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大眾金融控股有限公司*
PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2023	2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Interest income	6	950,446	694,666
Interest expense	6	(443,358)	(88,694)
NET INTEREST INCOME		507,088	605,972
Fees and commission income	7	116,911	88,183
Fees and commission expenses	7	(1,013)	(821)
Net fees and commission income		115,898	87,362
Other operating income	8	18,913	20,772
OPERATING INCOME		641,899	714,106
Operating expenses	9	(425,236)	(412,339)
Changes in fair value of investment properties		6,570	(2,176)

* For identification purpose only

		For the six months ended	
		30 June	
		2023	2022
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		223,233	299,591
Credit loss expenses	<i>10</i>	<u>(79,851)</u>	<u>(61,852)</u>
PROFIT BEFORE TAX		143,382	237,739
Tax	<i>11</i>	<u>(29,629)</u>	<u>(44,420)</u>
PROFIT FOR THE PERIOD		<u>113,753</u>	<u>193,319</u>
ATTRIBUTABLE TO:			
Owners of the Company		<u>113,753</u>	<u>193,319</u>
EARNINGS PER SHARE (HK\$)	<i>13</i>		
Basic		<u>0.104</u>	<u>0.176</u>
Diluted		<u>0.104</u>	<u>0.176</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	113,753	193,319
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations, net of tax	(46,431)	(42,867)
Surplus on revaluation of properties	<u>74,581</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>141,903</u>	<u>150,452</u>
ATTRIBUTABLE TO:		
Owners of the Company	<u>141,903</u>	<u>150,452</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Cash and short term placements		1,911,364	3,406,271
Placements with banks and financial institutions maturing after one month but not more than twelve months		1,781,632	1,826,570
Derivative financial instruments		1,930	343
Loans and advances and receivables	14	24,334,849	24,679,582
Equity investments at fair value through other comprehensive income		6,804	6,804
Held-to-collect debt securities at amortised cost	15	7,364,303	7,437,495
Investment properties		562,385	429,315
Property and equipment		184,421	190,263
Land held under finance leases		675,763	732,909
Right-of-use assets		99,143	106,895
Deferred tax assets		38,999	36,388
Tax recoverable		11,901	26,183
Goodwill		2,774,403	2,774,403
Intangible assets		718	718
Other assets		212,868	263,792
TOTAL ASSETS		39,961,483	41,917,931
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		525,138	497,157
Derivative financial instruments		7,866	2,002
Customer deposits at amortised cost		28,592,897	30,446,412
Dividends payable		32,938	120,771
Unsecured bank loans at amortised cost		1,513,000	1,552,087
Lease liabilities		104,123	110,745
Current tax payable		3,087	52,136
Deferred tax liabilities		49,739	49,767
Other liabilities		379,150	442,274
TOTAL LIABILITIES		31,207,938	33,273,351

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	109,792	109,792
Reserves	8,643,753	8,534,788
TOTAL EQUITY	8,753,545	8,644,580
TOTAL EQUITY AND LIABILITIES	39,961,483	41,917,931

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Regulatory reserve [#] <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2023	109,792	4,013,296	829	96,116	3,982	46,153	4,371,841	2,571	8,644,580
Profit for the period	-	-	-	-	-	-	113,753	-	113,753
Other comprehensive income	-	-	-	-	74,581	-	-	(46,431)	28,150
Transfer from retained profits to regulatory reserve	-	-	-	-	-	882	(882)	-	-
Dividends declared	-	-	-	-	-	-	(32,938)	-	(32,938)
As at 30 June 2023 (Unaudited)	<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>78,563</u>	<u>47,035</u>	<u>4,451,774</u>	<u>(43,860)</u>	<u>8,753,545</u>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Regulatory reserve [#] <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 period	-	-	-	-	-	-	193,319	-	193,319
Other comprehensive income	-	-	-	-	-	-	-	(42,867)	(42,867)
Transfer from regulatory reserve to retained profits	-	-	-	-	-	(8,592)	8,592	-	-
Dividends declared	-	-	-	-	-	-	(54,896)	-	(54,896)
As at 30 June 2022 (Unaudited)	109,792	4,013,296	829	96,116	3,982	46,220	4,357,167	37,462	8,664,864
Profit for the period	-	-	-	-	-	-	135,378	-	135,378
Other comprehensive income	-	-	-	-	-	-	-	(34,891)	(34,891)
Transfer from regulatory reserve to retained profits	-	-	-	-	-	(67)	67	-	-
Dividends declared	-	-	-	-	-	-	(120,771)	-	(120,771)
As at 31 December 2022 (Audited)	<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>3,982</u>	<u>46,153</u>	<u>4,371,841</u>	<u>2,571</u>	<u>8,644,580</u>

[#] *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 Hong Kong Monetary Authority ("HKMA").*

NOTES TO INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group’s 2022 Annual Report.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s 2022 Annual Report, except for the changes in accounting policies as set out in note 4 below.

2. BASIS OF CONSOLIDATION

The unaudited interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries for the period ended 30 June 2023.

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

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

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

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

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

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

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

The subsidiaries consolidated for accounting purposes are Public Bank (Hong Kong) Limited ("Public Bank (Hong Kong)"), Public Finance Limited ("Public Finance"), Winton (B.V.I.) Limited and their subsidiaries.

3. BASIS OF CAPITAL DISCLOSURES

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

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

The computation of the consolidated total capital ratio and other regulatory capital ratios 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 Securities and Futures Commission ("SFC") of Hong Kong.

A portion of retained profits, based on a percentage of gross loans and advances, is set aside as a non-distributable regulatory reserve as part of Common Equity Tier 1 ("CET1") capital and is included in the capital base pursuant to the HKMA capital requirements.

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Banking (Capital) Rules (the "Capital Rules"). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the required capital conservation buffer ratio for 2022 and 2023 is 2.5%, whilst the required countercyclical capital buffer ratio for 2022 and 2023 is 1.0%.

4. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued several new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are generally effective for accounting periods beginning on or after 1 January 2023. The Group adopted the following new and revised standards for the first time for the interim financial statements:

- HKFRS 17 *Insurance Contracts*
- Amendments to HKFRS 17 *Insurance Contracts*
- Amendments to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
- Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*
- Amendments to HKAS 8 *Definition of Accounting Estimates*
- Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules*

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – *Disclosure of Accounting Policies*

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant 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. Amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has revised its accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 – *Definition of Accounting Estimates*

Amendments to HKAS 8 *Definition of Accounting Estimates* clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. These amendments have no impact on the Group’s interim financial statements as there were no changes in accounting policies and changes in accounting estimates fallen within the scope of these amendments arisen during the period.

Amendments to HKAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments apply 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 are applied prospectively to transactions other than leases and decommissioning obligations. These amendments have no impact on the Group’s interim financial statements as there were no transactions fallen within the scope of these amendments on or after the beginning of the earliest period presented.

Amendments to HKAS 12 – *International Tax Reform – Pillar Two Model Rules*

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

Issued but not yet effective HKFRSs

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

- Amendments to HKFRS 10 and HKAS 28 (2011) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*¹
- Amendments to HKFRS 16 *Lease Liability in a Sale and Leaseback*²
- Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current (the “2020 Amendments”)*²
- Amendments to HKAS 1 *Non-current Liabilities with Covenants (the “2022 Amendments”)*²

¹ No mandatory effective date yet determined but available for adoption

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

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

Amendments to HKFRS 10 and HKAS 28 (2011) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* 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 HKFRS 16 *Lease Liability in a Sale and Leaseback* 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 effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 January 2019). Earlier application is permitted. The 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 for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after 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 amendments also clarify the situations that are considered as a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

5. SEGMENT INFORMATION

Operating segment information

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

The following table discloses the revenue and profit information for operating segments for the six months ended 30 June 2023 and 30 June 2022.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	508,705	606,033	(1,617)	(61)	-	-	507,088	605,972
Net fees and commission income	59,484	58,654	56,414	28,708	-	-	115,898	87,362
Other operating income/(expense)	9,327	13,076	(23)	223	9,609	7,473	18,913	20,772
Operating income	577,516	677,763	54,774	28,870	9,609	7,473	641,899	714,106
Operating profit/(loss) after credit loss expenses before tax	119,088	231,094	15,055	8,575	9,239	(1,930)	143,382	237,739
Tax							(29,629)	(44,420)
Profit for the period							113,753	193,319
Other segment information								
Depreciation of property and equipment and land held under finance leases	(22,839)	(21,858)	-	-	-	-	(22,839)	(21,858)
Depreciation of right-of-use assets	(28,969)	(29,726)	-	-	-	-	(28,969)	(29,726)
Changes in fair value of investment properties	-	-	-	-	6,570	(2,176)	6,570	(2,176)
Credit loss expenses	(79,851)	(61,852)	-	-	-	-	(79,851)	(61,852)
Net losses on disposal of property and equipment	(25)	(28)	-	-	-	-	(25)	(28)

The following table discloses certain assets and liabilities information regarding operating segments as at 30 June 2023 and 31 December 2022.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets other than intangible assets and goodwill	36,210,871	38,204,199	362,039	446,697	562,552	429,343	37,135,462	39,080,239
Intangible assets	–	–	718	718	–	–	718	718
Goodwill	2,774,403	2,774,403	–	–	–	–	2,774,403	2,774,403
Segment assets	38,985,274	40,978,602	362,757	447,415	562,552	429,343	39,910,583	41,855,360
Unallocated assets:								
Deferred tax assets and tax recoverable							50,900	62,571
Total assets							39,961,483	41,917,931
Segment liabilities	31,045,190	32,895,093	70,546	149,267	6,438	6,317	31,122,174	33,050,677
Unallocated liabilities:								
Deferred tax liabilities and tax payable							52,826	101,903
Dividends payable							32,938	120,771
Total liabilities							31,207,938	33,273,351
Other segment information								
Additions to non-current assets								
– capital expenditure	11,795	184,617	–	–	–	–	11,795	184,617

Geographical information

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

The following table discloses the segment revenue information for geographical segments for the six months ended 30 June 2023 and 30 June 2022.

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue from external customers:		
Hong Kong	582,189	659,965
Mainland China	59,710	54,141
	<u>641,899</u>	<u>714,106</u>

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

The following table discloses the non-current assets information for geographical segments as at 30 June 2023 and 31 December 2022.

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets:		
Hong Kong	4,274,606	4,209,104
Mainland China	22,227	25,399
	<u>4,296,833</u>	<u>4,234,503</u>

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

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer amounted to less than 10% (2022: less than 10%) of the Group's total operating income or revenue.

6. INTEREST INCOME AND EXPENSE

	For the six months ended	
	30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Interest income from:		
Loans and advances and receivables	741,724	648,000
Short term placements and placements with banks	76,713	23,373
Held-to-collect debt securities at amortised cost	132,009	23,293
	<u>950,446</u>	<u>694,666</u>
Interest expense on:		
Deposits from banks and financial institutions	12,784	1,345
Deposits from customers	393,104	75,541
Bank loans	36,175	10,476
Others	1,295	1,332
	<u>443,358</u>	<u>88,694</u>

Interest income and interest expense for the six months ended 30 June 2023, calculated using the effective interest method for financial assets and financial liabilities which are not designated at fair value through profit or loss ("FVPL"), amounted to HK\$950,446,000 and HK\$443,358,000 (2022: HK\$694,666,000 and HK\$88,694,000) respectively.

7. NET FEES AND COMMISSION INCOME

	For the six months ended	
	30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Fees and commission income:		
Retail and commercial banking	60,497	59,475
Wealth management services, stockbroking and securities management	56,414	28,708
	116,911	88,183
Less: Fees and commission expenses	(1,013)	(821)
	<u>115,898</u>	<u>87,362</u>

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

8. OTHER OPERATING INCOME

	For the six months ended	
	30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Gross rental income	9,635	7,509
Less: Direct operating expenses	(36)	(36)
Net rental income	9,599	7,473
Gains less losses arising from dealing in foreign currencies	14,774	10,215
Net losses on derivative financial instruments	(5,936)	(1,051)
	8,838	9,164
Net losses on disposal of property and equipment	(25)	(28)
Gain on termination of leases	–	1,460
Dividend income from listed investments	102	101
Dividend income from unlisted investments	35	35
Government subsidies	–	2,246
Others	364	321
	<u>18,913</u>	<u>20,772</u>

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

For the six months ended 30 June 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.

There were no net gains or losses arising from equity investments at fair value through other comprehensive income, loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the six months ended 30 June 2023 and 30 June 2022.

9. OPERATING EXPENSES

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs:		
Salaries and other staff costs	254,316	246,009
Pension contributions	12,615	12,009
Less: Forfeited contributions	(111)	(20)
Net contribution to retirement benefit schemes	12,504	11,989
	266,820	257,998
Other operating expenses:		
Depreciation of right-of-use assets	28,969	29,726
Depreciation of property and equipment and land held under finance leases	22,839	21,858
Administrative and general expenses	37,528	38,021
Others	69,080	64,736
Operating expenses before changes in fair value of investment properties	425,236	412,339

As at 30 June 2023 and 30 June 2022, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the periods ended 30 June 2023 and 30 June 2022 arose in respect of staff who left the schemes during the periods.

11. TAX

	For the six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax charge:		
Hong Kong	21,767	35,833
Overseas	11,985	15,806
Deferred tax credit, net	(4,123)	(7,219)
	<u>29,629</u>	<u>44,420</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. statutory tax rates) to the effective tax rates, are as follows:

	For the six months ended 30 June 2023 (Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>100,071</u>		<u>43,311</u>		<u>143,382</u>	
Tax at the applicable tax rate	16,512	16.5	10,828	25.0	27,340	19.1
Estimated tax effect of net expenses that are not deductible	<u>2,289</u>	2.3	–	–	<u>2,289</u>	1.6
Tax charge at the Group's effective rate	<u>18,801</u>	18.8	<u>10,828</u>	25.0	<u>29,629</u>	20.7

	For the six months ended 30 June 2022 (Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>197,186</u>		<u>40,553</u>		<u>237,739</u>	
Tax at the applicable tax rate	32,536	16.5	10,138	25.0	42,674	18.0
Estimated tax effect of net expenses that are not deductible	<u>1,738</u>	0.9	8	–	<u>1,746</u>	0.7
Tax charge at the Group's effective rate	<u>34,274</u>	17.4	<u>10,146</u>	25.0	<u>44,420</u>	18.7

12. DIVIDENDS

(a) Dividends declared during the interim period

	For the six months ended 30 June			
	2023 (Unaudited) <i>HK\$ per ordinary share</i>	2022 (Unaudited) <i>HK\$ per ordinary share</i>	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Interim dividend	<u>0.03</u>	<u>0.05</u>	<u>32,938</u>	<u>54,896</u>

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

	For the six months ended 30 June			
	2023 (Unaudited) <i>HK\$ per ordinary share</i>	2022 (Unaudited) <i>HK\$ per ordinary share</i>	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Second interim dividend in respect of the previous period	<u>0.11</u>	<u>0.15</u>	<u>120,771</u>	<u>164,687</u>

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$113,753,000 (2022: HK\$193,319,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2022: 1,097,917,618) during the period.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 30 June 2022.

14. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Loans and advances to customers	24,446,796	24,784,214
Trade bills	918	5,368
Loans and advances, and trade bills	24,447,714	24,789,582
Accrued interest	95,923	83,188
Other receivables	24,543,637 8,401	24,872,770 9,535
Gross loans and advances and receivables	24,552,038	24,882,305
Less: Impairment allowances		
– specifically assessed	(101,381)	(84,823)
– collectively assessed	(115,808)	(117,900)
	(217,189)	(202,723)
Loans and advances and receivables	24,334,849	24,679,582

Over 90% (31 December 2022: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2022: 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:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Neither past due nor impaired loans and advances and receivables	22,757,257	23,315,258
Past due but not impaired loans and advances and receivables	885,047	1,245,696
Credit impaired loans and advances	876,949	305,536
Credit impaired receivables	32,785	15,815
Gross loans and advances and receivables	24,552,038	24,882,305

About 71% (31 December 2022: about 71%) 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.

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

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	619,505	2.53	79,989	0.32
One year or less but over six months	56,194	0.23	67,286	0.27
Over one year	131,793	0.54	117,502	0.48
Loans and advances overdue for more than three months	807,492	3.30	264,777	1.07
Rescheduled loans and advances overdue for three months or less	21,167	0.09	25,349	0.10
Impaired loans and advances overdue for three months or less	48,290	0.20	15,410	0.06
Total overdue and impaired loans and advances	876,949	3.59	305,536	1.23

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

	30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
	Trade bills, accrued interest and other receivables overdue for:	
Six months or less but over three months	15,986	1,142
One year or less but over six months	2,519	2,660
Over one year	13,806	11,833
Trade bills, accrued interest and other receivables overdue for more than three months	32,311	15,635
Impaired trade bills, accrued interest and other receivables overdue for three months or less	474	180
Total overdue and impaired trade bills, accrued interest and other receivables	32,785	15,815

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

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

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Mainland		Total	Mainland		Total
	Hong Kong	China		Hong Kong	China	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

(i) Analysis of overdue loans and advances and receivables

Loans and advances and receivables overdue for more than three months	<u>766,223</u>	<u>73,580</u>	<u>839,803</u>	<u>196,845</u>	<u>83,567</u>	<u>280,412</u>
Impairment allowances specifically assessed	<u>72,350</u>	<u>9,971</u>	<u>82,321</u>	<u>60,818</u>	<u>11,076</u>	<u>71,894</u>
Current market value and fair value of collateral			<u>877,906</u>			<u>331,496</u>

(ii) Analysis of impaired loans and advances and receivables

Impaired loans and advances and receivables	<u>835,534</u>	<u>74,200</u>	<u>909,734</u>	<u>236,245</u>	<u>85,106</u>	<u>321,351</u>
Impairment allowances specifically assessed	<u>90,790</u>	<u>10,591</u>	<u>101,381</u>	<u>73,747</u>	<u>11,076</u>	<u>84,823</u>
Current market value and fair value of collateral			<u>935,476</u>			<u>352,228</u>

Over 90% (31 December 2022: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u>877,906</u>	<u>331,496</u>
Covered portion of overdue loans and advances	<u>731,716</u>	<u>197,675</u>
Uncovered portion of overdue loans and advances	<u>75,776</u>	<u>67,102</u>

The assets taken as collateral should satisfy the following criteria:

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

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

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

(d) **Repossessed assets**

As at 30 June 2023, the total value of repossessed assets of the Group amounted to HK\$674,479,000 (31 December 2022: HK\$61,796,000).

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

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %
Loans and advances overdue for three months or less	<u>879,735</u>	<u>3.60</u>	<u>1,238,856</u>	<u>5.00</u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u>5,312</u>		<u>6,840</u>	

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

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

	30 June 2023 (Unaudited)			Total <i>HK\$'000</i>
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	
Gross loans and advances and receivables as at 1 January 2023	23,788,204	772,750	321,351	24,882,305
New loans/financing originated	3,085,361	12,061	2,698	3,100,120
Loans/financing derecognised or repaid during the period (other than write-offs)	(3,262,031)	(17,446)	(37,141)	(3,316,618)
Transfer to 12-month expected credit loss (Stage 1)	93,657	(81,592)	(12,065)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(191,920)	192,812	(892)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(144,715)	(604,837)	749,552	–
Total transfer between stages	(242,978)	(493,617)	736,595	–
Write-offs	–	–	(113,769)	(113,769)
As at 30 June 2023	<u>23,368,556</u>	<u>273,748</u>	<u>909,734</u>	<u>24,552,038</u>
Arising from:				
Loans and advances	23,298,921	270,926	876,949	24,446,796
Trade bills, accrued interest and other receivables	<u>69,635</u>	<u>2,822</u>	<u>32,785</u>	<u>105,242</u>
	<u>23,368,556</u>	<u>273,748</u>	<u>909,734</u>	<u>24,552,038</u>

The amount outstanding on financial assets that were written off during the period and are still subject to enforcement action amounted to HK\$92,850,000.

	31 December 2022 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 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	<u>23,788,204</u>	<u>772,750</u>	<u>321,351</u>	<u>24,882,305</u>
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
	<u>23,788,204</u>	<u>772,750</u>	<u>321,351</u>	<u>24,882,305</u>

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.

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

	30 June 2023			
	(Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Internal rating grades:				
Performing				
Pass	23,208,846	–	–	23,208,846
Special Mention	159,710	273,748	–	433,458
Non-performing				
Substandard	–	–	668,562	668,562
Doubtful	–	–	215,876	215,876
Loss	–	–	25,296	25,296
Total	23,368,556	273,748	909,734	24,552,038
	31 December 2022			
	(Audited)			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	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

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

	30 June 2023			Total
	(Unaudited)			
	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2023	85,668	32,232	84,823	202,723
New loans/financing originated	37,837	41	335	38,213
Loans/financing derecognised or repaid during the period (other than write-offs)	(37,093)	(2,771)	(50,965)	(90,829)
Transfer to 12-month expected credit loss (Stage 1)	2,508	(701)	(1,807)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,842)	2,069	(227)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(3,199)	(22,698)	25,897	–
Total transfer between stages	(2,533)	(21,330)	23,863	–
Impact on period end expected credit loss of exposures transferred between stages during the period	(1,409)	22,002	93,317	113,910
Movements due to changes in credit risk	2,352	812	15,557	18,721
Recoveries	–	–	48,220	48,220
Write-offs	–	–	(113,769)	(113,769)
As at 30 June 2023	<u>84,822</u>	<u>30,986</u>	<u>101,381</u>	<u>217,189</u>
Arising from:				
Loans and advances	83,649	30,945	97,863	212,457
Trade bills, accrued interest and other receivables	1,173	41	3,518	4,732
	<u>84,822</u>	<u>30,986</u>	<u>101,381</u>	<u>217,189</u>

	31 December 2022 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 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	<u>85,668</u>	<u>32,232</u>	<u>84,823</u>	<u>202,723</u>
Arising from:				
Loans and advances	84,432	32,182	81,873	198,487
Trade bills, accrued interest and other receivables	<u>1,236</u>	<u>50</u>	<u>2,950</u>	<u>4,236</u>
	<u>85,668</u>	<u>32,232</u>	<u>84,823</u>	<u>202,723</u>

* 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.

(g) **Finance lease receivables**

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

	30 June 2023 (Unaudited) Undiscounted lease payments HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) Net investment in finance leases HK\$'000	31 December 2022 (Audited) HK\$'000
Amounts receivable under finance leases:				
Within one year	469,649	454,967	287,145	281,222
Over one year but within two years	401,838	391,406	246,148	241,862
Over two years but within three years	345,360	337,546	200,190	197,822
Over three years but within four years	302,300	295,348	164,834	162,784
Over four years but within five years	263,527	261,430	131,548	134,254
Over five years	5,600,489	5,544,205	4,023,301	4,043,027
	7,383,163	7,284,902	5,053,166	5,060,971
Less: Unearned finance income	(2,329,997)	(2,223,931)		
Net investment in finance leases	5,053,166	5,060,971		

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.

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Certificates of deposit held	3,518,453	3,232,848
Treasury bills and government bonds (including Exchange Fund Bills)	2,741,619	2,867,666
Other debt securities	1,104,972	1,337,727
	<u>7,365,044</u>	<u>7,438,241</u>
Gross held-to-collect debt securities at amortised cost	7,365,044	7,438,241
Less: Impairment allowances collectively assessed		
As at 1 January 2023 and 2022	(746)	(649)
Credit loss expenses released/(charged) to the consolidated income statement during the period/year	5	(97)
	<u>(741)</u>	<u>(746)</u>
	<u>7,364,303</u>	<u>7,437,495</u>
Listed or unlisted:		
– Listed in Hong Kong	1,085,478	1,314,152
– Listed outside Hong Kong	207,878	149,790
– Unlisted	6,071,688	5,974,299
	<u>7,365,044</u>	<u>7,438,241</u>
Analysed by type of issuers:		
– Central governments	2,741,619	2,867,666
– Public sector entities	469,951	429,785
– Corporates	200,000	200,000
– Banks and other financial institutions	3,953,474	3,940,790
	<u>7,365,044</u>	<u>7,438,241</u>

There were no impairment allowances specifically assessed made against held-to-collect debt securities at amortised cost as at 30 June 2023 and 31 December 2022.

There were neither impaired nor overdue held-to-collect debt securities at amortised cost as at 30 June 2023 and 31 December 2022.

Over 90% (31 December 2022: 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, an external credit agency.

16. LEASES

(a) As lessor

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

As at 30 June 2023 and 31 December 2022, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within one year	12,738	11,041
Over one year but within two years	7,456	6,974
Over two years but within three years	866	576
Over three years but within four years	—	—
	<u>21,060</u>	<u>18,591</u>

(b) As lessee

The Group has entered into certain future lease arrangements with landlords with a lease term of 3 years during the period. As at 30 June 2023 and 31 December 2022, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within one year	2,863	1,795
In the second to fifth years, inclusive	8,119	4,493
	<u>10,982</u>	<u>6,288</u>

17. OFF-BALANCE SHEET EXPOSURE

Contingent liabilities, commitments and derivatives

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

	30 June 2023 (Unaudited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	28,272	28,272	24,614	-	-
Transaction-related contingencies	27,000	13,500	1,259	-	-
Trade-related contingencies	7,343	1,469	1,241	-	-
Forward forward deposits placed	-	-	-	-	-
Forward asset purchases	-	-	-	-	-
	<u>62,615</u>	<u>43,241</u>	<u>27,114</u>	-	-
Derivatives held for trading:					
Foreign exchange contracts	1,019,041	14,815	2,963	1,930	7,866
Other commitments with an original maturity of:					
Not more than one year	-	-	-	-	-
More than one year	136,960	68,480	68,480	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,158,563</u>	-	-	-	-
	<u><u>3,377,179</u></u>	<u><u>126,536</u></u>	<u><u>98,557</u></u>	<u><u>1,930</u></u>	<u><u>7,866</u></u>
				30 June 2023 (Unaudited) Contractual amount <i>HK\$'000</i>	
Capital commitments contracted for, but not provided in the consolidated statement of financial position				<u><u>12,017</u></u>	

	31 December 2022 (Audited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	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	–	–	–	–	–
	<u>48,571</u>	<u>35,647</u>	<u>26,763</u>	–	–
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	<u>2,306,996</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>3,106,027</u></u>	<u><u>120,672</u></u>	<u><u>106,104</u></u>	<u><u>343</u></u>	<u><u>2,002</u></u>

31 December 2022
(Audited)
Contractual
amount
HK\$'000

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

18,530

As at 30 June 2023 and 31 December 2022, 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\$21,000 respectively.

18. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	30 June 2023 (Unaudited)							Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	
Financial assets:								
Gross cash and short term placements	754,534	1,157,006	-	-	-	-	-	1,911,540
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,365,066	416,744	-	-	-	1,781,810
Gross loans and advances and receivables	640,638	838,825	2,210,510	2,019,006	5,332,613	12,572,202	938,244	24,552,038
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	442,120	1,309,810	4,612,245	1,000,869	-	-	7,365,044
Other assets	45	44,650	22,364	30,703	5,510	-	109,596	212,868
Gross foreign exchange contracts	-	354,164	75,502	-	-	-	-	429,666
Total financial assets	1,395,217	2,836,765	4,983,252	7,078,698	6,338,992	12,572,202	1,054,644	36,259,770
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	84,919	330,219	10,000	100,000	-	-	-	525,138
Customer deposits at amortised cost	9,782,917	4,938,049	7,409,395	6,438,111	24,425	-	-	28,592,897
Unsecured bank loans at amortised cost	-	1,513,000	-	-	-	-	-	1,513,000
Lease liabilities	-	4,572	8,835	32,008	52,081	6,627	-	104,123
Other liabilities	6,896	87,198	70,905	96,394	127	-	117,630	379,150
Gross foreign exchange contracts	-	358,235	77,367	-	-	-	-	435,602
Total financial liabilities	9,874,732	7,231,273	7,576,502	6,666,513	76,633	6,627	117,630	31,549,910
Net liquidity gap	(8,479,515)	(4,394,508)	(2,593,250)	412,185	6,262,359	12,565,575	937,014	4,709,860

	31 December 2022							
	(Audited)							
	Repayable on demand <i>HK\$'000</i>	Up to 1 month <i>HK\$'000</i>	Over 1 month but not more than 3 months <i>HK\$'000</i>	Over 3 months but not more than 12 months <i>HK\$'000</i>	Over 1 year but not more than 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Repayable within an indefinite period <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

INTERIM DIVIDEND

The Board has on 28 June 2023 declared an interim dividend of HK\$0.03 (2022: HK\$0.05) per share payable on 2 August 2023 to shareholders whose names appear on the register of members of the Company on 19 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the period under review, the economy of Hong Kong improved slightly arising from the full relaxation of anti-pandemic measures and border reopening, but the general operating environment remained challenging and overall productivities remained low as compared to the pre-pandemic period.

As the inflation rate in the US remained high, the US Federal Reserve continued to raise its benchmark rate and Hong Kong dollars (“HKD”) interest rates went up under the Linked Exchange Rate System. Under the higher interest rate environment, corporates were conservative in business expansion despite the improved economy. Financial systemic risks were escalating driven by the collapses of some banks in the US and Europe and the heightened geopolitical factors.

Under the aforesaid challenging operating environment, 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 with sustainable profit growth.

FINANCIAL REVIEW

Revenue and earnings

For the six months ended 30 June 2023, the Group’s profit after tax decreased by HK\$79.5 million or 41.1% to HK\$113.8 million as compared to the corresponding period in 2022.

The Group’s basic earnings per share for the six months ended 30 June 2023 was HK\$0.10. The Board has declared an interim dividend of HK\$0.03 per share on 28 June 2023, payable on 2 August 2023.

During the period under review, total interest income of the Group increased by HK\$255.7 million or 36.8% to HK\$950.4 million contributed mainly from the increase in interest income from debt securities; whilst total interest expenses increased by HK\$354.6 million to HK\$443.3 million mainly due to the higher interest cost on customer deposits. As a result, the Group's net interest income decreased by HK\$98.9 million or 16.3% to HK\$507.1 million. In the past year, HKD interest rates increased by around 400 basis points but HKD prime rate adopted by banks increased only by around 75 basis points which limited the extent of lending rate increment on the Group's property mortgage loans and hire purchase loans which accounted for about 70% of the Group's loans and advances. Net fees and commission income increased by HK\$28.5 million or 32.6% to HK\$115.9 million due to generally improved economic condition in Hong Kong. Other operating income of the Group decreased by HK\$1.9 million or 9.1% to HK\$18.9 million which was attributed to the one-off reception of government subsidies of HK\$2.2 million in the first six months of 2022.

Operating expenses of the Group increased by HK\$12.9 million or 3.1% to HK\$425.2 million mainly due to the increases in staff costs and IT-related expenses on digital transformation.

Fair value of investment properties increased by HK\$6.6 million during the period under review as compared to a revaluation loss of HK\$2.2 million in the corresponding period of last year.

Credit loss expenses increased by HK\$18.0 million or 29.1% to HK\$79.9 million mainly due to the increase in credit charges for unsecured personal lending during the period under review.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) recorded a decrease of HK\$341.9 million or 1.4% to HK\$24.45 billion as at 30 June 2023 from HK\$24.79 billion as at 31 December 2022. Customer deposits of the Group declined by HK\$1.86 billion or 6.1% to HK\$28.59 billion as at 30 June 2023 from HK\$30.45 billion as at 31 December 2022. The decrease in customer deposits was mainly due to the limited funding need for supporting subdued lending activities and the Group's funding cost management of fixed deposits to minimise the adverse impact on net interest margin. Meanwhile, the low-cost demand and savings deposits recorded a mild growth of 1.2% during the first six months of 2023.

As at 30 June 2023, total assets of the Group stood at HK\$39.96 billion.

Business performance of key subsidiaries

Public Bank (Hong Kong)

During the period under review, total loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank and a direct subsidiary of the Company, decreased by HK\$312.0 million or 1.6% to HK\$19.01 billion as at 30 June 2023 from HK\$19.32 billion as at 31 December 2022. Customer deposits (excluding deposits from a subsidiary) decreased by HK\$1.93 billion or 7.3% to HK\$24.49 billion as at 30 June 2023 from HK\$26.42 billion as at 31 December 2022. Impaired loans to total loans ratio of Public Bank (Hong Kong) increased by 3.02% to 4.16% as at 30 June 2023 from 1.14% as at 31 December 2022 amidst the challenging operating environment. Excluding intra-group dividend income, profit of Public Bank (Hong Kong) for the six months ended 30 June 2023 decreased by HK\$15.1 million or 18.8% to HK\$65.3 million mainly due to lower net interest income and increase in operating expenses with higher staff costs and IT-related expenses on digital transformation.

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), decreased by HK\$26.6 million or 0.5% to HK\$5.06 billion as at 30 June 2023 from HK\$5.09 billion as at 31 December 2022. Customer deposits increased by HK\$69.3 million or 1.6% to HK\$4.36 billion as at 30 June 2023 from HK\$4.29 billion as at 31 December 2022. Impaired loans to total loans ratio of Public Finance was relatively unchanged at 1.46% as at 30 June 2023 compared with 1.44% as at 31 December 2022. Excluding intra-group dividend income, profit of Public Finance for the six months ended 30 June 2023 decreased by HK\$61.3 million or 62.8% to HK\$36.3 million mainly due to the increase in interest cost of customer deposits. Due to the limitation of operating as a deposit-taking company, Public Finance could not take low-cost savings and demand deposits and its interest cost from fixed deposits increased significantly under the higher interest rate environment.

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

Segmental information

The Group's businesses comprise three main segments: (i) retail and commercial banking businesses, (ii) wealth management services, stockbroking and securities management, and (iii) other businesses. For the period under review, 90.0% of the Group's operating income and 83.1% of the profit before tax were contributed by retail and commercial banking businesses. Compared to the first half of 2022, the Group's operating income from retail and commercial banking businesses decreased by HK\$100.3 million or 14.8% to HK\$577.5 million mainly due to the decrease in net interest income of the Group. Profit before tax from this segment decreased by HK\$112.0 million or 48.5% to HK\$119.1 million mainly due to the aforesaid decrease in net interest income as well as the increase in credit loss expenses of unsecured personal lending. The Group's operating income from wealth management services, stockbroking and securities management increased by HK\$25.9 million or 89.6% to HK\$54.8 million. Profit before tax from this segment increased by HK\$6.5 million or 75.6% to HK\$15.1 million during the period under review.

Group's branch network

Public Bank (Hong Kong) has a branch network of 30 branches in Hong Kong and 5 branches in Shenzhen in the People's Republic of China to provide a broad range of commercial and retail banking services. Public Finance has a network of 40 branches in Hong Kong to focus on its core business in personal lending. Winton Financial Limited ("Winton Financial"), another operating subsidiary of the Company which operates under a money lenders licence, has a network of 3 branches in Hong Kong to provide personal financing to its target customer segment. In total, the Group has a combined branch network of 78 branches 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 71.6% of total assets of the Company, and such cost reflected the fair value of the Company's investment. Public Bank (Hong Kong) strategically focuses on loan business 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\$120.7 million on consolidated basis, which represented an annualised return of 3.7% from the Company's investment. Dividend income received from Public Bank (Hong Kong) was HK\$75.7 million during the period under review. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) will be disclosed in the 2023 Interim Report.

Contingent liabilities and commitments

The Group had no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments as disclosed in the notes to the interim financial statements) as at the end of the period under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the period under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 30 June 2023, there was no charge over the assets of the Group. There was also no significant event affecting the Group which had occurred since 30 June 2023.

OPERATIONAL REVIEW

Funding and capital management

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

The Group relies principally on its internally generated capital, customer deposits and deposits from financial institutions to fund its retail and commercial banking businesses and its consumer financing business. The Group's cash and cash equivalents are mainly denominated in HKD or United States dollars. Its bank borrowings are in the form of term loans denominated in HKD at floating interest rates and stood at approximately HK\$1.51 billion as at 30 June 2023. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.17 times as at 30 June 2023, which was relatively the same as compared to the position of 31 December 2022. The bank borrowings as at 30 June 2023 had remaining maturity periods of less than two years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange 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 no foreign currency investments hedged by foreign currency borrowings and other hedging instruments during the period under review.

The consolidated CET1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 24.7% and 25.5% respectively as at 30 June 2023.

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 2.36% to 3.59% as at 30 June 2023 from 1.23% as at 31 December 2022 mainly due to the escalation of Public Bank (Hong Kong)'s impaired loan ratio amidst the challenging operating environment. 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.

Human resources management

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

The objective of the Group's human resources management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives taking into account both business performance and the adherence to the Group's culture and behavioural standards, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market and regulatory developments, and to improve their management and business skills. Staff also 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 30 June 2023, the Group's staff force stood at 1,190 employees. For the six months ended 30 June 2023, the Group's total staff related costs amounted to HK\$266.8 million.

PROSPECTS

The economies of Hong Kong and Mainland China are anticipated to continue to improve on a gradual post-pandemic recovery path in the second half of 2023, but the prospects remain highly uncertain driven by the adverse impact of high and escalating market interest rate environment on business development and the development of geopolitical factors. The risk appetites for corporate investments/business expansion and individual's home and vehicle purchase are expected to remain conservative in the near term in view of the interest rate outlook. Accordingly, loan growth momentum in Hong Kong and Mainland China will continue to be constrained. However, the situation may improve as the economy is under gradual recovery.

As inflation remains high, the US Federal Reserve is anticipated to further adjust its benchmark interest rates upward one or two times in the second half of 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 small adjustment on HKD prime rate. Competition in the banking and financing industry in Hong Kong is also expected to intensify with more intensive usage of technology and 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.

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 business 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; whilst restructuring its operating processes to achieve higher operational efficiency and cost synergy amongst group companies. The Group will also integrate sustainable development into its business initiatives and expand green financing business.

The Group will stay vigilant of the uncertainties and challenges ahead and strive to expand its banking and financing businesses with disciplined cost control and prudent risk management in the second half of 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2023.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2023 Interim Report, in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

In addition, following the (i) re-designation of Ms. Cheah Kim Ling from an Independent Non-Executive Director to a Non-Executive Director and (ii) appointment of Ms. Phe Kheng Peng as an Independent Non-Executive Director of the Company on 19 May 2023, the Company had complied with the Listing Rules relating to the composition of the Board and Board Committees. Details of the aforesaid re-designation and appointment were set out in the announcement of the Company dated 18 May 2023.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Ms. Phe Kheng Peng, Mr. Lee Chin Guan and Mr. Lim Chao Li, and two Non-Executive Directors, namely Mr. Lai Wan and Mr. Quah Poh Keat. The unaudited interim results for the six months ended 30 June 2023 as set out in this announcement has been reviewed by the Audit Committee.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 June 2023 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2023 Interim Report containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in or around mid-August 2023.

APPRECIATION

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

By Order of the Board
Public Financial Holdings Limited
Lai Wan
Chairman

20 July 2023

As at the date of this announcement, the Board of the Company comprises Mr. Lai Wan, Ms. Cheah Kim Ling, Dato' Chang Kat Kiam, Mr. Quah Poh Keat and Mr. Chong Yam Kiang as Non-Executive Directors, Mr. Tan Yoke Kong as Executive Director, and Mr. Lee Chin Guan, Mr. Lim Chao Li and Ms. Phe Kheng Peng as Independent Non-Executive Directors.