大眾金融控股有限公司

PUBLIC FINANCIAL HOLDINGS LIMITED

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

EXCELLENCE

is our Commitment

2025
Interim
Report

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PUBLIC FINANCIAL HOLDINGS LIMITED
INTERIM REPORT 2025

Contents

Corporate Information

BOARD OF DIRECTORS

Non-Executive Chairman
Lai Wan

Executive Director
Chong Yam Kiang

Non-Executive Directors
Dato' Chang Kat Kiam
Quah Poh Keat
Lee Huat Oon

Independent Non-Executive Directors
Lee Chin Guan
Lim Chao Li
Phe Kheng Peng

COMPANY SECRETARY

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

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
Email : is-enquiries@vistra.com

AUDITORS

Ernst & Young
Certified Public Accountants

2025 Interim Report

This 2025 interim report in electronic form is now available on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s website at www.hkexnews.hk and Public Financial Holdings Limited (the "Company")'s website at www.publicfinancial.com.hk. The Company has set out in details on its website under the "Investor Relations" section the manner for the dissemination of its corporate communications, and the relevant arrangements for shareholders to request for corporate communications in printed form. Shareholders may send a written request to our Hong Kong Branch Registrar, Tricor Investor Services Limited, at the address or email shown above, for a printed copy of this 2025 interim report.

Shareholders are encouraged to access the corporate communications of the Company through the websites of the Stock Exchange and the Company in lieu of receiving printed copies to help protect the environment.

Condensed Consolidated Income Statement

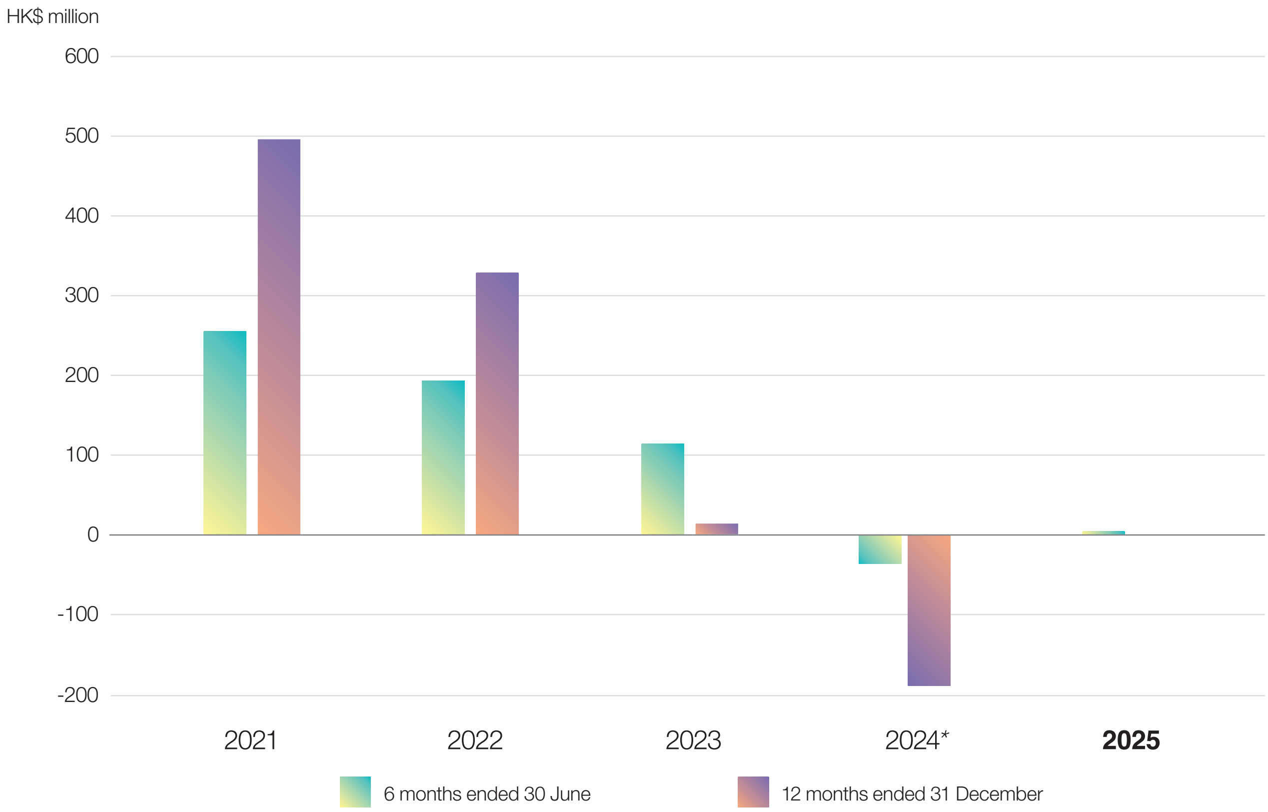
		For the six months ended 30 June	
	Notes	**2025 (Unaudited) HK$'000**	2024 (Unaudited) HK$'000
Interest income	7	**978,411**	1,013,752
Interest expense	7	**(447,898)**	(543,042)
NET INTEREST INCOME		**530,513**	470,710
Fees and commission income	8	**139,903**	106,788
Fees and commission expenses	8	**(1,101)**	(916)
Net fees and commission income		**138,802**	105,872
Other operating income	9	**15,846**	17,327
OPERATING INCOME		**685,161**	593,909
Operating expenses	10	**(465,183)**	(432,844)
Changes in fair value of investment properties		**(46,152)**	(24,367)
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		**173,826**	136,698
Credit loss expenses	11	**(155,870)**	(164,303)
PROFIT/(LOSS) BEFORE TAX		**17,956**	(27,605)
Tax	12	**(15,389)**	(6,888)
PROFIT/(LOSS) FOR THE PERIOD		**2,567**	(34,493)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company		**2,567**	(34,493)
EARNINGS/(LOSS) PER SHARE (HK$)	14		
Basic		**0.002**	(0.031)
Diluted		**0.002**	(0.031)

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**2,567**	(34,493)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Net income/(loss) on debt securities investment measured at fair value through other comprehensive income ("FVOCI"), net of tax	**19,230**	(217)
Exchange differences on translating foreign operations, net of tax	**37,997**	(26,351)
	57,227	(26,568)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**57,227**	(26,568)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**59,794**	(61,061)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the Company	**59,794**	(61,061)

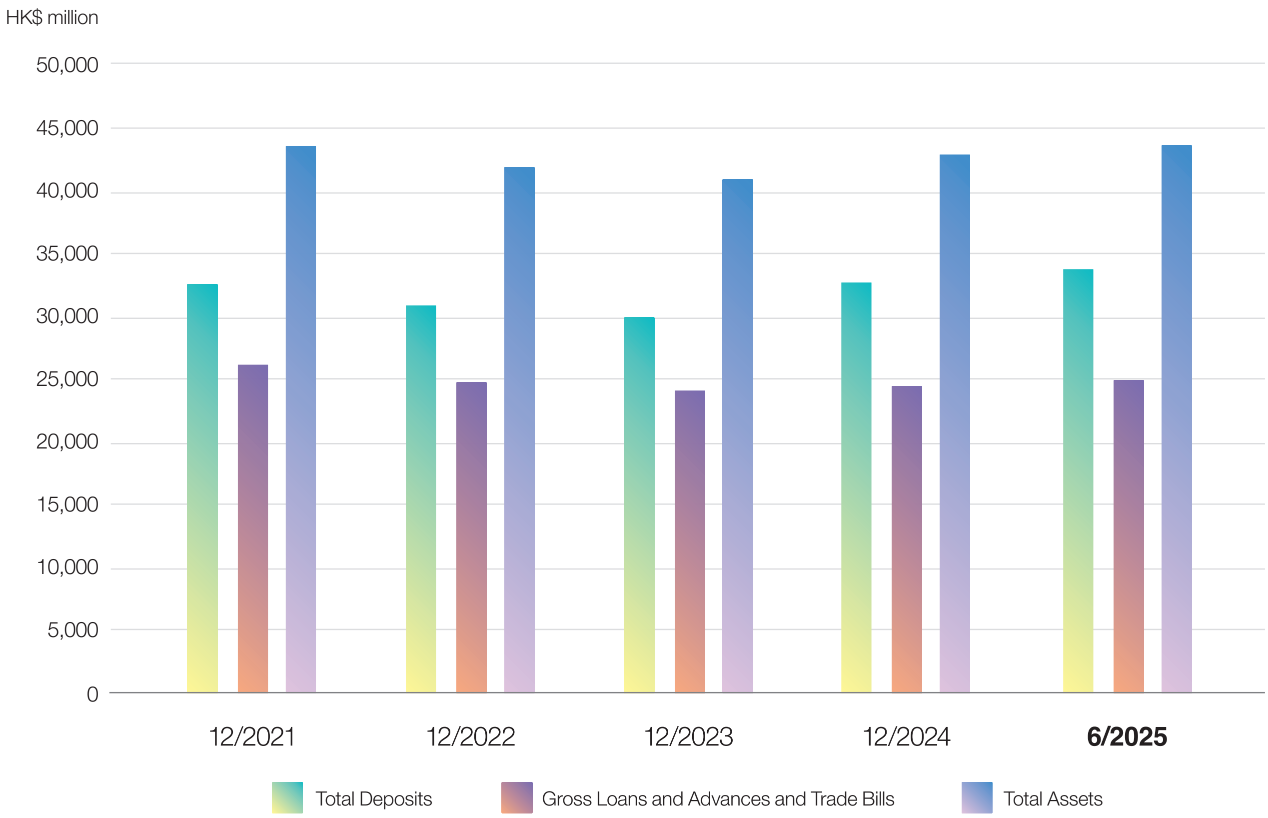
Five-year Financial Summary

Profit/(Loss)



* *Excluding impairment of goodwill*

Financial Position



Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2025 (Unaudited) HK$'000**	31 December 2024 (Audited) HK$'000
ASSETS			
Cash and short term placements	15	**4,053,012**	5,951,644
Placements with banks and financial institutions maturing after one month but not more than twelve months	16	**2,676,630**	1,905,999
Derivative financial instruments		**2,363**	4,561
Loans and advances and receivables	17	**24,615,452**	24,192,793
Equity investments at fair value through other comprehensive income	18	**6,804**	6,804
Debt securities investment	19	**8,389,808**	6,624,576
Investment properties	20	**566,189**	612,341
Property and equipment	21	**229,962**	231,454
Land held under finance leases	22	**646,374**	651,795
Right-of-use assets		**83,885**	87,169
Deferred tax assets		**85,470**	89,103
Tax recoverable		**18,873**	16,209
Goodwill		**1,964,403**	1,964,403
Intangible assets	23	**232**	232
Other assets	24	**250,315**	504,913
TOTAL ASSETS		**43,589,772**	42,843,996
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		**527,555**	521,314
Derivative financial instruments		**299**	14,589
Customer deposits at amortised cost	25	**33,229,927**	32,173,517
Dividends payable		**21,958**	–
Unsecured bank loans at amortised cost	26	**1,524,000**	1,620,326
Lease liabilities		**91,750**	96,177
Current tax payable		**2,620**	2,654
Deferred tax liabilities		**61,567**	58,445
Other liabilities	24	**391,543**	656,257
TOTAL LIABILITIES		**35,851,219**	35,143,279

Condensed Consolidated Statement of Financial Position

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	**109,792**	109,792
Reserves	**7,628,761**	7,590,925
TOTAL EQUITY	**7,738,553**	7,700,717
TOTAL EQUITY AND LIABILITIES	**43,589,772**	42,843,996

Condensed Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Debt securities revaluation reserve HK$'000	Regulatory reserve# HK$'000	Retained profits HK$'000	Translation reserve HK$'000	Total HK$'000
As at 1 January 2025	**109,792**	**4,013,296**	**829**	**96,116**	**135,956**	**(1,206)**	**–**	**3,400,050**	**(54,116)**	**7,700,717**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,567**	**–**	**2,567**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**19,230**	**–**	**–**	**37,997**	**57,227**
Transfer from regulatory reserve to retained profits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,958)**	**–**	**(21,958)**
As at 30 June 2025 (Unaudited)	**109,792**	**4,013,296**	**829**	**96,116**	**135,956**	**18,024**	**–**	**3,380,659**	**(16,119)**	**7,738,553**

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Debt securities revaluation reserve HK$'000	Regulatory reserve# HK$'000	Retained profits HK$'000	Translation reserve HK$'000	Total HK$'000
As at 1 January 2024	109,792	4,013,296	829	96,116	78,563	–	34,316	4,365,121	(19,609)	8,678,424
Loss for the period	–	–	–	–	–	–	–	(34,493)	–	(34,493)
Other comprehensive loss	–	–	–	–	–	(217)	–	–	(26,351)	(26,568)
Transfer from regulatory reserve to retained profits	–	–	–	–	–	–	(14,053)	14,053	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	–
As at 30 June 2024 (Unaudited)	109,792	4,013,296	829	96,116	78,563	(217)	20,263	4,344,681	(45,960)	8,617,363
Loss for the period	–	–	–	–	–	–	–	(964,894)	–	(964,894)
Other comprehensive income/(loss)	–	–	–	–	57,393	(989)	–	–	(8,156)	48,248
Transfer from regulatory reserve to retained profits	–	–	–	–	–	–	(20,263)	20,263	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	–
As at 31 December 2024 (Audited)	109,792	4,013,296	829	96,116	135,956	(1,206)	–	3,400,050	(54,116)	7,700,717

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 case the expected credit loss ("ECL") provisions under accounting standards' requirements is below a target level set by the Hong Kong Monetary Authority ("HKMA").

Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June 2025 (Unaudited) HK$'000	2024 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**17,956**	(27,605)
Adjustments for:			
Dividend income from listed investments	9	**(156)**	(118)
Dividend income from unlisted investments	9	**(150)**	(150)
Depreciation of property and equipment and land held under finance leases	10	**25,733**	24,305
Depreciation of right-of-use assets	10	**24,861**	28,382
Other interest expenses	7	**2,347**	2,470
Payment of dismantling costs		**(232)**	–
Gain on termination of leases	9	**(67)**	–
Net losses on disposal of property and equipment	9	**116**	18
Increase/(decrease) in credit loss expenses for loans and advances and receivables		**49,403**	(86,412)
Increase in credit loss expenses for debt securities investment and bank placements		**72**	164
Decrease in fair value of investment properties	20	**46,152**	24,367
Exchange differences		**36,541**	(24,932)
Profits tax paid		**(13,258)**	(3,779)
Operating profit/(loss) before changes in operating assets and liabilities		**189,318**	(63,290)
(Increase)/decrease in operating assets:			
(Increase)/decrease in placements with banks and financial institutions		**(68,749)**	267,029
Increase in loans and advances and receivables		**(472,062)**	(384,310)
(Increase)/decrease in debt securities investment		**(4,680,245)**	329,749
Decrease/(increase) in other assets		**254,598**	(129,089)
Decrease in derivative financial instruments		**2,198**	10,657
		(4,964,260)	94,036
Increase in operating liabilities:			
Increase in deposits and balances of banks and other financial institutions at amortised cost		**6,241**	24,086
Increase in customer deposits at amortised cost		**1,056,410**	2,209,928
(Decrease)/increase in derivative financial instruments		**(14,290)**	2,219
(Decrease)/increase in other liabilities		**(264,702)**	79,569
		783,659	2,315,802
Net cash (outflow)/inflow from operating activities		**(3,991,283)**	2,346,548

Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June 2025 (Unaudited) HK$'000	2024 (Unaudited) HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	21	**(18,959)**	(26,839)
Sales proceeds from fixed assets		**23**	–
Dividends received from listed investments	9	**156**	118
Dividends received from unlisted investments	9	**150**	150
Net cash outflow from investing activities		**(18,630)**	(26,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
New unsecured bank loans		**–**	75,000
Repayment of unsecured bank loans		**(96,326)**	(169,033)
Repayment of lease liabilities		**(28,482)**	(28,199)
Net cash outflow from financing activities		**(124,808)**	(122,232)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,134,721)**	2,197,745
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**9,731,210**	4,175,205
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**5,596,489**	6,372,950
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand	31	**697,940**	563,940
Money at call and short notice with an original maturity within three months		**3,151,150**	3,224,327
Placements with banks and financial institutions with an original maturity within three months		**1,607,457**	1,464,908
Debt securities investment with an original maturity within three months		**139,942**	1,119,775
		5,596,489	6,372,950
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid		**(503,091)**	(568,519)
Interest received		**983,845**	1,045,117

Notes to Interim 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 period, the principal activities of the Company and its subsidiaries (collectively, the "Group") 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 Berhad ("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	2,854,044,825	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	148,000,000	–	100	Securities brokerage
Public Finance Limited	671,038,340	–	100	Deposit-taking and financing
Public Financial Limited	10,100,000	–	100	Investment holding
Public Securities Limited	10,000,000	–	100	Dormant
Public Securities (Nominees) Limited	10,000	–	100	Dormant
Winton (B.V.I.) Limited	61,773	100	–	Investment holding
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) Limited, which operates in Hong Kong and Mainland China, all subsidiaries operate in Hong Kong.*

Notes to Interim Financial Statements

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and in compliance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* and Interpretations as 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 2024 Annual Report.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's 2024 Annual Report, except for the changes in accounting policies as set out in Note 5 below.

3. 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 2025.

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).

Generally, there is a presumption that a majority of voting rights results in control. 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.

Notes to Interim Financial Statements

3. BASIS OF CONSOLIDATION (Continued)

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

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

4. BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the 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 should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission ("SFC").

Regulatory reserve, if any, set aside pursuant to the HKMA's capital requirements is non-distributable.

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 2024 and 2025 is 2.5%, whilst the required countercyclical capital buffer ("CCyB") ratio for 2024 and 2025 is 0.5%.

Notes to Interim Financial Statements

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the current period's interim financial information.

• Amendments to HKAS 21	*Lack of Exchangeability*

The nature and impact of the amended HKFRS Accounting Standard to the Group are described below:

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted with and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial information of the Group.

Issued but not yet effective HKFRS Accounting Standards

The Group has not applied the following new and amended HKFRS Accounting Standards, that are expected to be relevant to the Group and have been issued but are not yet effective, in these interim financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

• HKFRS 18	*Presentation and Disclosure in Financial Statements*[2]
• HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[2]
• Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
• Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
• *Annual Improvements to HKFRS Accounting Standards – Volume 11*	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[1]

[1] *Effective for annual periods beginning on or after 1 January 2026*
[2] *Effective for annual/reporting periods beginning on or after 1 January 2027*
[3] *No mandatory effective date yet determined but available for adoption*

Notes to Interim Financial Statements

5. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRS Accounting Standards (Continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations, and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings Per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards will be effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use in compliance with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. However, some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosure requirements for investments in equity instruments designated at FVOCI and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Interim Financial Statements

5. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRS Accounting Standards (Continued)

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 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 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7.

Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

6. 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.

Notes to Interim Financial Statements

6. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses the revenue and profit information for operating segments for the six months ended 30 June 2025 and 30 June 2024.

	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	
	2025 (Unaudited)	2024 (Unaudited)	**2025 (Unaudited)**	2024 (Unaudited)	**2025 (Unaudited)**	2024 (Unaudited)	**2025 (Unaudited)**	2024 (Unaudited)
	Retail and commercial banking businesses		**Wealth management services, stockbroking and securities management**		**Other businesses**		**Total**	
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue								
External:								
Net interest income	**530,450**	470,632	**63**	78	**–**	–	**530,513**	470,710
Net fees and commission income	**67,855**	59,307	**70,947**	46,565	**–**	–	**138,802**	105,872
Other operating income	**2,714**	6,868	**2,015**	–	**11,117**	10,459	**15,846**	17,327
Operating income	**601,019**	536,807	**73,025**	46,643	**11,117**	10,459	**685,161**	593,909
Operating profit/(loss) after credit loss expenses before tax	**26,432**	(30,611)	**33,849**	22,326	**(42,325)**	(19,320)	**17,956**	(27,605)
Tax							**(15,389)**	(6,888)
Profit/(loss) for the period							**2,567**	(34,493)
Other segment information								
Depreciation of property and equipment and land held under finance leases	**(25,733)**	(24,305)	**–**	–	**–**	–	**(25,733)**	(24,305)
Depreciation of right-of-use assets	**(24,861)**	(28,382)	**–**	–	**–**	–	**(24,861)**	(28,382)
Changes in fair value of investment properties	**–**	–	**–**	–	**(46,152)**	(24,367)	**(46,152)**	(24,367)
Credit loss expenses	**(155,870)**	(164,303)	**–**	–	**–**	–	**(155,870)**	(164,303)
Net losses on disposal of property and equipment	**(116)**	(18)	**–**	–	**–**	–	**(116)**	(18)

Notes to Interim Financial Statements

6. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses certain assets and liabilities information regarding operating segments as at 30 June 2025 and 31 December 2024.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	30 June 2025 (Unaudited)	31 December 2024 (Audited)	**30 June 2025 (Unaudited)**	31 December 2024 (Audited)	**30 June 2025 (Unaudited)**	31 December 2024 (Audited)	**30 June 2025 (Unaudited)**	31 December 2024 (Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets other than intangible assets and goodwill	**40,720,174**	39,681,040	**234,400**	480,627	**566,220**	612,382	**41,520,794**	40,774,049
Intangible assets	**-**	–	**232**	232	**-**	–	**232**	232
Goodwill	**1,964,403**	1,964,403	**-**	–	**-**	–	**1,964,403**	1,964,403
Segment assets	**42,684,577**	41,645,443	**234,632**	480,859	**566,220**	612,382	**43,485,429**	42,738,684
Unallocated assets:								
Deferred tax assets and tax recoverable							**104,343**	105,312
Total assets							**43,589,772**	42,843,996
Segment liabilities	**35,702,282**	34,766,557	**55,451**	308,827	**7,341**	6,796	**35,765,074**	35,082,180
Unallocated liabilities:								
Deferred tax liabilities and tax payable							**64,187**	61,099
Dividend payable							**21,958**	–
Total liabilities							**35,851,219**	35,143,279
Other segment information								
Additions to non-current assets – capital expenditure	**18,959**	134,282	**-**	–	**-**	–	**18,959**	134,282

Notes to Interim Financial Statements

6. 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 six months ended 30 June 2025 and 30 June 2024.

	For the six months ended 30 June	
	2025 (Unaudited) HK$'000	2024 (Unaudited) HK$'000
Segment revenue from external customers:		
Hong Kong	**648,924**	542,586
Mainland China	**36,237**	51,323
	685,161	593,909

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 2025 and 31 December 2024.

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Non-current assets:		
Hong Kong	**3,468,957**	3,529,737
Mainland China	**22,088**	17,657
	3,491,045	3,547,394

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 for the period amounted to less than 10% (2024: less than 10%) of the Group's total operating income or revenue.

Notes to Interim Financial Statements

7. INTEREST INCOME AND EXPENSE

	For the six months ended 30 June	
	2025 (Unaudited) HK$'000	2024 (Unaudited) HK$'000
Interest income from:		
Loans and advances and receivables	**711,291**	754,281
Short term placements and placements with banks	**106,468**	85,413
Debt securities investment	**160,652**	174,058
	978,411	1,013,752
Interest expense on:		
Deposits from banks and financial institutions	**14,176**	12,042
Deposits from customers	**398,923**	485,255
Bank loans	**32,452**	43,275
Others	**2,347**	2,470
	447,898	543,042

Interest income and interest expense for the six months ended 30 June 2025, 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$978,411,000 and HK$447,898,000 (2024: HK$1,013,752,000 and HK$543,042,000) respectively.

Notes to Interim Financial Statements

8. NET FEES AND COMMISSION INCOME

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees and commission income:		
Retail and commercial banking	**68,956**	60,223
Wealth management services, stockbroking and securities management	**70,947**	46,565
	139,903	106,788
Less: Fees and commission expenses	**(1,101)**	(916)
	138,802	105,872

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.

Notes to Interim Financial Statements

9. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2025 (Unaudited) HK$'000	2024 (Unaudited) HK$'000
Gross rental income	**11,151**	10,495
Less: Direct operating expenses	**(34)**	(36)
Net rental income	**11,117**	10,459
Gains less losses arising from dealing in foreign currencies	**1,956**	8,515
Net gains/(losses) on derivative financial instruments	**2,064**	(2,173)
	4,020	6,342
Net losses on disposal of property and equipment	**(116)**	(18)
Gain on termination of leases	**67**	–
Gain on disposal of debt securities investment	**12**	–
Dividend income from listed investments	**156**	118
Dividend income from unlisted investments	**150**	150
Others	**440**	276
	15,846	17,327

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

There were no net gains or losses arising from the derecognition of equity/debt securities 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 six months ended 30 June 2025 and 30 June 2024.

Notes to Interim Financial Statements

10. OPERATING EXPENSES

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Staff costs:		
Salaries and other staff costs	**279,082**	263,517
Pension contributions	**13,876**	13,331
Less: Forfeited contributions	**(50)**	(76)
Net contribution to retirement benefit schemes	**13,826**	13,255
	292,908	276,772
Other operating expenses:		
Depreciation of right-of-use assets	**24,861**	28,382
Depreciation of property and equipment and land held under finance leases	**25,733**	24,305
Administrative and general expenses	**44,186**	37,521
Others	**77,495**	65,864
Operating expenses before changes in fair value of investment properties	**465,183**	432,844

As at 30 June 2025 and 30 June 2024, 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 2025 and 30 June 2024 arose in respect of staff who left the schemes during the periods.

Notes to Interim Financial Statements

11. CREDIT LOSS EXPENSES

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

	For the six months ended 30 June 2025 (Unaudited)			
	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	(15,708)	7,248	164,018	155,558
– trade bills, accrued interest and other receivables	10	(52)	264	222
– cash and short term placements	(181)	–	–	(181)
– placements with banks and financial institutions	76	–	–	76
– debt securities investment	177	–	–	177
– loan commitments	19	–	–	19
– financial guarantees and letters of credit	(1)	–	–	(1)
	(15,608)	7,196	164,282	155,870

Notes to Interim Financial Statements

11. CREDIT LOSS EXPENSES (Continued)

	For the six months ended 30 June 2024 (Unaudited)			
	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	9,721	6,474	123,640	139,835
– trade bills, accrued interest and other receivables	(41)	89	24,257	24,305
– cash and short term placements	25	–	–	25
– placements with banks and financial institutions	105	–	–	105
– debt securities investment	34	–	–	34
– loan commitments	(1)	–	–	(1)
– financial guarantees and letters of credit	–	–	–	–
	9,843	6,563	147,897	164,303

12. TAX

	For the six months ended 30 June	
	2025 (Unaudited) HK$'000	2024 (Unaudited) HK$'000
Current tax charge/(credit):		
Hong Kong	**5,159**	(14,292)
Overseas	**5,854**	1,315
Deferred tax charge, net	**4,376**	19,865
	15,389	6,888

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 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.

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred.

Notes to Interim Financial Statements

12. TAX (Continued)

The Group has assessed its potential exposure to Pillar Two income taxes based on the information available regarding the financial performance of the Group for the six months ended 30 June 2025, and financial years 2024 and 2023. Based on the assessment, the Group's effective tax rates in all jurisdictions under which it operates are above 15% and the Group is not aware of any circumstances under which they might change in the current year. Therefore, the Group does not expect potential exposure to Pillar Two "top-up" tax in the current year.

As the assessment conducted may not be entirely representative of future circumstances, it is possible that the Group's effective tax rates in some jurisdictions will be above 15% in the future. Nevertheless, the Group does not expect a material exposure to Pillar Two income taxes in a foreseeable period.

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled and/or operate to the tax charge/(credit) 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 2025 (Unaudited)					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit/(loss) before tax	**(500)**		**18,456**		**17,956**	
Tax at the applicable tax rate	**(82)**	**16.5**	**4,614**	**25.0**	**4,532**	**25.2**
Estimated tax effect of net expenses that are not deductible	**10,857**	**(2,171.5)**	**–**	**–**	**10,857**	**60.5**
Tax charge/(credit) at the Group's effective rate	**10,775**	**(2,155.0)**	**4,614**	**25.0**	**15,389**	**85.7**

	For the six months ended 30 June 2024 (Unaudited)					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(56,840)		29,235		(27,605)	
Tax at the applicable tax rate	(9,379)	16.5	7,309	25.0	(2,070)	7.5
Estimated tax effect of net expenses that are not deductible	8,948	(15.7)	10	–	8,958	(32.5)
Tax charge/(credit) at the Group's effective rate	(431)	0.8	7,319	25.0	6,888	(25.0)

Notes to Interim Financial Statements

13. DIVIDENDS

Dividends declared during the interim period

	For the six months ended 30 June			
	2025 (Unaudited) HK$ per ordinary share	2024 (Unaudited) HK$ per ordinary share	**2025 (Unaudited) HK$'000**	2024 (Unaudited) HK$'000
Interim dividend	**0.02**	–	**21,958**	–

14. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit for the period ended 30 June 2025 of HK$2,567,000 (loss for the period ended 30 June 2024 of HK$34,493,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 shares (2024: 1,097,917,618 shares) during the period.

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2025 and 30 June 2024.

Notes to Interim Financial Statements

15. CASH AND SHORT TERM PLACEMENTS

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Cash on hand	**139,181**	228,477
Placements with banks and financial institutions	**558,759**	444,115
Money at call and short notice	**3,355,466**	5,279,627
Gross cash and short term placements	**4,053,406**	5,952,219
Less: Impairment allowances collectively assessed		
As at 1 January 2025 and 2024	**(575)**	(353)
Credit loss expenses released/(charged) to the consolidated income statement during the period/year	**181**	(222)
	(394)	(575)
Cash and short term placements	**4,053,012**	5,951,644

Over 90% (31 December 2024: 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 Investors Service ("Moody's"), an external credit agency.

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

Notes to Interim Financial Statements

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

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Gross placements with banks and financial institutions	**2,676,897**	1,906,190
Less: Impairment allowances collectively assessed		
As at 1 January 2025 and 2024	**(191)**	(98)
Credit loss expenses charged to the consolidated income statement during the period/year	**(76)**	(93)
	(267)	(191)
Placements with banks and financial institutions	**2,676,630**	1,905,999

Over 90% (31 December 2024: 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.

17. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Loans and advances to customers	**24,932,183**	24,458,426
Trade bills	**134**	–
Loans and advances, and trade bills	**24,932,317**	24,458,426
Accrued interest	**75,973**	77,820
	25,008,290	24,536,246
Other receivables	**5,808**	5,790
Gross loans and advances and receivables	**25,014,098**	24,542,036
Less: Impairment allowances		
– specifically assessed	**(233,373)**	(175,468)
– collectively assessed	**(165,273)**	(173,775)
	(398,646)	(349,243)
Loans and advances and receivables	**24,615,452**	24,192,793

Over 90% (31 December 2024: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2024: 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 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Neither past due nor impaired loans and advances and receivables	**23,565,407**	23,356,203
Past due but not impaired loans and advances and receivables	**659,257**	622,579
Credit impaired loans and advances	**772,214**	545,880
Credit impaired receivables	**17,220**	17,374
Gross loans and advances and receivables	**25,014,098**	24,542,036

Notes to Interim Financial Statements

17. LOANS AND ADVANCES AND RECEIVABLES (Continued)

About 74% (31 December 2024: about 70%) of "Neither past due nor impaired loans and advances and receivables" were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

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

	30 June 2025 (Unaudited)		31 December 2024 (Audited)	
	Gross amount HK$'000	**Percentage of total loans and advances %**	Gross amount HK$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	**115,208**	**0.46**	148,077	0.61
One year or less but over six months	**123,413**	**0.50**	157,194	0.64
Over one year	**242,850**	**0.97**	159,324	0.65
Loans and advances overdue for more than three months	**481,471**	**1.93**	464,595	1.90
Rescheduled loans and advances overdue for three months or less	**60,993**	**0.25**	25,938	0.10
Impaired loans and advances overdue for three months or less	**229,750**	**0.92**	55,347	0.23
Total overdue and impaired loans and advances	**772,214**	**3.10**	545,880	2.23

17. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	**890**	1,308
One year or less but over six months	**3,345**	3,567
Over one year	**12,611**	12,257
Trade bills, accrued interest and other receivables overdue for more than three months	**16,846**	17,132
Impaired trade bills, accrued interest and other receivables overdue for three months or less	**374**	242
Total overdue and impaired trade bills, accrued interest and other receivables	**17,220**	17,374

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 2025 (Unaudited)			31 December 2024 (Audited)		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	**459,118**	**39,199**	**498,317**	443,238	38,489	481,727
Impairment allowances specifically assessed	**166,533**	**8,219**	**174,752**	131,085	8,331	139,416
Current market value and fair value of collateral			**389,653**			428,283

Notes to Interim Financial Statements

17. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2025 (Unaudited)			31 December 2024 (Audited)		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	**744,910**	**44,524**	**789,434**	518,323	44,931	563,254
Impairment allowances specifically assessed	**225,154**	**8,219**	**233,373**	167,137	8,331	175,468
Current market value and fair value of collateral			**673,469**			481,897

Over 90% (31 December 2024: 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 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	**389,653**	428,283
Covered portion of overdue loans and advances	**316,931**	328,273
Uncovered portion of overdue loans and advances	**164,540**	136,322

17. 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: (Continued)

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 2025, the total value of repossessed assets of the Group amounted to HK$179,572,000 (31 December 2024: HK$144,770,000).

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

	30 June 2025 (Unaudited)		31 December 2024 (Audited)	
	Gross amount HK$'000	**Percentage of total loans and advances %**	Gross amount HK$'000	Percentage of total loans and advances %
Loans and advances overdue for three months or less	**655,583**	**2.63**	618,615	2.53
Trade bills, accrued interest and other receivables overdue for three months or less	**3,674**		3,964	

Notes to Interim Financial Statements

17. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(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 2025 (Unaudited)			
	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 2025	**23,546,563**	**432,219**	**563,254**	**24,542,036**
New loans/financing originated	**4,475,836**	**704**	**4,910**	**4,481,450**
Loans/financing derecognised or repaid during the period (other than write-offs)	**(3,716,795)**	**(47,165)**	**(96,356)**	**(3,860,316)**
Transfer to 12-month expected credit loss (Stage 1)	**50,706**	**(38,573)**	**(12,133)**	**–**
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	**(344,731)**	**358,219**	**(13,488)**	**–**
Transfer to lifetime expected credit loss credit impaired (Stage 3)	**(232,412)**	**(259,907)**	**492,319**	**–**
Total transfer between stages	**(526,437)**	**59,739**	**466,698**	**–**
Write-offs	**–**	**–**	**(149,072)**	**(149,072)**
As at 30 June 2025	**23,779,167**	**445,497**	**789,434**	**25,014,098**
Arising from:				
Loans and advances	**23,716,434**	**443,535**	**772,214**	**24,932,183**
Trade bills, accrued interest and other receivables	**62,733**	**1,962**	**17,220**	**81,915**
	23,779,167	**445,497**	**789,434**	**25,014,098**

17. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	31 December 2024 (Audited)			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Gross loans and advances and receivables as at 1 January 2024	22,985,925	370,562	931,237	24,287,724
New loans/financing originated	6,694,712	1,763	3,357	6,699,832
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,332,213)	(85,678)	(451,317)	(5,869,208)
Transfer to 12-month expected credit loss (Stage 1)	82,506	(76,296)	(6,210)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(353,306)	354,971	(1,665)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(531,061)	(133,103)	664,164	–
Total transfer between stages	(801,861)	145,572	656,289	–
Write-offs	–	–	(576,312)	(576,312)
As at 31 December 2024	23,546,563	432,219	563,254	24,542,036
Arising from:				
Loans and advances	23,482,852	429,694	545,880	24,458,426
Trade bills, accrued interest and other receivables	63,711	2,525	17,374	83,610
	23,546,563	432,219	563,254	24,542,036

The amount outstanding on financial assets that were written off during the period/year and are still subject to enforcement action amounted to HK$108,215,000 (31 December 2024: HK$508,451,000).

Notes to Interim Financial Statements

17. 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:

	30 June 2025 (Unaudited)			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Total HK$'000**
Internal rating grades:				
Performing				
Pass	**23,668,536**	**–**	**–**	**23,668,536**
Special Mention	**110,631**	**445,497**	**–**	**556,128**
Non-performing				
Substandard	**–**	**–**	**281,998**	**281,998**
Doubtful	**–**	**–**	**376,402**	**376,402**
Loss	**–**	**–**	**131,034**	**131,034**
Total	**23,779,167**	**445,497**	**789,434**	**25,014,098**

	31 December 2024 (Audited)			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Internal rating grades:				
Performing				
Pass	23,220,891	–	–	23,220,891
Special Mention	325,672	432,219	–	757,891
Non-performing				
Substandard	–	–	157,312	157,312
Doubtful	–	–	333,036	333,036
Loss	–	–	72,906	72,906
Total	23,546,563	432,219	563,254	24,542,036

Notes to Interim Financial Statements

17. 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:

	30 June 2025 (Unaudited)			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 January 2025	136,403	37,372	175,468	349,243
New loans/financing originated	52,331	4	259	52,594
Loans/financing derecognised or repaid during the period (other than write-offs)	(34,949)	(5,910)	(60,077)	(100,936)
Transfer to 12-month expected credit loss (Stage 1)	6,930	(4,851)	(2,079)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,864)	1,995	(131)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(18,907)	(22,121)	41,028	–
Total transfer between stages	(13,841)	(24,977)	38,818	–
Impact on period end expected credit loss of exposures transferred between stages during the period	(5,143)	37,438	158,243	190,538
Movements due to changes in credit risk	(14,096)	641	27,039	13,584
Recoveries	–	–	42,695	42,695
Write-offs	–	–	(149,072)	(149,072)
As at 30 June 2025	120,705	44,568	233,373	398,646
Arising from:				
Loans and advances	119,581	44,500	229,974	394,055
Trade bills, accrued interest and other receivables	1,124	68	3,399	4,591
	120,705	44,568	233,373	398,646

Notes to Interim Financial Statements

17. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	31 December 2024 (Audited)			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 January 2024	87,528	38,912	214,102	340,542
New loans/financing originated	52,961	–	382	53,343
Loans/financing derecognised or repaid during the year (other than write-offs)	(47,738)	(3,488)	(173,062)	(224,288)
Transfer to 12-month expected credit loss (Stage 1)	3,036	(1,492)	(1,544)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,683)	1,768	(85)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,437)	(30,582)	38,019	–
Total transfer between stages	(6,084)	(30,306)	36,390	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(1,839)	31,061	280,840	310,062
Movements due to changes in credit risk	51,575	1,193	306,972	359,740
Recoveries	–	–	86,156	86,156
Write-offs	–	–	(576,312)	(576,312)
As at 31 December 2024	136,403	37,372	175,468	349,243
Arising from:				
Loans and advances	135,289	37,252	172,299	344,840
Trade bills, accrued interest and other receivables	1,114	120	3,169	4,403
	136,403	37,372	175,468	349,243

Notes to Interim Financial Statements

17. 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:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)	30 June 2025 (Unaudited)	31 December 2024 (Audited)
	Undiscounted lease payments		Net investment in finance leases	
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts receivable under finance leases:				
Within one year	**482,043**	478,266	**324,157**	319,718
Over one year but within two years	**428,223**	425,967	**297,504**	294,928
Over two years but within three years	**366,073**	367,925	**247,544**	248,742
Over three years but within four years	**325,011**	326,679	**215,307**	216,085
Over four years but within five years	**297,318**	299,075	**194,192**	195,105
Over five years	**4,509,021**	4,525,643	**3,570,734**	3,596,895
	6,407,689	6,423,555	**4,849,438**	4,871,473
Less: Unearned finance income	**(1,558,251)**	(1,552,082)		
Net investment in finance leases	**4,849,438**	4,871,473		

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.

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Unlisted equity investments in corporate entity, at fair value:		
At the beginning and the end of the period/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 period/year, the Group received dividends of HK$150,000 (2024: HK$150,000) from the above investments.

Notes to Interim Financial Statements

19. DEBT SECURITIES INVESTMENT

	30 June 2025 (Unaudited)		
	Financial assets at amortised cost HK$'000	Financial assets at FVOCI HK$'000	Total HK$'000
Certificates of deposit held	2,979,435	499,986	3,479,421
Treasury bills and government bonds (including Exchange Fund Bills)	69,918	3,163,856	3,233,774
Other debt securities	719,210	957,782	1,676,992
Gross debt securities investment	3,768,563	4,621,624	8,390,187
Less: Impairment allowances collectively assessed			
As at 1 January 2025	(352)		(352)
Credit loss expenses charged to the consolidated income statement during the period	(27)		(27)
	(379)		(379)
	3,768,184	4,621,624	8,389,808
Listed or unlisted:			
– Listed in Hong Kong	–	1,202,567	1,202,567
– Listed outside Hong Kong	384,448	343,923	728,371
– Unlisted	3,384,115	3,075,134	6,459,249
	3,768,563	4,621,624	8,390,187
Analysed by types of issuers:			
– Central governments	69,918	3,163,856	3,233,774
– Public sector entities	–	488,197	488,197
– Corporates	–	–	–
– Banks and other financial institutions	3,698,645	969,571	4,668,216
	3,768,563	4,621,624	8,390,187

19. DEBT SECURITIES INVESTMENT (Continued)

	31 December 2024 (Audited)		
	Financial assets at amortised cost HK$'000	Financial assets at FVOCI HK$'000	Total HK$'000
Certificates of deposit held	2,367,887	129,975	2,497,862
Treasury bills and government bonds (including Exchange Fund Bills)	191,416	2,578,974	2,770,390
Other debt securities	926,540	430,136	1,356,676
Gross debt securities investment	3,485,843	3,139,085	6,624,928
Less: Impairment allowances collectively assessed			
As at 1 January 2024	(770)		(770)
Credit loss expenses released to the consolidated income statement during the year	418		418
	(352)		(352)
	3,485,491	3,139,085	6,624,576
Listed or unlisted:			
– Listed in Hong Kong	68,771	188,812	257,583
– Listed outside Hong Kong	280,203	194,101	474,304
– Unlisted	3,136,869	2,756,172	5,893,041
	3,485,843	3,139,085	6,624,928
Analysed by types of issuers:			
– Central governments	191,416	2,578,974	2,770,390
– Public sector entities	65,720	171,292	237,012
– Corporates	100,000	–	100,000
– Banks and other financial institutions	3,128,707	388,819	3,517,526
	3,485,843	3,139,085	6,624,928

There were no impairment allowances specifically assessed made against debt securities investment as at 30 June 2025 and 31 December 2024.

There were neither impaired nor overdue debt securities investment as at 30 June 2025 and 31 December 2024.

Over 90% (31 December 2024: over 90%) of debt securities investment were rated with a grading of A3 or above based on the credit rating of Moody's.

Notes to Interim Financial Statements

20. INVESTMENT PROPERTIES

	HK$'000
At valuation:	
As at 1 January 2024	525,361
Transfer from property and equipment	449
Transfer from land held under finance leases	7,598
Additions	73,508
Changes in fair value recognised in the consolidated income statement	(51,968)
Changes in fair value recognised in the consolidated statement of comprehensive income	57,393
As at 31 December 2024 and 1 January 2025 (Audited)	**612,341**
Changes in fair value recognised in the consolidated income statement	**(46,152)**
As at 30 June 2025 (Unaudited)	**566,189**

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 period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

As at 30 June 2025, 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:

	30 June 2025 (Unaudited)		31 December 2024 (Audited)	
	Range HK$	**Weighted average HK$**	Range HK$	Weighted average HK$
Price per square metre	**27,000 to 852,000**	**351,000**	28,000 to 947,000	390,000

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 27(a) to the interim financial statements.

Notes to Interim Financial Statements

21. 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 2024	83,903	470,782	1,765	556,450
Transfer to investment properties	(1,205)	–	–	(1,205)
Additions	3,805	56,969	–	60,774
Disposals/write-offs	–	(4,401)	–	(4,401)
As at 31 December 2024 and 1 January 2025 (Audited)	**86,503**	**523,350**	**1,765**	**611,618**
Additions	**2,485**	**16,474**	**–**	**18,959**
Disposals/write-offs	**–**	**(9,157)**	**(100)**	**(9,257)**
As at 30 June 2025 (Unaudited)	**88,988**	**530,667**	**1,665**	**621,320**
Accumulated depreciation:				
As at 1 January 2024	35,466	309,689	1,238	346,393
Provided during the year	1,760	36,951	196	38,907
Transfer to investment properties	(756)	–	–	(756)
Disposals/write-offs	–	(4,380)	–	(4,380)
As at 31 December 2024 and 1 January 2025 (Audited)	**36,470**	**342,260**	**1,434**	**380,164**
Provided during the period	**890**	**19,330**	**92**	**20,312**
Disposals/write-offs	**–**	**(9,018)**	**(100)**	**(9,118)**
As at 30 June 2025 (Unaudited)	**37,360**	**352,572**	**1,426**	**391,358**
Net carrying amount:				
As at 30 June 2025 (Unaudited)	**51,628**	**178,095**	**239**	**229,962**
As at 31 December 2024 (Audited)	50,033	181,090	331	231,454

There were no impairment allowances made against the above items of property and equipment as at 30 June 2025 and 31 December 2024. There were no movements in impairment allowances for the period ended 30 June 2025 and for the year ended 31 December 2024.

Notes to Interim Financial Statements

22. LAND HELD UNDER FINANCE LEASES

	HK$'000
Cost:	
As at 1 January 2024	833,637
Transfer to investment properties	(10,040)
As at 31 December 2024, 1 January 2025 (Audited) and 30 June 2025 (Unaudited)	**823,597**
Accumulated depreciation and impairment:	
As at 1 January 2024	163,337
Depreciation provided during the year	10,907
Transfer to investment properties	(2,442)
As at 31 December 2024 and 1 January 2025 (Audited)	**171,802**
Depreciation provided during the period	**5,421**
As at 30 June 2025 (Unaudited)	**177,223**
Net carrying amount:	
As at 30 June 2025 (Unaudited)	**646,374**
As at 31 December 2024 (Audited)	651,795

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.

23. INTANGIBLE ASSETS

	HK$'000
Cost:	
As at 1 January 2024	1,085
Write-offs	(486)
As at 31 December 2024, 1 January 2025 (Audited) and 30 June 2025 (Unaudited)	**599**
Accumulated impairment:	
As at 1 January 2024	853
Write-offs	(486)
As at 31 December 2024, 1 January 2025 (Audited) and 30 June 2025 (Unaudited)	**367**
Net carrying amount:	
As at 30 June 2025 (Unaudited)	**232**
As at 31 December 2024 (Audited)	232

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 three units (31 December 2024: three units) of Stock Exchange Trading Right and one unit (31 December 2024: one unit) of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited.

24. OTHER ASSETS AND OTHER LIABILITIES

Other assets

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Interest receivable from financial institutions	**70,377**	73,964
Other debtors, deposits and prepayments	**124,720**	122,740
Net amount of accounts receivable from Hong Kong Securities Clearing Company Limited	**55,218**	308,209
	250,315	504,913

There were no other overdue or rescheduled assets, and no impairment allowances for such other assets accordingly.

Notes to Interim Financial Statements

24. OTHER ASSETS AND OTHER LIABILITIES (Continued)

Other liabilities

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Creditors, accruals and other payables*	**244,542**	454,063
Interest payable	**147,001**	202,194
	391,543	656,257

* *As at 30 June 2025, the balance also includes the impairment allowance of HK$49,000 (31 December 2024: HK$31,000) on off-balance sheet credit exposures, including loan commitments and financial guarantees and letters of credit.*

25. CUSTOMER DEPOSITS AT AMORTISED COST

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Demand deposits and current accounts	**3,214,692**	2,746,720
Savings deposits	**6,551,833**	5,163,160
Time, call and notice deposits	**23,463,402**	24,263,637
	33,229,927	32,173,517

26. UNSECURED BANK LOANS AT AMORTISED COST

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Unsecured bank loans	**1,524,000**	1,620,326
Repayable:		
On demand or within a period not exceeding one year	**1,524,000**	1,620,326

The unsecured bank loans were denominated in Hong Kong dollars ("HKD"). Carrying amounts of the unsecured bank loans bore interest at floating interest rates and at prevailing market rates.

27. LEASES

(a) As lessor

The Group leases its investment properties as disclosed in Note 20 to the interim financial statements under operating lease arrangements, and the terms of the leases range from 1 to 3 years.

As at 30 June 2025 and 31 December 2024, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Within one year	**11,312**	13,740
Over one year but within two years	**5,300**	4,570
Over two years but within three years	**946**	1,817
	17,558	20,127

Notes to Interim Financial Statements

27. LEASES (Continued)

(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 30 June 2025 and 31 December 2024, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Within one year	**2,902**	–
In the second to fifth years, inclusive	**6,877**	–
	9,779	–

28. 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 period:

			30 June 2025 (Unaudited)		
	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	**28,338**	**28,338**	**24,712**	**–**	**–**
Transaction-related contingencies	**3,997**	**1,999**	**748**	**–**	**–**
Trade-related contingencies	**2,875**	**575**	**558**	**–**	**–**
Forward forward deposits placed	**–**	**–**	**–**	**–**	**–**
Forward asset purchases	**–**	**–**	**–**	**–**	**–**
	35,210	**30,912**	**26,018**	**–**	**–**
Derivatives held for trading:					
Foreign exchange contracts	**547,292**	**10,021**	**2,004**	**2,363**	**299**
Other commitments with an original maturity of:					
Not more than one year	**15,600**	**6,240**	**6,240**	**–**	**–**
More than one year	**93,049**	**37,220**	**37,220**	**–**	**–**
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	**2,605,688**	**260,569**	**243,789**	**–**	**–**
	3,296,839	**344,962**	**315,271**	**2,363**	**299**

Notes to Interim Financial Statements

28. OFF-BALANCE SHEET EXPOSURE (Continued)

(a) Contingent liabilities, commitments and derivatives (Continued)

	30 June 2025 (Unaudited) Contractual amount HK$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position	**24,168**

	31 December 2024 (Audited)				
	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	28,238	28,238	23,919	–	–
Transaction-related contingencies	18,780	9,390	1,354	–	–
Trade-related contingencies	4,301	860	777	–	–
Forward forward deposits placed	80,871	80,871	16,174	–	–
Forward asset purchases	–	–	–	–	–
	132,190	119,359	42,224	–	–
Derivatives held for trading:					
Foreign exchange contracts	744,108	13,615	2,723	4,561	14,589
Other commitments with an original maturity of:					
Not more than one year	37,840	7,568	7,568	–	–
More than one year	93,048	46,524	46,524	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,291,507	–	–	–	–
	3,298,693	187,066	99,039	4,561	14,589

Notes to Interim Financial Statements

28. OFF-BALANCE SHEET EXPOSURE (Continued)

(a) Contingent liabilities, commitments and derivatives (Continued)

	31 December 2024 (Audited) Contractual amount HK$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position	23,914

As at 30 June 2025 and 31 December 2024, 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$49,000 and HK$31,000 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 30 June 2025 and 31 December 2024, 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.

28. OFF-BALANCE SHEET EXPOSURE (Continued)

(b) Derivative financial instruments (Continued)

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.

29. RELATED PARTY TRANSACTIONS

The Group had the following major transactions with related parties during the period:

	For the six months ended 30 June	
	2025 (Unaudited) HK$'000	2024 (Unaudited) HK$'000
Related party transactions included in the consolidated income statement:		
Ultimate holding company:		
Interest received	**17**	53
Bank loans interest paid and payable	**17,814**	7,170
Deposits interest paid and payable	**–**	4
Commitment fees paid	**1,962**	1,975
Credit information service charge	**215**	–
Fellow subsidiaries:		
Bank loans interest paid and payable	**10,029**	4,612
Key management personnel:		
Deposits interest paid	**46**	35
Short term employee benefits	**3,632**	3,086
Post-employment benefits	**234**	221

Notes to Interim Financial Statements

29. RELATED PARTY TRANSACTIONS (Continued)

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Related party transactions included in the consolidated statement of financial position:		
Ultimate holding company:		
Cash and short term funds	**11**	127
Deposits and balances of banks and other financial institutions at amortised cost	**57,753**	20,984
Bank loans	**974,000**	287,500
Interest payable	**252**	223
Fellow subsidiaries:		
Deposits and balances of banks and other financial institutions at amortised cost	**8,647**	9,579
Bank loans	**550,000**	233,000
Interest payable	**54**	163
Key management personnel:		
Deposits	**2,975**	2,558
Interest payable	**39**	38

30. 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 interim 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, debt securities investment, 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, debt securities investment, 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.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(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:

	30 June 2025 (Unaudited)			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets:				
Derivative financial instruments	**–**	**2,363**	**–**	**2,363**
Debt securities investment at fair value through other comprehensive income	**–**	**4,621,624**	**–**	**4,621,624**
Equity investments at fair value through other comprehensive income	**–**	**–**	**6,804**	**6,804**
	–	**4,623,987**	**6,804**	**4,630,791**
Financial liabilities:				
Derivative financial instruments	**–**	**299**	**–**	**299**

	31 December 2024 (Audited)			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Derivative financial instruments	–	4,561	–	4,561
Debt securities investment at fair value through other comprehensive income	–	3,139,085	–	3,139,085
Equity investments at fair value through other comprehensive income	–	–	6,804	6,804
	–	3,143,646	6,804	3,150,450
Financial liabilities:				
Derivative financial instruments	–	14,589	–	14,589

Notes to Interim Financial Statements

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and financial liabilities carried at fair value (Continued)

Level 2 derivative 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 30 June 2025 and 31 December 2024, 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 period ended 30 June 2025 and the year ended 31 December 2024, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the period ended 30 June 2025 and the year ended 31 December 2024, 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 period ended 30 June 2025 and the year ended 31 December 2024.

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.

31. 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 2025 (Unaudited)							
	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	697,940	3,355,466	–	–	–	–	–	4,053,406
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	2,377,717	299,180	–	–	–	2,676,897
Gross loans and advances and receivables	401,131	1,207,915	969,791	2,320,371	6,446,805	12,844,395	823,690	25,014,098
Equity investments at fair value through other comprehensive income	–	–	–	–	–	–	6,804	6,804
Gross debt securities investment	–	918,098	1,516,782	4,386,618	1,568,689	–	–	8,390,187
Other assets	535	16,141	15,192	26,917	13,914	–	177,616	250,315
Derivative financial instruments	–	2,363	–	–	–	–	–	2,363
Total financial assets	1,099,606	5,499,983	4,879,482	7,033,086	8,029,408	12,844,395	1,008,110	40,394,070
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	146,904	230,651	150,000	–	–	–	–	527,555
Customer deposits at amortised cost	9,810,919	7,390,317	9,580,267	6,447,635	789	–	–	33,229,927
Unsecured bank loans at amortised cost	–	1,524,000	–	–	–	–	–	1,524,000
Lease liabilities	–	4,113	8,183	33,982	45,265	207	–	91,750
Other liabilities	4,897	64,592	58,659	46,528	1	–	216,866	391,543
Derivative financial instruments	–	299	–	–	–	–	–	299
Total financial liabilities	9,962,720	9,213,972	9,797,109	6,528,145	46,055	207	216,866	35,765,074
Net liquidity gap	(8,863,114)	(3,713,989)	(4,917,627)	504,941	7,983,353	12,844,188	791,244	4,628,996

Notes to Interim Financial Statements

31. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	31 December 2024 (Audited)							
	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	672,592	5,279,627	–	–	–	–	–	5,952,219
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	1,837,374	68,816	–	–	–	1,906,190
Gross loans and advances and receivables	906,757	1,204,193	590,603	2,906,642	6,291,851	12,045,766	596,224	24,542,036
Equity investments at fair value through other comprehensive income	–	–	–	–	–	–	6,804	6,804
Gross debt securities investment	–	1,047,461	3,483,499	1,407,399	686,569	–	–	6,624,928
Other assets	838	40,111	17,571	11,346	6,539	–	428,508	504,913
Derivative financial instruments	–	4,561	–	–	–	–	–	4,561
Total financial assets	1,580,187	7,575,953	5,929,047	4,394,203	6,984,959	12,045,766	1,031,536	39,541,651
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	133,163	238,151	50,000	100,000	–	–	–	521,314
Customer deposits at amortised cost	7,956,262	7,101,097	12,677,206	4,438,428	524	–	–	32,173,517
Unsecured bank loans at amortised cost	–	1,620,326	–	–	–	–	–	1,620,326
Lease liabilities	–	4,355	8,550	33,562	49,710	–	–	96,177
Other liabilities	5,685	74,673	92,066	67,323	12	–	416,498	656,257
Derivative financial instruments	–	14,589	–	–	–	–	–	14,589
Total financial liabilities	8,095,110	9,053,191	12,827,822	4,639,313	50,246	–	416,498	35,082,180
Net liquidity gap	(6,514,923)	(1,477,238)	(6,898,775)	(245,110)	6,934,713	12,045,766	615,038	4,459,471

32. 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, debt securities investment, 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 Risk Management Committees ("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 Assets and Liabilities Management Committee ("ALCO"), Operational Risk Management Committee ("ORMC"), Credit Committee, Credit Risk Management Committee ("CRMC") (applicable to Public Bank (Hong Kong) only), and Anti-Money Laundering (AML) 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, environmental, social and governance 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, off-balance commitments and net interest income ("NII") 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 NII by closely monitoring the net repricing gap of the Group's assets and liabilities.

Notes to Interim Financial Statements

32. 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 HKFRS Accounting Standards. 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.

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, United States dollars ("USD") and Renminbi ("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 30 June 2025, 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 2024: HK$11 million) mainly as a result of foreign exchange impact arising from the net structural position of RMB denominated operating capital.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk management (Continued)

(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.

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.

Notes to Interim Financial Statements

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management (Continued)

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 in discharging its responsibilities on credit risk management issues.

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 17 to the interim 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.

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.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

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.

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 arising from off-balance sheet exposures and contingent funding obligations by cash-flow projections in both baseline and stressed scenarios. 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.

Notes to Interim Financial Statements

32. 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.

32. 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.

	For the six months ended 30 June	
	2025 (Unaudited)	2024 (Unaudited)
Liquidity Maintenance Ratio		
– Public Bank (Hong Kong) Group	**62.8%**	62.0%
– Public Bank (Hong Kong)	**62.4%**	61.0%
– Public Finance	**69.1%**	83.8%
Core Funding Ratio		
– Public Bank (Hong Kong) Group	**153.7%**	142.3%
– Public Bank (Hong Kong)	**153.2%**	141.0%

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. The core funding ratio is not applicable to Public Finance.

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 core 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 National Financial Regulatory Administration, 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 30 June 2025, the liquidity ratios in RMB and foreign currencies of Mainland China Office were more than 100% (31 December 2024: more than 100%).

Notes to Interim Financial Statements

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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. Pursuant to such regular reporting and monitoring, there were no significant operational loss events being identified in the first half of year 2025. The Group also purchased relevant insurances as risk migration tools to contain potential operational losses within risk tolerance level. Business continuity plans are in place to ensure continuity of banking operations in the event of business disruption.

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.

Climate risk management

Climate risk is defined as the risk from climate changes, the related impacts and the economic and financial consequences, as a result of physical damage caused by extreme weather events or from transitioning towards a low-carbon economy. Public Bank (Hong Kong) and Public Finance have established their respective climate-related risk management policies in accordance with the requirements of the Supervisory Policy Manual Module GS-1 "Climate Risk Management" issued by the HKMA to define the roles and responsibilities of various committees, business units and supporting departments, and provide guidance on managing climate-related risks as well as ensuring adequate awareness on importance of climate changes throughout the entities. Moreover, the Group's priority on managing climate-related risks and opportunities has been formulated into strategies and action plans to achieve the Public Bank Group's overall sustainability commitment of Carbon Neutral Position for Scopes 1 and 2 by 2030 and Net Zero Carbon by 2050. In order to achieve the commitment, the Group's priority is on developing the risk management processes, infrastructure and tools to systematically identify and assess climate-related risks and to embed climate-related risk management considerations into the day-to-day business activities of the Group. Public Bank (Hong Kong) and Public Finance have also conducted climate risk stress testing exercise to identify potential vulnerabilities brought by climate changes and plan for responses towards achieving climate resilience.

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.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

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, market risk-weighted exposures and operational risk in line with the new requirements set out in the Capital Rules and Basel III final reforms with effect from 1 January 2025. The Group has adopted the basic indicator approach and the standardised approach previously for the calculation of operational risk-weighted exposures of Public Bank (Hong Kong) and Public Finance, respectively.

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Public Bank (Hong Kong):		
Consolidated CET1 Capital Ratio	**26.8%**	23.8%
Consolidated Tier 1 Capital Ratio	**26.8%**	23.8%
Consolidated Total Capital Ratio	**27.6%**	24.6%

The above capital ratios are higher than the minimum capital ratios required by the HKMA.

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 30 June 2025, Public Bank (Hong Kong) Group has reserved a capital buffer, inclusive of CCyB ratio of 0.5%, to the private sector credit exposures in Hong Kong.

Notes to Interim Financial Statements

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

Countercyclical capital buffer (CCyB) (Continued)

The following tables illustrate the geographical breakdown of risk-weighted amounts ("RWA") in relation to private sector credit exposures:

	30 June 2025 (Unaudited)			
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, China	**0.500**	**16,061,905**		
2. Mainland China	**–**	**580,733**		
Total		**16,642,638**	**0.483**	**80,310**

	31 December 2024 (Audited)			
Jurisdiction	Applicable JCCyB ratio in effect %	Total RWA used in computation of CCyB ratio HK$'000	CCyB ratio %	CCyB amount HK$'000
1. Hong Kong, China	0.500	17,001,349		
2. Mainland China	–	947,367		
Total		17,948,716	0.474	85,007

32. 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.

	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Public Bank (Hong Kong):		
Consolidated Tier 1 Capital	**6,081,496**	5,977,574
Consolidated Exposure Measure for Leverage Ratio	**41,226,891**	40,362,070
Consolidated Leverage Ratio	**14.8%**	14.8%

Principal subsidiaries and basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with HKFRS Accounting Standards, as described in Note 3 to the interim 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 ratios 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 interim financial statements.

Management Discussion and Analysis

OVERVIEW

During the period under review, the economy of Hong Kong faced a slow recovery and the general operating environment remained challenging with growing close down/bankruptcy cases particularly from small- and medium-sized entities and traditional businesses. The overall economic outlook was also uncertain affected by escalated geopolitical risk, developments in international trade and tariff issues, as well as changes in consumption habit and competition landscape in Hong Kong.

The US Federal Reserve has maintained its benchmark rate throughout the first half of 2025 despite the ease of monetary policies by other major economies. HKD interest rates declined significantly following the sale of HKD by the HKMA in May 2025 under the Linked Exchange Rate System.

Property prices continued to fall in the period under review. Affected by the high vacancy rate of commercial real estate and the disposal decisions by some investors, there was an imbalance between supply and demand, leading to a relatively large decline in commercial real estate prices. On the other hand, residential real estate prices were relatively stable with increased turnover in the period under review.

Taxi licence price slumped further in the period under review mainly due to the increasing competition from the popular usage of ride-hailing platforms and the uncertainty of government policy over the regulation of such platforms.

During the period under review, the Hang Seng Index outperformed major stock markets and recorded high turnover. Nevertheless, investment in the real economy was weak, and corporations were also conservative in business expansion, thus dampening the corporate loan demand.

Under the aforesaid challenging operating environment, the Group conducted its loan business prudently with a strategic focus on secured lending segments at reasonable interest yields while managing funding costs and the net interest margin cautiously. The Group continued diversifying revenue sources towards fee-based businesses amidst weak consumer sentiment and subdued corporate loan demands whilst pursuing long-term business growth prudently with sustainable profit growth.

FINANCIAL REVIEW

Revenue and earnings

For the six months ended 30 June 2025, the Group recorded a profit after tax of HK$2.6 million, representing a rebound of HK$37.1 million compared with a loss after tax of HK$34.5 million in the corresponding period last year.

The Group’s basic earnings per share for the six months ended 30 June 2025 was HK$0.002. The Board has declared an interim dividend of HK$0.02 per share on 30 June 2025, payable on 1 August 2025.

During the period under review, total interest income of the Group decreased by HK$35.3 million or 3.5% to HK$978.4 million mainly due to the lower interest yield from loans and advances driven by the declining interest rate since the second half of 2024. Total interest expenses decreased by HK$95.1 million or 17.5% to HK$447.9 million mainly due to the lower interest cost of fixed deposits coupled with the increased contribution from low-cost savings and demand deposits in the customer deposit mix. As a result, the Group’s net interest income increased by HK$59.8 million or 12.7% to HK$530.5 million. Non-interest income of the Group increased by HK$31.4 million or 25.5% to HK$154.6 million mainly due to the higher fees and commission income from wealth management services, stockbroking and securities management which benefited from a bullish Hong Kong stock market in the period under review.

Operating expenses of the Group increased by HK$32.4 million or 7.5% to HK$465.2 million mainly due to higher marketing expenses for business promotions and increased staff costs as part of the talent development and retention strategy in the period under review.

FINANCIAL REVIEW (Continued)

Revenue and earnings (Continued)

Revaluation loss arising from investment properties increased by HK$21.8 million to HK$46.2 million during the period under review compared with the corresponding period of last year.

Credit loss expenses decreased by HK$8.4 million or 5.1% to HK$155.9 million mainly due to a higher base for comparison in the previous period with the inclusive of an impairment provision on a large corporate borrower.

Loans and advances, customer deposits and total assets

The Group's gross loans and advances (including trade bills) recorded a growth of HK$473.9 million or 1.9% to HK$24.93 billion as at 30 June 2025 from HK$24.46 billion as at 31 December 2024. Customer deposits of the Group increased by HK$1.06 billion or 3.3% to HK$33.23 billion as at 30 June 2025 from HK$32.17 billion as at 31 December 2024.

As at 30 June 2025, total assets of the Group stood at HK$43.59 billion.

Business performance of key subsidiaries

Public Bank (Hong Kong)

During the period under review, gross loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank and a direct subsidiary of the Company, recorded a growth of HK$540.5 million or 2.9% to HK$19.35 billion as at 30 June 2025 from HK$18.81 billion as at 31 December 2024. Customer deposits (excluding deposits from a subsidiary) increased by HK$1.14 billion or 4.1% to HK$29.08 billion as at 30 June 2025 from HK$27.94 billion as at 31 December 2024. Impaired loans to total loans ratio of Public Bank (Hong Kong) increased by 1.07% to 3.02% as at 30 June 2025 from 1.95% as at 31 December 2024, mainly due to the impairment of a corporate borrower in the commercial real estate segment. Excluding intra-group dividend income, Public Bank (Hong Kong) recorded a profit of HK$38.4 million for the six months ended 30 June 2025 compared with a loss of HK$4.1 million in the corresponding period in 2024, mainly due to higher commission income from stockbroking business and lower credit loss expenses.

Public Bank (Hong Kong) will continue developing and expanding its retail and commercial banking businesses as well as its core customer base, and accelerate the pace of its digital transformation. Additionally, it will develop its banking and financial services as well as its stockbroking businesses.

Public Finance

Gross loans and advances of Public Finance, a deposit-taking company and a direct subsidiary of Public Bank (Hong Kong), recorded a decline of HK$75.4 million or 1.5% to HK$5.11 billion as at 30 June 2025 from HK$5.19 billion as at 31 December 2024. Customer deposits decreased by HK$95.9 million or 2.2% to HK$4.18 billion as at 30 June 2025 from HK$4.28 billion as at 31 December 2024. Impaired loans to total loans ratio of Public Finance increased slightly to 2.01% as at 30 June 2025 compared with 1.91% as at 31 December 2024. Excluding intra-group dividend income, the profit of Public Finance for the six months ended 30 June 2025 decreased by HK$4.5 million or 69.1% to HK$2.0 million, mainly due to the increase in credit loss expenses on unsecured personal lending affected by escalated bankruptcy cases.

Public Finance will continue focusing on its consumer financing and deposit-taking businesses, and also embark on its digital transformation.

Management Discussion and Analysis

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 period under review, the contribution of the aforesaid segments to the Group's operating income was 87.7%, 10.7% and 1.6%, respectively.

For the first half of 2025, the Group's operating income from retail and commercial banking businesses increased by HK$64.2 million or 12.0% to HK$601.0 million mainly due to the decrease in funding cost of the Group and the increase of loan portfolio by 1.9%. A profit before tax of HK$26.4 million was reported for the segment, representing an increase of HK$57.0 million compared with the first half of 2024, mainly attributed to the aforesaid reduction in funding costs and lower credit loss expenses for the segment.

The Group's operating income from wealth management services, stockbroking and securities management increased by HK$26.4 million or 56.6% to HK$73.0 million mainly due to the increased turnover in the Hong Kong stock market. Profit before tax from this segment increased by HK$11.5 million or 51.6% to HK$33.8 million during the period under review.

Group's branch network

Public Bank (Hong Kong) has a network of 29 branches in Hong Kong and 5 branches in Shenzhen in the People's Republic of China. Public Finance has a network of 40 branches in Hong Kong. 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. In total, the Group has a combined branch network of 77 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 services. The investment cost in the subsidiary amounted to HK$6.59 billion or 76.9% of the total assets of the Company, and this 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. It 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$41.5 million on a consolidated basis, which represented an annualised return of 1.3% from the Company's investment. There was no dividend income received from Public Bank (Hong Kong) during the period 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 interim financial statements.

Contingent liabilities and commitments

The Group had no material contingent liabilities (other than those in the normal course of its banking and finance businesses relating 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 2025, there was no charges or encumbrances over the assets of the Group. There was also no significant event affecting the Group subsequent to 30 June 2025.

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 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 USD. Its bank borrowings are in the form of term loans denominated in HKD at floating interest rates and stood at approximately HK$1.52 billion as at 30 June 2025. Based on the level of bank borrowings compared with the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.20 times as at 30 June 2025, which was slightly lower compared with the position at 31 December 2024. The bank borrowings as at 30 June 2025 had remaining maturity periods of less than one year. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange swaps and forward contracts to reduce the foreign exchange rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates were minimal. There were 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 26.8% and 27.6% respectively as at 30 June 2025.

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 0.9% to 3.1% as at 30 June 2025 from 2.2% as at 31 December 2024 amidst the challenging operating environment and soft asset prices. The Group will continue managing credit risk prudently and undertaking conservative yet flexible business development strategies to strike a balance between business and income growth and prudent risk management.

Human resources management

The Group is committed to promoting a sound corporate culture by setting out cultural values including (but not limited to) caring attitude, discipline, ethics and integrity, excellence, trust, and prudence. The cultural values are articulated in policies, procedures, and processes relevant to the day-to-day operations, including supporting operations, training, and performance appraisal of the Group's staff. Dedicated heads of key departments are responsible to assist the Board in setting 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 recognise and reward 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 are enrolled in external training courses, seminars, and professional and technical courses to update their technical knowledge and skills, increase their awareness of market and regulatory developments, and enhance their management and business skills. Staff also participated in environmental, social, or charitable activities organised by the Group or by various non-profit making organisations to promote team spirit and social responsibility to the community.

Management Discussion and Analysis

OPERATIONAL REVIEW (Continued)

Human resources management (Continued)

As at 30 June 2025, the Group's staff force stood at 1,274 employees. For the six months ended 30 June 2025, the Group's total staff related costs amounted to HK$292.9 million.

PROSPECTS

The economies of Hong Kong and Mainland China are anticipated to continue on a slow recovery path in the second half of 2025, but the prospects remain highly uncertain driven by the development of geopolitical factors and international trade/tariff issues. The risk appetites for corporate investments/business expansion and private consumption are expected to remain conservative in the near term until a clearer economic outlook is ascertained. Accordingly, loan growth momentum in Hong Kong and Mainland China will continue to be constrained. Nevertheless, market interest rates are likely to go down slightly in the second half of 2025 and the pressure on the Group's funding cost can be further alleviated.

Despite the foregoing challenges, the Group will continue pursuing long-term business and profitability growth to be in line with its corporate mission and goals. The Group will continue adopting prudent capital management and liquidity risk management to preserve an adequate buffer to meet the challenges ahead. The Group will continue seeking loan growth at reasonable yields and managing its funding cost to grow net interest income.

The Group will continue adopting sound and flexible marketing strategies to expand customer base and channels of services, launching attractive marketing promotions at reasonable costs, and optimising the utilisation of system resources to enhance service quality and the efficiency of banking operations. The Group will also strive for diversification of income streams by development of fee-based businesses in stockbroking and insurance.

The Group will continue focusing 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 optimising resources and refining the existing products and services to grow its retail and commercial lending businesses and consumer financing business; whilst restructuring its operating processes to achieve higher operational efficiency and cost synergy amongst group companies. Recently, the Group has rolled-out enhanced mobile banking apps to facilitate on-line customer onboarding and implemented electronic customer due diligence process to reduce operational errors, shorten operating process time, and allow frontline staff to concentrate on new business initiation. Moving forward, the Group will also drive digitalisation process of its financial services for its business growth from electronic channels for long term productivity and cost efficiency. The Group targets to achieve a Carbon Neutral position for Scope 1 and Scope 2 emission by 2030 and Net Zero Carbon by 2050; and will integrate sustainability development into its business initiatives and expand green financing business to achieve the target set.

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 2025. 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.

Other Information

INTERIM DIVIDEND

The Board has on 30 June 2025 declared an interim dividend of HK$0.02 per ordinary share (2024: Nil) for the year ending 31 December 2025, payable on 1 August 2025 to shareholders whose names appear on the register of members of the Company on 22 July 2025, being the record date for determining shareholders' entitlement to the interim dividend.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since publication of the Group's Annual Report 2024 up to 17 July 2025 (being the date of approval of the Group's 2025 Interim Report) are set out below:

Changes in other directorships and major appointments

Mr. Lee Chin Guan, an Independent Non-Executive Director of the Company, had retired as a Non-Independent Non-Executive Director of LPI Capital Berhad, which is a listed public company in Malaysia and a 44.15% owned subsidiary of Public Bank, on 27 January 2025.

Mr. Lim Chao Li, an Independent Non-Executive Director of the Company, had resigned as a Non-Independent Non-Executive Director of JcbNext Berhad, which is a listed public company in Malaysia, on 2 May 2025.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2025, 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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 of the Listing Rules were as follows:

Other Information

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

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	Chong Yam Kiang	20,000	–	–	–	20,000	0.0018
		Dato' Chang Kat Kiam	300,000	–	–	–	300,000	0.0273
		Quah Poh Keat *(Note 1)*	–	–	804,017,920 *(Note 2)*	–	804,017,920	73.2312
2.	Public Bank, the ultimate holding company	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
		Lee Huat Oon	47,010	–	–	–	47,010	0.0002
		Quah Poh Keat *(Note 1)*	123,556,410 *(Note 2)*	–	4,200,680,375 *(Note 2)*	–	4,324,236,785	22.28
3.	LPI Capital Bhd, a fellow subsidiary	Lee Chin Guan	2,300,000	–	–	–	2,300,000	0.58
		Quah Poh Keat *(Note 1)*	–	–	175,896,000 *(Note 2)*	–	175,896,000	44.15

Notes:

1. *Mr. Quah Poh Keat was appointed as one of the executors of the estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow on 28 February 2023 in accordance with the Grant of Probate issued by the High Court of Malaya at Kuala Lumpur on the same date.*

2. *Deemed interests held as one of the executors of the estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow.*

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 in the Listing Rules at the end of the reporting period.

Other Information

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

As at 30 June 2025, 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 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 shareholders			
Public Bank *(Note 1)*	Beneficial owner	804,017,920	73.2312
Teh Li Shian Diona *(Note 2)* Tay Mui Leng *(Note 2)* Quah Poh Keat *(Note 2)*	Joint executors of the estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow *(Note 1)*	804,017,920 *(Note 3)*	73.2312
Tan Sri Dato' Sri Dr. Tay Ah Lek *(Note 2)*	Joint executor of the estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow *(Note 1)* and beneficial owner	804,367,920 *(Note 4)*	73.2630

Notes:

1. *The estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow had direct and indirect interests of 4,324,236,785 shares or 22.2776% in the issued share capital of Public Bank and was therefore deemed to be interested in the shares of the Company to the extent that Public Bank had interests.*

2. *Ms. Teh Li Shian Diona, Tan Sri Dato' Sri Dr. Tay Ah Lek, Ms. Tay Mui Leng and Mr. Quah Poh Keat were appointed as the joint executors of the estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow on 28 February 2023 in accordance with the Grant of Probate issued by the High Court of Malaya at Kuala Lumpur on the same date.*

3. *Deemed interests held as joint executors of the estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow.*

4. *Including (i) deemed interests of 804,017,920 shares or 73.2312% in the issued share capital of the Company held as joint executor of the estate of the late Tan Sri Dato' Sri Dr. Teh Hong Piow and (ii) direct interest of 350,000 shares or 0.0318% in the issued share capital of the Company held as beneficial owner.*

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 reporting period.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares (including sale of treasury shares) during the six months ended 30 June 2025. As at 30 June 2025, there were no treasury shares held by the Company (whether held or deposited in the Central Clearing and Settlement System, or otherwise).

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 2025 Interim Report, in compliance with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

COMPLIANCE WITH MODEL CODE

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 contained in Appendix C3 of the Listing Rules. All the Directors as at 30 June 2025 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 regarding securities transactions throughout the period under review.

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 2025 Interim Report has been reviewed by the Audit Committee.

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

Hong Kong, 17 July 2025