



PUBLIC FINANCE LIMITED

Audited Financial Statements
31 December 2024

2024

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REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of Public Finance Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2024.

Principal activities

The principal activities of the Group have not changed during the year and consist of deposit-taking, personal and commercial lending, which comprise mainly the granting of personal loans, revolving loans, property mortgage loans, hire purchase loans to individuals and small to medium sized companies, remittance service and the provision of finance to purchasers of taxis, and the letting of investment properties except that Public Securities Limited (“PSL”) ceased to carry on the securities brokerage business.

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

Results and dividends

The Group’s profit for the year ended 31 December 2024 and the Group’s financial position as at that date are set out in the financial statements on pages 7 to 125.

Interim dividend of HK\$2.373 cents (2023: HK\$11.223 cents) per ordinary share was declared and paid during the year. The Directors did not recommend the payment of a final dividend for the year (2023: HK\$7.233 cents).

Business review

No business review is prepared as the Company is exempted under Section 388(3)(b) of the Hong Kong Companies Ordinance for being a wholly owned subsidiary of Public Bank (Hong Kong) Limited (“PBHK”) for the year ended 31 December 2024.

Investment properties, property and equipment and land held under finance leases

Details of movements in the investment properties, property and equipment and land held under finance leases of the Group during the year are set out in Notes 15, 16 and 17 to the financial statements, respectively.

Share capital

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

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and Note 30(b) to the financial statements, respectively.

REPORT OF THE DIRECTORS

Directors

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

Non-Executive Directors:

Tang Wing Chew, Chairman

Lai Wan

Quah Poh Keat

Dato' Chang Kat Kiam

Cheah Kim Ling (Resigned on 1 January 2024)

Chong Yam Kiang (Re-designated from Executive Director to Non-Executive Director on 1 January 2024)

Independent Non-Executive Directors:

Lee Chin Guan

Lim Chao Li

Phe Kheng Peng

Executive Director:

Lee Huat Oon (Appointed on 1 January 2024)

In accordance with Articles 110 and 111 of the Articles of Association of the Company, Dato' Chang Kat Kiam, Mr. Lai Wan and Mr. Lim Chao Li shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

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

Chong Yam Kiang

Chiu Chik Shang (Resigned on 1 January 2025)

Cheung Hin Sing (Appointed on 1 January 2025)

Management contracts

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

Directors' rights to acquire shares and debentures

At no time during the year or at the end of the year has been/was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked agreements

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

REPORT OF THE DIRECTORS

Directors' interests in transactions, arrangements or contracts

Except as detailed in Note 26 to the financial statements, there has been no transaction, arrangement or contract of significance in relation to the Company's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

Permitted indemnity provision

Pursuant to Article 158 of the Company's Articles of Association and subject to the provisions of the statutes, every Director, secretary or officer of the Company shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, secretary or officer of the Company in or about the execution or holding of his office or otherwise in relation thereto. The liability insurance of Directors, secretary and officers for the Company was/is in force during the year and as at the date on which this Report of the Directors is approved in accordance with Section 391 of the Hong Kong Companies Ordinance.

Compliance with Supervisory Policy Manual

The Company has complied with the Supervisory Policy Manual ("SPM") Module CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the Hong Kong Monetary Authority ("HKMA").

The Company has also complied with the Banking (Disclosure) Rules issued by the HKMA, and the capital requirements related to capital base and capital adequacy ratio as stipulated by the HKMA.

Auditors

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

ON BEHALF OF THE BOARD

Lee Huat Oon
Director

16 January 2025

Independent auditor's report
To the members of Public Finance Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Public Finance Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 125, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors and other supplementary financial information.

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

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

Independent auditor's report
To the members of Public Finance Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent auditor's report
To the members of Public Finance Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements
(Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young
Certified Public Accountants
Hong Kong

16 January 2025

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Interest income	4	713,320	707,882
Interest expense	4	(189,023)	(192,613)
NET INTEREST INCOME		524,297	515,269
Fees and commission income	5	82,288	127,143
Other operating income	6	1,270	1,108
OPERATING INCOME		607,855	643,520
Operating expenses	7	(418,075)	(409,776)
Changes in fair value of investment properties	15	(2,578)	(640)
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		187,202	233,104
Credit loss expenses	8	(179,727)	(136,894)
PROFIT BEFORE TAX		7,475	96,210
Tax	10	(2,411)	(15,685)
PROFIT FOR THE YEAR		5,064	80,525
PROFIT ATTRIBUTABLE TO:			
Owners of the Company		5,064	80,525

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
PROFIT FOR THE YEAR	5,064	80,525
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>5,064</u>	<u>80,525</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :		
Owners of the Company	<u>5,064</u>	<u>80,525</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS			
Cash and short term placements	12	546,975	807,072
Loans and advances and receivables	13	5,093,108	4,987,855
Held-to-collect debt securities at amortised cost	14	69,703	69,486
Investment properties	15	21,582	24,160
Property and equipment	16	36,742	33,988
Land held under finance leases	17	34,406	35,759
Right-of-use assets	18	50,722	52,456
Deferred tax assets	22	14,135	15,382
Tax recoverable		8,401	7,172
Intangible assets	20	-	-
Other assets	19	18,878	22,708
TOTAL ASSETS		5,894,652	6,056,038
EQUITY AND LIABILITIES			
LIABILITIES			
Customer deposits at amortised cost	21	4,276,556	4,406,165
Lease liabilities	18	54,901	54,923
Current tax payable		50	1,603
Deferred tax liabilities	22	7,940	7,450
Other liabilities	19	87,309	98,205
TOTAL LIABILITIES		4,426,756	4,568,346
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	23	671,038	671,038
Reserves		796,858	816,654
TOTAL EQUITY		1,467,896	1,487,692
TOTAL EQUITY AND LIABILITIES		5,894,652	6,056,038

Lee Huat Oon
Director

Chong Yam Kiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Note	Share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2024		671,038	816,654	1,487,692
Profit for the year		-	5,064	5,064
Other comprehensive income		-	-	-
Dividends paid in respect of previous year	11	-	(18,719)	(18,719)
Dividends paid in respect of current year	11	-	(6,141)	(6,141)
As at 31 December 2024		671,038	796,858	1,467,896

	Note	Share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2023		671,038	975,679	1,646,717
Profit for the year		-	80,525	80,525
Other comprehensive income		-	-	-
Dividends paid in respect of previous year	11	-	(50,505)	(50,505)
Dividends paid in respect of current year	11	-	(189,045)	(189,045)
As at 31 December 2023		671,038	816,654	1,487,692

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,475	96,210
Adjustments for:			
Depreciation of property and equipment and land held under finance leases	7	8,863	8,571
Depreciation of right-of-use assets	7	40,343	43,549
Net losses on disposal of property and equipment	6	6	281
Impairment on intangible assets	20	-	486
Other interest expenses	4	3,090	1,805
Gain on termination of leases	6	(5)	-
Decrease in credit loss expenses for loans and advances and receivables		(996)	(2,630)
Increase/(decrease) in credit loss expenses for held-to-collect debt securities at amortised cost and bank placements		3	(2)
Decrease in fair value of investment properties	15	2,578	640
Payment of dismantling costs		(265)	(602)
Profits tax paid		(3,456)	(71,667)
Operating profit before changes in operating assets and liabilities		57,636	76,641
(Increase)/decrease in operating assets:			
(Increase)/decrease in loans and advances and receivables		(104,257)	7,961
Decrease in held-to-collect debt securities at amortised cost		59,573	9,960
Decrease in other assets		3,830	104,082
		(40,854)	122,003
Decrease in operating liabilities:			
Decrease in deposits and balances of banks and other financial institutions at amortised cost		-	(100,000)
(Decrease)/increase in customer deposits at amortised cost		(129,609)	112,467
Decrease in other liabilities		(10,996)	(95,732)
		(140,605)	(83,265)
Net cash (outflow)/inflow from operating activities		(123,823)	115,379

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	16	(10,270)	(16,698)
Net cash outflow from investing activities		(10,270)	(16,698)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities	18	(41,351)	(42,519)
Dividends paid on shares	11	(24,860)	(239,550)
Net cash outflow from financing activities		(66,211)	(282,069)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(200,304)	(183,388)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		817,008	1,000,396
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		616,704	817,008
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand	28	283,164	235,974
Money at call and short notice with an original maturity within three months		263,830	571,114
Held-to-collect debt securities at amortised cost with an original maturity within three months		69,710	9,920
		616,704	817,008
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid		(196,389)	(170,577)
Interest received		715,804	706,209

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total liabilities from financing activities HK\$'000
As at 1 January 2024	-	54,923	54,923
Changes from financing cash flows:			
Dividends paid on ordinary shares	(24,860)	-	(24,860)
Repayment of lease liabilities	-	(41,351)	(41,351)
Total changes from financing cash flows	(24,860)	(41,351)	(66,211)
Other changes:			
Dividends declared on ordinary shares	24,860	-	24,860
Additions to lease liabilities	-	36,306	36,306
Interest expense on lease liabilities	-	3,040	3,040
Reassessment on lease liabilities	-	1,983	1,983
Total other changes	24,860	41,329	66,189
As at 31 December 2024	-	54,901	54,901

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total liabilities from financing activities HK\$'000
As at 1 January 2023	-	47,747	47,747
Changes from financing cash flows:			
Dividends paid on ordinary shares	(239,550)	-	(239,550)
Repayment of lease liabilities	-	(42,519)	(42,519)
Total changes from financing cash flows	(239,550)	(42,519)	(282,069)
Other changes:			
Dividends declared on ordinary shares	239,550	-	239,550
Additions to lease liabilities	-	46,370	46,370
Interest expense on lease liabilities	-	1,747	1,747
Reassessment on lease liabilities	-	1,578	1,578
Total other changes	239,550	49,695	289,245
As at 31 December 2023	-	54,923	54,923

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company and its registered office is located at Room 1105-7, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong.

The principal activities of the Group have not changed during the year and consist of deposit-taking, personal and commercial lending, which comprise mainly the granting of personal loans, revolving loans, property mortgage loans, hire purchase loans to individuals and small to medium size companies, remittance service and the provision of finance to purchasers of taxis, and the letting of investment properties except that PSL ceased to carry on the securities brokerage business.

The Company is a wholly-owned subsidiary of PBHK. Public Bank Berhad ("PBB"), a bank incorporated in Malaysia, is considered by the Directors to be the Company's ultimate holding company.

Particulars of the Company's subsidiaries, which are incorporated and operate in Hong Kong, are as follows:

Name	Issued ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct %	Indirect %	
Public Financial Limited	10,100,000	100	-	Investment holding
PSL	10,000,000	-	100	Dormant
Public Securities (Nominees) Limited	10,000	100	-	Dormant

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.1 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 Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the provisions of the Hong Kong Companies Ordinance. They have also complied with 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. The consolidated financial statements are presented in Hong Kong dollars (“HKD”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2024.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.2 BASIS OF CONSOLIDATION (Continued)

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

The subsidiaries consolidated for accounting purposes are as follows:

Name	31 December 2024		31 December 2023		Principal activities
	Total assets HK\$'000	Total equity HK\$'000	Total assets HK\$'000	Total equity HK\$'000	
Public Financial Limited	10,101	10,101	10,101	10,101	Investment holding
PSL	12,384	11,964	44,279	40,862	Dormant
Public Securities (Nominees) Limited	1,127	1,124	1,120	1,117	Dormant

The computation of liquidity maintenance ratio, common equity tier 1 ("CET1") capital ratio, tier 1 capital ratio, total capital ratio, capital conservation buffer ("CCB") ratio, countercyclical capital buffer ("CCyB") ratio and leverage ratio for regulatory reporting purpose is on a solo basis of the Company only.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.3 BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the reporting period related to capital base and capital adequacy ratios as stipulated by the HKMA, and has also complied with 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 total capital ratio and other regulatory capital ratios of the Company is based on the solo basis of the Company for regulatory reporting purpose. No subsidiary will be consolidated for capital adequacy ratio computation as the subsidiaries do not satisfy the criteria as stipulated in the Banking (Capital) Rules (the “Capital Rules”) issued by the HKMA.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Company’s consolidation group.

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

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the 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 CCB ratio for 2023 and 2024 is 2.5%, whilst the required CCyB ratio for 2023 and 2024 is 1.0% and 0.5%, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES

Changes in accounting policies and disclosures

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

- | | |
|------------------------------------|--|
| • Amendments to HKFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> |
| • Amendments to HKAS 1 | <i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> |
| • Amendments to HKAS 1 | <i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> |
| • Amendments to HKAS 7 and HKFRS 7 | <i>Supplier Finance Arrangements</i> |

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

Amendments to HKFRS 16 – *Lease Liability in a Sale and Leaseback*

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. Since the Group has no sale and leaseback transaction with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current (the "2020 Amendments")* and Amendments to HKAS 1 – *Non-current Liabilities with Covenants (the "2022 Amendments")*

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current (the “2020 Amendments”)* and Amendments to HKAS 1 – *Non-current Liabilities with Covenants (the “2022 Amendments”)* (Continued)

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 1 January 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 7 and HKFRS 7 – *Supplier Finance Arrangements*

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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the consolidated financial information of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs

The Group has not applied the following new and 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 new and revised HKFRSs, if applicable, when they become effective:

- | | |
|--|--|
| • HKFRS 18 | <i>Presentation and Disclosure in Financial Statements³</i> |
| • HKFRS 19 | <i>Subsidiaries without Public Accountability: Disclosures³</i> |
| • Amendments to HKFRS 9 and HKFRS 7 | <i>Amendments to the Classification and Measurement of Financial Instruments²</i> |
| • Amendments to HKFRS 10 and HKAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i> |
| • Amendments to HKAS 21 | <i>Lack of Exchangeability¹</i> |
| • <i>Annual Improvements to HKFRS Accounting Standards - Volume 11</i> | <i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7²</i> |

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

Further information about these HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations, and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs (Continued)

As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings Per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs will be effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use in compliance with HKFRSs. Earlier application is permitted. The Group is currently considering the application of HKFRS 19 in the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs (Continued)

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

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 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. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRSs (Continued)

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

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

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies

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

(1) Foreign currency translation

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

(i) Transactions and balances

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(1) Foreign currency translation (Continued)

(i) Transactions and balances (Continued)

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

(ii) Group companies

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement

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

(i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, FVOCI, and fair value through profit or loss (“FVPL”).

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(i) Financial assets (Continued)

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(i) Financial assets (Continued)

Financial assets at FVOCI (debt instruments)

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(i) Financial assets (Continued)

Financial assets designated at FVOCI (equity investments)

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(i) Financial assets (Continued)

Financial assets at FVPL

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(i) Financial assets (Continued)

Financial assets at FVPL (Continued)

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

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

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

(ii) Financial liabilities

Initial recognition and measurement

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(ii) Financial liabilities (Continued)

Initial recognition and measurement (Continued)

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

The Group's financial liabilities include deposits and balances of banks and other financial institutions at amortised cost, customer deposits at amortised cost and other liabilities.

Subsequent measurement

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

Financial liabilities at FVPL

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(ii) Financial liabilities (Continued)

Loans and borrowings

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(ii) Financial liabilities

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

(iii) Offsetting of financial instruments

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(4) Fair value measurement

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

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

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

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

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(4) Fair value measurement (Continued)

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

(5) Impairment of financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(5) Impairment of financial assets (Continued)

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(5) Impairment of financial assets (Continued)

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

It is the Group's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present for at least 6 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

All exposures attributed to the held-to-collect debt securities at amortised cost were rated with a grading of Aa3 (31 December 2023: Aa3) based on the credit rating of Moody's Investors Service ("Moody's"), an external credit agency, as at 31 December 2024. Over 90% (31 December 2023: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's. Therefore, they are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Moody's to determine whether the debt instrument has a significant increase in credit risk and to estimate ECLs.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(6) Leases

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

Group as a lessee

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

Right-of-use assets

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

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

Land held under finance leases

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(6) Leases (Continued)

Lease liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(6) Leases (Continued)

Short-term leases and leases of low-value assets

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

Group as a lessor

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(i) Interest income and expense

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(ii) Fee and commission income

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

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

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

(b) Fee income from providing transaction services

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

(iii) Dividend income

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

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

(iv) Net trading income

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

(v) Rental income

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

(8) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, amounts due from banks on demand or with original maturity of generally within three months and held-to-collect debt securities at amortised cost with original maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and short term placements repayable on demand, money at call and short notice with an original maturity within three months and held-to-collect debt securities at amortised cost with an original maturity within three months and form an integral part of the Group’s cash management.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(9) Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(10) Property and equipment, and depreciation

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(11) Investment properties

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

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

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

(12) Intangible assets (other than goodwill)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(13) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group will make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's (or a cash generating unit's ("CGU's")) value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGU. Where the carrying amount of an asset (or a CGU) exceeds its recoverable amount, the asset (or the CGU) that the Group considered impaired is written down to its recoverable amount.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(14) Repossessed assets and valuation of collateral

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

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

(15) Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(16) Income tax

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(16) Income tax (Continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies

(17) Employee benefits

(i) Retirement benefit schemes

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

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

(ii) Employee leave entitlements

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ACCOUNTING POLICIES (Continued)

Material accounting policies (Continued)

(18) Dividends

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainty (Continued)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Judgements

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

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

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

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. 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:

- the core businesses of the Group are personal and commercial lending businesses, which comprise mainly the granting of personal loans, revolving loans, property mortgage loans, hire purchase loans to individuals and small to medium size companies, remittance service, and the provision of finance to purchase of taxis;
- the stockbroking segment comprises securities dealing and receipt of commission income; and
- other businesses segment comprises mainly the letting of investment properties.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2024 and 31 December 2023.

	2024	2023	2024	2023	2024	2023	2024	2023
	Personal and commercial lending businesses		Stockbroking		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	524,179	516,839	118	(1,570)	-	-	524,297	515,269
Fees and commission income	82,288	80,316	-	46,827	-	-	82,288	127,143
Other operating income/(expense)	565	538	-	(203)	705	773	1,270	1,108
Operating income	607,032	597,693	118	45,054	705	773	607,855	643,520
Operating profit/(loss) after credit loss expenses before tax	14,366	71,767	(4,005)	25,265	(2,886)	(822)	7,475	96,210
Tax							(2,411)	(15,685)
Profit for the year							5,064	80,525
Other segment information								
Depreciation of property and equipment and land held under finance leases	(8,863)	(8,571)	-	-	-	-	(8,863)	(8,571)
Depreciation of right-of-use assets	(40,343)	(43,549)	-	-	-	-	(40,343)	(43,549)
Changes in fair value of investment properties	-	-	-	-	(2,578)	(640)	(2,578)	(640)
Credit loss expenses	(179,727)	(136,894)	-	-	-	-	(179,727)	(136,894)
Net losses on disposal of property and equipment	(6)	(281)	-	-	-	-	(6)	(281)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses certain assets and liabilities information regarding operating segments as at 31 December 2024 and 31 December 2023.

	2024	2023	2024	2023	2024	2023	2024	2023
	Personal and commercial lending businesses		Stockbroking		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets	5,836,921	5,963,716	13,613	45,608	21,582	24,160	5,872,116	6,033,484
Intangible assets	-	-	-	-	-	-	-	-
Segment assets	5,836,921	5,963,716	13,613	45,608	21,582	24,160	5,872,116	6,033,484
Unallocated assets:								
Deferred tax assets and tax recoverable							22,536	22,554
Total assets							5,894,652	6,056,038
Segment liabilities	4,418,280	4,557,142	372	1,924	114	227	4,418,766	4,559,293
Unallocated liabilities:								
Deferred tax liabilities and tax payable							7,990	9,053
Total liabilities							4,426,756	4,568,346
Other segment information								
Additions to non- current assets								
- capital expenditure	10,270	16,698	-	-	-	-	10,270	16,698

Geographical information

Over 90% (2023: over 90%) of the Group's operating income, profit before tax, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented in the financial statements.

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer amounts to less than 10% (2023: less than 10%) of the Group's total operating income or revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. INTEREST INCOME AND EXPENSE

	2024 HK\$'000	2023 HK\$'000
Interest income from:		
Loans and advances and receivables	696,852	688,284
Short term placements and placements with banks	13,509	17,130
Held-to-collect debt securities at amortised cost	2,959	2,468
	<u>713,320</u>	<u>707,882</u>
Interest expense on:		
Deposits from banks and financial institutions	-	852
Deposits from customers	185,810	187,545
Bank loans	123	2,411
Others	3,090	1,805
	<u>189,023</u>	<u>192,613</u>

Interest income and interest expense for the year ended 31 December 2024, calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVPL, amounted to HK\$713,320,000 and HK\$189,023,000 (2023: HK\$707,882,000 and HK\$192,613,000) respectively.

5. FEES AND COMMISSION INCOME

	2024 HK\$'000	2023 HK\$'000
Fees and commission income:		
Personal and commercial lending	82,288	80,316
Stockbroking	-	46,827
	<u>82,288</u>	<u>127,143</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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

6. OTHER OPERATING INCOME

	2024 HK\$'000	2023 HK\$'000
Gross rental income	713	779
Less: Direct operating expenses	(8)	(6)
Net rental income	705	773
Net losses on disposal of property and equipment	(6)	(281)
Gain on termination of leases	5	-
Others	566	616
	<u>1,270</u>	<u>1,108</u>

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

There were no net gains or losses arising from the derecognition of equity 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 2024 and 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. OPERATING EXPENSES

	Notes	2024 HK\$'000	2023 HK\$'000
Staff costs:			
Salaries and other staff costs		258,489	253,817
Pension contributions		13,132	13,748
Less: Forfeited contributions		(87)	(168)
Net contribution to retirement benefit schemes		13,045	13,580
		271,534	267,397
Other operating expenses:			
Depreciation of right-of-use assets	18	40,343	43,549
Depreciation of property and equipment and land held under finance leases	16, 17	8,863	8,571
Auditors' remuneration		1,847	1,847
Administrative and general expenses		47,058	32,929
Others		48,430	55,483
Operating expenses before changes in fair value of investment properties		418,075	409,776

As at 31 December 2024 and 31 December 2023, 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 2024 and 31 December 2023 arose in respect of staff who left the schemes during the years.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. CREDIT LOSS EXPENSES

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

		2024		
	12 month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	(1,874)	(3,385)	185,071	179,812
- accrued interest and other receivables	(94)	-	-	(94)
- cash and short term placements	3	-	-	3
- held-to-collect debt securities at amortised cost	-	-	-	-
- loan commitments	6	-	-	6
	<u>(1,959)</u>	<u>(3,385)</u>	<u>185,071</u>	<u>179,727</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. CREDIT LOSS EXPENSES (Continued)

	2023			
	12 month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	(4,649)	2,316	139,320	136,987
- accrued interest and other receivables	(91)	-	-	(91)
- cash and short term placements	(2)	-	-	(2)
- held-to-collect debt securities at amortised cost	-	-	-	-
- loan commitments	-	-	-	-
	<u>(4,742)</u>	<u>2,316</u>	<u>139,320</u>	<u>136,894</u>

9. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	2024 HK\$'000	2023 HK\$'000
Fees	1,963	2,124
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	2,360	3,089
Retirement benefits contribution	275	140
	<u>4,598</u>	<u>5,353</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

10. TAX

	Note	2024 HK\$'000	2023 HK\$'000
Current tax charge		674	14,188
Deferred tax charge, net	22	<u>1,737</u>	<u>1,497</u>
		<u>2,411</u>	<u>15,685</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

A reconciliation of the tax charge applicable to profit before tax using the statutory tax rates to the tax charge 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:

	2024 HK\$'000	%	2023 HK\$'000	%
Profit before tax	<u>7,475</u>		<u>96,210</u>	
Tax at the applicable tax rate	1,233	16.5	15,875	16.5
Estimated tax effect of net expenses/ (income) that are/is not deductible/(taxable)	536	7.2	(190)	(0.2)
Estimated tax losses not recognised	<u>642</u>	<u>8.6</u>	<u>-</u>	<u>-</u>
Tax charge at the Group's effective rate	<u>2,411</u>	<u>32.3</u>	<u>15,685</u>	<u>16.3</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

11. DIVIDENDS

(a) Dividends approved and paid during the year

	2024 HK cents per ordinary share	2023 HK cents per ordinary share	2024 HK\$'000	2023 HK\$'000
Interim dividend	2.373	11.223	6,141	29,045
Final dividend in respect of previous year	7.233	19.515	18,719	50,505
Special dividend	-	61.824	-	160,000
	<u>9.606</u>	<u>92.562</u>	<u>24,860</u>	<u>239,550</u>

Final dividend of 2023 was paid in 2024 with the consent of shareholders at the 2024 AGM.

(b) Dividends attributable to the year

	2024 HK cents per ordinary share	2023 HK cents per ordinary share	2024 HK\$'000	2023 HK\$'000
Interim dividend	2.373	11.223	6,141	29,045
Special dividend	-	61.824	-	160,000
Proposed final dividend	-	7.233	-	18,719
	<u>2.373</u>	<u>80.280</u>	<u>6,141</u>	<u>207,764</u>

The Directors did not recommend the payment of a final dividend for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

12. CASH AND SHORT TERM PLACEMENTS

	2024 HK\$'000	2023 HK\$'000
Cash and placements with banks and financial institutions	283,164	235,974
Money at call and short notice	263,830	571,114
Gross cash and short term placements	546,994	807,088
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	(16)	(18)
Credit loss expenses (charged) / released to the consolidated income statement during the year	(3)	2
	(19)	(16)
Cash and short term placements	546,975	807,072

Over 90% (31 December 2023: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Loans and advances to customers	5,187,302	5,081,178
Accrued interest	35,377	37,244
Gross loans and advances and receivables	5,222,679	5,118,422
Less: Impairment allowances		
- specifically assessed	(43,942)	(39,585)
- collectively assessed	(85,629)	(90,982)
	(129,571)	(130,567)
Loans and advances and receivables	5,093,108	4,987,855

Over 90% (31 December 2023: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2023: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, taxi licences and vehicles.

Loans and advances and receivables are summarised as follows:

	2024 HK\$'000	2023 HK\$'000
Neither past due nor impaired loans and advances and receivables	4,937,281	4,726,231
Past due but not impaired loans and advances and receivables	185,683	308,859
Credit impaired loans and advances	99,219	82,731
Credit impaired receivables	496	601
Gross loans and advances and receivables	5,222,679	5,118,422

About 35% (31 December 2023: about 33%) of "Neither past due nor impaired loans and advances and receivables" were property mortgage loans and taxi financing loans secured by properties, taxi licences and vehicles.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	Gross amount HK\$'000	2024 Percentage of total loans and advances %	Gross amount HK\$'000	2023 Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	61,458	1.19	44,404	0.88
One year or less but over six months	7,368	0.14	14,861	0.29
Over one year	-	-	-	-
Loans and advances overdue for more than three months	68,826	1.33	59,265	1.17
Rescheduled loans and advances overdue for three months or less	22,627	0.43	21,405	0.42
Impaired loans and advances overdue for three months or less	7,766	0.15	2,061	0.04
Total overdue and impaired loans and advances	99,219	1.91	82,731	1.63

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Accrued interest and other receivables overdue for:		
Six months or less but over three months	254	51
One year or less but over six months	204	550
Over one year	-	-
Accrued interest and other receivables overdue for more than three months	458	601
Impaired accrued interest and other receivables overdue for three months or less	38	-
Total overdue and impaired accrued interest and other receivables	496	601

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2024 HK\$'000	2023 HK\$'000
(i) Analysis of overdue loans and advances and receivables		
Loans and advances and receivables overdue for more than three months	<u>69,284</u>	<u>59,866</u>
Impairment allowances specifically assessed	<u>33,122</u>	<u>31,091</u>
Current market value and fair value of collateral	<u>21,440</u>	<u>23,040</u>
(ii) Analysis of impaired loans and advances and receivables		
Impaired loans and advances and receivables	<u>99,715</u>	<u>83,332</u>
Impairment allowances specifically assessed	<u>43,942</u>	<u>39,585</u>
Current market value and fair value of collateral	<u>24,310</u>	<u>23,040</u>

Over 90% (31 December 2023: 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u>21,440</u>	<u>23,040</u>
Covered portion of overdue loans and advances	<u>18,429</u>	<u>16,624</u>
Uncovered portion of overdue loans and advances	<u>50,397</u>	<u>42,641</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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(d) Repossessed assets

As at 31 December 2024, the total value of repossessed assets of the Group amounted to HK\$5,060,000 (31 December 2023: Nil).

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

	2024		2023	
	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>185,273</u>	<u>3.6</u>	<u>307,996</u>	<u>6.1</u>
Accrued interest and other receivables overdue for three months or less	<u>410</u>		<u>863</u>	

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(f) Impairment allowances on loans and advances and receivables

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

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances and receivables as at 1 January 2024	4,985,649	49,441	83,332	5,118,422
New loans/financing originated	2,639,014	-	-	2,639,014
Loans/financing derecognised or repaid during the year (other than write-offs)	(2,237,100)	(9,553)	(22,231)	(2,268,884)
Transfer to 12-month expected credit loss (Stage 1)	9,143	(2,933)	(6,210)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(39,419)	39,613	(194)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(274,802)	(36,089)	310,891	-
Total transfer between stages	(305,078)	591	304,487	-
Write-offs	-	-	(265,873)	(265,873)
As at 31 December 2024	5,082,485	40,479	99,715	5,222,679
Arising from:				
Loans and advances	5,047,604	40,479	99,219	5,187,302
Accrued interest and other receivables	34,881	-	496	35,377
	5,082,485	40,479	99,715	5,222,679

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	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	5,014,189	38,635	73,559	5,126,383
New loans/financing originated	2,592,669	-	-	2,592,669
Loans/financing derecognised or repaid during the year (other than write-offs)	(2,350,387)	(5,862)	(11,434)	(2,367,683)
Transfer to 12-month expected credit loss (Stage 1)	9,002	(805)	(8,197)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(47,483)	47,698	(215)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(232,341)	(30,225)	262,566	-
Total transfer between stages	(270,822)	16,668	254,154	-
Write-offs	-	-	(232,947)	(232,947)
As at 31 December 2023	4,985,649	49,441	83,332	5,118,422
Arising from:				
Loans and advances	4,949,050	49,397	82,731	5,081,178
Accrued interest and other receivables	36,599	44	601	37,244
	4,985,649	49,441	83,332	5,118,422

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$211,348,000 (31 December 2023: HK\$188,954,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

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

	2024			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Internal rating grades:				
Performing				
Pass	5,041,375	-	-	5,041,375
Special Mention	41,110	40,479	-	81,589
Non-performing				
Substandard	-	-	53,454	53,454
Doubtful	-	-	39,323	39,323
Loss	-	-	6,938	6,938
Total	<u>5,082,485</u>	<u>40,479</u>	<u>99,715</u>	<u>5,222,679</u>
	2023			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Internal rating grades:				
Performing				
Pass	4,935,073	-	-	4,935,073
Special Mention	50,576	49,441	-	100,017
Non-performing				
Substandard	-	-	62,006	62,006
Doubtful	-	-	16,468	16,468
Loss	-	-	4,858	4,858
Total	<u>4,985,649</u>	<u>49,441</u>	<u>83,332</u>	<u>5,118,422</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

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

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2024	66,681	24,301	39,585	130,567
New loans/financing originated	49,518	-	-	49,518
Loans/financing derecognised or repaid during the year (other than write-offs)	(46,010)	(3,000)	(87,814)	(136,824)
Transfer to 12-month expected credit loss (Stage 1)	1,954	(410)	(1,544)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,334)	1,396	(62)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(6,767)	(20,526)	27,293	-
Total transfer between stages	(6,147)	(19,540)	25,687	-
Impact on year end expected credit loss of exposures transferred between stages during the year	(815)	19,155	231,624	249,964
Movements due to changes in credit risk	1,486	-	15,574	17,060
Recoveries	-	-	85,159	85,159
Write-offs	-	-	(265,873)	(265,873)
As at 31 December 2024	<u>64,713</u>	<u>20,916</u>	<u>43,942</u>	<u>129,571</u>
Arising from:				
Loans and advances	63,689	20,916	43,942	128,547
Accrued interest and other receivables	1,024	-	-	1,024
	<u>64,713</u>	<u>20,916</u>	<u>43,942</u>	<u>129,571</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	2023			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2023	71,421	21,985	39,791	133,197
New loans/financing originated	52,750	-	-	52,750
Loans/financing derecognised or repaid during the year (other than write-offs)	(48,769)	(2,932)	(96,181)	(147,882)
Transfer to 12-month expected credit loss (Stage 1)	1,661	(289)	(1,372)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,516)	1,688	(172)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,001)	(17,996)	24,997	-
Total transfer between stages	(6,856)	(16,597)	23,453	-
Impact on year end expected credit loss of exposures transferred between stages during the year	(650)	21,845	198,773	219,968
Movements due to changes in credit risk	(1,215)	-	13,275	12,060
Recoveries	-	-	93,421	93,421
Write-offs	-	-	(232,947)	(232,947)
As at 31 December 2023	<u>66,681</u>	<u>24,301</u>	<u>39,585</u>	<u>130,567</u>
Arising from:				
Loans and advances	65,563	24,301	39,585	129,449
Accrued interest and other receivables	<u>1,118</u>	<u>-</u>	<u>-</u>	<u>1,118</u>
	<u>66,681</u>	<u>24,301</u>	<u>39,585</u>	<u>130,567</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(g) Finance lease receivables

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

	2024 Undiscounted lease payments HK\$'000	2023 Undiscounted lease payments HK\$'000	2024 Net investment in finance leases HK\$'000	2023 Net investment in finance leases HK\$'000
Amounts receivable under finance leases:				
Within one year	74,271	80,134	55,404	56,177
Over one year but within two years	59,548	66,507	43,236	45,488
Over two years but within three years	48,504	51,657	33,583	32,345
Over three years but within four years	45,295	47,041	31,281	28,689
Over four years but within five years	43,219	46,829	30,063	29,344
Over five years	<u>574,697</u>	<u>654,173</u>	<u>475,075</u>	<u>514,962</u>
	845,534	946,341	<u>668,642</u>	<u>707,005</u>
Less: Unearned finance income	<u>(176,892)</u>	<u>(239,336)</u>		
Net investment in finance leases	<u>668,642</u>	<u>707,005</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 25 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

	2024 HK\$'000	2023 HK\$'000
Unlisted:		
Treasury bills (including Exchange Fund Bills)	69,710	69,493
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	(7)	(7)
Credit loss expenses charged to the consolidated income statement during the year	-	-
	<u>(7)</u>	<u>(7)</u>
Held-to-collect debt securities at amortised cost	<u>69,703</u>	<u>69,486</u>
Analysed by type of issuers:		
- Central governments	<u>69,703</u>	<u>69,486</u>

There were no impairment allowances specifically assessed and made against held-to-collect debt securities at amortised cost as at 31 December 2024 and 31 December 2023.

There were neither impaired nor overdue held-to-collect debt securities at amortised cost as at 31 December 2024 and 31 December 2023.

All exposures attributed to the held-to-collect debt securities at amortised cost were rated with a grading of Aa3 based on the credit rating of Moody's as at 31 December 2024 and 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. INVESTMENT PROPERTIES

	HK\$'000
At valuation:	
As at 1 January 2023	24,800
Changes in fair value recognised in the consolidated income statement	<u>(640)</u>
As at 31 December 2023 and 1 January 2024	24,160
Changes in fair value recognised in the consolidated income statement	<u>(2,578)</u>
As at 31 December 2024	<u>21,582</u>

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	2024 HK\$'000	2023 HK\$'000
At valuation:		
On medium-term leases	<u>21,582</u>	<u>24,160</u>

All investment properties were classified under Level 3 in the fair value hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

As at 31 December 2024, investment properties were revalued according to the valuation assessed by C S Surveyors Limited, a firm of independent professionally qualified valuers. Finance and Control Function has discussions with the valuer on the valuation methodology and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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15. INVESTMENT PROPERTIES (Continued)

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

	2024		2023	
	Range HK\$	Weighted average HK\$	Range HK\$	Weighted average HK\$
Price per square metre	68,000 to 69,000	68,000	76,000 to 77,000	77,000

A significant increase/decrease in the price per square metre would result in a significant increase/decrease in the fair value of the investment properties.

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in Note 24(a) to the financial statements.

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16. PROPERTY AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
As at 1 January 2023	6,247	129,825	1,695	137,767
Additions	-	16,698	-	16,698
Disposals/write-offs	-	(11,781)	-	(11,781)
As at 31 December 2023 and 1 January 2024	6,247	134,742	1,695	142,684
Additions	-	10,270	-	10,270
Disposals/write-offs	-	(3,451)	-	(3,451)
As at 31 December 2024	6,247	141,561	1,695	149,503
Accumulated depreciation:				
As at 1 January 2023	2,431	108,874	1,674	112,979
Provided during the year	124	7,072	21	7,217
Disposals/write-offs	-	(11,500)	-	(11,500)
As at 31 December 2023 and 1 January 2024	2,555	104,446	1,695	108,696
Provided during the year	125	7,385	-	7,510
Disposals/write-offs	-	(3,445)	-	(3,445)
As at 31 December 2024	2,680	108,386	1,695	112,761
Net carrying amount:				
As at 31 December 2024	3,567	33,175	-	36,742
As at 31 December 2023	3,692	30,296	-	33,988

There were no impairment allowances made against the above items of property and equipment as at 31 December 2024 and 31 December 2023. There were no movements in impairment allowances for the years ended 31 December 2024 and 31 December 2023.

All properties and equipment are situated in Hong Kong.

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17. LAND HELD UNDER FINANCE LEASES

	HK\$'000
Cost:	
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	<u>60,623</u>
Accumulated depreciation and impairment:	
As at 1 January 2023	23,510
Depreciation provided during the year	<u>1,354</u>
As at 31 December 2023 and 1 January 2024	24,864
Depreciation provided during the year	<u>1,353</u>
As at 31 December 2024	<u>26,217</u>
Net carrying amount:	
As at 31 December 2024	<u>34,406</u>
As at 31 December 2023	<u>35,759</u>

The Group's land held under finance leases at net carrying amount is held under the following lease terms:

	2024 HK\$'000	2023 HK\$'000
Leaseholds held in Hong Kong :		
On medium-term leases	<u>34,406</u>	<u>35,759</u>

Land leases are stated at the recoverable amount and are subject to an impairment test pursuant to HKAS 36, which is based on the higher of fair value less costs of disposal and value-in-use.

NOTES TO FINANCIAL STATEMENTS

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18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has entered into lease arrangements with landlords, and the terms of the leases range from 2 to 5 years.

The Group has several lease contracts that include extension options ranging from 2 to 3 years. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see Note 2.5 to the financial statements). During the years ended 31 December 2024 and 31 December 2023, management had considered to exercise all extension options available in the lease contracts which had commenced, and therefore, all future cash outflows to which the Group is potentially exposed have already been reflected in the measurement of lease liabilities.

The Group also has certain leases of office equipment with low value. The Group applies the “lease of low-value assets” recognition exemption for these leases.

NOTES TO FINANCIAL STATEMENTS

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18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Set out below are the carrying amount of right-of-use assets recognised and the movements during the years:

Right-of-use assets:

	Land and buildings HK\$'000
Cost:	
As at 1 January 2023	166,262
Additions	46,534
Reassessment	1,578
Write-offs	(51,558)
As at 31 December 2023 and 1 January 2024	162,816
Additions	36,676
Reassessment	1,933
Write-offs	(62,622)
As at 31 December 2024	138,803
Accumulated depreciation and impairment:	
As at 1 January 2023	118,369
Depreciation provided during the year	43,549
Write-offs	(51,558)
As at 31 December 2023 and 1 January 2024	110,360
Depreciation provided during the year	40,343
Write-offs	(62,622)
As at 31 December 2024	88,081
Net carrying amount:	
As at 31 December 2024	50,722
As at 31 December 2023	52,456

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18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the years:

Lease liabilities:

	Land and buildings HK\$'000
As at 1 January 2023	47,747
Additions	46,370
Interest expense	1,747
Payments	(42,519)
Reassessment	1,578
As at 31 December 2023 and 1 January 2024	54,923
Additions	36,306
Interest expense	3,040
Payments	(41,351)
Reassessment	1,983
As at 31 December 2024	54,901

The maturity analysis of lease liabilities is disclosed in Note 28 to the financial statements.

The following are the amounts recognised in profit or loss:

	2024 HK\$'000	2023 HK\$'000
Depreciation expense of right-of-use assets	40,343	43,549
Interest expense on lease liabilities	3,040	1,747
Expense relating to short-term lease	283	562
Expense relating to leases of low-value assets	1,503	1,668
	45,169	47,526

During the year, the Group had total cash outflow for leases of HK\$41,351,000 (2023: HK\$42,519,000). The future cash outflows relating to leases committed but not yet commenced are disclosed in Note 24(b) to the financial statements.

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19. OTHER ASSETS AND OTHER LIABILITIES

Other assets

	2024 HK\$'000	2023 HK\$'000
Interest receivable from financial institutions	114	731
Other debtors, deposits and prepayments	17,993	21,057
Amount due from a fellow subsidiary	771	920
	<u>18,878</u>	<u>22,708</u>

The amount due from a fellow subsidiary was unsecured, interest-free and repayable on demand.

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

Other liabilities

	2024 HK\$'000	2023 HK\$'000
Creditors, accruals and interest payable*	<u>87,309</u>	<u>98,205</u>

* As at 31 December 2024, the balance also includes the impairment allowance of HK\$12,000 (31 December 2023: HK\$5,000) on off-balance sheet credit exposures, including loan commitments.

NOTES TO FINANCIAL STATEMENTS

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20. INTANGIBLE ASSETS

	HK\$'000
Cost:	
As at 1 January 2023, 31 December 2023 and 1 January 2024	486
Write-offs	<u>(486)</u>
As at 31 December 2024	<u>-</u>
Accumulated impairment:	
As at 1 January 2023	-
Impairment during the year	<u>486</u>
As at 31 December 2023 and 1 January 2024	486
Write-offs	<u>(486)</u>
As at 31 December 2024	<u>-</u>
Net carrying amount:	
As at 31 December 2024	<u>-</u>
As at 31 December 2023	<u>-</u>

For the year ended 31 December 2024, the two units of Stock Exchange Trading Right had been revoked following the cessation of stockbroking business by PSL.

21. CUSTOMER DEPOSITS AT AMORTISED COST

All the customer deposits were time deposits repayable at maturity dates.

NOTES TO FINANCIAL STATEMENTS

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22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Impairment allowances for loans and advances and receivables HK\$'000
As at 1 January 2023	15,429
Deferred tax charged to the consolidated income statement	(47)
As at 31 December 2023 and 1 January 2024	15,382
Deferred tax charged to the consolidated income statement	(1,247)
As at 31 December 2024	14,135

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DEFERRED TAX (Continued)

Deferred tax liabilities:

	Depreciation allowance in excess of related depreciation HK\$'000
As at 1 January 2023	6,000
Deferred tax charged to the consolidated income statement	<u>1,450</u>
As at 31 December 2023 and 1 January 2024	7,450
Deferred tax charged to the consolidated income statement	<u>490</u>
As at 31 December 2024	<u><u>7,940</u></u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. SHARE CAPITAL

	2024 HK\$'000	2023 HK\$'000
Issued and fully paid: 258,800,000 (2023: 258,800,000) ordinary shares	671,038	671,038

24. LEASES

(a) As lessor

The Group leases its investment properties as disclosed in Note 15 to the financial statements under operating lease arrangements with a lease term of 2 years.

As at 31 December 2024 and 31 December 2023, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	400	550
Over one year but within two years	236	-
	636	550

(b) As lessee

As at 31 December 2023, the Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 2 to 3 years. As at 31 December 2024 and 31 December 2023, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	-	4,529
In the second to fifth years, inclusive	-	13,224
	-	17,753

NOTES TO FINANCIAL STATEMENTS

31 December 2024

25. CONTINGENT LIABILITIES AND COMMITMENTS

	2024		2023	
	Contractual amount HK\$'000	Credit risk- weighted amount HK\$'000	Contractual amount HK\$'000	Credit risk- weighted amount HK\$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position:				
- With an original maturity of not more than one year	14,261	-	16,357	-
Undrawn loan facilities with an original maturity of not more than one year or which are unconditionally cancellable, granted to:				
- Customers	10,821	-	11,009	-
	<u>25,082</u>	<u>-</u>	<u>27,366</u>	<u>-</u>

As at 31 December 2024 and 31 December 2023, the corresponding ECLs for the outstanding off-balance sheet exposures, including loan commitments under stage 1, amounted to HK\$12,000 and HK\$5,000 respectively.

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk-weighted amounts are calculated in accordance with the Capital Rules and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

As at 31 December 2024 and 31 December 2023, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

During the year, no derivative activities were transacted by the Group (2023: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. RELATED PARTY TRANSACTIONS

In addition to the remuneration details of the Directors, who represent the key management personnel of the Group, in Note 9 to the financial statements, the Group had the following major transactions with related parties during the year:

	Notes	2024 HK\$'000	2023 HK\$'000
Related party transactions included in the consolidated income statement:			
Ultimate holding company:			
Commitment fee paid	(a)	1,650	2,334
Bank loans interest paid	(b)	-	566
Intermediate holding company:			
Rent paid	(c)	9,712	9,664
Building management fee	(c)	4	4
Rates paid	(c)	13	10
Immediate holding company:			
Deposits interest paid	(d)	-	852
Rent paid	(e)	1,435	1,435
Interest received	(f)	10,826	14,444
Bank service charges	(g)	1,090	949
Outsourcing service fees paid	(n)	12,284	-
Fellow subsidiaries:			
Bank loan interest paid	(h)	-	550
Commitment fee paid	(i)	-	94
Management fee	(j)	622	617
Service fee paid	(k)	-	7
Key management personnel:			
Commission income	(l)	-	2

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. RELATED PARTY TRANSACTIONS (Continued)

	Notes	2024 HK\$'000	2023 HK\$'000
Related party transactions included in the consolidated statement of financial position:			
Immediate holding company:			
Cash and short term funds	(f)	340,774	624,544
Interest receivable	(f)	54	648
Fellow subsidiaries:			
Amounts due from a fellow subsidiary included in other assets	(m)	771	920

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) Commitment fee was paid to PBB in order to obtain standby facilities granted by PBB to the Company.
- (b) A bank loan borrowed from PBB was settled during the year. Interest was paid to PBB in respect of the loan.
- (c) Rent paid, building management fee and rates paid were related to properties rented from Public Financial Holdings Limited, the intermediate holding company of the Company, as the Group's offices/branches.
- (d) PBHK placed deposits with the Company at prevailing market rates. Interest expenses were paid/payable by the Company in respect of these placements. The balances were included in deposits and balances of banks and other financial institutions in the consolidated statement of financial position.
- (e) Rent paid was related to properties rented from PBHK as the Group's offices/branches.
- (f) The Group placed deposits with PBHK. Interest was received/receivable from PBHK. The balances of the said deposits and interest receivable were included in cash and short term placements and other assets, respectively, in the consolidated statement of financial position.
- (g) Bank service charges were paid to PBHK for banking services provided to the Group.
- (h) A bank loan borrowed from Public Bank (L) Ltd ("PBL") was settled during the year. Interest was paid to PBL in respect of the loan.
- (i) Commitment fee was paid to PBL in order to obtain revolving credit facilities granted by PBL to PSL.
- (j) Management fee arose in respect of administrative services provided by the Company to Winton Financial Limited ("WFL"), a fellow subsidiary of the Company. They were charged based on the costs incurred.
- (k) Services fee was paid to Public Investment Bank Berhad from PSL for referrals of stockbroking transactions.
- (l) Commission income was received from the key management personnel of the Group for securities dealing through PSL.
- (m) These balances represented other receivable from WFL.
- (n) Outsourcing service fees were paid to PBHK for outsourcing arrangement of 7 functions, namely Information Technology, Finance and Control, Company Secretarial, Human Resources, Training and Development, Marketing and Product Development, and Premises and General Affairs functions.

NOTES TO FINANCIAL STATEMENTS

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27. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial assets and financial liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values of financial instruments which are not carried at fair value in the financial statements.

Liquid or/and very short-term and variable rate financial instruments

Liquid or/and very short-term and variable rate financial instruments include loans and advances and receivables. As these financial instruments are liquid or having a short-term maturity or carrying interest at a variable rate, the carrying amounts are reasonable approximations of their fair values. In the case of loans and unquoted debt securities, their fair values do not reflect changes in their credit quality as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances.

Fixed rate financial instruments

Fixed rate financial instruments include placements with banks and financial institutions, loans and advances and receivables, held-to-collect debt securities at amortised cost and customer deposits. The fair values of these fixed rate financial instruments carried at amortised cost are determined based on prevailing money-market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

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

There were no financial instruments carried at fair value as at 31 December 2024 and 31 December 2023.

For the years ended 31 December 2024 and 31 December 2023, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the years ended 31 December 2024 and 31 December 2023, there were no purchases, issues and settlements related to the Level 3 financial instruments.

There were no gain or loss and no OCI reported in the consolidated income statement and consolidated statement of comprehensive income respectively related to Level 3 financial instruments for the years ended 31 December 2024 and 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below show an analysis of financial assets and financial liabilities analysed by principal according to the periods that they are expected to be recovered or settled. There were no key off-balance sheet items as at 31 December 2024 and 31 December 2023. The Group's contractual undiscounted repayment obligations are shown in the sub-section "Liquidity risk management" in Note 29 to the financial statements.

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	2024 Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
Financial assets:								
Gross cash and short term placements	283,164	263,830	-	-	-	-	-	546,994
Gross loans and advances and receivables	15,007	219,930	371,145	1,253,291	1,822,871	1,441,216	99,219	5,222,679
Gross held-to-collect debt securities at amortised cost	-	29,936	39,774	-	-	-	-	69,710
Other assets	-	-	-	-	-	-	18,878	18,878
Total financial assets	298,171	513,696	410,919	1,253,291	1,822,871	1,441,216	118,097	5,858,261
Financial liabilities:								
Customer deposits at amortised cost	46,382	816,419	2,183,093	1,230,662	-	-	-	4,276,556
Lease liabilities	-	3,305	6,484	17,854	27,258	-	-	54,901
Other liabilities	559	13,820	18,547	8,152	3,015	-	43,216	87,309
Total financial liabilities	46,941	833,544	2,208,124	1,256,668	30,273	-	43,216	4,418,766
Net liquidity gap	251,230	(319,848)	(1,797,205)	(3,377)	1,792,598	1,441,216	74,881	1,439,495

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	2023 Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
Financial assets:								
Gross cash and short term placements	235,974	571,114	-	-	-	-	-	807,088
Gross loans and advances and receivables	22,236	220,868	375,293	1,234,588	1,742,659	1,440,047	82,731	5,118,422
Gross held-to-collect debt securities at amortised cost	-	-	69,493	-	-	-	-	69,493
Other assets	-	-	-	-	-	-	22,708	22,708
Total financial assets	258,210	791,982	444,786	1,234,588	1,742,659	1,440,047	105,439	6,017,711
Financial liabilities:								
Customer deposits at amortised cost	33,159	708,687	1,726,510	1,937,809	-	-	-	4,406,165
Lease liabilities	-	3,371	6,590	22,453	22,484	25	-	54,923
Other liabilities	349	15,019	20,982	15,833	2,437	73	43,512	98,205
Total financial liabilities	33,508	727,077	1,754,082	1,976,095	24,921	98	43,512	4,559,293
Net liquidity gap	224,702	64,905	(1,309,296)	(741,507)	1,717,738	1,439,949	61,927	1,458,418

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities comprise deposit-taking and financing. These activities expose the Group to a variety of risks, mainly interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk and compliance risk. The Board of Directors (the "Board") reviews and approves risk management policies for managing each of these risks and they are summarised below.

Risk Management Structure

The Group's risk management is underpinned by the Group's risk appetite and is subject to the Board's oversight through the Risk Management Committee ("RMC"), a Board Committee which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk committees including the Assets and Liabilities Management Committee ("ALCO"), Operational Risk Management Committee ("ORMC"), Credit Committee, Anti-Money Laundering ("AML") Committee and Compliance Working Group of the Company.

The Group has established systems, policies and procedures for the control and monitoring of interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk, ESG risk and compliance risk, which are approved by the Board and reviewed regularly by the management, and other designated committees or working groups. Material risks are identified and assessed by designated committees and/or working groups before the launch of new products or business activities, and are monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of the Company also perform regular audits to ensure compliance with the policies and procedures.

Interest Rate Risk Management

Interest rate risk in banking book ("IRRBB") is internally defined as current or prospective risk arising from adverse movements in market interest rates to the Group's positions in the banking book. Changes in market interest rate affect economic value of interest-bearing assets, liabilities and off-balance commitments and net interest income ("NII") from such financial instruments. The primary objective of interest rate risk management is to minimise/contain the potential adverse effects of interest rate movements in economic value of equity ("EVE") and NII by closely monitoring the net repricing gap of the Group's assets and liabilities.

The IRRBB comprises gap risk, basis risk and option risk. Gap risk arises from changes in interest rates on assets, liabilities and off-balance sheet positions of

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29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk Management (Continued)

different maturities. Basis risk arises from imperfect correlation of timing between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. Option risk arises from the optional elements embedded in the Group's assets and liabilities that provide customers with the right to prepay or early repay one's assets or liabilities such that cash flows related to such financial contracts are altered.

The Board is ultimately responsible for management of IRRBB and defines the overall risk appetite for management of IRRBB. The RMC is responsible for reviewing IRRBB policies, establishing risk limits in relation to EVE and NII in accordance with risk appetite and maintaining management oversight on IRRBB. The ALCO is responsible for identifying, measuring, evaluating, controlling and monitoring IRRBB and ensuring the timely implementation of IRRBB management strategy by different departments and business lines in response to the changing market conditions. Risk Management Department ("RMD") assesses, monitors and reports interest rate risk exposures against approved risk limits and key interest rate risk related matters (such as limit excesses) to the ALCO at least monthly, and escalates to the RMC and the Board for further deliberations/ approval of proposed actions as necessary. The Group manages its IRRBB exposures at a desired level and within its risk tolerance thresholds through strategic planning of balance sheet compositions with matching of repricing maturity for its on-balance sheet instruments and/or off-balance sheet derivatives in each significant currency. Currently, the Group does not use interest rate instruments like interest rate swaps and interest rate futures for hedging purpose as the Group is not engaged in complex business transactions involving derivative financial instruments. Where the Group decides to implement a hedging to manage IRRBB, the hedge accounting treatment is required to be made in accordance with the HKFRSs. The Group conducts stress testing via scenario analyses to assess the adverse impact of various interest rate shocks on the Group's EVE and NII, and the outcomes are deliberated in ALCO and RMC meetings. The Group establishes model for IRRBB assessment including yield curve levels' projection of relevant interest-bearing assets and early redemption of loans. Any revisions to the existing IRRBB model or assessment methodology are deliberated by ALCO and RMC for the approval by the Board. Internal Audit Department performs independent reviews on the effectiveness of the IRRBB management system, including but not limited to the implementation/ compliance of the approved policies, monitoring of risk limits, escalation of limit breaches and adequacy of IRRBB assessment methodology.

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29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk Management (Continued)

The Group employs various analytical techniques to measure IRRBB and its impact on EVE and NII on monthly basis, including interest rate repricing profile analysis, and scenario assessment on the Group's EVE and NII under both parallel and non-parallel interest rate shocks.

For computation of the impact on EVE, the Group adopts the six prescribed standardised interest rate shock scenarios defined by the HKMA (namely parallel up, parallel down, steepener, flattener, short rate up and short rate down) and internal parallel up and down scenarios at 100 basis points.

For computation of the impact on NII over the next twelve months, the Group adopts the standardised and internal parallel up or down scenarios as mentioned above and also the two prescribed standardised basis risk scenarios defined by the HKMA as below:

Scenario 1: All rates except for fixed and managed rates on interest rate-sensitive assets are subject to the parallel up shock; and

Scenario 2: Managed rates on interest rate-sensitive assets are subject to the parallel down shock while other rates remain unchanged.

The key modeling assumptions used by the Group in EVE and NII computation pursuant to the requirements of the HKMA include the following:

- (i) For EVE computation, commercial margins and other spread components have been excluded in the cash flows used in the computation and discount rate.
- (ii) The repricing maturity of non-maturity deposits is determined based on the earliest date on which their interest rates can be adjusted. Based on such assumption, the repricing maturity of all non-maturity deposits is determined to be one day.
- (iii) Conditional prepayment rates have been computed for the fixed-rate retail loan products based on historical data of past two years or more. Retail term deposits are assumed not to be subject to early redemption risk given the material early withdrawal penalty imposed by the Group.

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31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk Management (Continued)

- (iv) The Group measures IRRBB exposures separately for each significant currency in view that yield curves for different currencies vary from one to another. The Group's significant currency is defined as HKD and other currencies that account for at least 5% of total on-balance sheet interest rate-sensitive position in all currencies and that the aggregate of significant currency should account for at least 90% of total on-balance sheet interest rate-sensitive position. The interest rate correlations between different currencies are assumed to be insignificant.

Pursuant to the above methodology and assumptions, the impacts on EVE and NII for the positions of 31 December 2024 and 31 December 2023 under various scenarios are as follows:

Scenario	2024		2023	
	EVE HK\$'000	NII HK\$'000	EVE HK\$'000	NII HK\$'000
Parallel up	(62,901)	1,316	(48,062)	10,730
Parallel down	58,712	(3,395)	43,662	(12,525)
Steepener	10,070	(3,300)	1,851	(10,124)
Flattener	(23,356)	6,197	(8,022)	13,863
Short rate up	(59,399)	3,852	(32,442)	14,805
Short rate down	56,637	(7,150)	29,748	(16,943)

Further details can be viewed under "Interest rate risk in banking book" in the Regulatory Disclosure Statement for the position date of 31 December 2024 to be published in the Company's website at www.publicfinance.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market Risk Management

(a) Currency risk

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk positions arise from foreign exchange dealings. All foreign exchange positions are managed by Finance and Control Function within limits approved by the Board.

The Group has limited foreign currency risk as the Group's assets and liabilities were mainly denominated in HKD for the years ended 31 December 2024 and 31 December 2023. Directors considered that currency risk was insignificant to the Group. Accordingly, no quantitative market risk disclosures for currency risk have been made.

(b) Price risk

Price risk is the risk to the Group's earnings and capital due to changes in the prices of securities, including debt securities and equities.

The Group monitors price risk principally by limits established for transactions and open positions. These limits are reviewed and approved by the Board and are monitored on a daily basis.

The Group did not actively trade in financial instruments and in the opinion of the Directors, the price risk related to trading activities to which the Group was exposed was not material. Accordingly, no quantitative market risk disclosures for price risk have been made.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit Risk Management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the lending and other activities undertaken by the Group.

The Group has a credit risk management process to measure, monitor and control credit risk. Its credit policy defines the credit extension and measurement criteria, credit review, approval and monitoring processes, and the loan classification and provisioning systems. It has a hierarchy of credit authority which approves credit in compliance with the Group's credit policy. Credit risk exposures are measured and monitored against credit limits and other control limits (such as connected exposures, large exposures and risk concentration limits approved by the Board or dedicated committees). The Group's loan exposures are concentrated in consumer financing, purchase of properties, property investment and transportation segment in Hong Kong; and such lendings are monitored and controlled within the approved concentration limits. Segregation of duties in key credit functions is in place to ensure separate credit control and monitoring. Management and recovery of problem credits are handled by an independent work-out team.

The Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and its capital resources. Its policy on connected lending exposure defines and states connected parties, statutory and applicable connected lending limits, types of connected transactions, taking of collateral, the capital adequacy treatment, and detailed procedures and controls for monitoring connected lending exposures. In general, interest rates and other terms and conditions applying to connected lending should not be more favourable than those of the loans offered to non-connected borrowers under similar circumstances. The terms and conditions should be determined on normal commercial terms at arm's length and in the ordinary course of business of the Group.

Credit and compliance audits are periodically conducted by Internal Audit Department to evaluate the effectiveness of the credit review, approval and monitoring processes and to ensure that the established credit policies and procedures are complied with.

Compliance Department conducts compliance tests at selected business units on identified high risk areas for adherence to regulatory and operational requirements and credit policies.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit Risk Management (Continued)

Credit Committee monitors the quality of financial assets which are neither past due nor impaired by financial performance indicators (such as the loan-to-value ratio, debts servicing ratio, financial soundness of borrowers and personal guarantees) through meeting discussions and management reports. Loan borrowers subject to legal proceedings, negative comments from other counterparties and rescheduled arrangements are put under watch lists or under the “special mention” grade for management oversight.

Credit Committee also monitors the quality of past due or impaired financial assets by internal grading comprising “substandard”, “doubtful” and “loss” accounts through meeting discussions and management reports. Impaired financial assets include those subject to personal bankruptcy petitions, corporate winding-up and rescheduled arrangements.

RMC is responsible for reviewing and assessing the adequacy of risk management framework for identifying, measuring, monitoring and controlling the credit risk of existing and new products, and reviewing credit risk management policies and credit risk tolerance limits.

The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as customer deposits, properties, taxi licences and vehicles.

The “Neither past due nor impaired loans and advances and receivables” are shown in Note 13 to the financial statements.

Loans and advances and receivables that were neither past due nor impaired were related to a large number of diversified customers for whom there was no recent history of default.

Maximum credit exposures for off-balance sheet items without taking into account the fair value of collateral are as follows:

	2024 HK\$'000	2023 HK\$'000
Loan commitments	<u>10,821</u>	<u>11,009</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management

Liquidity risk is the risk that the Group cannot meet its current obligations. Major sources of liquidity risk of the Group are the early or unexpected withdrawals of deposits in cash outflow and the delay in cash inflow from loan repayments. To manage liquidity risk, the Board has established a liquidity risk management framework which incorporates liquidity risk tolerance, management oversight on liquidity risk, liquidity risk and funding strategy, risk related metrics and tools for liquidity risk management, internal liquidity risk pricing, and the manner of reporting significant matters. The major objectives of liquidity risk management framework are to (i) specify the roles and responsibilities of relevant parties on liquidity risk management, (ii) identify, measure and control liquidity risk exposures with proper implementation of funding strategies, (iii) effectively report significant risk related matters for management oversight, and (iv) manage the liquidity profile within risk tolerance. The liquidity risk management framework is cascaded to all business lines to ensure a consistent liquidity risk strategy, policies and practices across the Group. Liquidity risk related policies are reviewed by Senior Management and dedicated committees, and significant changes in such policies are approved by the Board or committees delegated by the Board.

ALCO monitors the liquidity position as part of the ongoing management of assets and liabilities, and sets up trigger limits to monitor liquidity risk. It also closely monitors the liquidity of the subsidiaries on a periodic basis to ensure that the liquidity structure of the subsidiaries' assets, liabilities and commitments can meet their funding needs, and that internal liquidity trigger limits are complied with.

Finance and Control Function is responsible for the centralised implementation of the strategies and policies approved by the dedicated committees and the Board, and developing operational procedures and controls to ensure the compliance with the aforesaid policies and to minimise operational disruptions in case of a liquidity crisis.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management (Continued)

RMD is responsible for day-to-day monitoring of liquidity maintenance ratio, loans to deposits ratio, concentration risk related ratios and other liquidity risk related ratios coupled with the use of cash-flow projections, maturity ladder, stress-testing methodologies and other applicable risk assessment tools and metrics to detect early warning signals and identify vulnerabilities to potential liquidity risk on forward-looking basis with the objective of ensuring different types of liquidity risks of the Group are appropriately identified, measured, assessed and reported. It also carries out analysis based on risk-based management reports, summarises the data from those reports and presents the key liquidity information of the Group and key business lines to ALCO on a regular (at least monthly) basis. In case of significant issues, such as serious limit excesses or breaches or early warning signals of potential severe impact on the Group are identified from the aforesaid management reports or market information obtained from other business units, a designated ALCO member will convene a meeting (involving Senior Management members) to discuss risk related matters and propose actions to ALCO whenever necessary. A high level summary of liquidity risk performance will be presented by ALCO to RMC and the Board.

The liquidity risk related metrics include at least liquidity maintenance ratio (with internal risk tolerance higher than the statutory liquidity maintenance ratio); cash-flow mismatches under normal and different stress scenarios; concentration related limits of deposits and other funding sources, and maturity profile of major assets and liabilities (including on-balance sheet and off-balance sheet items). Systems and procedures are in place to measure and manage liquidity risk arising from off-balance sheet exposures and contingent funding obligations by cash-flow projections in both baseline and stressed scenarios. In baseline scenario, expected cash outflow is derived from the aforesaid exposures and obligations including uncommitted facilities and other contingent obligations with regard to not only the contractual terms in agreements with customers but also the manner of past months' utilisation and genuine drawdowns of the credit facilities. In stressed scenario, the utilisation and drawdowns of credit facilities are expected to escalate to some extent.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management (Continued)

The funding strategies of the Group are to (i) diversify funding sources for mitigating liquidity risk exposures; (ii) minimise disruptions due to operational issues such as transfer of liquidity across group entities; (iii) ensure contingency funding is available to the Group; and (iv) maintain sufficient liquidity cushion to meet critical liquidity needs such as loan commitments and deposit withdrawals in stressed situations. The Group has established concentration limits of funding sources taking into account the risk profile of the Group. For instance, intra-group funding and funding from the largest funding provider are restricted to be not more than 10% and 5% of total funding sources respectively to reduce reliance on single source of funding. Medium and long term funding is maintained at a level of at least 20% of total funding sources to pursue stable funding structure.

Contingency funding plan is formulated to address liquidity needs at different stages including the mechanism for the detection of early warning signals of potential crisis at early stage and obtaining of emergency funding in bank-run scenario at later stage. Designated roles and responsibilities of the Crisis Management Team, departments and business units and their emergency contact information are documented clearly in the contingency funding plan as part of business continuity planning, and contingency funding measures are in place to set priorities of funding arrangements with counterparties, to set procedures for intraday liquidity risk management and intra-group funding support, to manage media relationship and to communicate with internal and external parties during a liquidity crisis. The stress-testing results are updated and reported to Senior Management regularly and the results such as survival period for positive cash-flow mismatches are used in contingency funding planning and determination of the required level of liquidity cushion. Based on the results of liquidity stress-testing, standby facilities and liquid assets are maintained to provide liquidity to meet unexpected and material cash outflows in stressed situations.

The Group maintains sufficient liquidity cushion comprising mainly cash and treasury bills issued by eligible central governments to address critical and emergent liquidity needs on intraday basis and over other different time horizons. The Group is not subject to particular collateral arrangements or requirements in contracts in case there is a credit rating downgrade of entities within the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management (Continued)

Apart from cash-flow projections under normal scenario to manage liquidity under different time horizons, different stress scenarios such as institution-specific stress scenario, the general market stress scenario and the combination of such scenarios with assumptions are set and reviewed by dedicated committees and approved by the Board. Under institution-specific stress scenario, loan repayments from some customers are assumed to be delayed. The projected cash inflow would be reduced by the amount of retail loan delinquencies. Regarding cash-outflow projection, part of undrawn loan facilities are not to be utilised by borrowers or honoured by the Group. The core deposits ratio would decrease as there would be fewer renewals of fixed deposits on the contractual maturity dates. In the general market stress scenario, some undrawn banking facilities are not to be honoured upon drawdown as some bank counterparties will not have sufficient liquidity to honour their obligations in market. The Group may pledge or liquidate its liquid assets such as treasury bills issued by eligible central governments to secure funding to address potential liquidity crisis. Liquidity stress-tests are conducted regularly (at least monthly) and the results are utilised for part of contingency funding plan or for providing insights to management about the latest liquidity position of the Group.

Regulatory liquidity ratio

Pursuant to section 97H of the Hong Kong Banking Ordinance and Rule 7 of the Banking (Liquidity) Rules, the Company is required to comply with the liquidity maintenance ratio requirement.

	2024	2023
Average liquidity maintenance ratio	<u>74.84%</u>	<u>93.39%</u>

The average liquidity maintenance ratio is computed on a solo basis using the arithmetic mean of each calendar month's average liquidity maintenance ratio as reported in the return relating to the liquidity position submitted to the HKMA.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk Management (Continued)

Liquidity exposures and funding needs are measured and assessed at the level of individual legal entities (i.e. the Company and its core operating subsidiaries). Pursuant to the HKMA/Securities and Futures Commission's requirements, the transferability of liquidity of the Company and its core operating subsidiaries takes into account the need of compliance with trigger points of liquidity related ratios and minimum liquidity capital level; and other legal and regulatory limitations such as limits of connected exposures and capital related ratios.

Maturity analysis of financial liabilities, based on the contractual undiscounted cash flows, is as follows:

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	2024				Repayable within an indefinite period HK\$'000	Total 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		
Customer deposits at amortised cost	46,941	831,418	2,215,270	1,254,526	-	-	-	4,348,155
Lease liabilities	-	3,535	6,907	19,301	28,423	-	-	58,166
Other liabilities	-	-	150	1,466	3,015	-	43,216	47,847
Gross loan commitments	10,821	-	-	-	-	-	-	10,821
	57,762	834,949	2,222,331	1,275,293	31,438	-	43,216	4,464,989

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	2023				Repayable within an indefinite period HK\$'000	Total 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		
Customer deposits at amortised cost	33,508	724,691	1,761,005	2,000,146	-	-	-	4,519,350
Lease liabilities	-	3,534	6,894	23,451	23,384	25	-	57,288
Other liabilities	-	359	203	1,704	2,437	73	43,512	48,288
Gross loan commitments	11,009	-	-	-	-	-	-	11,009
	44,517	728,584	1,768,102	2,025,301	25,821	98	43,512	4,635,935

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, human and system errors or from external events.

The Group has an operational risk management function in place to identify, measure, monitor and control operational risk. Its operational risk management policy defines the responsibilities of various committees, business units and supporting departments, and highlights key operational risk factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their potential impact. Operational risk exposures are monitored by appropriate key risk indicators for tracking and escalation to management for providing early warning signals of increased operational risk or a breakdown in operational risk management. Regular operational risk management reports are received and consolidated from various parties and reported to the ORMC for monitoring and control of operational risk. Pursuant to such regular reporting and monitoring, there were no significant operational loss events being identified in the year 2024. The Group also purchased relevant insurances as risk migration tools to contain potential operational losses within risk tolerance level. Business continuity plans are in place to ensure continuity of business operations in the event of business disruption.

Cyber Security Risk Management

Cyber security risk is the risk of loss resulting from a cyber attack or information security breach on the Group. The Group has put in place adequate resources and established cyber security risk management policy in accordance with the requirements of the HKMA's Cybersecurity Fortification Initiative and other industry standards to provide guidance on managing cyber security risk, improving cyber resilience as well as ensuring adequate cyber security awareness throughout the Group. The Group also periodically engaged qualified professional assessors to conduct assessments and simulation attacks to assess the robustness of the Group's cyber security controls.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Climate Risk Management

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management

Capital of the Group for regulatory and risk management purposes includes share capital, reserves, retained profits and regulatory reserve. Finance and Control Function is responsible for monitoring the amount of the capital base and capital adequacy ratios against trigger limits and for risk exposures and ensuring compliance with relevant statutory limits, taking into account business growth, dividend payouts and other relevant factors.

The Group's policy is to maintain a strong capital base to support the development of the Group's businesses and to meet the statutory capital adequacy ratios and other regulatory capital requirements. Capital is allocated to various business activities of the Group depending on the risks taken by each business unit and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame of 3 years.

Capital adequacy ratios

The capital adequacy ratios of the Company are computed in accordance with the provisions of the Banking Ordinance relating to Basel III capital standards and the Capital Rules. The Company has adopted the standardised approach for the calculation of credit risk-weighted exposures, market risk-weighted exposures and operational risk-weighted exposures. The Company is granted an exemption by the HKMA for the calculation of market risk exposures which are immaterial to the Company.

	31 December 2024	31 December 2023
CET1 Capital Ratio	<u>29.9%</u>	<u>29.0%</u>
Tier 1 Capital Ratio	<u>29.9%</u>	<u>29.0%</u>
Total Capital Ratio	<u>30.9%</u>	<u>30.0%</u>

The above capital ratios are higher than the minimum capital ratios required by the HKMA. The capital adequacy ratios above are calculated after the deduction of proposed dividends.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Capital disclosures

The components of capital base include the following items:

	2024 HK\$'000	2023 HK\$'000
CET1 capital instruments	671,038	671,038
Retained earnings	793,777	765,965
Disclosed reserves	-	-
CET1 capital before deduction	1,464,815	1,437,003
Deduct:		
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	(5,649)	(8,227)
Regulatory reserve for general banking risk	-	-
Deferred tax assets in excess of deferred tax liabilities	(6,195)	(7,932)
CET1 capital after deduction	1,452,971	1,420,844
Additional Tier 1 capital	-	-
Tier 1 capital after deductions	1,452,971	1,420,844
Reserve attributable to fair value gains	2,542	3,702
Regulatory reserve for general banking risk	-	-
Collective provisions	46,927	46,813
	46,927	46,813
Tier 2 capital	49,469	50,515
Capital base	1,502,440	1,471,359
Total risk-weighted assets	4,859,609	4,906,554

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Capital conservation buffer (CCB)

The Company is subject to the 2.5% CCB ratio effective from 1 January 2019.

Countercyclical capital buffer (CCyB)

The CCyB ratio is an additional layer of CET1 capital which takes effect as an extension of the Basel III CCB.

As at 31 December 2024, the Company has reserved a capital buffer, inclusive of CCyB ratio of 0.5% (31 December 2023: 1.0%), to the private sector credit exposures in Hong Kong.

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

Jurisdiction ("J")	Applicable JCCyB ratio in effect %	31 December 2024		
		Total RWA used in computation of CCyB ratio HK\$'000	CCyB ratio %	CCyB amount HK\$'000
Hong Kong, China	0.500	<u>3,650,930</u>	0.500	<u>18,255</u>

Jurisdiction	Applicable JCCyB ratio in effect %	31 December 2023		
		Total RWA used in computation of CCyB ratio HK\$'000	CCyB ratio %	CCyB amount HK\$'000
Hong Kong, China	1.000	<u>3,596,563</u>	1.000	<u>35,966</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Leverage ratio

The leverage ratio is introduced into the Basel III framework as a non-risk-based backstop limit to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, and introduce additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Basel III Tier 1 capital divided by total on-balance sheet and off-balance sheet exposures with reference to the Completion Instructions of the Quarterly Template on Leverage Ratio.

	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Tier 1 Capital	<u>1,452,971</u>	<u>1,420,844</u>
Exposure Measure for Leverage Ratio	<u>5,966,004</u>	<u>6,096,459</u>
Leverage Ratio	<u>24.4%</u>	<u>23.3%</u>

The disclosure on leverage ratio has been effective since 31 March 2015 and the relevant disclosures can be viewed in the Regulatory Disclosure Statement for the position date of 31 December 2024 to be published in the Company's website at www.publicfinance.com.hk under "Regulatory Disclosures" on or before 30 April 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Risk exposures

Class of exposures	Rated [#] HK\$'000	Exposures* Unrated HK\$'000	2024			
			Total HK\$'000	Risk-weighted amounts		Total HK\$'000
				Rated HK\$'000	Unrated HK\$'000	
On-balance sheet:						
Sovereign	69,710	-	69,710	-	-	-
Bank	514,209	-	514,209	103,262	-	103,262
Corporate	-	-	-	-	-	-
Cash items	-	20,081	20,081	-	-	-
Regulatory retail	-	3,947,842	3,947,842	-	2,960,882	2,960,882
Residential mortgage loan	-	1,175,123	1,175,123	-	411,293	411,293
Other non-past due	-	179,932	179,932	-	195,097	195,097
Past due	-	55,772	55,772	-	83,658	83,658
Off-balance sheet:						
Other off-balance sheet items	-	10,821	10,821	-	-	-
	583,919	5,389,571	5,973,490	103,262	3,650,930	3,754,192

Class of exposures	Rated [#] HK\$'000	Exposures* Unrated HK\$'000	2023			
			Total HK\$'000	Risk-weighted amounts		Total HK\$'000
				Rated HK\$'000	Unrated HK\$'000	
On-balance sheet:						
Sovereign	69,493	-	69,493	-	-	-
Bank	742,189	-	742,189	148,438	-	148,438
Corporate	-	-	-	-	-	-
Cash items	-	20,981	20,981	-	-	-
Regulatory retail	-	3,943,285	3,943,285	-	2,957,464	2,957,464
Residential mortgage loan	-	1,091,604	1,091,604	-	382,061	382,061
Other non-past due	-	184,865	184,865	-	200,030	200,030
Past due	-	43,746	43,746	-	57,008	57,008
Off-balance sheet:						
Other off-balance sheet items	-	11,009	11,009	-	-	-
	811,682	5,295,490	6,107,172	148,438	3,596,563	3,745,001

The Company had no credit exposures that were risk-weighted at 1,250% at 31 December 2024 (2023: Nil).

The Company did not enter into over-the-counter derivative transactions during 2024 and 2023.

* Principal amount or credit equivalent amount, net of individual impairment allowances before or after credit risk mitigation.

Exposures are rated by the Company's External Credit Assessment Institutions ("ECAI"), Moody's with ECAI issue specific ratings or with ECAI inferred ratings. Risk weights are determined based on ECAI ratings pursuant to the Capital Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Risk exposures (Continued)

	31 December 2024		31 December 2023	
	Risk-weighted exposures HK\$'000	Capital requirements/ charge HK\$'000	Risk-weighted exposures HK\$'000	Capital requirements/ charge HK\$'000
Credit risk	3,754,192	300,335	3,745,001	299,600
Market risk	-	-	-	-
Operational risk	1,147,263	91,781	1,210,275	96,822
Deductions	(41,846)		(48,722)	
	<u>4,859,609</u>		<u>4,906,554</u>	

For the years ended 31 December 2024 and 31 December 2023, the Company has adopted the standardised approach for calculation of credit risk-weighted exposures, market risk-weighted exposures and operational risk-weighted exposures. The Company is granted an exemption by the HKMA for calculation of market risk exposures which are immaterial to the Company.

As at 31 December 2024 and 31 December 2023, the Company had no securitisation and counterparty credit risk related exposures.

Principal subsidiaries and basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with HKFRSs, as described in Note 2.2 to the financial statements.

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the Capital Rules.

The subsidiaries not included in the computation of the capital adequacy ratios of the Company are Public Financial Limited, PSL and Public Securities (Nominees) Limited.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management (Continued)

Capital instruments

To comply with the Banking (Disclosure) Rules, the Company will present all the information relating to the disclosure of regulatory capital instruments and the reconciliation to the Company's published financial statements in the Regulatory Disclosure Statement for the position date of 31 December 2024 to be published in the Company's website at www.publicfinance.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

The disclosure will include the following information:

- a description of the main features and full terms and conditions of the Company's capital instruments;
- a detailed breakdown of the Company's CET1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions, using the standard disclosure template as specified by the HKMA; and
- a full reconciliation between the Company's accounting and regulatory balance sheets, using the standard disclosure template as specified by the HKMA.

The following is a summary of the Company's CET1 capital instruments:

	Note	2024 HK\$'000	2023 HK\$'000
CET1 capital instruments issued by the Company			
Ordinary shares:			
258,800,000 issued and fully paid			
ordinary shares	23	<u>671,038</u>	<u>671,038</u>

Regulatory disclosures

Further disclosures with respect to capital adequacy and risk management were shown in the regulatory disclosures templates as required by Banking (Disclosure) Rules. The Company will publish the Regulatory Disclosure Statement for the position date of 31 December 2024 in the Company's website at www.publicfinance.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting year is as follows:

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS			
Cash and short term placements		534,157	762,221
Loans and advances and receivables		5,093,108	4,987,855
Held-to-collect debt securities at amortised cost		69,703	69,486
Investment properties		21,582	24,160
Property and equipment		36,742	33,988
Land held under finance leases		34,406	35,759
Right-of-use assets		50,722	52,377
Investment in subsidiaries	30(a)	10,110	10,110
Deferred tax assets		14,135	15,382
Tax recoverable		8,401	7,172
Other assets		18,083	22,030
TOTAL ASSETS		5,891,149	6,020,540
EQUITY AND LIABILITIES			
LIABILITIES			
Customer deposits at amortised cost		4,276,556	4,406,165
Lease liabilities		54,901	54,822
Deferred tax liabilities		7,940	7,450
Other liabilities		86,937	96,382
TOTAL LIABILITIES		4,426,334	4,564,819
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		671,038	671,038
Reserves	30(b)	793,777	784,683
TOTAL EQUITY		1,464,815	1,455,721
TOTAL EQUITY AND LIABILITIES		5,891,149	6,020,540

Lee Huat Oon
Director

Chong Yam Kiang
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2024

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Investments in subsidiaries

Information about the investments in subsidiaries of the Company at the end of the reporting year is as follows:

	2024 HK\$'000	2023 HK\$'000
Unlisted shares, at cost	10,110	10,110

Particulars of the Company's subsidiaries are shown in Note 1 to the financial statements.

(b) Reserves

Information about movement of the reserves of the Company during the reporting year is as follows:

	Retained Profits HK\$'000
As at 1 January 2023	735,168
Profit for the year	289,065
Dividends paid in respect of previous year	(50,505)
Dividends paid in respect of current year	(189,045)
As at 31 December 2023 and 1 January 2024	784,683
Profit for the year	33,954
Dividends paid in respect of previous year	(18,719)
Dividends paid in respect of current year	(6,141)
As at 31 December 2024	793,777

NOTES TO FINANCIAL STATEMENTS

31 December 2024

31. KEY ELEMENTS OF DISCLOSURE POLICY

The Disclosure Policy of the Company sets out the approach used by the Company to (i) determine the content, appropriateness and frequency of the information it discloses to the general public relating to its state of affairs including its profit and loss and its financial resources (including capital / liquidity resources); and (ii) describe its own risk profile as required by the Banking (Disclosure) Rules. Further details of key elements of the Disclosure Policy will be published in the Company's website at www.publicfinance.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 16 January 2025.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

Gross and impaired loans and advances to customers, impairment allowances, impaired loans and advances written off and collateral are analysed by industry sectors pursuant to the HKMA's guidelines as follows:

Company

	31 December 2024								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New Impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	4,689	60	-	32	-	-	-	-	-
Building and construction, property development and investment									
Property development	-	-	-	-	-	-	-	-	-
Property investment	45,793	5	-	1	-	45,793	100.0	-	-
Civil engineering works	5,673	72	-	42	-	-	-	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	-	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-	-
Wholesale and retail trade	41,664	529	-	720	399	-	-	-	-
Transport and transport equipment	616,616	1,112	1,982	4,683	1,973	464,196	75.3	4,814	-
Hotels, boarding houses and catering	-	-	-	-	-	-	-	-	-
Financial concerns	-	-	-	-	-	-	-	-	-
Stockbrokers	-	-	-	-	-	-	-	-	-
Non-stockbroking companies and individuals for the purchase of shares	-	-	-	-	-	-	-	-	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	-	-	-	-	-	-	-	-	-
Loans for the purchase of other residential properties	1,173,789	116	574	1,045	450	1,173,222	100.0	18,996	18,996
Loans for other business purposes	-	-	-	-	-	-	-	-	-
Loans for other private purposes	3,256,900	80,767	41,259	306,844	261,599	23,871	0.7	75,256	49,677
Trade finance	-	-	-	-	-	-	-	-	-
Other loans and advances	-	-	-	-	-	-	-	-	-
Loans and advances for use outside Hong Kong	42,178	1,944	127	3,175	1,452	-	-	153	153
Total loans and advances (excluding other receivables)	5,187,302	84,605	43,942	316,542	265,873	1,707,082	32.9	99,219	68,826

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

Company

	31 December 2023								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	6,225	82	-	51	-	-	-	-	-
Building and construction, property development and investment									
Property development	-	-	-	-	-	-	-	-	-
Property investment	44,301	4	-	1	-	44,301	100.0	-	-
Civil engineering works	5,844	78	-	163	106	-	-	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	-	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-	-
Wholesale and retail trade	43,620	579	113	996	483	-	-	113	113
Transport and transport equipment	650,749	401	-	211	-	580,793	89.2	-	-
Hotels, boarding houses and catering	-	-	-	-	-	-	-	-	-
Financial concerns	-	-	-	-	-	-	-	-	-
Stockbrokers	-	-	-	-	-	-	-	-	-
Non-stockbroking companies and individuals for the purchase of shares	-	-	-	-	-	-	-	-	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	-	-	-	-	-	-	-	-	-
Loans for the purchase of other residential properties	1,085,529	107	2	16	-	1,085,529	100.0	16,624	16,624
Loans for other business purposes	-	-	-	-	-	-	-	-	-
Loans for other private purposes	3,238,966	88,316	39,329	282,348	231,603	25,564	0.8	65,822	42,367
Trade finance	-	-	-	-	-	-	-	-	-
Other loans and advances	-	-	-	-	-	-	-	-	-
Loans and advances for use outside Hong Kong	5,944	297	141	992	755	-	-	172	161
Total loans and advances (excluding other receivables)	5,081,178	89,864	39,585	284,778	232,947	1,736,187	34.2	82,731	59,265

The advances to customers are classified by industry sectors based on the industry in which the granted loans are used. In those cases where loans cannot be classified with reasonable certainty, they are classified according to the known principal activities of the borrowers or by reference to the assets financed according to the loan documentation.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(B) International Claims

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties taking into account any recognised risk transfer. In general, recognised risk transfer from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

The following tables illustrate the international claims on individual countries or areas taking into account the recognised risk transfer, amounting to 10% or more of the aggregate international claims.

	31 December 2024				
	Banks HK\$'million	Official sector HK\$'million	Non-bank financial institutions HK\$'million	Non- financial private Sector HK\$'million	Total HK\$'million
Developing Asia- Pacific, of which	1	-	-	-	1
- Philippines	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>

As at 31 December 2023, the Company had no international claims on foreign counterparties.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(C) MAINLAND ACTIVITIES

The following table illustrates the disclosure required to be made in respect of the Company's Mainland China exposures to non-bank counterparties:

Type of counterparties	31 December 2024		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
People's Republic of China ("PRC") nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
Total	-	-	-
Total assets after provision	5,891,137		
On-balance sheet exposures as percentage of total assets	0%		
Type of counterparties	31 December 2023		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	567	-	567
Total	567	-	567
Total assets after provision	6,020,535		
On-balance sheet exposures as percentage of total assets	0.01%		

Note:

The analysis of non-bank Mainland China exposures is disclosed with reference to the Banking (Disclosure) Rules and Completion Instructions for the HKMA Return of Mainland Activities.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM

Nomination and Remuneration Committee

The Company has established its Nomination and Remuneration Committee with written terms of reference in compliance with the requirements of the SPM Module CG-5 “Guideline on a Sound Remuneration System” (the “Remuneration Guideline”) issued by the HKMA. The terms of reference of the Nomination and Remuneration Committee are available under “Board Committees” section in the Company’s website at www.publicfinance.com.hk.

As at 31 December 2024, there were five members in the Nomination and Remuneration Committee and three of them were Independent Non-Executive Directors (“INEDs”). The Nomination and Remuneration Committee was chaired by Ms. Phe Kheng Peng, an INED of the Company. The other members were Mr. Lai Wan, Mr. Lee Chin Guan, Mr. Quah Poh Keat and Mr. Lim Chao Li.

The Nomination and Remuneration Committee meets at least once a year to review and make recommendations to the Board of the Company on the overall remuneration policy (the “Remuneration Policy”), specific remuneration packages and compensation arrangement relating to the appointment or termination of Directors, Chief Executive, Alternate Chief Executives, Senior Management and key personnel, and for the formulation and implementation of the Remuneration Policy applicable to all employees of the Group.

Three meetings were held in 2024. The details of the attendance of each member in 2024 is set out below:

Name of members	Number of meetings attended in 2024	Attendance rate
Ms. Phe Kheng Peng, Chairman of the Committee (INED)	3/3	100%
Mr. Lai Wan	3/3	100%
Mr. Quah Poh Keat	3/3	100%
Mr. Lee Chin Guan (INED)	3/3	100%
Mr. Lim Chao Li (INED)	3/3	100%

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

Nomination and Remuneration Committee (Continued)

During the year, the Nomination and Remuneration Committee reviewed and noted/concurred (via meetings or written resolutions): (i) Directors' fees for 2023; (ii) annual salary review; (iii) discretionary bonus and merit bonus for 2024; (iv) succession plan; (v) movement of senior officials; (vi) performance review of Senior Management and key personnel; (vii) training and development programmes attended by Directors, Chief Executive and Alternate Chief Executives; (viii) results of annual assessment on effectiveness of the Board, Board Committees, Directors, Chief Executive and Alternate Chief Executives for year 2023; (ix) annual review of terms of reference of the Nomination and Remuneration Committee; (x) review of the Remuneration Policy and System in compliance with the Remuneration Guideline of the HKMA; (xi) assessments of independence of INEDs, time commitment of retiring Directors who were eligible for re-election and any potential conflicts of interest of Directors; (xii) re-election of retiring Directors; (xiii) the size, composition and structure of the Board; (xiv) the governance procedures and practices; and (xv) the review of various policies/manuals related to Directors and the corporate governance of the Company.

Remuneration of the Executive Director, Chief Executive, Alternate Chief Executives, Senior Management and key personnel is determined by reference to factors including the level of workload, responsibilities and commitments, performance and remuneration packages. No individual Director or any of his/her associates is involved in deciding his/her own remuneration.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

Remuneration of Directors

The scales of Directors' fees of the Company for the years 2024 and 2023 are set out as follows:

Board of Directors	2024 Range HK\$	2023 Range HK\$
Chairman/Co-Chairman	255,000	255,000
Other Directors	187,500 to 255,000	161,250 to 255,000

No remuneration was paid to members of the Nomination and Remuneration Committee for the years 2024 and 2023 except the aforesaid Directors' fees.

Design and structure of the remuneration processes

The Board of the Company oversees the formulation, maintenance and implementation of the Remuneration Policy.

The Nomination and Remuneration Committee of the Company reviews and recommends the remuneration packages of Senior Management and key personnel of the Group in accordance with the authorities and responsibilities as stipulated in its terms of reference to the Board of the Company for approval.

Remuneration review is submitted to the Board of the Company by the Nomination and Remuneration Committee for approval each year.

The Nomination and Remuneration Committee of the Company also works closely with the Human Resources Committee, Audit Committee, RMC and other dedicated committees and departments to (i) review if there are any material non-compliance issues in relation to internal policy and statutory requirements and make adjustments to payments of remuneration whenever necessary, and (ii) decide upon the appraisal system which fairly measures the performance of each key personnel, and make changes to the system when necessary to meet the changing needs of the Company.

Regular compliance monitoring is imposed to review the management and operation of the remuneration system.

Human Resources Function takes initiatives on all human resources matters while Human Resources Committee continues to function in accordance with its terms of reference.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

Design and structure of the remuneration processes (Continued)

Recommendations related to Heads of Internal Audit Department, Compliance Department and RMD are submitted to the Audit Committee and RMC of the Company, where applicable, for endorsement. Discussions and recommendations related to other employees at managerial level made in the meetings of Human Resources Committee are submitted to the Group Human Resources Committee of PBB, the ultimate holding company of the Company, and where appropriate, to the Nomination and Remuneration Committee of the Company for endorsement and the Board for approval while discussions and decisions related to non-managerial employees made in the meetings are normally noted in the Board Executive Committee of the Company.

The Remuneration Policy of the Group

The Company adopted the Remuneration Policy in compliance with the Remuneration Guideline. The Remuneration Policy covers the Company and its subsidiaries which are subject to the HKMA's consolidated supervision. The Remuneration Policy was initiated by the Human Resources Committee and approved by the Board. The Human Resources Committee also reviews and keeps abreast of the legal and regulatory requirements from time to time, and liaises with risk control units including risk management, financial management and compliance functions to strike a balance among sufficient staff motivation, sound remuneration packages and prudent risk management. Any findings and recommendations to be incorporated into the Remuneration Policy will be put forth to the Nomination and Remuneration Committee for consideration. Having discussed and agreed upon at the Nomination and Remuneration Committee, the revisions to the Remuneration Policy will be recommended to the Board for approval. The Remuneration Policy is subject to an annual review.

The Company's Remuneration Policy encourages employee behaviour that supports the Company's risk tolerance, risk management framework and long-term financial soundness. The policy is established and implemented in line with the objectives, business strategies and long-term goals of the Company and formulated in a way that will not encourage excessive risk-taking by employees but allows the Company to attract and retain employees with relevant skills, knowledge and expertise to discharge their specific functions. The Company has considered the key risks, including market risk, credit risk, liquidity risk, climate-related risk and operational risk, when implementing the remuneration measures, which are closely monitored by various management committees and working groups. The Company considers and reviews the audit reports and various kinds of performance reports to take account of these risks in the remuneration process. Audit reports cover information on asset quality, credit risk management and operational risk management whilst performance reports state various kinds of business performance indicators such as delinquent rate, net impairment ratio,

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

The Remuneration Policy of the Group (Continued)

customer deposit, business growth, etc., which are useful for identification of current and future risks. The employees' performances in controlling these current and future risks are linked with their remuneration rewards. The Board will take into account the overall performance of the Group, risk management, market trends, and other non-financial measures when deciding the performance bonus pool. This will be adjusted as and when the Company considers appropriate. There is no change of remuneration measures over the past year.

Basically, the remuneration package consists of fixed and variable remuneration which are offered in cash. Fixed remuneration refers to basic salary and other fixed income while variable remuneration refers to discretionary bonus, sales commission and other variable income. The remuneration packages are determined by taking into consideration the evaluation of the job's responsibilities and contribution, the market pay levels for benchmark positions, and employee's performance. The level of remuneration and the proportion of variable remuneration to fixed remuneration of Senior Management and key personnel are linked to their level of responsibility undertaken and contribution to business performance and enhancements of efficiency and effectiveness of operations.

When the amount of variable remuneration payout exceeds a predetermined percentage or amount of the annual fixed remuneration of the employee, a deferment period of 3 years will be imposed in order to align the incentive awards to be granted to an individual employee with the long-term value creation and the time horizons of risk. The deferred remuneration will be vested gradually over the 3-year deferment period and no faster than on a pro-rata basis. To conform to the spirit of the Remuneration Guideline and not to undermine the risk management advantage by applying deferment of variable remuneration, if there is any deferred remuneration, hedging exposures in respect of the unvested portion of deferred remuneration by any trading, investment or other financial activities will be restricted.

Subject to the decision of the Nomination and Remuneration Committee in accordance with the internal guidelines, the Group may apply "malus" and/or "clawback" to deferred remuneration when it is later established that the data on which the performance measurement for a particular year was based is subsequently proven to have been manifestly misstated; or it is later established that the employee concerned has committed fraud or other malfeasance, or violated any legislation, code or internal control policies of the Group; or there has been a significant downward restatement of the financial performance of the Group; or the employment of the employee is terminated.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

The Remuneration Policy of the Group (Continued)

The award of variable remuneration to the Senior Management, key personnel and risk-taking employees is subject to the aforesaid deferral mechanism which will be reviewed by the Nomination and Remuneration Committee at least annually and subject to change when necessary.

The remuneration of the employees within the risk control function, including those performing risk management, accounts, audit and compliance functions, etc., is determined by the performance of individual employees and is independent of the business they oversee. The performance factors of the appraisees in carrying out their core job responsibilities under their respective job functions are assessed in the performance appraisals. Appropriate remuneration will be recommended based on the results of the appraisals annually.

The Company uses a comprehensive performance measurement framework that incorporates both financial and non-financial performance in determining the size and allocation of variable remuneration. The financial metrics link the variable remuneration to the profits, revenue and other performance measures of the Company as a whole, and the contribution of business units or departments and an individual employee to the Company as well. The applicable and material risks associated with the activities of employees, the cost and quantity of capital required to support the risks taken, and the cost and quantity of liquidity risk in the conduct of business are also taken into consideration. The non-financial metrics capture the performance on qualitative aspects such as the compliance with risk management policies; adherence to legal, regulatory and ethical standards; adherence to corporate culture and values; customer satisfaction; and effectiveness and efficiency of supporting operations. Given the importance in both financial achievements and non-financial factors, employees with poor performance will result in reduction of or elimination to the variable remuneration. Adverse performance in non-financial factors will override outstanding financial achievement, and thus, the employee's performance can be assessed comprehensively.

Annual review of remuneration system and policy

An annual review of the Remuneration Policy and the remuneration system of the Group was conducted by the Nomination and Remuneration Committee at the end of 2024. Minor changes were made to the Remuneration Policy subsequent to the implementation of Business Operations Efficiency Measures ("BOEM") on 1 August 2024. The review concludes that the remuneration system and processes have followed the Remuneration Policy consistently and are consistent with the principles set out in the Remuneration Guideline.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

Remuneration of Senior Management and key personnel

The aggregate quantitative information on remuneration for the Group's Senior Management (including the Executive Director who also held the position of Chief Executive) and key personnel is set out below.

- (i) The amount of remuneration for the financial years 2024 and 2023, split into fixed and variable remuneration, is set out below:

Remuneration of Senior Management*:

	2024 (10 employees)		2023 (10 employees)	
	Non-deferred HK\$	Deferred HK\$	Non-deferred HK\$	Deferred HK\$
Fixed remuneration				
Cash	<u>11,429,620</u>	<u>-</u>	<u>11,011,765</u>	<u>-</u>
Variable remuneration				
Cash	<u>2,045,180</u>	<u>-</u>	<u>3,405,395</u>	<u>-</u>

* Senior Management comprises personnel who received remuneration during the year in respect of his/her position as Chief Executive/ Alternate Chief Executive/ Assistant General Manager/ Dealing Director/ Designated In-charge of Information Technology Function/ Designated In-charge of Finance and Control Function/ Head of Compliance/ Head of Internal Audit/ Head of Risk Management

Remuneration for key personnel# :

	2024 (6 employees)		2023 (6 employees)	
	Non-deferred HK\$	Deferred HK\$	Non-deferred HK\$	Deferred HK\$
Fixed remuneration				
Cash	<u>4,615,701</u>	<u>-</u>	<u>4,475,570</u>	<u>-</u>
Variable remuneration				
Cash	<u>818,003</u>	<u>-</u>	<u>1,063,994</u>	<u>-</u>

Key personnel comprises individual employees whose duties or activities in the course of employment involve the assumption of material risks or the taking on material exposures on behalf of the Group and/or other key personnel who plays a pivotal role within the Company

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

Remuneration of Senior Management and key personnel (Continued)

- (ii) No variable remuneration in shares or share-linked instruments was granted during the financial years 2024 and 2023.
- (iii) There was no deferred remuneration awarded, paid out and reduced through performance adjustments and there was no outstanding deferred remuneration during the financial years 2024 and 2023.
- (iv) No Senior Management or key personnel had been awarded new sign-on or severance payments or paid guaranteed bonuses during the financial years 2024 and 2023.

Further remuneration disclosures were shown in the regulatory disclosures templates as required by the Banking (Disclosure) Rules. The Company will publish the Regulatory Disclosure Statement for the position date of 31 December 2024 in the Company's website at www.publicfinance.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(E) CORPORATE GOVERNANCE

The Company is a deposit-taking company incorporated in Hong Kong and is under the supervision of the HKMA. The Board is fully committed to adopting and implementing the principles and best practices in corporate governance as set out in the SPM Module CG-1 “Corporate Governance of Locally Incorporated Authorised Institutions” issued by the HKMA. Specialised committees with clear terms of references and specific authorities delegated by the Board have been set up by the Company.

1. Board Executive Committee

Board Executive Committee consists of Executive Director (“ED”) and Non-Executive Directors (“NEDs”) and is responsible for the management of the business of the Company in all aspects and implementation of strategic business plans and policies approved and formulated by the Board. The minutes of Board Executive Committee meetings are tabled to the Board for noting. The present members comprise Dato’ Chang Kat Kiam (Chairman of Board Executive Committee), Mr. Chong Yam Kiang and Mr. Lee Huat Oon.

2. Risk Management Committee

RMC is responsible for overseeing that the Company’s corporate objectives are supported by a sound risk strategy and an effective risk management that is appropriate to the nature, scale and complexity of its activities and overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management, operational risk management, cyber security risk management, climate risk management and compliance risk management. It reviews and approves major risk related policies and major risk tolerance limits and reviews and assesses the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively. It conducts review of the compliance functions to ensure adequate resources and independence of Compliance Department. It also establishes policies and systems that promote and support anti-corruption laws and regulations. The minutes of RMC meetings are tabled to the Board for noting and further action, where appropriate. The members of RMC shall be appointed by the Board from amongst the NED of the Company, the majority of them shall be INEDs, and shall consist of not less than three members. The present members comprise Mr. Lee Chin Guan (Chairman of RMC), Mr. Lai Wan, Mr. Quah Poh Keat, Mr. Lim Chao Li and Ms. Phe Kheng Peng.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(E) CORPORATE GOVERNANCE (Continued)

3. Audit Committee

Audit Committee reviews internal control issues identified by Internal Audit Department, external auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. It also conducts review of the internal audit functions with particular emphasis on the scope of audits, quality of internal audits and independence of Internal Audit Department. The minutes of Audit Committee meetings are tabled to the Board for noting and further action, where appropriate. The Chief Executive and Head of Internal Audit normally attend the meetings. The members of Audit Committee shall be appointed by the Board from amongst the NEDs of the Company, the majority of them shall be INEDs, and shall consist of not less than three members. The present members comprise Mr. Lim Chao Li (Chairman of Audit Committee), Mr. Lai Wan, Mr. Quah Poh Keat, Mr. Lee Chin Guan and Ms. Phe Kheng Peng.

4. Nomination and Remuneration Committee

Nomination and Remuneration Committee is responsible for reviewing and recommending to the Board the overall Remuneration Policy and remuneration packages of the ED, Chief Executive, Alternate Chief Executives, Senior Management and key personnel, and the Remuneration Policy applicable to all employees of the Group; to review the structure, size and composition of the Board and make recommendations of any proposed changes to the Board to complement their corporate strategy; to make recommendations on the appointment, nomination policy, succession planning and any related matters for Directors, Chief Executive, Alternate Chief Executives and Senior Management. The minutes of Nomination and Remuneration Committee meetings are tabled to the Board for noting. The members of Nomination and Remuneration Committee shall be appointed by the Board from amongst the NEDs, the majority of them shall be INEDs and shall consist of not less than three members. The present members comprise Ms. Phe Kheng Peng (Chairman of Nomination and Remuneration Committee), Mr. Lai Wan, Mr. Quah Poh Keat, Mr. Lee Chin Guan and Mr. Lim Chao Li.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(E) CORPORATE GOVERNANCE (Continued)

5. Bank Culture and Sustainability Committee

Bank Culture and Sustainability Committee (“BCSC”) is established by the Board to (i) develop and promote a sound corporate culture and behavioural standards that promote prudent risk-taking and fair treatment of customers within Public Financial Holdings Limited, the intermediate holding company of the Company, and its subsidiaries (“PFHL Group”) and (ii) improve on how PFHL Group can add further value in managing the risks and exploring opportunities related to the various aspects of ESG. The minutes of BCSC meetings are tabled to the Board for noting. The members of BCSC shall be appointed by the Board amongst the NEDs, two of them must be INEDs, and shall consist of not less than three members. The present members comprise Ms. Phe Kheng Peng (Chairman of BCSC), Mr. Tang Wing Chew, Mr. Lai Wan, Mr. Quah Poh Keat, Dato’ Chang Kat Kiam, Mr. Lee Chin Guan and Mr. Lim Chao Li.

6. Management Committee

Management Committee is established by the Board to ensure the effectiveness of the daily operations and that the operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved. The members of the Committee comprise the ED and Chief Executive (Chairman of Management Committee), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive, Head of Sales and Business Development Department, designated personnel from Finance and Control Department of PBHK, Head of RMD and four Zone Managers.

7. Credit Committee

Credit Committee is responsible for making decision on applications for all types of loan facilities within its discretionary powers, assisting the Board in formulating policy guidelines for the Company’s lending business, and recommending applications for loan facilities exceeding the discretionary powers of Credit Committee to the Board for approval. The members of the Committee comprise the ED and Chief Executive (Chairman of Credit Committee), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive, Head of Business Operations and Administration Department, Head of Risk Management and Credit Manager.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(E) CORPORATE GOVERNANCE (Continued)

8. Assets and Liabilities Management Committee

ALCO reviews and assesses the risk profile (including risk tolerance limits and potential material impacts) and consolidated statement of financial position structure of the Company, sets out the objectives for the assets and liabilities management function and implements relevant risk management strategy. The Committee monitors and manages the aforesaid matters within a framework of approved policies and limits, and reports to the RMC. The members of ALCO comprise the ED and Chief Executive (Chairman of ALCO), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive, Head of Risk Management Department, designated personnel from Finance and Control Department of PBHK and a Zone Manager.

9. Human Resources Committee

Human Resources Committee assists the Board in formulating and implementing human resources policies including staff recruitment, promotion, career development, performance appraisal and remuneration packages of all staff. The members of the Committee comprise the ED and Chief Executive (Chairman of Human Resources Committee), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive and designated personnel from Human Resources Department of PBHK.

10. Information Technology Steering Committee

Information Technology Steering Committee ("ITSC") is responsible for establishing objectives, policies and strategies for the computerisation of the Group, recommending to the Board on major acquisitions of computer hardware and software, and monitoring the progress of the implementation of all information technology related projects. The members of the Committee comprise the ED and Chief Executive (Chairman of ITSC), designated personnel from Information Technology Department of PBHK, designated personnel from Finance and Control Department of PBHK and Head of Business Operations and Administration Department. The Head of Internal Audit Department also participates in the meetings by invitation.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(E) CORPORATE GOVERNANCE (Continued)

11. Finance Committee

Finance Committee assists the Board in the financial planning and budgeting process of the business of the Company and the review of the business performance, medium-term financial strategic business plan, statutory and half-year accounts. The members of the Committee comprise the ED and Chief Executive (Chairman of Finance Committee), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive and designated personnel from Finance and Control Department of PBHK.

12. Operational Risk Management Committee

ORMC is responsible for the implementation of the operational risk management framework approved by the Board, and the development of specific policies, guidelines, processes and procedures for managing operational risk including climate-related risk in the material products, activities, processes and systems. The members of ORMC comprise the ED and Chief Executive (Chairman of ORMC), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive, Head of Risk Management Department, designated personnel from Information Technology Department of PBHK, designated personnel from Finance and Control Department of PBHK, Head of Business Operations and Administration Department and Head of Compliance Department.

13. Anti-Money Laundering Committee

AML Committee is accountable for the supervision of matters relating to AML, counter financing of terrorism, countering proliferation financing and targeted financial sanctions. The Committee shall assist the Board of the Company in overseeing the management of money laundering, terrorism financing and proliferation financing ("ML/TF/PF") risk with the focus on the second line of defence as well as providing governance and advice to the Company on its policies and procedures designed to identify ML/TF/PF risk areas where the Company may be exposed. The Committee shall use its professional judgment to guide the Company and to report to the RMC. The members of the Committee comprise the ED and Chief Executive (Chairman of AML Committee), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive, AML Compliance Officer/Alternate AML Compliance Officer, Head of Risk Management Department, Head of Fixed Deposit Department, Head of Business Operations and Administration Department and a Zone Manager.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2024

(E) CORPORATE GOVERNANCE (Continued)

14. Business Strategy Steering Committee

Business Strategy Steering Committee (“BSSC”) is responsible for establishing effective business strategies to meet corporate goals and objectives taking into account operating conditions in the market, managing sustainability related matters including climate change risk, reviewing all sustainability related targets and formulating strategic business directions to achieve growth and return, efficiency and competitive advantage in the financial industry. The members of the Committee comprise the ED and Chief Executive (Chairman of BSSC), Assistant General Manager/Alternate Chief Executive, Assistant General Manager, Business/Alternate Chief Executive, Head of Sales and Business Development Department and four Zone Managers.

15. Business Operations Efficiency Measures Joint Working Committee

BOEM Joint Working Committee is responsible for reviewing and streamlining the existing operations and functionalities of the Group and PBHK, with the main objectives to improve overall operational efficiency and cost savings. It directs and manages the work progress of the sub-committees, which are set up for specific areas of operations/functionalities identified for BOEM, according to the pre-planned tasks and time schedules. The members of the Committee comprise the Chief Executive, Senior General Manager, Financial Controller, Head of Compliance, Head of Operations and Technology Innovation, Head of Information Technology and Company Secretary from PBHK and Chief Executive, Assistant General Manager, Designated In-charge of Finance and Control Function, Head of Compliance, Head of Business Operations and Administration, Designated In-charge of Information Technology Function and Company Secretary from the Company.