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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
Interest income	8	1,958,740	1,500,836
Interest expense	8	(953,715)	(349,923)
NET INTEREST INCOME		1,005,025	1,150,913
Fees and commission income	9	199,206	179,794
Fees and commission expenses	9	(2,059)	(1,568)
Net fees and commission income		197,147	178,226
Other operating income	10	36,457	44,805
OPERATING INCOME		1,238,629	1,373,944
Operating expenses	11	(843,100)	(823,618)
Changes in fair value of investment properties		(30,454)	(13,222)
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		365,075	537,104
Credit loss expenses	12	(324,444)	(130,595)

* For identification purpose only

		Year ended 31 December	
		2023	2022
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
PROFIT BEFORE TAX		40,631	406,509
Tax	<i>13</i>	<u>(26,250)</u>	<u>(77,812)</u>
PROFIT FOR THE YEAR		<u>14,381</u>	<u>328,697</u>
ATTRIBUTABLE TO:			
Owners of the Company		<u>14,381</u>	<u>328,697</u>
EARNINGS PER SHARE (HK\$)	<i>15</i>		
Basic		<u>0.013</u>	<u>0.299</u>
Diluted		<u>0.013</u>	<u>0.299</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	14,381	328,697
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations, net of tax	(22,180)	(77,758)
Surplus on revaluation of properties	<u>74,581</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>66,782</u>	<u>250,939</u>
ATTRIBUTABLE TO:		
Owners of the Company	<u>66,782</u>	<u>250,939</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2023 HK\$'000	31 December 2022 HK\$'000
ASSETS			
Cash and short term placements		3,718,694	3,406,271
Placements with banks and financial institutions maturing after one month but not more than twelve months		977,141	1,826,570
Derivative financial instruments		10,743	343
Loans and advances and receivables	16	23,947,182	24,679,582
Equity investments at fair value through other comprehensive income		6,804	6,804
Held-to-collect debt securities at amortised cost	17	7,639,528	7,437,495
Investment properties		525,361	429,315
Property and equipment		210,057	190,263
Land held under finance leases		670,300	732,909
Right-of-use assets		90,722	106,895
Deferred tax assets		48,914	36,388
Tax recoverable		42,849	26,183
Goodwill	18	2,774,403	2,774,403
Intangible assets		232	718
Other assets		291,762	263,792
TOTAL ASSETS		40,954,692	41,917,931
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		467,547	497,157
Derivative financial instruments		40	2,002
Customer deposits at amortised cost		29,536,440	30,446,412
Dividends payable		–	120,771
Unsecured bank loans at amortised cost		1,611,754	1,552,087
Lease liabilities		97,346	110,745
Current tax payable		–	52,136
Deferred tax liabilities		54,775	49,767
Other liabilities		508,366	442,274
TOTAL LIABILITIES		32,276,268	33,273,351
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		109,792	109,792
Reserves		8,568,632	8,534,788
TOTAL EQUITY		8,678,424	8,644,580
TOTAL EQUITY AND LIABILITIES		40,954,692	41,917,931

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Capital redemption reserve	Contributed surplus	Property revaluation reserve	Regulatory reserve [#]	Retained profits	Translation reserve	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2023		109,792	4,013,296	829	96,116	3,982	46,153	4,371,841	2,571	8,644,580
Profit for the year		-	-	-	-	-	-	14,381	-	14,381
Other comprehensive income		-	-	-	-	74,581	-	-	(22,180)	52,401
Transfer from regulatory reserve to retained profits		-	-	-	-	-	(11,837)	11,837	-	-
Dividends for 2023	14(a)	-	-	-	-	-	-	(32,938)	-	(32,938)
As at 31 December 2023		<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>78,563</u>	<u>34,316</u>	<u>4,365,121</u>	<u>(19,609)</u>	<u>8,678,424</u>
	Note	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Property revaluation reserve	Regulatory reserve [#]	Retained profits	Translation reserve	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2022		109,792	4,013,296	829	96,116	3,982	54,812	4,210,152	80,329	8,569,308
Profit for the year		-	-	-	-	-	-	328,697	-	328,697
Other comprehensive income		-	-	-	-	-	-	-	(77,758)	(77,758)
Transfer from regulatory reserve to retained profits		-	-	-	-	-	(8,659)	8,659	-	-
Dividends for 2022	14(a)	-	-	-	-	-	-	(175,667)	-	(175,667)
As at 31 December 2022		<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>3,982</u>	<u>46,153</u>	<u>4,371,841</u>	<u>2,571</u>	<u>8,644,580</u>

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor.

Deducted from the contributed surplus of the Group as at 31 December 2023 was positive goodwill of HK\$98,406,000 (31 December 2022: HK\$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

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

NOTES TO FINANCIAL STATEMENTS

1. STATUTORY FINANCIAL STATEMENTS

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2023. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2023, which will be available in the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company in around late-February 2024.

The figures in this announcement of the results of the Group for the year ended 31 December 2023 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work of Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the HKICPA, and the disclosure requirements of the Hong Kong Companies Ordinance. They have also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They also contain certain disclosure information required under the Banking (Disclosure) Rules issued by the HKMA.

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVPL") and equity investments at fair value through other comprehensive income ("FVOCI").

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023.

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

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises 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 reporting period related to the capital base and capital adequacy ratios as stipulated by the HKMA, and has referred to the Banking (Disclosure) Rules.

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

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

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

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

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

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

- | | |
|---|---|
| • HKFRS 17 | <i>Insurance Contracts</i> |
| • Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| • Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> |
| • Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| • Amendments to HKAS 12 | <i>International Tax Reform – Pillar Two Model Rules</i> |

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

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

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to HKAS 8 – Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

These amendments had no impact on the Group's financial statements as there were no transactions fallen within the scope of these amendments on or after the beginning of the earliest period presented.

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

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

Issued but not yet effective HKFRSs

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

- Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*¹
- Amendments to HKFRS 16 *Lease Liability in a Sale and Leaseback*²
- Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current (the “2020 Amendments”)*^{2,4}
- Amendments to HKAS 1 *Non-current Liabilities with Covenants (the “2022 Amendments”)*^{2,4}
- Amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements*²
- Amendments to HKAS 21 *Lack of Exchangeability*³

¹ No mandatory effective date yet determined but available for adoption

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

³ Effective for annual periods beginning on or after 1 January 2025

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

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

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.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information and quantitative information as at the beginning of the annual reporting period and interim disclosures. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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. Earlier application is permitted. When applying the amendments, an entity cannot restate the comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment allowances on loans and advances and receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating unit(s) ("CGU(s)") to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU(s) and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2023 and 31 December 2022 was HK\$2,774,403,000. Further details are set out in note 18 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as a non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

7. SEGMENT INFORMATION

Operating segment information

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

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit-taking and lending, interest rate risk management and the overall funding management of the Group;
- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and
- other businesses segment comprises taxi trading, leasing of taxis and letting of investment properties.

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2023 and 31 December 2022.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	1,006,985	1,150,987	(1,960)	(74)	–	–	1,005,025	1,150,913
Net fees and commission income	119,166	122,057	77,981	56,169	–	–	197,147	178,226
Other operating income/ (expenses)	16,463	28,338	(203)	338	20,197	16,129	36,457	44,805
Operating income	1,142,614	1,301,382	75,818	56,433	20,197	16,129	1,238,629	1,373,944
Operating profit/(loss) after credit loss expenses before tax	61,791	402,136	2,933	15,794	(24,093)	(11,421)	40,631	406,509
Tax							(26,250)	(77,812)
Profit for the year							14,381	328,697
Other segment information								
Depreciation of property and equipment and land held under finance leases	(46,736)	(44,821)	–	–	–	–	(46,736)	(44,821)
Depreciation of right-of-use assets	(56,846)	(57,508)	–	–	–	–	(56,846)	(57,508)
Changes in fair value of investment properties	–	–	–	–	(30,454)	(13,222)	(30,454)	(13,222)
Credit loss expenses	(324,444)	(130,595)	–	–	–	–	(324,444)	(130,595)
Net losses on disposal of property and equipment	(418)	(57)	–	–	–	–	(418)	(57)

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

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets and goodwill	37,286,462	38,204,199	276,430	446,697	525,402	429,343	38,088,294	39,080,239
Intangible assets	–	–	232	718	–	–	232	718
Goodwill	2,774,403	2,774,403	–	–	–	–	2,774,403	2,774,403
Segment assets	40,060,865	40,978,602	276,662	447,415	525,402	429,343	40,862,929	41,855,360
Unallocated assets: Deferred tax assets and tax recoverable							91,763	62,571
Total assets							40,954,692	41,917,931
Segment liabilities	32,130,852	32,895,093	83,624	149,267	7,017	6,317	32,221,493	33,050,677
Unallocated liabilities: Deferred tax liabilities and tax payable							54,775	101,903
Dividends payable							–	120,771
Total liabilities							32,276,268	33,273,351
Other segment information								
Additions to non-current assets – capital expenditure	56,258	184,617	–	–	–	–	56,258	184,617

Geographical information

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

The following table discloses the segment revenue information for geographical segments for the years ended 31 December 2023 and 31 December 2022.

	2023 HK\$'000	2022 HK\$'000
Segment revenue from external customers:		
Hong Kong	1,121,975	1,270,054
Mainland China	116,654	103,890
Total revenue	1,238,629	1,373,944

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets:		
Hong Kong	4,251,128	4,209,104
Mainland China	19,947	25,399
	<u>4,271,075</u>	<u>4,234,503</u>
Total non-current assets	<u><u>4,271,075</u></u>	<u><u>4,234,503</u></u>

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

Operating income or revenue from major customers

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

8. INTEREST INCOME AND EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from:		
Loans and advances and receivables	1,508,924	1,335,062
Short term placements and placements with banks	159,575	83,459
Held-to-collect debt securities at amortised cost	290,241	82,315
	<u>1,958,740</u>	<u>1,500,836</u>
Interest expense on:		
Deposits from banks and financial institutions	26,258	7,384
Deposits from customers	841,273	304,454
Bank loans	83,343	35,676
Others	2,841	2,409
	<u>953,715</u>	<u>349,923</u>

Interest income and interest expense for the year ended 31 December 2023, calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVPL, amounted to HK\$1,958,740,000 and HK\$953,715,000 (2022: HK\$1,500,836,000 and HK\$349,923,000) respectively.

9. NET FEES AND COMMISSION INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fees and commission income:		
Retail and commercial banking	121,225	123,625
Wealth management services, stockbroking and securities management	77,981	56,169
	199,206	179,794
Less: Fees and commission expenses	(2,059)	(1,568)
	197,147	178,226

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

10. OTHER OPERATING INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gross rental income	20,259	16,203
Less: Direct operating expenses	(73)	(74)
Net rental income	20,186	16,129
Gains less losses arising from dealing in foreign currencies	3,440	22,229
Net gains/(losses) on derivative financial instruments	10,703	(1,659)
	14,143	20,570
Net losses on disposal of property and equipment	(418)	(57)
Gain on termination of leases	–	490
Dividend income from listed investments	243	220
Dividend income from unlisted investments	35	35
Government subsidies	–	5,749
Others	2,268	1,669
	36,457	44,805

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

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

There were no net gains or losses arising from equity investments at FVOCI, loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the years ended 31 December 2023 and 31 December 2022.

11. OPERATING EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs:		
Salaries and other staff costs	507,041	485,198
Pension contributions	25,979	26,850
Less: Forfeited contributions	(167)	(143)
Net contribution to retirement benefit schemes	25,812	26,707
	532,853	511,905
Other operating expenses:		
Depreciation of right-of-use assets	56,846	57,508
Depreciation of property and equipment and land held under finance leases	46,736	44,821
Auditors' remuneration	4,727	4,597
Administrative and general expenses	68,204	70,821
Others	133,734	133,966
Operating expenses before changes in fair value of investment properties	843,100	823,618

As at 31 December 2023 and 31 December 2022, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the years ended 31 December 2023 and 31 December 2022 arose in respect of staff who left the schemes during the years.

12. CREDIT LOSS EXPENSES

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

	2023			Total HK\$'000
	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	
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	1,941	6,634	311,059	319,634
– trade bills, accrued interest and other receivables	(81)	46	4,883	4,848
– cash and short term placements	29	–	–	29
– placements with banks and financial institutions	(91)	–	–	(91)
– held-to-collect debt securities at amortised cost	24	–	–	24
– loan commitments	–	–	–	–
– financial guarantees and letters of credit	–	–	–	–
	<u>1,822</u>	<u>6,680</u>	<u>315,942</u>	<u>324,444</u>

	2022			Total HK\$'000
	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	
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	(10,803)	10,271	130,276	129,744
– trade bills, accrued interest and other receivables	(97)	37	953	893
– cash and short term placements	(88)	–	–	(88)
– placements with banks and financial institutions	(40)	–	–	(40)
– held-to-collect debt securities at amortised cost	97	–	–	97
– loan commitments	(13)	–	–	(13)
– financial guarantees and letters of credit	2	–	–	2
	<u>(10,942)</u>	<u>10,308</u>	<u>131,229</u>	<u>130,595</u>

13. TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax charge:		
Hong Kong	23,188	59,430
Overseas	11,416	17,228
Deferred tax (credit)/charge, net	<u>(8,354)</u>	<u>1,154</u>
	<u>26,250</u>	<u>77,812</u>

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

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:

	2023					
	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
(Loss)/profit before tax	<u>(45,088)</u>		<u>85,719</u>		<u>40,631</u>	
Tax at the applicable tax rate	(7,440)	16.5	21,430	25.0	13,990	34.4
Estimated tax effect of net expenses that are not deductible	<u>12,253</u>	<u>(27.2)</u>	<u>7</u>	<u>–</u>	<u>12,260</u>	<u>30.2</u>
Tax charge at the Group's effective rate	<u>4,813</u>	<u>(10.7)</u>	<u>21,437</u>	<u>25.0</u>	<u>26,250</u>	<u>64.6</u>
	2022					
	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	<u>334,742</u>		<u>71,767</u>		<u>406,509</u>	
Tax at the applicable tax rate	55,233	16.5	17,941	25.0	73,174	18.0
Estimated tax effect of net expenses that are not deductible	<u>4,638</u>	<u>1.4</u>	<u>–</u>	<u>–</u>	<u>4,638</u>	<u>1.1</u>
Tax charge at the Group's effective rate	<u>59,871</u>	<u>17.9</u>	<u>17,941</u>	<u>25.0</u>	<u>77,812</u>	<u>19.1</u>

14. DIVIDENDS

(a) Dividends declared during the year

	2023 <i>HK\$ per ordinary share</i>	2022 <i>HK\$ per ordinary share</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
First interim dividend declared and paid	0.03	0.05	32,938	54,896
Second interim dividend declared	–	0.11	–	120,771
	<u>0.03</u>	<u>0.16</u>	<u>32,938</u>	<u>175,667</u>

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

	2023 <i>HK\$ per ordinary share</i>	2022 <i>HK\$ per ordinary share</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Second interim dividend in respect of the previous year	<u>0.11</u>	<u>0.15</u>	<u>120,771</u>	<u>164,687</u>

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year of HK\$14,381,000 (2022: HK\$328,697,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 (2022: 1,097,917,618) during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 31 December 2022.

16. LOANS AND ADVANCES AND RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loans and advances to customers	24,165,100	24,784,214
Trade bills	525	5,368
Loans and advances, and trade bills	24,165,625	24,789,582
Accrued interest	114,993	83,188
Other receivables	24,280,618 7,106	24,872,770 9,535
Gross loans and advances and receivables	24,287,724	24,882,305
Less: Impairment allowances		
– specifically assessed	(214,102)	(84,823)
– collectively assessed	(126,440)	(117,900)
	(340,542)	(202,723)
Loans and advances and receivables	<u>23,947,182</u>	<u>24,679,582</u>

Over 90% (31 December 2022: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2022: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

Loans and advances and receivables are summarised as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Neither past due nor impaired loans and advances and receivables	22,426,539	23,315,258
Past due but not impaired loans and advances and receivables	929,948	1,245,696
Credit impaired loans and advances	885,192	305,536
Credit impaired receivables	46,045	15,815
Gross loans and advances and receivables	<u>24,287,724</u>	<u>24,882,305</u>

About 70% (31 December 2022: about 71%) 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

	2023		2022	
	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	88,717	0.37	79,989	0.32
One year or less but over six months	634,339	2.62	67,286	0.27
Over one year	121,325	0.50	117,502	0.48
Loans and advances overdue for more than three months	844,381	3.49	264,777	1.07
Rescheduled loans and advances overdue for three months or less	24,811	0.10	25,349	0.10
Impaired loans and advances overdue for three months or less	16,000	0.07	15,410	0.06
Total overdue and impaired loans and advances	885,192	3.66	305,536	1.23

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	1,006	1,142
One year or less but over six months	30,407	2,660
Over one year	14,517	11,833
Trade bills, accrued interest and other receivables overdue for more than three months	45,930	15,635
Impaired trade bills, accrued interest and other receivables overdue for three months or less	115	180
Total overdue and impaired trade bills, accrued interest and other receivables	46,045	15,815

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

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

	2023			2022		
	Hong Kong	Mainland	Total	Hong Kong	Mainland	Total
	HK\$'000	China	HK\$'000	HK\$'000	China	HK\$'000
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	<u>817,418</u>	<u>72,893</u>	<u>890,311</u>	196,845	83,567	280,412
Impairment allowances specifically assessed	<u>192,478</u>	<u>10,115</u>	<u>202,593</u>	60,818	11,076	71,894
Current market value and fair value of collateral			<u>806,204</u>			<u>331,496</u>
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	<u>858,231</u>	<u>73,006</u>	<u>931,237</u>	236,245	85,106	321,351
Impairment allowances specifically assessed	<u>203,874</u>	<u>10,228</u>	<u>214,102</u>	73,747	11,076	84,823
Current market value and fair value of collateral			<u>863,513</u>			<u>352,228</u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u>806,204</u>	<u>331,496</u>
Covered portion of overdue loans and advances	<u>693,319</u>	<u>197,675</u>
Uncovered portion of overdue loans and advances	<u>151,062</u>	<u>67,102</u>

The assets taken as collateral should satisfy the following criteria:

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

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

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

(d) Repossessed assets

As at 31 December 2023, the total value of repossessed assets of the Group amounted to HK\$699,135,000 (31 December 2022: HK\$61,796,000).

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

	2023		2022	
	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	<u>923,613</u>	<u>3.82</u>	<u>1,238,856</u>	<u>5.00</u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u>6,335</u>		<u>6,840</u>	

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

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

	2023			
	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 2023	23,788,204	772,750	321,351	24,882,305
New loans/financing originated	5,507,572	23,706	3,249	5,534,527
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,746,231)	(29,207)	(69,816)	(5,845,254)
Transfer to 12-month expected credit loss (Stage 1)	59,403	(48,522)	(10,881)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(277,911)	278,834	(923)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(345,112)	(626,999)	972,111	–
Total transfer between stages	(563,620)	(396,687)	960,307	–
Write-offs	–	–	(283,854)	(283,854)
As at 31 December 2023	<u>22,985,925</u>	<u>370,562</u>	<u>931,237</u>	<u>24,287,724</u>
Arising from:				
Loans and advances	22,913,307	366,601	885,192	24,165,100
Trade bills, accrued interest and other receivables	<u>72,618</u>	<u>3,961</u>	<u>46,045</u>	<u>122,624</u>
	<u>22,985,925</u>	<u>370,562</u>	<u>931,237</u>	<u>24,287,724</u>

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$190,183,000.

	2022			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 2022	25,752,582	250,898	247,999	26,251,479
New loans/financing originated	5,859,207	1,493	1,369	5,862,069
Loans/financing derecognised or repaid during the year (other than write-offs)	(6,893,566)	(55,895)	(71,267)	(7,020,728)
Transfer to 12-month expected credit loss (Stage 1)	81,484	(72,766)	(8,718)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(722,840)	723,224	(384)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(288,663)	(74,204)	362,867	–
Total transfer between stages	(930,019)	576,254	353,765	–
Write-offs	–	–	(210,515)	(210,515)
As at 31 December 2022	<u>23,788,204</u>	<u>772,750</u>	<u>321,351</u>	<u>24,882,305</u>
Arising from:				
Loans and advances	23,707,748	770,930	305,536	24,784,214
Trade bills, accrued interest and other receivables	80,456	1,820	15,815	98,091
	<u>23,788,204</u>	<u>772,750</u>	<u>321,351</u>	<u>24,882,305</u>

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

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

	2023			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Internal rating grades:				
Performing				
Pass	22,821,125	–	–	22,821,125
Special Mention	164,800	370,562	–	535,362
Non-performing				
Substandard	–	–	110,782	110,782
Doubtful	–	–	787,161	787,161
Loss	–	–	33,294	33,294
Total	<u>22,985,925</u>	<u>370,562</u>	<u>931,237</u>	<u>24,287,724</u>

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

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

	2023			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
As at 1 January 2023	85,668	32,232	84,823	202,723
New loans/financing originated	53,880	39	74	53,993
Loans/financing derecognised or repaid during the year (other than write-offs)	(50,215)	(3,362)	(100,821)	(154,398)
Transfer to 12-month expected credit loss (Stage 1)	1,729	(356)	(1,373)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,730)	1,902	(172)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,782)	(25,300)	33,082	–
Total transfer between stages	(7,783)	(23,754)	31,537	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(708)	32,400	361,623	393,315
Movements due to changes in credit risk	6,686	1,357	23,529	31,572
Recoveries	–	–	97,191	97,191
Write-offs	–	–	(283,854)	(283,854)
As at 31 December 2023	87,528	38,912	214,102	340,542
Arising from:				
Loans and advances	86,373	38,816	206,269	331,458
Trade bills, accrued interest and other receivables	1,155	96	7,833	9,084
	87,528	38,912	214,102	340,542

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

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

(g) **Finance lease receivables**

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

	2023	2022	2023	2022
	Undiscounted lease payments		Net investment in finance leases	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts receivable under finance leases:				
Within one year	485,971	454,967	297,957	281,222
Over one year but within two years	441,018	391,406	282,276	241,862
Over two years but within three years	397,102	337,546	250,600	197,822
Over three years but within four years	350,469	295,348	213,467	162,784
Over four years but within five years	320,613	261,430	190,836	134,254
Over five years	4,881,659	5,544,205	3,723,815	4,043,027
	<u>6,876,832</u>	7,284,902	<u>4,958,951</u>	<u>5,060,971</u>
Less: Unearned finance income	<u>(1,917,881)</u>	<u>(2,223,931)</u>		
Net investment in finance leases	<u>4,958,951</u>	<u>5,060,971</u>		

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.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Certificates of deposit held	3,739,234	3,232,848
Treasury bills and government bonds (including Exchange Fund Bills)	2,657,313	2,867,666
Other debt securities	<u>1,243,751</u>	<u>1,337,727</u>
Gross held-to-collect debt securities at amortised cost	7,640,298	7,438,241
Less: Impairment allowances collectively assessed		
As at 1 January 2023 and 2022	(746)	(649)
Credit loss expenses charged to the consolidated income statement during the year	(24)	(97)
	<u>(770)</u>	<u>(746)</u>
	<u>7,639,528</u>	<u>7,437,495</u>
Listed or unlisted:		
– Listed in Hong Kong	756,804	1,314,152
– Listed outside Hong Kong	318,564	149,790
– Unlisted	<u>6,564,930</u>	<u>5,974,299</u>
	<u>7,640,298</u>	<u>7,438,241</u>
Analysed by type of issuers:		
– Central governments	2,657,313	2,867,666
– Public sector entities	169,992	429,785
– Corporates	200,000	200,000
– Banks and other financial institutions	<u>4,612,993</u>	<u>3,940,790</u>
	<u>7,640,298</u>	<u>7,438,241</u>

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

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

Over 90% (31 December 2022: over 90%) of held-to-collect debt securities at amortised cost were rated with a grading of A3 or above based on the credit rating of Moody's Investors Service, an external credit agency.

18. GOODWILL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost and net carrying amount:		
At the beginning and the end of the year	<u>2,774,403</u>	<u>2,774,403</u>

Impairment test of goodwill

During 2023, with the objective to improve the operational cost efficiency and effectiveness of entities within the Group, and with the oversight and monitoring by the Company's Directors, the Group restructured its operation and established plans and took actions to streamline and optimise certain systems, staff resources and support services between the business operations of Public Bank (Hong Kong) and Public Finance. As a result of the above restructuring, Public Bank (Hong Kong) and Public Finance, which represent the main operating entities within the business segment "retail and commercial banking businesses", were reassessed to be integrated as one CGU. The carrying amount of goodwill as at 31 December 2023 and 31 December 2022 was HK\$2,774,403,000. The recoverable amounts of the CGU at each subsequent reporting date are determined based on the value-in-use using the present value of cash flows at a discount rate of 8.5% (2022: 8.1%) taking into account the expected operating synergy, profitability and growth of businesses. The cash flow projections are based on financial plans approved by management and assumed growth rates are used to extrapolate the cash flows beyond 5 years. The financial projection considers the sustainability of business growth, stability of core business developments, long-term economic cycle, availability of financial resources for business expansion, compliance with regulatory capital and liquidity requirements, and achievement of business targets extrapolated from historical financial results. Management's financial model assumes an average growth rate of 2.8% (2022: 2.8%) per annum for the CGU from the sixth years taking into account long-term gross domestic product growth and other relevant economic factors.

No impairment loss has been recognised in respect of goodwill for the years ended 31 December 2023 and 31 December 2022 as its value-in-use exceeded its carrying amount.

19. LEASES

(a) As lessor

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	14,494	11,041
Over one year but within two years	7,594	6,974
Over two years but within three years	195	576
Over three years but within four years	—	—
	<u>22,283</u>	<u>18,591</u>

(b) As lessee

The Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 1 to 3 years. As at 31 December 2023 and 31 December 2022, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	8,983	1,795
In the second to fifth years, inclusive	20,439	4,493
	<u>29,422</u>	<u>6,288</u>

20. 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 year:

	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	2023 Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	27,929	27,929	23,556	-	-
Transaction-related contingencies	17,846	8,923	1,259	-	-
Trade-related contingencies	3,046	609	524	-	-
Forward forward deposits placed	-	-	-	-	-
Forward asset purchases	-	-	-	-	-
	<u>48,821</u>	<u>37,461</u>	<u>25,339</u>	-	-
Derivatives held for trading:					
Foreign exchange contracts	452,813	20,787	4,157	10,743	40
Other commitments with an original maturity of:					
Not more than one year	-	-	-	-	-
More than one year	123,280	61,640	61,640	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,235,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>2,860,095</u></u>	<u><u>119,888</u></u>	<u><u>91,136</u></u>	<u><u>10,743</u></u>	<u><u>40</u></u>

2023
Contractual
amount
HK\$'000

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

25,817

	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	2022 Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	27,340	27,340	23,372	–	–
Transaction-related contingencies	13,533	6,767	2,011	–	–
Trade-related contingencies	7,698	1,540	1,380	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	–	–	–	–	–
	<u>48,571</u>	<u>35,647</u>	<u>26,763</u>	<u>–</u>	<u>–</u>
Derivatives held for trading:					
Foreign exchange contracts	594,620	7,105	1,421	343	2,002
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	155,840	77,920	77,920	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,306,996</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>3,106,027</u></u>	<u><u>120,672</u></u>	<u><u>106,104</u></u>	<u><u>343</u></u>	<u><u>2,002</u></u>
					2022 Contractual amount <i>HK\$'000</i>
Capital commitments contracted for, but not provided in the consolidated statement of financial position					<u><u>18,530</u></u>

As at 31 December 2023 and 31 December 2022, the corresponding ECLs for the outstanding off-balance sheet exposures, including loan commitments and financial guarantees and letters of credit under stage 1, amounted to HK\$21,000 and HK\$21,000 respectively.

21. 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.

	2023							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	802,410	2,916,637	-	-	-	-	-	3,719,047
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	733,407	243,832	-	-	-	977,239
Gross loans and advances and receivables	535,361	1,577,296	597,620	2,162,980	6,336,806	12,099,268	978,393	24,287,724
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	983,474	2,860,749	3,178,344	617,731	-	-	7,640,298
Other assets	564	176,711	23,596	12,803	3,952	-	74,136	291,762
Gross foreign exchange contracts	-	452,813	-	-	-	-	-	452,813
Total financial assets	1,338,335	6,106,931	4,215,372	5,597,959	6,958,489	12,099,268	1,059,333	37,375,687
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	78,015	199,532	140,000	50,000	-	-	-	467,547
Customer deposits at amortised cost	8,257,320	5,750,278	9,693,187	5,832,069	3,416	170	-	29,536,440
Unsecured bank loans at amortised cost	-	1,611,754	-	-	-	-	-	1,611,754
Lease liabilities	-	4,234	7,861	27,770	52,768	4,713	-	97,346
Other liabilities	7,231	223,483	104,087	113,745	117	-	59,703	508,366
Gross foreign exchange contracts	-	442,110	-	-	-	-	-	442,110
Total financial liabilities	8,342,566	8,231,391	9,945,135	6,023,584	56,301	4,883	59,703	32,663,563
Net liquidity gap	(7,004,231)	(2,124,460)	(5,729,763)	(425,625)	6,902,188	12,094,385	999,630	4,712,124

	2022							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	935,939	2,470,656	-	-	-	-	-	3,406,595
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,686,951	139,808	-	-	-	1,826,759
Gross loans and advances and receivables	575,314	1,979,025	1,170,195	2,053,263	5,971,251	12,780,828	352,429	24,882,305
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	720,455	1,691,476	3,762,752	1,263,558	-	-	7,438,241
Other assets	56	157,351	11,240	4,617	3,649	-	86,879	263,792
Gross foreign exchange contracts	-	594,620	-	-	-	-	-	594,620
Total financial assets	1,511,309	5,922,107	4,559,862	5,960,440	7,238,458	12,780,828	446,112	38,419,116
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	108,025	249,132	50,000	90,000	-	-	-	497,157
Customer deposits at amortised cost	9,671,382	6,214,728	9,592,685	4,943,996	23,621	-	-	30,446,412
Unsecured bank loans at amortised cost	-	1,552,087	-	-	-	-	-	1,552,087
Lease liabilities	-	4,474	9,171	35,971	52,910	8,219	-	110,745
Other liabilities	4,652	199,401	51,256	34,580	47	-	152,338	442,274
Gross foreign exchange contracts	-	596,279	-	-	-	-	-	596,279
Total financial liabilities	9,784,059	8,816,101	9,703,112	5,104,547	76,578	8,219	152,338	33,644,954
Net liquidity gap	(8,272,750)	(2,893,994)	(5,143,250)	855,893	7,161,880	12,772,609	293,774	4,774,162

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 year covered by the 2023 Annual Report, in compliance with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

DIVIDENDS

The first interim dividend of HK\$0.03 (2022: HK\$0.05) per ordinary share was paid on Wednesday, 2 August 2023. The Directors did not declare the payment of a second interim dividend (2022: HK\$0.11) nor recommend a final dividend for the year (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 18 March 2024 to Friday, 22 March 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all properly completed transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 15 March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

As the inflation rate in the US remained high, the US Federal Reserve continued to raise its benchmark rate and Hong Kong dollars ("HKD") interest rates went up sharply under the Linked Exchange Rate System. Under the higher interest rate environment, corporates were conservative in business expansion and dampened loan demand. Investor confidence was also weak and asset price fell with low turnover in property and stock market. Financial systemic risks were escalating driven by the collapses of some banks in the US and Europe and the heightened geopolitical factors.

Under the aforesaid challenging operating environment in the year under review, the Group conducted its loan business cautiously with strategic focus on secured lending segments at reasonable interest yields to contain credit risk whilst managing the pace of its funding cost escalation to minimise the adverse impact on its net interest margin. The Group continued to diversify revenue sources into fee-based businesses amidst weaker consumer sentiment and subdued corporate loan demands and will continue to pursue long-term business growth prudently with sustainable profit growth.

FINANCIAL REVIEW

Revenue and earnings

For the year ended 31 December 2023, the Group recorded a profit after tax of HK\$14.4 million, representing a significant decline of HK\$314.3 million or 95.6% compared with the previous year.

The Group's basic earnings per share for 2023 was HK\$0.01. The Board declared a first interim dividend of HK\$0.03 per share in June 2023. Due to uncertainties in the operating environment and after careful consideration of the earlier preliminary review of the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2023, the Board did not declare a second interim dividend nor recommend a final dividend, making a total dividend declared for the year of HK\$0.03 per share (2022: HK\$0.16 per share).

For the year under review, the Group's interest income increased by HK\$457.9 million or 30.5% to HK\$1.96 billion contributed mainly from the growth in interest income from investments in debt securities under the higher interest rate environment. The growth in interest income from loans and advances was relatively small as the HKD prime rate adopted by the banks increased by around 87.5 basis points since the upward interest rate cycle in March 2022 and the Group's property mortgage loans and hire purchase loans, which accounted for nearly 70% of the Group's total loans and advances, were priced on HKD prime rate. Total interest expense increased by HK\$603.8 million or 172.6% to HK\$953.7 million mainly due to funding cost escalation on customer deposits. As a result, the Group's net interest income decreased by HK\$145.9 million or 12.7% to HK\$1.01 billion. Other operating income of the Group increased by HK\$10.6 million or 4.8% to HK\$233.6 million mainly due to the higher fees and commission income from wealth management services, stockbroking and securities management in the year under review.

Total operating expenses (before changes in fair value of investment properties) increased by HK\$19.5 million or 2.4% to HK\$843.1 million, mainly due to higher staff costs and IT-related expenses on digital transformation.

Revaluation loss of investment properties amounted to HK\$30.5 million during the year under review as compared with HK\$13.2 million in the previous year.

Credit loss expenses increased by HK\$193.8 million or 148.4% to HK\$324.4 million in 2023 compared with 2022 mainly arising from one large commercial borrower and some hire purchase loans amidst the devaluation of commercial property prices and public vehicle licence value during the year under review.

Loans and advances, customer deposits and total assets

The Group's total loans and advances (including trade bills) decreased by HK\$0.62 billion or 2.5% to HK\$24.17 billion as at 31 December 2023 from HK\$24.79 billion as at 31 December 2022. Customer deposits decreased by HK\$0.91 billion or 3.0% to HK\$29.54 billion as at 31 December 2023 from HK\$30.45 billion as at 31 December 2022.

As at 31 December 2023, the Group's total assets stood at HK\$40.95 billion.

Key financial and business performance indicators

The Group's return on equity, based on profit after tax to average equity, decreased to 0.17% in the year under review was mainly due to lower profitability largely attributed to the heightened funding cost and credit deterioration from a large commercial borrower and some hire purchase loans. As the Group's net interest margin was under downward pressure, the Group implemented business rationalisation for more effective cost control. The Group has integrated the stockbroking and securities businesses operated by Public Bank (Hong Kong) and one of the stockbroking subsidiaries in the fourth quarter of 2023 to achieve cost synergy; and will also continue to further improve its operating cost efficiency and effectiveness by optimisation of system and staff resources, streamlining the support services across group entities and making use of synergies from the combined branch network of Public Bank (Hong Kong), Public Finance and Winton Financial Limited ("Winton Financial") to achieve cost synergy within the Group.

The Group will continue to diversify income streams whilst seeking satisfactory yields on loans and other interest-bearing assets and acquiring customer deposits at reasonable costs to maintain the sustainability of net interest margin and profitability.

The Group's cost to income ratio was maintained at an acceptable level of 68.1% despite the increase in information system costs and compliance costs to fulfil or address increasing regulatory requirements. The Group aims to contain operating expenses but will continue to allocate adequate resources to attract talents, implement digital transformation and strengthen security controls against potential cyber threats.

The Group's impaired loans to total loans ratio stood at a relatively high level of 3.66% as at 31 December 2023 mainly due to the impairment of one large commercial borrower. Excluding the large impaired loan, the loan asset quality at group level was still well-managed as compared with industry benchmark. The Group continues to adopt prudent underwriting standards to ensure healthy level of impaired loans and to take prompt actions to pursue loans recovery for problem credits.

Business performance of key subsidiaries

Public Bank (Hong Kong)

During the year under review, total loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank and a direct subsidiary of the Company, recorded a decrease of HK\$632.0 million or 3.3% to HK\$18.69 billion as at 31 December 2023 from HK\$19.32 billion as at 31 December 2022. Customer deposits (excluding deposits from a subsidiary) decreased by HK\$1.24 billion or 4.7% to HK\$25.18 billion as at 31 December 2023 from HK\$26.42 billion as at 31 December 2022. Impaired loans to total loans ratio of Public Bank (Hong Kong) increased by 3.10% to 4.24% as at 31 December 2023 from 1.14% as at 31 December 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 services and stockbroking businesses.

Public Finance

Total loans and advances of Public Finance, a deposit-taking company and a direct subsidiary of Public Bank (Hong Kong), recorded a mild decrease of HK\$9.0 million or 0.2% to HK\$5.08 billion as at 31 December 2023 from HK\$5.09 billion as at 31 December 2022. Customer deposits increased by HK\$112.5 million or 2.6% to HK\$4.41 billion as at 31 December 2023 from HK\$4.29 billion as at 31 December 2022. Impaired loans to total loans ratio of Public Finance increased by 0.19% to 1.63% as at 31 December 2023 from 1.44% as at 31 December 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 year under review, 92.2% of the Group's operating income and 152.1% of the profit before tax were contributed by retail and commercial banking businesses. Compared with the previous year, the Group's operating income from retail and commercial banking businesses decreased by HK\$158.8 million or 12.2% to HK\$1.14 billion mainly due to the decrease in net interest income of the Group as affected by the funding cost escalation. Profit before tax from this segment decreased by HK\$340.3 million or 84.6% to HK\$61.8 million mainly due to the increase in credit loss expenses of one large commercial borrower and some hire purchase loans as well as the aforesaid decrease in net interest income. The Group's operating income from wealth management services, stockbroking and securities management increased by HK\$19.4 million or 34.4% to HK\$75.8 million. However, profit before tax from this segment decreased by HK\$12.9 million or 81.6% to HK\$2.9 million during the year under review mainly due to higher marketing cost and system development cost.

Group's branch network

Public Bank (Hong Kong) has a branch network of 30 branches in Hong Kong and 5 branches in Shenzhen in the People's Republic of China to provide a broad range of commercial and retail banking services. Public Finance has a branch network of 40 branches in Hong Kong to focus on its core business in personal lending. Winton Financial, another operating subsidiary of the Company which operates under a money lenders licence, has a branch network of 3 branches in Hong Kong to provide personal financing to its target customer segment. In total, the Group has a combined branch network of 78 branches to serve its customers. The Group also undertakes securities trading business through Public Bank (Hong Kong).

Significant investments

The Company has a significant investment, with a value of 5% or more of the Company's total assets, in Public Bank (Hong Kong). The principal businesses of Public Bank (Hong Kong) are the provision of retail and commercial banking businesses. The investment cost in the subsidiary amounted to HK\$6.59 billion or 72.8% of total assets of the Company, and such cost reflected the fair value of the Company's investment. Public Bank (Hong Kong)'s business strategically focuses on 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\$70.9 million on consolidated basis, which represented a return of 1.1% from the Company's investment. Dividend income received from Public Bank (Hong Kong) was HK\$136.0 million during the year under review. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) will be disclosed in 2023 Annual Report.

Contingent liabilities and commitments

The Group had no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments as disclosed in the notes to the financial statements) as at the end of the year under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the year under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 31 December 2023, there was no charge over the assets of the Group. There was also no significant event affecting the Group which had occurred since 31 December 2023.

OPERATIONAL REVIEW

Funding and capital management

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

The Group relies principally on its internally generated capital, customer deposits and deposits from financial institutions to fund its retail and commercial banking businesses and its consumer financing business. The Group's cash and cash equivalents are mainly denominated in HKD or United States dollars. Its bank borrowings are in the form of term loans denominated in HKD at floating interest rates and stood at approximately HK\$1.61 billion as at the end of 2023. Based on the level of bank borrowings compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.19 times as at 31 December 2023, which was relatively the same as compared with the position of 31 December 2022. The bank borrowings as at 31 December 2023 had remaining maturity periods of less than two years. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange swaps and forward contracts to reduce the foreign exchange rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates were minimal. There were also no foreign currency investments hedged by foreign currency borrowings and other hedging instruments during the year under review.

The consolidated CET1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 24.9% and 25.6% respectively as at 31 December 2023.

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

Asset quality and credit management

The Group's impaired loans to total loans ratio increased by 2.43% to 3.66% as at 31 December 2023 from 1.23% as at 31 December 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.

The direct exposures to Europe and Russia were assessed as insignificant and manageable as the core operations of the Group are principally based in Hong Kong.

Human resources management

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

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

As at 31 December 2023, the Group's staff force stood at 1,201 employees. For the year ended 31 December 2023, the Group's total staff related costs amounted to HK\$532.9 million.

PROSPECTS

The economies of Hong Kong and Mainland China are anticipated to continue on a slow post-pandemic recovery path in the 2024, but the prospects remain highly uncertain driven by the adverse impact of high market interest rate environment and the development of geopolitical factors. The risk appetites for corporate investments/business expansion and individual's property acquisition are expected to remain conservative in the near term in view of the interest rate outlook. Accordingly, loan growth momentum in Hong Kong and Mainland China will continue to be constrained. Nevertheless, market interest rates are projected to go down gradually starting in the second half of 2024 and the pressure on the Group's funding cost can be alleviated.

Despite the foregoing challenges, the Group will continue to pursue long-term business and profitability growth to be in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

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

The Group will continue to focus on expanding its retail and commercial banking businesses and its consumer financing business through its extensive branch network of Public Bank (Hong Kong), Public Finance and Winton Financial, supporting its growth in loan business developments, deposit-takings and fee-based businesses, and implementing appropriate marketing strategies at reasonable costs. The Group will continue to optimise and refine the existing products and services to grow its retail and commercial lending businesses and consumer financing business. Moving forward, the Group will also allocate more resources to drive the digitalisation process of its financial services and business growth from electronic channels for long term productivity and cost efficiency; whilst restructuring its operating processes to achieve higher operational efficiency and cost synergy amongst group companies. The Group will also integrate sustainable development into its business initiatives and expand green financing business.

The Group will stay vigilant of the uncertainties and challenges ahead and strive to expand its banking and financing businesses with disciplined cost control and prudent risk management in 2024. The Group is also committed to fostering a healthy and strong corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

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 annual results for the year ended 31 December 2023 as set out in this announcement have been reviewed by the Audit Committee.

PUBLICATION OF 2023 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2023 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2023 Annual Report containing all applicable information required by the Listing Rules will be published on the above websites in or around late-February 2024.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express our gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express our 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, 16 January 2024

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