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大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Interest income	6	694,666	728,743
Interest expense	6	(88,694)	(91,061)
NET INTEREST INCOME		605,972	637,682
Fees and commission income	7	88,183	105,453
Fees and commission expenses	7	(821)	(1,261)
Net fees and commission income		87,362	104,192
Other operating income	8	20,772	26,065
OPERATING INCOME		714,106	767,939
Operating expenses	9	(412,339)	(422,094)
Changes in fair value of investment properties		(2,176)	3,577

* For identification purpose only

		For the six months ended	
		30 June	
		2022	2021
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		299,591	349,422
Credit loss expenses	<i>10</i>	<u>(61,852)</u>	<u>(48,502)</u>
PROFIT BEFORE TAX		237,739	300,920
Tax	<i>11</i>	<u>(44,420)</u>	<u>(54,565)</u>
PROFIT FOR THE PERIOD		<u>193,319</u>	<u>246,355</u>
ATTRIBUTABLE TO:			
Owners of the Company		<u>193,319</u>	<u>246,355</u>
EARNINGS PER SHARE (HK\$)	<i>13</i>		
Basic		<u>0.176</u>	<u>0.224</u>
Diluted		<u>0.176</u>	<u>0.224</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	193,319	246,355
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations, net of tax	<u>(42,867)</u>	<u>10,376</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>150,452</u>	<u>256,731</u>
ATTRIBUTABLE TO:		
Owners of the Company	<u>150,452</u>	<u>256,731</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Cash and short term placements		4,341,109	4,320,631
Placements with banks and financial institutions maturing after one month but not more than twelve months		2,610,876	2,290,111
Derivative financial instruments		1,660	1,551
Loans and advances and receivables	14	24,989,700	26,067,203
Equity investments at fair value through other comprehensive income		6,804	6,804
Held-to-collect debt securities at amortised cost	15	6,611,244	6,479,066
Investment properties		364,759	366,935
Property and equipment		185,088	186,742
Land held under finance leases		738,401	672,293
Right-of-use assets		132,638	133,358
Deferred tax assets		43,619	38,845
Tax recoverable		433	1,903
Goodwill		2,774,403	2,774,403
Intangible assets		718	718
Other assets		440,539	187,589
TOTAL ASSETS		43,241,991	43,528,152
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		370,879	465,638
Derivative financial instruments		2,711	6,748
Customer deposits at amortised cost		31,803,521	32,175,337
Dividends payable		54,896	164,687
Unsecured bank loans at amortised cost		1,551,774	1,579,636
Lease liabilities		136,437	137,197
Current tax payable		69,220	72,537
Deferred tax liabilities		46,898	47,298
Other liabilities		540,791	309,766
TOTAL LIABILITIES		34,577,127	34,958,844

	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	109,792	109,792
Reserves	8,555,072	8,459,516
TOTAL EQUITY	8,664,864	8,569,308
TOTAL EQUITY AND LIABILITIES	43,241,991	43,528,152

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Regulatory reserve [#] <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	109,792	4,013,296	829	96,116	3,982	54,812	4,210,152	80,329	8,569,308
Profit for the period	-	-	-	-	-	-	193,319	-	193,319
Other comprehensive income	-	-	-	-	-	-	-	(42,867)	(42,867)
Transfer from regulatory reserve to retained profits	-	-	-	-	-	(8,592)	8,592	-	-
Dividends declared	-	-	-	-	-	-	(54,896)	-	(54,896)
As at 30 June 2022 (Unaudited)	<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>3,982</u>	<u>46,220</u>	<u>4,357,167</u>	<u>37,462</u>	<u>8,664,864</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2021	109,792	4,013,296	829	96,116	3,982	53,280	3,934,806	53,040	8,265,141
Profit for the period	-	-	-	-	-	-	246,355	-	246,355
Other comprehensive income	-	-	-	-	-	-	-	10,376	10,376
Transfer from regulatory reserve to retained profits	-	-	-	-	-	(9,083)	9,083	-	-
Dividends declared	-	-	-	-	-	-	(54,896)	-	(54,896)
As at 30 June 2021 (Unaudited)	109,792	4,013,296	829	96,116	3,982	44,197	4,135,348	63,416	8,466,976
Profit for the period	-	-	-	-	-	-	250,106	-	250,106
Other comprehensive income	-	-	-	-	-	-	-	16,913	16,913
Transfer from retained profits to regulatory reserve	-	-	-	-	-	10,615	(10,615)	-	-
Dividends declared	-	-	-	-	-	-	(164,687)	-	(164,687)
As at 31 December 2021 (Audited)	<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>3,982</u>	<u>54,812</u>	<u>4,210,152</u>	<u>80,329</u>	<u>8,569,308</u>

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

NOTES TO INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group’s 2021 Annual Report.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s 2021 Annual Report, except for the changes in accounting policies as set out in note 4 below.

2. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries for the period ended 30 June 2022.

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

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

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

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

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

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

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

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

3. BASIS OF CAPITAL DISCLOSURES

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

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

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

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Company's consolidation group except that liquidity, capital and other performance indicators of Public Financial Securities Limited and Public Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission ("SFC") of Hong Kong.

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

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Banking (Capital) Rules (the "Capital Rules"). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the required capital conservation buffer ratio for 2021 and 2022 is 2.5%, whilst the required countercyclical capital buffer ratio for 2021 and 2022 is 1.0%.

4. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The HKICPA has issued a number of revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are generally effective for accounting periods beginning on or after 1 January 2022. The Group has adopted the following revised standards for the first time for the interim financial statements:

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

The nature and impact of the amendments are described below.

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 (the “Conceptual Framework”) without significantly changing its requirements. The amendments add an exception to the recognition principle of HKFRS 3 *Business Combinations* to avoid the issue of potential “day 2” gains or losses arising from liabilities and contingent liabilities that would be within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in HKAS 37 or HK(IFRIC)-Int 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to HKFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

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

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

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

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services to include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts comprised only incremental costs directly related to the contracts. These amendments have no impact on the interim financial statements of the Group.

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

Annual Improvements to HKFRSs 2018-2020 set out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41.

- The amendment to HKFRS 1 permits a subsidiary that elects to apply paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to HKFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of HKFRS 1. This amendment had no impact on the interim financial statements of the Group as it is not a first-time adopter.
- The amendment to HKFRS 9 clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for HKAS 39 *Financial Instruments: Recognition and Measurement*. This amendment had no impact on the interim financial statements of the Group as there were no modifications of the Group's financial instruments during the period.
- HKFRS 16 *Leases* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.
- The amendment to HKAS 41 removes the requirement to exclude cash flows for taxation when measuring the fair value of assets within the scope of HKAS 41. This amendment had no impact on the interim financial statements of the Group as it did not have assets in scope of HKAS 41 as at the reporting date.

Issued but not yet effective HKFRSs

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

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

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

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

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

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

5. SEGMENT INFORMATION

Operating segment information

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

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit-taking and lending, interest rate risk management and the overall funding management of the Group;

- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and
- other businesses segment comprises taxi trading, leasing of taxis and letting of investment properties.

The following table discloses the revenue and profit information for operating segments for the six months ended 30 June 2022 and 30 June 2021.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	606,033	637,771	(61)	(89)	-	-	605,972	637,682
Net fees and commission income	58,654	60,732	28,708	43,460	-	-	87,362	104,192
Other operating income/(expense)	13,076	19,074	223	(4)	7,473	6,995	20,772	26,065
Operating income	677,763	717,577	28,870	43,367	7,473	6,995	714,106	767,939
Operating profit/(loss) after credit loss expenses before tax	231,094	273,588	8,575	23,820	(1,930)	3,512	237,739	300,920
Tax							(44,420)	(54,565)
Profit for the period							193,319	246,355
Other segment information								
Depreciation of property and equipment and land held under finance leases	(21,858)	(20,410)	-	-	-	-	(21,858)	(20,410)
Depreciation of right-of-use assets	(29,726)	(29,940)	-	-	-	-	(29,726)	(29,940)
Changes in fair value of investment properties	-	-	-	-	(2,176)	3,577	(2,176)	3,577
Credit loss expenses	(61,852)	(48,502)	-	-	-	-	(61,852)	(48,502)
Net losses on disposal of property and equipment	(28)	(7)	-	-	-	-	(28)	(7)

The following table discloses certain assets and liabilities information regarding operating segments as at 30 June 2022 and 31 December 2021.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Segment assets other than intangible assets and goodwill	39,424,273	39,950,012	633,719	395,219	364,826	367,052	40,422,818	40,712,283
Intangible assets	-	-	718	718	-	-	718	718
Goodwill	2,774,403	2,774,403	-	-	-	-	2,774,403	2,774,403
Segment assets	<u>42,198,676</u>	<u>42,724,415</u>	<u>634,437</u>	<u>395,937</u>	<u>364,826</u>	<u>367,052</u>	<u>43,197,939</u>	<u>43,487,404</u>
Unallocated assets: Deferred tax assets and tax recoverable							<u>44,052</u>	<u>40,748</u>
Total assets							<u><u>43,241,991</u></u>	<u><u>43,528,152</u></u>
Segment liabilities	<u>34,059,259</u>	<u>34,556,925</u>	<u>341,321</u>	<u>111,985</u>	<u>5,533</u>	<u>5,412</u>	<u>34,406,113</u>	<u>34,674,322</u>
Unallocated liabilities: Deferred tax liabilities and tax payable							<u>116,118</u>	<u>119,835</u>
Dividends payable							<u>54,896</u>	<u>164,687</u>
Total liabilities							<u><u>34,577,127</u></u>	<u><u>34,958,844</u></u>
Other segment information								
Additions to non-current assets – capital expenditure	<u>86,340</u>	<u>29,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,340</u>	<u>29,481</u>

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 2022 and 30 June 2021.

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Segment revenue from external customers:		
Hong Kong	659,965	711,800
Mainland China	54,141	56,139
	<u>714,106</u>	<u>767,939</u>

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

The following table discloses the non-current assets information for geographical segments as at 30 June 2022 and 31 December 2021.

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current assets:		
Hong Kong	4,168,695	4,106,064
Mainland China	27,312	28,385
	<u>4,196,007</u>	<u>4,134,449</u>

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

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer amounted to less than 10% (2021: less than 10%) of the Group's total operating income or revenue.

6. INTEREST INCOME AND EXPENSE

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from:		
Loans and advances and receivables	648,000	681,042
Short term placements and placements with banks	23,373	24,125
Held-to-collect debt securities at amortised cost	23,293	23,576
	<u>694,666</u>	<u>728,743</u>
Interest expense on:		
Deposits from banks and financial institutions	1,345	617
Deposits from customers	75,541	77,908
Bank loans	10,476	11,065
Others	1,332	1,471
	<u>88,694</u>	<u>91,061</u>

Interest income and interest expense for the six months ended 30 June 2022, 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\$694,666,000 and HK\$88,694,000 (2021: HK\$728,743,000 and HK\$91,061,000) respectively.

7. NET FEES AND COMMISSION INCOME

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees and commission income:		
Retail and commercial banking and other businesses	59,475	61,993
Wealth management services, stockbroking and securities management	28,708	43,460
	88,183	105,453
Less: Fees and commission expenses	(821)	(1,261)
	<u>87,362</u>	<u>104,192</u>

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

8. OTHER OPERATING INCOME

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gross rental income	7,509	7,032
Less: Direct operating expenses	(36)	(38)
Net rental income	7,473	6,994
Gains less losses arising from dealing in foreign currencies	10,215	20,097
Net losses on derivative financial instruments	(1,051)	(3,663)
	9,164	16,434
Net losses on disposal of property and equipment	(28)	(7)
Gain on termination of leases	1,460	1,052
Dividend income from listed investments	101	129
Dividend income from unlisted investments	35	35
Government subsidies	2,246	977
Others	321	451
	20,772	26,065

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

For the six months ended 30 June 2022, the government subsidy was granted under Employment Support Scheme which aims to retain employment under the Anti-epidemic Fund of the Hong Kong Government.

For the six months ended 30 June 2021, the government subsidy was granted under the Financial Industry Recruitment Scheme for Tomorrow which aims to create full-time jobs in the financial services sector under the same fund.

There were no net gains or losses arising from equity investments at fair value through other comprehensive income, loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the six months ended 30 June 2022 and 30 June 2021.

9. OPERATING EXPENSES

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other staff costs	246,009	259,637
Pension contributions	12,009	12,134
Less: Forfeited contributions	(20)	(24)
Net contribution to retirement benefit schemes	11,989	12,110
	257,998	271,747
Other operating expenses:		
Depreciation of right-of-use assets	29,726	29,940
Depreciation of property and equipment and land held under finance leases	21,858	20,410
Administrative and general expenses	38,021	36,974
Others	64,736	63,023
Operating expenses before changes in fair value of investment properties	412,339	422,094

As at 30 June 2022 and 30 June 2021, 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 2022 and 30 June 2021 arose in respect of staff who left the schemes during the periods.

10. CREDIT LOSS EXPENSES

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

	For the six months ended 30 June 2022			
	(Unaudited)			
	12-month expected credit loss (Stage 1) <i>HK\$'000</i>	Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i>	Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net charge for/(write-back of)				
credit loss expenses:				
– loans and advances	(10,088)	11,553	60,484	61,949
– trade bills, accrued interest and other receivables	(145)	59	(48)	(134)
– cash and short term placements	6	–	–	6
– placements with banks and financial institutions	32	–	–	32
– held-to-collect debt securities at amortised cost	13	–	–	13
– loan commitments	(14)	–	–	(14)
	<u>(10,196)</u>	<u>11,612</u>	<u>60,436</u>	<u>61,852</u>

For the six months ended 30 June 2021
(Unaudited)

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

11. TAX

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax charge:		
Hong Kong	35,833	44,792
Overseas	15,806	9,494
Deferred tax (credit)/charge, net	(7,219)	279
	<u>44,420</u>	<u>54,565</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

For the six months ended 30 June 2021

(Unaudited)

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

12. DIVIDENDS

(a) Dividends declared during the interim period

	For the six months ended 30 June			
	2022 (Unaudited) <i>HK\$ per ordinary share</i>	2021 (Unaudited) <i>HK\$ per ordinary share</i>	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Interim dividend	<u>0.05</u>	<u>0.05</u>	<u>54,896</u>	<u>54,896</u>

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

	For the six months ended 30 June			
	2022 (Unaudited) <i>HK\$ per ordinary share</i>	2021 (Unaudited) <i>HK\$ per ordinary share</i>	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Second interim dividend in respect of the previous period	<u>0.15</u>	<u>0.12</u>	<u>164,687</u>	<u>131,750</u>

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$193,319,000 (2021: HK\$246,355,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2021: 1,097,917,618) during the period.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2022 and 30 June 2021.

14. LOANS AND ADVANCES AND RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Loans and advances to customers	25,094,871	26,154,174
Trade bills	10,985	11,989
Loans and advances, and trade bills	25,105,856	26,166,163
Accrued interest	67,129	72,416
Other receivables	10,599	12,900
Gross loans and advances and receivables	25,183,584	26,251,479
Less: Impairment allowances		
– specifically assessed	(74,013)	(65,752)
– collectively assessed	(119,871)	(118,524)
	(193,884)	(184,276)
Loans and advances and receivables	24,989,700	26,067,203

Over 90% (31 December 2021: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2021: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

Loans and advances and receivables are summarised as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Neither past due nor impaired loans and advances and receivables	24,388,136	25,443,428
Past due but not impaired loans and advances and receivables	507,112	560,052
Credit impaired loans and advances	275,578	234,512
Credit impaired receivables	12,758	13,487
	25,183,584	26,251,479

About 70% (31 December 2021: about 69%) of “Neither past due nor impaired loans and advances and receivables” were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

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

	30 June 2022 (Unaudited)		31 December 2021 (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	90,443	0.36	53,091	0.21
One year or less				
but over six months	37,645	0.15	23,791	0.09
Over one year	87,050	0.35	118,101	0.45
Loans and advances overdue for more than three months	215,138	0.86	194,983	0.75
Rescheduled loans and advances overdue for three months or less	28,160	0.11	28,165	0.11
Impaired loans and advances overdue for three months or less	32,280	0.13	11,364	0.04
Total overdue and impaired loans and advances	275,578	1.10	234,512	0.90

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	1,234	471
One year or less but over six months	1,620	1,158
Over one year	9,693	11,792
Trade bills, accrued interest and other receivables overdue for more than three months	12,547	13,421
Impaired trade bills, accrued interest and other receivables overdue for three months or less	211	66
Total overdue and impaired trade bills, accrued interest and other receivables	12,758	13,487

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

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

	30 June 2022 (Unaudited)			31 December 2021 (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	<u>145,371</u>	<u>82,314</u>	<u>227,685</u>	<u>95,182</u>	<u>113,222</u>	<u>208,404</u>
Impairment allowances specifically assessed	<u>51,940</u>	<u>9,070</u>	<u>61,010</u>	<u>40,431</u>	<u>12,207</u>	<u>52,638</u>
Current market value and fair value of collateral			<u>262,164</u>			<u>259,176</u>
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	<u>203,599</u>	<u>84,737</u>	<u>288,336</u>	<u>133,141</u>	<u>114,858</u>	<u>247,999</u>
Impairment allowances specifically assessed	<u>64,943</u>	<u>9,070</u>	<u>74,013</u>	<u>53,545</u>	<u>12,207</u>	<u>65,752</u>
Current market value and fair value of collateral			<u>335,379</u>			<u>278,001</u>

Over 90% (31 December 2021: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

- (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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u><u>262,164</u></u>	<u><u>259,176</u></u>
Covered portion of overdue loans and advances	<u><u>155,558</u></u>	<u><u>147,671</u></u>
Uncovered portion of overdue loans and advances	<u><u>59,580</u></u>	<u><u>47,312</u></u>

The assets taken as collateral should satisfy the following criteria:

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

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

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

(d) Repossessed assets

As at 30 June 2022, the total value of repossessed assets of the Group amounted to HK\$34,735,000 (31 December 2021: HK\$34,145,000).

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

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Gross	Percentage of	Gross	Percentage of
	amount	total loans	amount	total loans
	and advances	and advances	and advances	and advances
	HK\$'000	%	HK\$'000	%
Loans and advances overdue for three months or less	<u><u>504,185</u></u>	<u><u>2.01</u></u>	<u><u>556,719</u></u>	<u><u>2.13</u></u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u><u>2,927</u></u>		<u><u>3,333</u></u>	

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

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

	30 June 2022			
	(Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross loans and advances and receivables as at 1 January 2022	25,752,582	250,898	247,999	26,251,479
New loans/financing originated	3,600,742	700	799	3,602,241
Loans/financing derecognised or repaid during the period (other than write-offs)	(4,461,280)	(48,573)	(58,847)	(4,568,700)
Transfer to 12-month expected credit loss (Stage 1)	77,763	(69,338)	(8,425)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(135,277)	139,383	(4,106)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(144,668)	(67,684)	212,352	–
Total transfer between stages	(202,182)	2,361	199,821	–
Write-offs	–	–	(101,436)	(101,436)
As at 30 June 2022	<u>24,689,862</u>	<u>205,386</u>	<u>288,336</u>	<u>25,183,584</u>
Arising from:				
Loans and advances	24,615,552	203,741	275,578	25,094,871
Trade bills, accrued interest and other receivables	74,310	1,645	12,758	88,713
	<u>24,689,862</u>	<u>205,386</u>	<u>288,336</u>	<u>25,183,584</u>

The amount outstanding on financial assets that were written off during the period and are still subject to enforcement action amounted to HK\$79,185,000.

	31 December 2021 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 2021	25,759,389	267,868	231,834	26,259,091
New loans/financing originated	7,151,313	1,900	4,132	7,157,345
Loans/financing derecognised or repaid during the year (other than write-offs)	(6,861,970)	(40,313)	(62,817)	(6,965,100)
Transfer to 12-month expected credit loss (Stage 1)	105,536	(90,293)	(15,243)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(190,526)	192,248	(1,722)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(211,160)	(80,512)	291,672	–
Total transfer between stages	(296,150)	21,443	274,707	–
Write-offs	–	–	(199,857)	(199,857)
As at 31 December 2021	<u>25,752,582</u>	<u>250,898</u>	<u>247,999</u>	<u>26,251,479</u>
Arising from:				
Loans and advances	25,670,854	248,808	234,512	26,154,174
Trade bills, accrued interest and other receivables	81,728	2,090	13,487	97,305
	<u>25,752,582</u>	<u>250,898</u>	<u>247,999</u>	<u>26,251,479</u>

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

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

30 June 2022				
(Unaudited)				
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Internal rating grades:				
Performing				
Pass	24,582,714	–	–	24,582,714
Special Mention	107,148	205,386	–	312,534
Non-performing				
Substandard	–	–	144,722	144,722
Doubtful	–	–	126,093	126,093
Loss	–	–	17,521	17,521
Total	<u>24,689,862</u>	<u>205,386</u>	<u>288,336</u>	<u>25,183,584</u>
31 December 2021				
(Audited)				
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Internal rating grades:				
Performing				
Pass	25,540,678	–	–	25,540,678
Special Mention	211,904	250,898	–	462,802
Non-performing				
Substandard	–	–	85,574	85,574
Doubtful	–	–	145,513	145,513
Loss	–	–	16,912	16,912
Total	<u>25,752,582</u>	<u>250,898</u>	<u>247,999</u>	<u>26,251,479</u>

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

	30 June 2022 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2022*	96,568	21,924	65,752	184,244
New loans/financing originated	36,236	1	215	36,452
Loans/financing derecognised or repaid during the period (other than write-offs)	(43,126)	(3,082)	(51,631)	(97,839)
Transfer to 12-month expected credit loss (Stage 1)	2,151	(640)	(1,511)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(2,316)	2,316	–	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(3,139)	(16,370)	19,509	–
Total transfer between stages	(3,304)	(14,694)	17,998	–
Impact on period end expected credit loss of exposures transferred between stages during the period	(974)	29,289	84,408	112,723
Movements due to changes in credit risk	935	98	9,446	10,479
Recoveries	–	–	49,261	49,261
Write-offs	–	–	(101,436)	(101,436)
As at 30 June 2022	<u>86,335</u>	<u>33,536</u>	<u>74,013</u>	<u>193,884</u>
Arising from:				
Loans and advances	85,147	33,464	72,064	190,675
Trade bills, accrued interest and other receivables	1,188	72	1,949	3,209
	<u>86,335</u>	<u>33,536</u>	<u>74,013</u>	<u>193,884</u>

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

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

(g) **Finance lease receivables**

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

	30 June 2022 (Unaudited) Undiscounted lease payments HK\$'000	31 December 2021 (Audited) HK\$'000	30 June 2022 (Unaudited) Net investment in finance leases HK\$'000	31 December 2021 (Audited) HK\$'000
Amounts receivable under finance leases:				
Within one year	399,744	406,350	260,626	266,342
Over one year but within two years	343,617	348,885	224,844	229,645
Over two years but within three years	287,589	298,033	176,678	186,761
Over three years but within four years	249,424	256,102	143,903	150,386
Over four years but within five years	226,244	229,673	124,608	127,888
Over five years	5,155,783	5,232,762	3,944,708	4,014,407
	6,662,401	6,771,805	4,875,367	4,975,429
Less: Unearned finance income	(1,787,034)	(1,796,376)		
Net investment in finance leases	4,875,367	4,975,429		

The Group has entered into finance lease arrangements with customers in respect of motor vehicles and equipment. The terms of the finance leases entered into range from 1 to 30 years.

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

	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
Certificates of deposit held	3,051,509	3,384,230
Treasury bills and government bonds (including Exchange Fund Bills)	2,188,949	2,071,457
Other debt securities	1,371,448	1,024,028
Gross held-to-collect debt securities at amortised cost	6,611,906	6,479,715
Less: Impairment allowances collectively assessed		
As at 1 January 2022 and 2021	(649)	(674)
Credit loss expenses (charged)/released to the consolidated income statement during the period/year	(13)	25
	(662)	(649)
	6,611,244	6,479,066
Listed or unlisted:		
– Listed in Hong Kong	1,284,793	1,024,776
– Listed outside Hong Kong	157,179	107,590
– Unlisted	5,169,934	5,347,349
	6,611,906	6,479,715
Analysed by types of issuers:		
– Central governments	2,188,949	2,071,457
– Public sector entities	499,737	500,000
– Corporates	134,067	31,484
– Banks and other financial institutions	3,789,153	3,876,774
	6,611,906	6,479,715

There were no impairment allowances specifically assessed made against held-to-collect debt securities at amortised cost as at 30 June 2022 and 31 December 2021.

There were neither impaired nor overdue held-to-collect debt securities at amortised cost as at 30 June 2022 and 31 December 2021.

Over 90% (31 December 2021: over 90%) of held-to-collect debt securities at amortised cost were rated with a grading of A3 or above based on the credit rating of Moody's Investors Service, an external credit agency.

16. LEASES

(a) As lessor

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

As at 30 June 2022 and 31 December 2021, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within one year	9,283	10,054
Over one year but within two years	4,276	4,929
Over two years but within three years	1,140	1,918
Over three years but within four years	—	228
	<u>14,699</u>	<u>17,129</u>

(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 2022 and 31 December 2021, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within one year	1,131	4,331
In the second to fifth years, inclusive	4,833	8,074
	<u>5,964</u>	<u>12,405</u>

17. OFF-BALANCE SHEET EXPOSURE

Contingent liabilities, commitments and derivatives

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

	30 June 2022 (Unaudited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	23,100	23,100	18,415	-	-
Transaction-related contingencies	3,852	1,926	816	-	-
Trade-related contingencies	3,243	649	465	-	-
Forward deposits placed	140,000	140,000	28,000	-	-
Forward asset purchases	-	-	-	-	-
	<u>170,195</u>	<u>165,675</u>	<u>47,696</u>	-	-
Derivatives held for trading:					
Foreign exchange rate contracts	660,235	10,102	2,020	1,660	2,711
Other commitments with an original maturity of:					
Not more than one year	-	-	-	-	-
More than one year	155,840	77,920	77,920	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,276,644</u>	-	-	-	-
	<u><u>3,262,914</u></u>	<u><u>253,697</u></u>	<u><u>127,636</u></u>	<u><u>1,660</u></u>	<u><u>2,711</u></u>
				30 June 2022 (Unaudited) Contractual amount <i>HK\$'000</i>	

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

28,250

	31 December 2021 (Audited)				
	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	23,011	23,011	18,365	–	–
Transaction-related contingencies	4,002	2,001	816	–	–
Trade-related contingencies	11,601	2,320	2,223	–	–
Forward forward deposits placed	272,874	272,874	54,575	–	–
Forward asset purchases	–	–	–	–	–
	<u>311,488</u>	<u>300,206</u>	<u>75,979</u>	–	–
Derivatives held for trading:					
Foreign exchange rate contracts	934,327	15,253	3,051	1,551	6,748
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	77,920	38,960	38,960	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,256,137</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>3,579,872</u></u>	<u><u>354,419</u></u>	<u><u>117,990</u></u>	<u><u>1,551</u></u>	<u><u>6,748</u></u>

31 December 2021
(Audited)
Contractual
amount
HK\$'000

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

8,347

As at 30 June 2022 and 31 December 2021, the corresponding ECLs for the outstanding off-balance sheet exposures, including loan commitments and financial guarantees and letters of credit under stage 1, amounted to HK\$18,000 and HK\$32,000 respectively.

18. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	30 June 2022 (Unaudited)							Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	
Financial assets:								
Gross cash and short term placements	1,246,743	3,094,784	-	-	-	-	-	4,341,527
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	2,030,645	580,492	-	-	-	2,611,137
Gross loans and advances and receivables	430,768	2,196,392	1,054,492	2,060,498	5,961,833	13,170,732	308,869	25,183,584
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	317,434	1,137,226	3,895,507	1,261,739	-	-	6,611,906
Other assets	10	339,983	5,974	5,531	3,649	-	85,392	440,539
Gross foreign exchange contracts	-	594,761	65,474	-	-	-	-	660,235
Total financial assets	1,677,521	6,543,354	4,293,811	6,542,028	7,227,221	13,170,732	401,065	39,855,732
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	50,342	230,537	90,000	-	-	-	-	370,879
Customer deposits at amortised cost	12,635,712	6,351,869	8,817,375	3,994,963	3,602	-	-	31,803,521
Unsecured bank loans at amortised cost	-	1,551,774	-	-	-	-	-	1,551,774
Lease liabilities	-	4,633	9,034	39,877	72,660	10,233	-	136,437
Other liabilities	1,534	365,266	12,306	8,363	84	-	153,238	540,791
Gross foreign exchange contracts	-	593,848	67,438	-	-	-	-	661,286
Total financial liabilities	12,687,588	9,097,927	8,996,153	4,043,203	76,346	10,233	153,238	35,064,688
Net liquidity gap	(11,010,067)	(2,554,573)	(4,702,342)	2,498,825	7,150,875	13,160,499	247,827	4,791,044

	31 December 2021 (Audited)							Repayable within an indefinite period HK\$'000	Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Over 5 years HK\$'000		
Financial assets:									
Gross cash and short term placements	1,042,204	3,278,839	-	-	-	-	-	-	4,321,043
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,614,325	676,015	-	-	-	-	2,290,340
Gross loans and advances and receivables	583,355	1,680,795	1,177,633	2,610,649	6,180,010	13,756,324	262,713	26,251,479	
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804	
Gross held-to-collect debt securities at amortised cost	-	281,031	1,340,646	3,611,281	1,246,757	-	-	6,479,715	
Other assets	37	112,345	6,314	5,152	2,825	-	60,916	187,589	
Gross foreign exchange contracts	-	589,682	344,645	-	-	-	-	934,327	
Total financial assets	1,625,596	5,942,692	4,483,563	6,903,097	7,429,592	13,756,324	330,433	40,471,297	
Financial liabilities:									
Deposits and balances of banks and other financial institutions at amortised cost	86,562	239,076	90,000	50,000	-	-	-	465,638	
Customer deposits at amortised cost	12,826,136	5,854,040	10,289,052	3,198,869	7,240	-	-	32,175,337	
Unsecured bank loans at amortised cost	-	1,579,636	-	-	-	-	-	1,579,636	
Lease liabilities	-	4,510	8,618	33,733	77,521	12,815	-	137,197	
Other liabilities	1,404	127,741	11,363	4,519	192	-	164,547	309,766	
Gross foreign exchange contracts	-	591,530	347,994	-	-	-	-	939,524	
Total financial liabilities	12,914,102	8,396,533	10,747,027	3,287,121	84,953	12,815	164,547	35,607,098	
Net liquidity gap	(11,288,506)	(2,453,841)	(6,263,464)	3,615,976	7,344,639	13,743,509	165,886	4,864,199	

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

INTERIM DIVIDEND

The Board has on 28 June 2022 declared an interim dividend of HK\$0.05 (2021: HK\$0.05) per share payable on 3 August 2022 to shareholders whose names appear on the register of members of the Company on 20 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the period under review, the economy of Hong Kong was adversely affected by the fifth wave of COVID-19 pandemic though the situation improved in the second quarter of 2022 with lower number of local infected cases reported and reopening of business activities.

The US Federal Reserve exited its asset purchase programme and raised its benchmark rate by 150 basis points in the first half of 2022 to combat high inflation, but ample market liquidity was observed in Hong Kong and Hong Kong dollars (“HKD”) interest rates remained low relative to United States dollars (“USD”) interest rates. The stock market remained volatile amidst pandemic situation, escalating global interest rates, volatility in commodity prices, and prolonged Russia-Ukraine conflict.

Under the aforesaid challenging operating environment, the Group conducted its loan business cautiously with strategic focus on secured lending segments at reasonable interest yields to contain credit risk whilst maintaining disciplined cost control. The Group has allocated additional resources to drive the digitalisation process of its financial services and business growth via electronic channels to pursue long-term business growth with sustainable profit growth.

FINANCIAL REVIEW

Revenue and earnings

For the six months ended 30 June 2022, the Group’s profit after tax decreased by HK\$53.1 million or 21.5% to HK\$193.3 million as compared to the corresponding period in 2021.

The Group’s basic earnings per share for the six months ended 30 June 2022 was HK\$0.18. The Board has declared an interim dividend of HK\$0.05 per share on 28 June 2022, payable on 3 August 2022.

During the period under review, total interest income of the Group decreased by HK\$34.1 million or 4.7% to HK\$694.7 million contributed mainly from the decrease in interest income from loans under the fifth wave of pandemic in Hong Kong with subdued loan demand; whilst total interest expense decreased by HK\$2.4 million or 2.6% to HK\$88.7 million mainly due to decrease in average balance of customer deposits with limited funding need for lending activities. As a result, the Group's net interest income decreased by HK\$31.7 million or 5.0% to HK\$606.0 million. Fees and commission income decreased by HK\$16.8 million or 16.2% to HK\$87.4 million driven by the reduced stock market turnover in the period under review. Other operating income of the Group decreased by HK\$5.3 million or 20.3% to HK\$20.8 million which was attributed to a lower gain from dealing in foreign currencies in the period under review.

Operating expenses of the Group decreased by HK\$9.8 million or 2.3% to HK\$412.3 million mainly due to the decrease in staff expenses.

Fair value of investment properties decreased by HK\$2.2 million during the period under review as compared to a revaluation gain of HK\$3.6 million in the corresponding period of last year.

Credit loss expense increased by HK\$13.4 million or 27.6% to HK\$61.9 million mainly due to the increase in credit charges for hire purchase loans with higher loan delinquency coupled with decreased transport licence value as the operating environment was adversely affected by the COVID-19 pandemic during the period under review.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) recorded a decrease of HK\$1.06 billion or 4.1% to HK\$25.11 billion as at 30 June 2022 from HK\$26.17 billion as at 31 December 2021. The Group's customer deposits declined by HK\$371.8 million or 1.2% to HK\$31.80 billion as at 30 June 2022 from HK\$32.18 billion as at 31 December 2021.

Total assets of the Group stood at HK\$43.24 billion as at 30 June 2022.

Business performance of key subsidiaries

Public Bank (Hong Kong)

During the period under review, total loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank and a direct subsidiary of the Company, decreased by HK\$851.5 million or 4.2% to HK\$19.69 billion as at 30 June 2022 from HK\$20.54 billion as at 31 December 2021. Customer deposits (excluding deposits from a subsidiary) increased by HK\$66.2 million or 0.2% to HK\$27.81 billion as at 30 June 2022 from HK\$27.74 billion as at 31 December 2021. Impaired loans to total loans ratio of Public Bank (Hong Kong) was 1.00% as at 30 June 2022.

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

Public Finance

Total loans and advances of Public Finance, a deposit-taking company and a direct subsidiary of Public Bank (Hong Kong), decreased by HK\$197.3 million or 3.8% to HK\$5.03 billion as at 30 June 2022 from HK\$5.22 billion as at 31 December 2021. Customer deposits decreased by HK\$407.3 million or 8.7% to HK\$4.28 billion as at 30 June 2022 from HK\$4.69 billion as at 31 December 2021. Impaired loans to total loans ratio of Public Finance was 1.32% as at 30 June 2022.

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

Segmental information

The Group's businesses comprise three main segments: (i) retail and commercial banking businesses, (ii) wealth management services, stockbroking and securities management, and (iii) other businesses. For the period under review, 94.9% of the Group's operating income and 97.2% of the profit before tax were contributed by retail and commercial banking businesses. When compared to the first half of 2021, the Group's operating income from retail and commercial banking businesses decreased by HK\$39.8 million or 5.5% to HK\$677.8 million mainly due to the decrease in net interest income of the Group, whilst the Group's operating income from wealth management services, stockbroking and securities management decreased by HK\$14.5 million or 33.4% to HK\$28.9 million driven by the lower stock market turnover. Profit before tax from retail and commercial banking businesses decreased by HK\$42.5 million or 15.5% to HK\$231.1 million, whilst profit before tax from wealth management services, stockbroking and securities management decreased by HK\$15.2 million or 63.9% to HK\$8.6 million during the period under review.

Group's branch network

As at 30 June 2022, Public Bank (Hong Kong) had a branch network of 32 branches in Hong Kong and 5 branches in Shenzhen in the People's Republic of China to provide a broad range of commercial and retail banking services. Public Finance had a network of 42 branches in Hong Kong to focus on its core business in personal lending. Winton Financial Limited ("Winton Financial"), another operating subsidiary of the Company which operates under a money lenders licence, had a network of 3 branches in Hong Kong to provide personal financing to its target customer segment. In total, the Group had a combined branch network of 82 branches as at 30 June 2022 to serve its customers.

Significant investments

The Company has a significant investment, with a value of 5% or more of the Company's total assets, in Public Bank (Hong Kong). The principal businesses of Public Bank (Hong Kong) are in the provision of retail and commercial banking businesses. The investment cost in the subsidiary amounted to HK\$6.59 billion or 71.0% of total assets of the Company, and such cost reflected the fair value of the Company's investment. Public Bank (Hong Kong)'s business strategy focuses on its loan development, deposit-taking, stockbroking and bancassurance business operations; and continues to strike a balance between pursuing business growth and maintaining sound liquidity and asset quality. Public Bank (Hong Kong) and its subsidiaries recorded a profit of HK\$185.7 million on consolidated basis, which represented an annualised return of 5.6% in regard to the Company's investment. Dividend income received from Public Bank (Hong Kong) was HK\$137.8 million during the period under review. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) will be disclosed in the 2022 Interim Report.

Contingent liabilities and commitments

The Group had no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments as disclosed in the notes to the interim financial statements) as at the end of the period under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the period under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 30 June 2022, there was no charge over the assets of the Group. There was also no important event affecting the Group which had occurred since 30 June 2022.

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\$1.55 billion as at 30 June 2022. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.18 times as at 30 June 2022, which was relatively the same as compared to the position of 31 December 2021. The bank borrowings as at 30 June 2022 had remaining maturity periods of less than three years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange swaps and forward contracts to reduce the foreign exchange rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates were minimal. There were 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 23.3% and 24.0% respectively as at 30 June 2022.

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

Asset quality and credit management

The Group's impaired loans to total loans ratio was 1.10% as at 30 June 2022. The Group will continue to manage credit risk cautiously and undertake prudent yet flexible business development strategies to strike a balance between business/income growth and prudent risk management.

There were nil direct exposures to Russia and Ukraine as the core operations of the Group are principally based in Hong Kong.

Human resources management

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

The objective of the Group's human resources management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives taking into account both business performance and the adherence to the Group's culture and behavioural standards, and to promote career development and progression within the Group. Despite COVID-19 pandemic, staff enrolled in external training courses, seminars, professional and technical courses via electronic means in order to update their technical knowledge and skills, to increase their awareness of the market and regulatory developments, and to improve their management and business skills. Staff also participated in social/charitable activities organised by the Group/non-profit making organisations to promote team spirit and social responsibility to the community.

As at 30 June 2022, the Group's staff force stood at 1,215 employees. For the six months ended 30 June 2022, the Group's total staff related costs amounted to HK\$258.0 million.

PROSPECTS

The economies of Hong Kong and Mainland China are anticipated to improve slightly in the second half of 2022, but the prospects remain uncertain with a recent re-escalation of COVID-19 infected cases in Hong Kong and the unresolved Russia-Ukraine conflicts. The risk appetites for corporate investments/business expansion and individuals' private consumption are expected to remain conservative in the near term with loan growth momentum being constrained in both Hong Kong and Mainland China, but the situation may be improved when Mainland China borders are re-opened to Hong Kong travellers.

In view of the volatile commodity price and high inflationary pressure, the US Federal Reserve exited its asset purchase programme and raised its benchmark rate by 150 basis points in the first half of 2022. Further upward adjustments of the US Federal Reserve's benchmark rate are highly anticipated in the second half of the year to reduce inflation. Given the ample market liquidity, the increase of HKD interest rates was at a slower pace as compared to USD interest rates. Nevertheless, the escalation of HKD interest rates is expected to be more vigorous in the second half of 2022 as the aggregate balance of banks kept with the HKMA decreased driven by the HKMA's interventions to defend the local currency from depreciation. There should be potential room for increase of HKD best lending rate before the end of 2022 to reflect the HKD funding cost and the pressure on net interest margin could be then alleviated to certain extent.

Competition in the banking industry in Hong Kong is also expected to intensify with the growing scale of virtual banks and the usage of technology with higher transparency of product pricing in the industry, which will continue to exert pressure on the pricing of banking and financing products. The increases in compliance-related and system-related costs in meeting the regulatory and supervisory requirements are expected to impact the cost efficiency and earnings growth of banks and financial institutions in Hong Kong. Despite the foregoing, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

The Group will continue to seek organic loan growth at reasonable yields and manage its funding cost to grow net interest income. The Group will continue to adopt sound and flexible marketing strategies to expand customer base and channels of services, launch attractive marketing promotions at reasonable costs, and optimise system resources to enhance service quality and efficiency of banking operations. The Group will also strive for the diversification of income streams by generating fee-based businesses in stockbroking and insurance businesses.

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

The Group will stay vigilant of the uncertainties on the road to recovery ahead and strive to expand its banking and financing businesses with disciplined cost control and prudent risk management in the second half of 2022. The Group is also committed to fostering a healthy and strong corporate culture to enhance the cohesiveness with the shared vision and values of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2022.

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 2022 Interim Report, in compliance with the code provisions ("Code Provision(s)") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation under Code Provision F.2.2 of the CG Code as explained below with considered reason for such deviation.

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Ms. Cheah Kim Ling, Mr. Lee Chin Guan and Mr. Lim Chao Li, and two Non-Executive Directors, namely Mr. Lai Wan and Mr. Quah Poh Keat. The unaudited interim results for the six months ended 30 June 2022 as set out in this announcement has been reviewed by the Audit Committee.

PUBLICATION OF 2022 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 June 2022 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2022 Interim Report containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in or around mid-August 2022.

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
Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

15 July 2022

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