) and a dedicated department of Public Finance are responsible for the centralised implementation of the strategies and policies approved by the dedicated committees and the respective Boards, and developing operational procedures and controls to ensure the compliance with the aforesaid policies and to minimise operational disruptions in case of a liquidity crisis.

Notes to Financial Statements

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

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

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

The funding strategies of the Group are to (i) diversify funding sources for mitigating liquidity risk exposures; (ii) minimise disruptions due to operational issues such as transfer of liquidity across group entities; (iii) ensure contingency funding is available to the Group; and (iv) maintain sufficient liquidity cushion to meet critical liquidity needs such as loan commitments and deposit withdrawals in stressed situations. The Group has established concentration limits of funding sources taking into account the respective risk profiles of Public Bank (Hong Kong) and Public Finance. For instance, intra-group funding and funding from the largest funding provider are restricted to be not more than 15% and 10% of total funding sources respectively to reduce reliance on single source of funding. Medium and long term funding is maintained at a level of at least 20% of total funding source to pursue stable funding structure.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

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

The Group maintains sufficient liquidity cushion comprising mainly bills, notes or bonds issued by eligible central governments in a total amount of not less than HK$2.0 billion to address critical and emergent liquidity needs on intraday basis and over other different time horizons. The Group is not subject to particular collateral arrangements or requirements in contracts in case there is a credit rating downgrade of entities within the Group.

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

Notes to Financial Statements

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

Regulatory liquidity ratios

Pursuant to section 97H of the Hong Kong Banking Ordinance and Rules 7 and 8D of the Banking (Liquidity) Rules, Public Bank (Hong Kong) Group (including Public Bank (Hong Kong) and Public Finance) and Public Bank (Hong Kong) are required to comply with the liquidity maintenance ratio requirement and core funding ratio requirement whilst Public Finance is required to comply with the liquidity maintenance ratio requirement only.

	2022	2021
Liquidity Maintenance Ratio		
– Public Bank (Hong Kong) Group	**51.0%**	51.8%
– Public Bank (Hong Kong)	**49.8%**	50.2%
– Public Finance	**75.6%**	93.5%
Core Funding Ratio		
– Public Bank (Hong Kong) Group	**144.7%**	143.3%
– Public Bank (Hong Kong)	**143.6%**	141.1%

The average liquidity maintenance ratio and core funding ratio are computed using the arithmetic mean of each calendar month's average ratio as reported in the return relating to the liquidity position submitted to the HKMA.

Liquidity exposures and funding needs are measured and assessed at the level of individual legal entities (i.e. Public Bank (Hong Kong) and its core operating subsidiaries) and Mainland China Office (i.e. Shenzhen Branch and its sub-branches). Pursuant to the HKMA/SFC's requirements, the transferability of liquidity of Public Bank (Hong Kong) and its operating subsidiaries takes into account the need of compliance with trigger points of liquidity related ratios and minimum liquidity capital level; and other legal and regulatory limitations such as limits of connected exposures and capital related ratios. Pursuant to the requirements of China Banking and Insurance Regulatory Commission, the Mainland China Office of Public Bank (Hong Kong) is required to maintain regulatory liquidity ratios in RMB and foreign currencies of not less than 25%. Due to the foreign exchange controls imposed by the State Administration of Foreign Exchange ("SAFE") in China, cross-border funding flows to and from Mainland China are subject to the supervision and approval of the SAFE. In view of the limitation on transferability of liquidity, Mainland China Office has maintained high and sufficient liquidity to meet its business needs. As at 31 December 2022, the liquidity ratios in RMB and foreign currencies of Mainland China Office were more than 100% (31 December 2021: more than 100%).

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

Maturity analysis of financial liabilities, based on the contractual undiscounted cash flows, is as follows:

	2022							
	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Forward assets purchase	–	–	–	–	–	–	–	–
Forward forward deposits placed	–	–	–	–	–	–	–	–
Gross foreign currency contracts	–	596,279	–	–	–	–	–	596,279
Credit related contingent liabilities	–	8,727	6,793	31,219	1,700	132	–	48,571
Loan commitments and other credit related commitments	2,298,596	8,400	–	–	155,840	–	–	2,462,836
Customer deposits at amortised cost	9,675,510	6,263,844	9,705,350	5,068,775	26,789	–	–	30,740,268
Deposits and balances of banks and other financial institutions at amortised cost	108,024	251,390	50,637	92,257	–	–	–	502,308
Unsecured bank loans at amortised cost	–	472,182	–	–	1,097,087	–	–	1,569,269
Lease liabilities	–	4,626	9,456	36,989	54,632	8,380	–	114,083
Other liabilities	–	154,751	–	–	–	–	152,302	307,053
	12,082,130	7,760,199	9,772,236	5,229,240	1,336,048	8,512	152,302	36,340,667

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

	2021							
	Repayable on demand HK$'000	Up to 1 month HK$'000	Over 1 month but not more than 3 months HK$'000	Over 3 months but not more than 12 months HK$'000	Over 1 year but not more than 5 years HK$'000	Over 5 years HK$'000	Repayable within an indefinite period HK$'000	Total HK$'000
Forward assets purchase	–	–	–	–	–	–	–	–
Forward forward deposits placed	–	272,874	–	–	–	–	–	272,874
Gross foreign currency contracts	–	591,530	347,994	–	–	–	–	939,524
Credit related contingent liabilities	–	12,599	7,293	16,890	1,700	132	–	38,614
Loan commitments and other credit related commitments	2,281,444	51,413	1,200	–	–	–	–	2,334,057
Customer deposits at amortised cost	12,827,437	5,862,614	10,310,857	3,213,643	8,512	–	–	32,223,063
Deposits and balances of banks and other financial institutions at amortised cost	86,562	239,273	90,065	50,050	–	–	–	465,950
Unsecured bank loans at amortised cost	–	1,589,695	–	–	–	–	–	1,589,695
Lease liabilities	–	4,722	9,020	35,223	80,277	13,130	–	142,372
Other liabilities	–	119,118	–	–	–	–	164,509	283,627
	15,195,443	8,743,838	10,766,429	3,315,806	90,489	13,262	164,509	38,289,776

Operational risk management

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

The Group has an operational risk management function in place to identify, measure, monitor and control operational risk. Its operational risk management policy defines the responsibilities of various committees, business units and supporting departments, and highlights key operational risk factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their potential impact. Operational risk exposures are monitored by appropriate key risk indicators for tracking and escalation to management for providing early warning signals of increased operational risk or a breakdown in operational risk management. Regular operational risk management reports are received and consolidated from various parties and reported to the ORMC for monitoring and control of operational risk.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Cyber security risk management

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

Capital management

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

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

Capital adequacy ratios

The consolidated capital adequacy ratios of the Group are computed in accordance with the provisions of the Banking Ordinance relating to Basel III capital standards and the Capital Rules. The Group has adopted the standardised approach for the calculation of credit risk-weighted exposures and market risk-weighted exposures. The Group has adopted the basic indicator approach and the standardised approach for the calculation of operational risk-weighted exposures of Public Bank (Hong Kong) and Public Finance, respectively.

	31 December 2022	31 December 2021
Public Bank (Hong Kong):		
Consolidated CET1 Capital Ratio	**24.3%**	22.6%
Consolidated Tier 1 Capital Ratio	**24.3%**	22.6%
Consolidated Total Capital Ratio	**25.0%**	23.3%

The above capital ratios are higher than the minimum capital ratios required by the HKMA.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

Capital conservation buffer (CCB)

Public Bank (Hong Kong) Group is subject to the 2.5% CCB ratio effective from 1 January 2019.

Countercyclical capital buffer (CCyB)

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

As at 31 December 2022, Public Bank (Hong Kong) Group has reserved a capital buffer, inclusive of CCyB ratio of 1.0%, to the private sector credit exposures in Hong Kong.

The following tables illustrate the geographical breakdown of risk-weighted amounts ("RWA") in relation to private sector credit exposures:

	31 December 2022			
Jurisdiction ("J")	**Applicable JCCyB ratio in effect %**	**Total RWA used in computation of CCyB ratio HK$'000**	**CCyB ratio %**	**CCyB amount HK$'000**
1. Hong Kong	**1.000**	**16,677,541**		
2. Mainland China	**–**	**1,350,990**		
Total		**18,028,531**	**0.925**	**166,775**

	31 December 2021			
Jurisdiction ("J")	Applicable JCCyB ratio in effect %	Total RWA used in computation of CCyB ratio HK$'000	CCyB ratio %	CCyB amount HK$'000
1. Hong Kong	1.000	17,375,997		
2. Mainland China	–	1,607,495		
Total		18,983,492	0.915	173,760

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

Leverage ratio

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

	31 December 2022 HK$'000	31 December 2021 HK$'000
Public Bank (Hong Kong):		
Consolidated Tier 1 Capital	**6,081,047**	6,057,223
Consolidated Exposure Measure for Leverage Ratio	**38,324,008**	40,168,936
Consolidated Leverage Ratio	**15.9%**	15.1%

Principal subsidiaries and basis of consolidation

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

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

The consolidated capital adequacy ratio of Public Bank (Hong Kong) is computed on a consolidated basis including Public Bank (Hong Kong) and Public Finance. The subsidiaries not included in the computation of the consolidated capital adequacy ratio of Public Bank (Hong Kong) are Public Bank (Nominees) Limited, Public Futures Limited, Public Financial Securities Limited, Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited.

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

Notes to Financial Statements

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting year is as follows:

	Notes	**2022 HK$'000**	2021 HK$'000
ASSETS			
Cash and short term placements		**2,085**	2,704
Investment properties		**2,565,760**	2,706,585
Property and equipment		**1,070**	1,286
Investments in subsidiaries	41(a)	**6,593,507**	6,593,507
Deferred tax assets		**–**	5
Tax recoverable		**675**	–
Other assets		**1,046**	281
TOTAL ASSETS		**9,164,143**	9,304,368
EQUITY AND LIABILITIES			
LIABILITIES			
Dividends payable		**120,771**	164,687
Unsecured bank loans at amortised cost		**1,437,087**	1,444,636
Tax payable		**–**	1,230
Deferred tax liabilities		**14,873**	13,882
Other liabilities		**55,391**	55,155
TOTAL LIABILITIES		**1,628,122**	1,679,590
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**109,792**	109,792
Reserves	41(b)	**7,426,229**	7,514,986
TOTAL EQUITY		**7,536,021**	7,624,778
TOTAL EQUITY AND LIABILITIES		**9,164,143**	9,304,368

Lai Wan
Director

Tan Yoke Kong
Director

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Investments in subsidiaries

Information about the investments in subsidiaries of the Company at the end of the reporting year is as follows:

	2022 HK$'000	2021 HK$'000
Unlisted shares, at cost	**6,593,507**	6,593,507
	6,593,507	6,593,507

The amounts due from subsidiaries were unsecured, and had no fixed terms of repayment. No interest-bearing amounts were due from subsidiaries as at 31 December 2022 and 31 December 2021.

Particulars of the Company's subsidiaries are shown in note 1 to the financial statements.

(b) Reserves

Information on the movement of the reserves of the Company during the reporting year is as follows:

	Note	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2021		4,013,344	829	194,176	3,241,424	7,449,773
Profit for the year		–	–	–	284,796	284,796
Dividends for 2021	16	–	–	–	(219,583)	(219,583)
As at 31 December 2021 and 1 January 2022		**4,013,344**	**829**	**194,176**	**3,306,637**	**7,514,986**
Profit for the year		**–**	**–**	**–**	**86,910**	**86,910**
Dividends for 2022	16	**–**	**–**	**–**	**(175,667)**	**(175,667)**
As at 31 December 2022		**4,013,344**	**829**	**194,176**	**3,217,880**	**7,426,229**

The contributed surplus of the Company represents the excess of the fair 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. Under the Bermuda Companies Act, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Notes to Financial Statements

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 18 January 2023.

List of Properties

LIST OF PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2022

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (Square Metres)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2022 (HK$'000)
Shop 7, Ground Floor Mei Hang Building Nos. 15/17, 21/25, 29/33, 37/41 & 45 Kai Man Path Tuen Mun New Territories Hong Kong	A shop unit on the ground floor of a 5-storey composite building	Public Finance's Tuen Mun Branch	Leasehold 149 Years	25 Years (30-6-2047)	49 Years	84	30-6-1980	892
Shop A, Ground Floor Kong Kai Building No. 184 Aberdeen Main Road Aberdeen Hong Kong	A shop unit on the ground floor of a 22-storey residential building built on a 2-storey commercial podium	Public Finance's Aberdeen Branch	Leasehold 999 Years	837 Years (26-12-2859)	33 Years	68	9-3-1990	3,739
Ground Floor Yue Yee Mansion No. 92 Shung Ling Street San Po Kong Kowloon Hong Kong	Ground floor of a 7-storey Chinese tenement building	Public Finance's San Po Kong Branch	Leasehold 149 Years	25 Years (30-6-2047)	58 Years	94	9-6-1990	1,511
Flat F, 29th Floor Pine Mansion Harbour View Gardens No. 26 Taikoo Wan Road Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 30-storey residential building	Leased to third parties	Leasehold 999 Years	877 Years (18-4-2899)	39 Years	91	31-12-2011 *(#)*	15,500
Units 1003-1005 10th Floor Fortress Tower No. 250 King's Road North Point Hong Kong	3 office units on the 10th floor of a 20-storey office building built on a 4-storey commercial podium	Public Finance's I.T. Centre	Leasehold 150 Years	104 Years (26-8-2126)	39 Years	293	18-3-1992	6,786
Apartment A on 14th Floor of Tower II and Car Parking Space Nos. 4 and 66 on 4th Level Regent on The Park No. 9A Kennedy Road Wanchai Hong Kong	A residential unit on the 14th floor of a 34-storey residential building	Staff quarters for the Group	Leasehold 150 Years	108 Years (19-10-2130)	37 Years	253	5-3-1993	7,846

List of Properties

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (Square Metres)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2022 (HK$'000)
Ground Floor & Open Yard No. 751 Nathan Road Mongkok Kowloon Hong Kong	Ground floor of a 14-storey composite building	Public Bank (Hong Kong)'s Prince Edward Branch	Leasehold 150 Years	57 Years (18-8-2079)	52 Years	130	24-5-1993	10,722
11th Floor Wing On House No. 71 Des Voeux Road Central Central Hong Kong	11th floor of a 31-storey office building built on a 2-storey podium	The Group's office	Leasehold 999 Years	880 Years (14-8-2902)	55 Years	1,464	11-6-1993	86,692
Shop B, Ground Floor and Office B 1st to 17th Floors JCG Building No. 16 Mongkok Road Mongkok Kowloon Hong Kong	A shop unit on the ground floor and all B units on the 1st to 17th floors of a 18-storey commercial building with shops and offices	Public Bank (Hong Kong)'s and Public Finance's Mongkok Branch; the Group's storeroom; office space leased to third parties	Leasehold 150 Years	28 Years (27-5-2050)	35 Years	2,215	30-6-1994 *(#)*	91,484
Flat F, 24th Floor Ngan Sing Mansion Sing Fai Terrace No. 1 Tai Fung Avenue Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 26-storey residential building built on a podium	Staff quarters for the Group	Leasehold 999 Years	877 Years (18-4-2899)	38 Years	76	1-8-1995	4,430
Ground Floor Ruby Commercial Building No. 480 Nathan Road Yau Ma Tei Kowloon Hong Kong	Ground floor of a 16-storey commercial building	Public Finance's Nathan Road Branch	Leasehold 150 Years	45 Years (22-10-2067)	40 Years	110	14-1-2000	8,004

List of Properties

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (Square Metres)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2022 (HK$'000)
Shop Nos. 51 to 53 1st Floor Harbour Crystal Centre No. 100 Granville Road Tsimshatsui Kowloon Hong Kong	3 commercial units on the 1st floor of a 16-storey commercial building	Public Finance's Tsimshatsui Branch	Leasehold 150 Years	106 Years (10-12-2128)	40 Years	131	1-11-2000	1,992
Ground Floor Section B of Lot No. 3704 in DD120 Yuen Long New Territories Hong Kong	Ground floor of a 5-storey composite building	Public Finance's Yuen Long Branch	Leasehold 149 Years	25 Years (30-6-2047)	65 Years	102	23-4-2001	9,201
Shop A, Ground Floor Wing On House No. 71 Des Voeux Road Central Central Hong Kong	Ground floor of a 31-storey office building built on a 2-storey podium	Public Bank (Hong Kong)'s Central Branch	Leasehold 999 Years	880 Years (14-8-2902)	55 Years	113	15-10-2003	51,947
Workshops A, B and C Ground Floor and Flat E, 9th Floor Hung Cheong Factory Building No. 742-748 Cheung Sha Wan Road No. 3 Kwong Cheung Street Cheung Sha Wan Kowloon Hong Kong	3 workshop units on the ground floor and a unit on the 9th floor of a 12-storey industrial building	A portion of workshops on the ground floor is leased to third parties and the remaining portions and the whole Flat E on the 9th floor being occupied by the Group as branch or office	Leasehold 149 Years	25 Years (27-6-2047)	57 Years	682 (Workshops A, B and C) 68 (Flat E)	24-7-1992 *(#)*	29,810
Workshops E1 and F1 10th Floor Hang Fung Industrial Building Phase 1 2G Hok Yuen Street Hunghom Kowloon Hong Kong	2 workshops on the 10th floor of a 13-storey industrial building	Occupied by the Group as storeroom	Leasehold 150 Years	25 Years (15-9-2047)	43 Years	962	24-7-1992	579
11th Floor Argyle Centre, Phase 1 No. 688 Nathan Road No. 65 Argyle Street Mongkok Kowloon Hong Kong	Office space on the 11th floor of a 21-storey commercial building	The Group's office; office space leased to third parties	Leasehold 150 Years	38 Years (18-5-2060)	40 Years	1,465	2-5-1994 *(#)*	228,036

List of Properties

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (Square Metres)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2022 (HK$'000)
4th Floor 581 Nathan Road Mongkok Kowloon Hong Kong	4th floor of a 7-storey composite building with shops and residential flats	Vacant	Leasehold 150 Years	15 Years (25-12-2037)	53 Years	55	14-6-1984 *(#)*	4,050
Unit 3, 5th Floor Telford House No. 16 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	An office unit on the 5th floor of a 23-storey commercial building	Leased to third parties	Leasehold 149 Years	25 Years (30-6-2047)	28 Years	90	30-5-2006** *(#)*	12,660
Shop 3C, 1st Floor Telford House No. 16 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	A shop unit on the 1st floor of a 23-storey commercial building	Leased to third parties	Leasehold 149 Years	25 Years (30-6-2047)	28 Years	47	30-5-2006** *(#)*	24,000
Ground Floor 17 South Wall Road and the whole block of 19 South Wall Road Kowloon City Kowloon Hong Kong	A shop unit on the ground floor of a 5-storey tenement block and the whole block of a 5-storey tenement block	Public Bank (Hong Kong)'s Kowloon City Branch on the ground floor; and some portion as Public Bank (Hong Kong)'s staff quarters; and the remaining portion leased to third parties	Leasehold 149 Years	25 Years (30-6-2047)	45 Years	432	30-5-2006** *(#)*	27,471
Shop 5, Ground Floor Fu Ho Building Nos. 3-7 Kau Yuk Road Yuen Long New Territories Hong Kong	A shop unit on the ground floor of a 14-storey composite building	Public Bank (Hong Kong)'s Yuen Long Branch	Leasehold 149 Years	25 Years (30-6-2047)	43 Years	82	30-5-2006**	7,440
Shop B, Ground Floor Victory Court Nos. 185-187 Castle Peak Road Tsuen Wan New Territories Hong Kong	A shop unit on the ground floor of a 14-storey composite building	Public Bank (Hong Kong)'s Tsuen Wan Branch	Leasehold 149 Years	25 Years (30-6-2047)	42 Years	149	30-5-2006**	7,972

List of Properties

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (Square Metres)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2022 (HK$'000)
Units 801, 808-812, Level 8 Metroplaza, Tower 2 No. 223 Hing Fong Road Kwai Fong New Territories Hong Kong	6 office units on level 8 of a 35-storey office building on a 9-storey commercial carpark podium	Public Bank (Hong Kong)'s backup office	Leasehold 149 Years	25 Years (30-6-2047)	30 Years	527	30-5-2006**	13,758
Units 1-5, 24th Floor Luen Cheong Can Centre No. 8 Yip Wong Road Tuen Mun New Territories Hong Kong	5 industrial units on the 24th floor of a 26-storey industrial building	Public Bank (Hong Kong)'s warehouse	Leasehold 149 Years	25 Years (30-6-2047)	30 Years	1,053	30-5-2006**	1,535
Basement, Ground Floor 1st-12th Floors, Flats A & B on 14th Floor, 17th Floor Flat A on 19th Floor 21st Floor and Main Roof Public Bank Centre No. 120 Des Voeux Road Central Central Hong Kong	A shop unit on the ground floor and basement and office floors of a 23-storey commercial building	Public Bank (Hong Kong)'s Main Branch and administrative office	Leasehold 999 Years	820 Years (26-6-2842)	45 Years	5,451	30-5-2006**	243,984
Units 40-41, Ground Floor Hung Hom Commercial Centre Nos. 37-39 Ma Tau Wai Road Hunghom Kowloon Hong Kong	2 shop units on the ground floor of a 14-storey commercial building	Public Bank (Hong Kong)'s Hung Hom Branch	Leasehold 149 Years	25 Years (15-9-2047)	40 Years	184	30-5-2006**	9,485
Shop B1, Ground Floor Hong Kong Plaza No. 188 Connaught Road West Western District Hong Kong	A shop unit on the ground floor of a 42-storey commercial building	Public Bank (Hong Kong)'s Shek Tong Tsui Branch	Leasehold 150 Years (for Lot No. 289) Leasehold 999 Years (for Lot No. 302)	32 Years (27-12-2054) 880 Years (3-9-2902)	39 Years	180	30-5-2006**	12,796
Shop 1, on Level 1, Carrianna Friendship Square Renminnan Road/Chunfeng Road, Luohu District Shenzhen PRC	A shop unit on the ground floor of a 33-storey composite building	Public Bank (Hong Kong)'s Shenzhen Branch	Leasehold 50 Years	19 Years (17-12-2041)	25 Years	168	30-5-2006**	15,241

List of Properties

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (Square Metres)	Date of Last Revaluation/ Acquisition	Carrying Amount as at 31 Dec 2022 (HK$'000)
Shops Nos. 4, 5A, 5B, 6A and 6B on Level 1 of Shatin New Town, Nos.1-15 Wang Pok Street Shatin New Territories Hong Kong	5 shops on level 1 of a commercial podium under eight blocks of 22-storey residential buildings	Public Bank (Hong Kong)'s and Public Finance's Shatin Branch	Leasehold 149 Years	25 Years (30-6-2047)	39 Years	203	1-12-2008	29,750
Shop B, Ground Floor Kong Kai Building, No. 184 Aberdeen Main Road Aberdeen Hong Kong	A shop unit on the ground floor of a 22-storey residential building	Public Bank (Hong Kong)'s Aberdeen Branch	Leasehold 999 Years	837 Years (26-12-2859)	33 Years	105	16-4-2016	52,270
Shop G1A-G1B, G/F Tai Moon Building Cosmopolitan Estate Nos. 43-59 Tai Tsun Street Tai Kok Tsui Kowloon Hong Kong	A shop unit on the ground floor of a 12-storey residential building	Public Bank (Hong Kong)'s Tai Kok Tsui Branch and leased to third parties	Leasehold 999 Years	848 Years (4-8-2870)	47 Years	163	28-9-2018 *(#)*	49,803
Shop A, Ground Floor Ek Lam Mansion, Nos.486, 486A & 488 Nathan Road, Yau Ma Tei Kowloon Hong Kong	A shop unit on the ground floor of a 11-storey composite building	Public Bank (Hong Kong)'s Yaumatei Branch	Leasehold 150 Years	22 Years (24-12-2044)	60 Years	120	29-4-2022	69,233
Shop 11, Ground Floor Mei Hang Building Nos. 15/17, 21/25, 29/33, 37/41 & 45 Kai Man Path Tuen Mun New Territories Hong Kong	A shop unit on the ground floor of a 5-storey composite building	Leased to third parties	Leasehold 149 Years	25 Years (30-6-2047)	49 Years	93	1-11-2022 *(#)*	72,000

Notes:

(#) *Revaluation was conducted as at 31 December 2022.*

**** *The acquisition date for those properties vested over from Public Bank (Hong Kong) is 30 May 2006.*