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

(Incorporated in Bermuda with limited liability)

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The Board of Directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2024 with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
Interest income	8	2,052,398	1,958,740
Interest expense	8	(1,069,107)	(953,715)
NET INTEREST INCOME		983,291	1,005,025
Fees and commission income	9	220,229	199,206
Fees and commission expenses	9	(1,968)	(2,059)
Net fees and commission income		218,261	197,147
Other operating income	10	35,088	36,457
OPERATING INCOME		1,236,640	1,238,629
Operating expenses	11	(1,701,003)	(843,100)
Changes in fair value of investment properties		(51,968)	(30,454)
OPERATING (LOSS)/PROFIT BEFORE CREDIT LOSS EXPENSES		(516,331)	365,075
Credit loss expenses	12	(499,079)	(324,444)

* For identification purpose only

		Year ended 31 December	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
(LOSS)/PROFIT BEFORE TAX		(1,015,410)	40,631
Tax	<i>13</i>	<u>16,023</u>	<u>(26,250)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(999,387)</u>	<u>14,381</u>
(LOSS)/PROFIT ATTRIBUTABLE TO:			
Owners of the Company		<u>(999,387)</u>	<u>14,381</u>
(LOSS)/EARNINGS PER SHARE (HK\$)	<i>15</i>		
Basic		<u>(0.910)</u>	<u>0.013</u>
Diluted		<u>(0.910)</u>	<u>0.013</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2024 HK\$'000	2023 HK\$'000
(LOSS)/PROFIT FOR THE YEAR	(999,387)	14,381
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Net losses on debt securities investment measured at fair value through other comprehensive income (“FVOCI”), net of tax	(1,206)	–
Exchange differences on translating foreign operations, net of tax	(34,507)	(22,180)
	(35,713)	(22,180)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of properties	<u>57,393</u>	<u>74,581</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>21,680</u>	<u>52,401</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(977,707)</u>	<u>66,782</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:		
Owners of the Company	<u>(977,707)</u>	<u>66,782</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2024 HK\$'000	31 December 2023 HK\$'000
ASSETS			
Cash and short term placements		5,951,644	3,718,694
Placements with banks and financial institutions maturing after one month but not more than twelve months		1,905,999	977,141
Derivative financial instruments		4,561	10,743
Loans and advances and receivables	16	24,192,793	23,947,182
Equity investments at fair value through other comprehensive income		6,804	6,804
Debt securities investment	17	6,624,576	7,639,528
Investment properties		612,341	525,361
Property and equipment		231,454	210,057
Land held under finance leases		651,795	670,300
Right-of-use assets		87,169	90,722
Deferred tax assets		89,103	48,914
Tax recoverable		16,209	42,849
Goodwill	18	1,964,403	2,774,403
Intangible assets		232	232
Other assets		504,913	291,762
TOTAL ASSETS		42,843,996	40,954,692
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		521,314	467,547
Derivative financial instruments		14,589	40
Customer deposits at amortised cost		32,173,517	29,536,440
Unsecured bank loans at amortised cost		1,620,326	1,611,754
Lease liabilities		96,177	97,346
Current tax payable		2,654	–
Deferred tax liabilities		58,445	54,775
Other liabilities		656,257	508,366
TOTAL LIABILITIES		35,143,279	32,276,268
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		109,792	109,792
Reserves		7,590,925	8,568,632
TOTAL EQUITY		7,700,717	8,678,424
TOTAL EQUITY AND LIABILITIES		42,843,996	40,954,692

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Capital redemption reserve	Contributed surplus	Property revaluation reserve	Debt securities revaluation reserve	Regulatory reserve [#]	Retained profits	Translation reserve	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2024		109,792	4,013,296	829	96,116	78,563	-	34,316	4,365,121	(19,609)	8,678,424
Loss for the year		-	-	-	-	-	-	-	(999,387)	-	(999,387)
Other comprehensive income/(loss)		-	-	-	-	57,393	(1,206)	-	-	(34,507)	21,680
Transfer from regulatory reserve to retained profits		-	-	-	-	-	-	(34,316)	34,316	-	-
Dividends for 2024	14(a)	-	-	-	-	-	-	-	-	-	-
As at 31 December 2024		<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>135,956</u>	<u>(1,206)</u>	<u>-</u>	<u>3,400,050</u>	<u>(54,116)</u>	<u>7,700,717</u>

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

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

Deducted from the contributed surplus of the Group as at 31 December 2024 was positive goodwill of HK\$98,406,000 (31 December 2023: HK\$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

[#] The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as a buffer of capital to absorb potential financial losses, in case the expected credit loss ("ECL") provisions under accounting standards' requirements is below a target level set by the Hong Kong Monetary Authority (the "HKMA").

NOTES TO FINANCIAL STATEMENTS

1. STATUTORY FINANCIAL STATEMENTS

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2024. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2024, which will be available in the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company in around late-February 2025.

The figures in this announcement of the results of the Group for the year ended 31 December 2024 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work of Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. BASIS OF PREPARATION

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

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

3. BASIS OF CONSOLIDATION

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

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

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

4. BASIS OF CAPITAL DISCLOSURES

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

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

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

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

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

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Banking (Capital) Rules (the "Capital Rules"). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the required capital conservation buffer ratio for 2023 and 2024 is 2.5%, whilst the required countercyclical capital buffer ratio for 2023 and 2024 is 1.0% and 0.5% respectively.

5. 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.

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.

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 *Presentation and Disclosure in Financial Statements*³
- HKFRS 19 *Subsidiaries without Public Accountability: Disclosures*³
- Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments*²
- Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*⁴
- Amendments to HKAS 21 *Lack of Exchangeability*¹
- *Annual Improvements to HKFRS Accounting Standards – Volume 11* *Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*²

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 those 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*. 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. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. However, some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

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

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.

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 inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

6. 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating unit (“CGU”) to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2024 and 31 December 2023 was HK\$1,964,403,000 and HK\$2,774,403,000 respectively. Further details are set out in Note 18 to the financial statements.

Leases – Estimating the incremental borrowing rate

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

Judgements

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

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

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

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

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.

7. SEGMENT INFORMATION

Operating segment information

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

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

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

	2024	2023	2024	2023	2024	2023	2024	2023
	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	983,113	1,006,985	178	(1,960)	–	–	983,291	1,005,025
Net fees and commission income	123,040	119,166	95,221	77,981	–	–	218,261	197,147
Other operating income/(expenses)	14,245	16,463	–	(203)	20,843	20,197	35,088	36,457
Operating income	1,120,398	1,142,614	95,399	75,818	20,843	20,197	1,236,640	1,238,629
Operating (loss)/profit after credit loss expenses before tax	(1,011,004)	61,791	45,238	2,933	(49,644)	(24,093)	(1,015,410)	40,631
Tax							16,023	(26,250)
(Loss)/profit for the year							(999,387)	14,381
Other segment information								
Depreciation of property and equipment and land held under finance leases	(49,814)	(46,736)	–	–	–	–	(49,814)	(46,736)
Depreciation of right-of-use assets	(53,332)	(56,846)	–	–	–	–	(53,332)	(56,846)
Changes in fair value of investment properties	–	–	–	–	(51,968)	(30,454)	(51,968)	(30,454)
Credit loss expenses	(499,079)	(324,444)	–	–	–	–	(499,079)	(324,444)
Net losses on disposal of property and equipment	(21)	(418)	–	–	–	–	(21)	(418)

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
	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets and goodwill	39,681,040	37,286,462	480,627	276,430	612,382	525,402	40,774,049	38,088,294
Intangible assets	–	–	232	232	–	–	232	232
Goodwill	1,964,403	2,774,403	–	–	–	–	1,964,403	2,774,403
Segment assets	41,645,443	40,060,865	480,859	276,662	612,382	525,402	42,738,684	40,862,929
Unallocated assets:								
Deferred tax assets and tax recoverable							105,312	91,763
Total assets							42,843,996	40,954,692
Segment liabilities	34,766,557	32,130,852	308,827	83,624	6,796	7,017	35,082,180	32,221,493
Unallocated liabilities:								
Deferred tax liabilities and tax payable							61,099	54,775
Total liabilities							35,143,279	32,276,268
Other segment information								
Additions to non-current assets – capital expenditure	134,282	56,258	–	–	–	–	134,282	56,258

Geographical information

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

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

	2024	2023
	HK\$'000	HK\$'000
Segment revenue from external customers:		
Hong Kong	1,139,847	1,121,975
Mainland China	96,793	116,654
	1,236,640	1,238,629

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

The following table discloses the non-current assets information for geographical segments as at 31 December 2024 and 31 December 2023.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets:		
Hong Kong	3,529,737	4,251,128
Mainland China	17,657	19,947
	<u>3,547,394</u>	<u>4,271,075</u>

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

Operating income or revenue from major customers

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

8. INTEREST INCOME AND EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income from:		
Loans and advances and receivables	1,502,840	1,508,924
Short term placements and placements with banks	215,887	159,575
Debt securities investment	333,671	290,241
	<u>2,052,398</u>	<u>1,958,740</u>
Interest expense on:		
Deposits from banks and financial institutions	24,664	26,258
Deposits from customers	956,069	841,273
Bank loans	83,390	83,343
Others	4,984	2,841
	<u>1,069,107</u>	<u>953,715</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\$2,052,398,000 and HK\$1,069,107,000 (2023: HK\$1,958,740,000 and HK\$953,715,000) respectively.

9. NET FEES AND COMMISSION INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Fees and commission income:		
Retail and commercial banking	125,008	121,225
Wealth management services, stockbroking and securities management	95,221	77,981
	220,229	199,206
Less: Fees and commission expenses	(1,968)	(2,059)
	218,261	197,147

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

10. OTHER OPERATING INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Gross rental income	20,917	20,259
Less: Direct operating expenses	(74)	(73)
Net rental income	20,843	20,186
Gains less losses arising from dealing in foreign currencies	22,977	3,440
Net (losses)/gains on derivative financial instruments	(10,028)	10,703
	12,949	14,143
Net losses on disposal of property and equipment	(21)	(418)
Gain on termination of leases	58	–
Dividend income from listed investments	258	243
Dividend income from unlisted investments	150	35
Others	851	2,268
	35,088	36,457

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

There were no net gains or losses arising from the derecognition of equity/debt securities investments at FVOCI, loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the years ended 31 December 2024 and 31 December 2023.

11. OPERATING EXPENSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Staff costs:		
Salaries and other staff costs	542,475	507,041
Pension contributions	26,932	25,979
Less: Forfeited contributions	(87)	(167)
Net contribution to retirement benefit schemes	26,845	25,812
	569,320	532,853
Other operating expenses:		
Depreciation of right-of-use assets	53,332	56,846
Depreciation of property and equipment and land held under finance leases	49,814	46,736
Auditors' remuneration	4,736	4,727
Administrative and general expenses	73,151	68,204
Impairment of goodwill	810,000	–
Others	140,650	133,734
Operating expenses before changes in fair value of investment properties	1,701,003	843,100

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.

12. CREDIT LOSS EXPENSES

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

	2024			Total HK\$'000
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	48,916	(1,564)	422,100	469,452
– trade bills, accrued interest and other receivables	(41)	24	29,422	29,405
– cash and short term placements	222	–	–	222
– placements with banks and financial institutions	93	–	–	93
– debt securities investment	(103)	–	–	(103)
– loan commitments	10	–	–	10
	<u>49,097</u>	<u>(1,540)</u>	<u>451,522</u>	<u>499,079</u>
	2023			Total HK\$'000
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	1,941	6,634	311,059	319,634
– trade bills, accrued interest and other receivables	(81)	46	4,883	4,848
– cash and short term placements	29	–	–	29
– placements with banks and financial institutions	(91)	–	–	(91)
– debt securities investment	24	–	–	24
– loan commitments	–	–	–	–
	<u>1,822</u>	<u>6,680</u>	<u>315,942</u>	<u>324,444</u>

13. TAX

	2024 HK\$'000	2023 HK\$'000
Current tax charge:		
Hong Kong	4,936	23,188
Overseas	16,615	11,416
Over-provision in prior years	(177)	–
Deferred tax credit, net	(37,397)	(8,354)
	<u>(16,023)</u>	<u>26,250</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. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax (credit)/charge applicable to (loss)/profit before tax using the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled and/or operate to the tax (credit)/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		2023		Total	
	Hong Kong HK\$'000	%	Mainland China HK\$'000	%	HK\$'000	%
(Loss)/profit before tax	<u>(1,019,306)</u>		<u>3,896</u>		<u>(1,015,410)</u>	
Tax at the applicable tax rate	(168,187)	16.5	974	25.0	(167,213)	16.5
Estimated tax effect of net expenses that are not deductible	150,724	(14.8)	–	–	150,724	(14.8)
Estimated tax losses not recognised	643	–	–	–	643	(0.1)
Adjustments in respect of current tax of previous periods	(177)	–	–	–	(177)	–
Tax (credit)/charge at the Group's effective rate	<u>(16,997)</u>	<u>1.7</u>	<u>974</u>	<u>25.0</u>	<u>(16,023)</u>	<u>1.6</u>
	2024		2023		Total	
	Hong Kong HK\$'000	%	Mainland China HK\$'000	%	HK\$'000	%
(Loss)/profit before tax	<u>(45,088)</u>		<u>85,719</u>		<u>40,631</u>	
Tax at the applicable tax rate	(7,440)	16.5	21,430	25.0	13,990	34.4
Estimated tax effect of net expenses that are not deductible	12,253	(27.2)	7	–	12,260	30.2
Tax charge at the Group's effective rate	<u>4,813</u>	<u>(10.7)</u>	<u>21,437</u>	<u>25.0</u>	<u>26,250</u>	<u>64.6</u>

14. DIVIDENDS

(a) Dividends declared during the year

	2024 <i>HK\$ per ordinary share</i>	2023 <i>HK\$ per ordinary share</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interim dividend declared and paid	<u>-</u>	<u>0.03</u>	<u>-</u>	<u>32,938</u>

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

	2024 <i>HK\$ per ordinary share</i>	2023 <i>HK\$ per ordinary share</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Second interim dividend in respect of the previous year	<u>-</u>	<u>0.11</u>	<u>-</u>	<u>120,771</u>

15. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss for the year of HK\$999,387,000 (profit for the year 2023 of HK\$14,381,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 shares (2023: 1,097,917,618 shares) during the year.

(b) Diluted (loss)/earnings per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 31 December 2023.

16. LOANS AND ADVANCES AND RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loans and advances to customers	24,458,426	24,165,100
Trade bills	–	525
Loans and advances, and trade bills	24,458,426	24,165,625
Accrued interest	77,820	114,993
Other receivables	24,536,246 5,790	24,280,618 7,106
Gross loans and advances and receivables	24,542,036	24,287,724
Less: Impairment allowances		
– specifically assessed	(175,468)	(214,102)
– collectively assessed	(173,775)	(126,440)
	(349,243)	(340,542)
Loans and advances and receivables	<u>24,192,793</u>	<u>23,947,182</u>

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, listed shares, taxi licences, public light bus licences and vehicles.

Loans and advances and receivables are summarised as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Neither past due nor impaired loans and advances and receivables	23,356,203	22,426,539
Past due but not impaired loans and advances and receivables	622,579	929,948
Credit impaired loans and advances	545,880	885,192
Credit impaired receivables	17,374	46,045
Gross loans and advances and receivables	<u>24,542,036</u>	<u>24,287,724</u>

About 70% (31 December 2023: about 70%) of “Neither past due nor impaired loans and advances and receivables” were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

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

	2024		2023	
	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	148,077	0.61	88,717	0.37
One year or less but over six months	157,194	0.64	634,339	2.62
Over one year	159,324	0.65	121,325	0.50
Loans and advances overdue for more than three months	464,595	1.90	844,381	3.49
Rescheduled loans and advances overdue for three months or less	25,938	0.10	24,811	0.10
Impaired loans and advances overdue for three months or less	55,347	0.23	16,000	0.07
Total overdue and impaired loans and advances	545,880	2.23	885,192	3.66

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	1,308	1,006
One year or less but over six months	3,567	30,407
Over one year	12,257	14,517
Trade bills, accrued interest and other receivables overdue for more than three months	17,132	45,930
Impaired trade bills, accrued interest and other receivables overdue for three months or less	242	115
Total overdue and impaired trade bills, accrued interest and other receivables	17,374	46,045

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

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

	2024			2023		
	Hong Kong	Mainland	Total	Hong Kong	Mainland	Total
	HK\$'000	China	HK\$'000	HK\$'000	China	HK\$'000
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	<u>443,238</u>	<u>38,489</u>	<u>481,727</u>	817,418	72,893	890,311
Impairment allowances specifically assessed	<u>131,085</u>	<u>8,331</u>	<u>139,416</u>	192,478	10,115	202,593
Current market value and fair value of collateral			<u>428,283</u>			<u>806,204</u>
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	<u>518,323</u>	<u>44,931</u>	<u>563,254</u>	858,231	73,006	931,237
Impairment allowances specifically assessed	<u>167,137</u>	<u>8,331</u>	<u>175,468</u>	203,874	10,228	214,102
Current market value and fair value of collateral			<u>481,897</u>			<u>863,513</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.

- (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 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u>428,283</u>	<u>806,204</u>
Covered portion of overdue loans and advances	<u>328,273</u>	<u>693,319</u>
Uncovered portion of overdue loans and advances	<u>136,322</u>	<u>151,062</u>

The assets taken as collateral should satisfy the following criteria:

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

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

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

(d) Repossessed assets

As at 31 December 2024, the total value of repossessed assets of the Group amounted to HK\$144,770,000 (31 December 2023: HK\$699,135,000).

(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>618,615</u>	<u>2.53</u>	<u>923,613</u>	<u>3.82</u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u>3,964</u>		<u>6,335</u>	

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

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

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

	2023			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 2023	23,788,204	772,750	321,351	24,882,305
New loans/financing originated	5,507,572	23,706	3,249	5,534,527
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,746,231)	(29,207)	(69,816)	(5,845,254)
Transfer to 12-month expected credit loss (Stage 1)	59,403	(48,522)	(10,881)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(277,911)	278,834	(923)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(345,112)	(626,999)	972,111	–
Total transfer between stages	(563,620)	(396,687)	960,307	–
Write-offs	–	–	(283,854)	(283,854)
As at 31 December 2023	<u>22,985,925</u>	<u>370,562</u>	<u>931,237</u>	<u>24,287,724</u>
Arising from:				
Loans and advances	22,913,307	366,601	885,192	24,165,100
Trade bills, accrued interest and other receivables	72,618	3,961	46,045	122,624
	<u>22,985,925</u>	<u>370,562</u>	<u>931,237</u>	<u>24,287,724</u>

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$508,451,000 (31 December 2023: HK\$190,183,000).

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	23,220,891	–	–	23,220,891
Special Mention	325,672	432,219	–	757,891
Non-performing				
Substandard	–	–	157,312	157,312
Doubtful	–	–	333,036	333,036
Loss	–	–	72,906	72,906
Total	<u>23,546,563</u>	<u>432,219</u>	<u>563,254</u>	<u>24,542,036</u>

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

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

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

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

(g) Finance lease receivables

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

	2024	2023	2024	2023
	Undiscounted lease payments		Net investment in finance leases	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts receivable under finance leases:				
Within one year	478,266	485,971	319,718	297,957
Over one year but within two years	425,967	441,018	294,928	282,276
Over two years but within three years	367,925	397,102	248,742	250,600
Over three years but within four years	326,679	350,469	216,085	213,467
Over four years but within five years	299,075	320,613	195,105	190,836
Over five years	4,525,643	4,881,659	3,596,895	3,723,815
	<u>6,423,555</u>	6,876,832	<u>4,871,473</u>	<u>4,958,951</u>
Less: Unearned finance income	<u>(1,552,082)</u>	<u>(1,917,881)</u>		
Net investment in finance leases	<u>4,871,473</u>	<u>4,958,951</u>		

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

17. DEBT SECURITIES INVESTMENT

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

	Financial assets at amortised cost <i>HK\$'000</i>	2023 Financial assets at FVOCI <i>HK\$'000</i>	Total <i>HK\$'000</i>
Certificates of deposit held	3,739,234	–	3,739,234
Treasury bills and government bonds (including Exchange Fund Bills)	2,657,313	–	2,657,313
Other debt securities	1,243,751	–	1,243,751
Gross debt securities investment	7,640,298	–	7,640,298
Less: Impairment allowances collectively assessed			
As at 1 January 2023	(746)		(746)
Credit loss expenses charged to the consolidated income statement during the year	(24)		(24)
	(770)		(770)
	<u>7,639,528</u>	<u>–</u>	<u>7,639,528</u>
Listed or unlisted:			
– Listed in Hong Kong	756,804	–	756,804
– Listed outside Hong Kong	318,564	–	318,564
– Unlisted	6,564,930	–	6,564,930
	<u>7,640,298</u>	<u>–</u>	<u>7,640,298</u>
Analysed by types of issuers:			
– Central governments	2,657,313	–	2,657,313
– Public sector entities	169,992	–	169,992
– Corporates	200,000	–	200,000
– Banks and other financial institutions	4,612,993	–	4,612,993
	<u>7,640,298</u>	<u>–</u>	<u>7,640,298</u>

There were no impairment allowances specifically assessed made against debt securities investment as at 31 December 2024 and 31 December 2023.

There were neither impaired nor overdue debt securities investment as at 31 December 2024 and 31 December 2023.

Over 90% (31 December 2023: over 90%) of debt securities investment were rated with a grading of A3 or above based on the credit rating of Moody's Investors Service, an external credit agency.

18. GOODWILL

	<i>HK\$'000</i>
Cost:	
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	<u>2,774,403</u>
Accumulated impairment:	
As at 1 January 2023, 31 December 2023 and 1 January 2024	–
Impairment during the year	<u>810,000</u>
As at 31 December 2024	<u>810,000</u>
Net carrying amount:	
As at 31 December 2024	<u><u>1,964,403</u></u>
As at 31 December 2023	<u><u>2,774,403</u></u>

Impairment test of goodwill

The CGU identified by the Group refers to the “retail and commercial banking businesses” segment of its main operating entities, namely Public Bank (Hong Kong) and Public Finance. The recoverable amounts of the CGU at each subsequent reporting date are determined based on the value-in-use using the present value of cash flows at a pre-tax discount rate of 9.7% (2023: pre-tax discount rate of 9.7%) taking into account the expected operating synergy, profitability and growth of businesses of Public Bank (Hong Kong) and Public Finance. The cash flow projections are based on financial plans approved by management and assumed growth rates are used to extrapolate the cash flows beyond 5 years. The financial projection considers the sustainability of business growth, stability of core business developments, long-term economic cycle, availability of financial resources for business expansion, compliance with regulatory capital and liquidity requirements, and achievement of business targets extrapolated from historical financial results. Management’s financial model assumes an average growth rate of 2.8% (2023: 2.8%) per annum for the CGU from the sixth years taking into account long-term gross domestic product growth and other relevant economic factors.

An impairment loss of HK\$810,000,000 has been recognised in respect of goodwill for the year ended 31 December 2024 (2023: Nil) to write down its carrying amount to the value-in-use. A lower recoverable amount from the CGU is derived in the latest assessment mainly attributable to the downward adjustment in financial projections under the expected challenging operating environment and market conditions. The sensitivity assessment on the value-in-use of the CGU is as follows:

	Value-in-use Sensitivity HK\$'000
Discount rate:	
+25 basis points	(278,690)
-25 basis points	299,723
5-year cash flow projections:	
+5%	380,677
-5%	(380,677)

19. LEASES

(a) As lessor

The Group leases its investment properties under operating lease arrangements, and the terms of the leases range from 1 to 3 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 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	13,740	14,494
Over one year but within two years	4,570	7,594
Over two years but within three years	1,817	195
	<u>20,127</u>	<u>22,283</u>

(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 1 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 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	–	8,983
In the second to fifth years, inclusive	–	20,439
	<u>–</u>	<u>29,422</u>

20. OFF-BALANCE SHEET EXPOSURE

Contingent liabilities, commitments and derivatives

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

	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	2024 Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	28,238	28,238	23,919	-	-
Transaction-related contingencies	18,780	9,390	1,354	-	-
Trade-related contingencies	4,301	860	777	-	-
Forward forward deposits placed	80,871	80,871	16,174	-	-
Forward asset purchases	-	-	-	-	-
	<u>132,190</u>	<u>119,359</u>	<u>42,224</u>	-	-
Derivatives held for trading:					
Foreign exchange contracts	744,108	13,615	2,723	4,561	14,589
Other commitments with an original maturity of:					
Not more than one year	37,840	7,568	7,568	-	-
More than one year	93,048	46,524	46,524	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,291,507</u>	-	-	-	-
	<u><u>3,298,693</u></u>	<u><u>187,066</u></u>	<u><u>99,039</u></u>	<u><u>4,561</u></u>	<u><u>14,589</u></u>
					2024 Contractual amount <i>HK\$'000</i>
Capital commitments contracted for, but not provided in the consolidated statement of financial position					<u><u>23,914</u></u>

	Contractual amount <i>HK\$'000</i>	Credit equivalent amount <i>HK\$'000</i>	2023 Credit risk- weighted amount <i>HK\$'000</i>	Positive fair value- assets <i>HK\$'000</i>	Negative fair value- liabilities <i>HK\$'000</i>
Direct credit substitutes	27,929	27,929	23,556	–	–
Transaction-related contingencies	17,846	8,923	1,259	–	–
Trade-related contingencies	3,046	609	524	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	–	–	–	–	–
	<u>48,821</u>	<u>37,461</u>	<u>25,339</u>	<u>–</u>	<u>–</u>
Derivatives held for trading:					
Foreign exchange contracts	452,813	20,787	4,157	10,743	40
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	123,280	61,640	61,640	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	<u>2,235,181</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>2,860,095</u></u>	<u><u>119,888</u></u>	<u><u>91,136</u></u>	<u><u>10,743</u></u>	<u><u>40</u></u>
					2023 Contractual amount <i>HK\$'000</i>
Capital commitments contracted for, but not provided in the consolidated statement of financial position					<u><u>25,817</u></u>

21. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	2024			Over 5 years HK\$'000	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			
Financial assets:								
Gross cash and short term placements	672,592	5,279,627	-	-	-	-	-	5,952,219
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,837,374	68,816	-	-	-	1,906,190
Gross loans and advances and receivables	906,757	1,204,193	590,603	2,906,642	6,291,851	12,045,766	596,224	24,542,036
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross debt securities investment	-	1,047,461	3,483,499	1,407,399	686,569	-	-	6,624,928
Other assets	838	40,111	17,571	11,346	6,539	-	428,508	504,913
Gross foreign exchange contracts	-	744,108	-	-	-	-	-	744,108
Total financial assets	1,580,187	8,315,500	5,929,047	4,394,203	6,984,959	12,045,766	1,031,536	40,281,198
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	133,163	238,151	50,000	100,000	-	-	-	521,314
Customer deposits at amortised cost	7,956,262	7,101,097	12,677,206	4,438,428	524	-	-	32,173,517
Unsecured bank loans at amortised cost	-	1,620,326	-	-	-	-	-	1,620,326
Lease liabilities	-	4,355	8,550	33,562	49,710	-	-	96,177
Other liabilities	5,685	74,673	92,066	67,323	12	-	416,498	656,257
Gross foreign exchange contracts	-	754,136	-	-	-	-	-	754,136
Total financial liabilities	8,095,110	9,792,738	12,827,822	4,639,313	50,246	-	416,498	35,821,727
Net liquidity gap	(6,514,923)	(1,477,238)	(6,898,775)	(245,110)	6,934,713	12,045,766	615,038	4,459,471

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

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting year covered by the 2024 Annual Report, in compliance with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

DIVIDENDS

The Directors did not declare the payment of interim dividend (2023: HK\$0.03), and did not recommend the payment of a final dividend for the year (2023: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 17 March 2025 to Friday, 21 March 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all properly completed transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 March 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the economy of Hong Kong continued on a modest post-pandemic growth, but the general operating environment remained challenging, in particular for small- and medium-sized entities and traditional businesses. The overall economic outlook is also uncertain due to the escalated geopolitical risk and the change in consumption landscape in Hong Kong.

The US Federal Reserve had started to cut its benchmark rate since the third quarter of 2024, which was followed by Hong Kong dollars ("HKD") interest rates under the Linked Exchange Rate System. Banks in Hong Kong began to adjust the Prime Rates and deposit interest rates downwards to support the economy and general asset price.

Property prices, in particular for commercial real estates, slumped in 2024 notwithstanding a rebound in property market transactions supported by interest rate cuts, upliftment of property market cooling measures by the Hong Kong Government and relaxation of prudential measures over property mortgage loans.

Taxi licence price also underperformed in 2024 partly due to the more popular usage of the ride-hailing platforms and partly the taxi service quality issue. After the issuance of 5 premium taxi fleet licences and introduction of Taxi-Driver-Offence Points Ordinance (Cap. 647 of the Laws of Hong Kong) by the Hong Kong Government in the second half of 2024, taxi licence price was stabilised.

Sentiment for investment improved following the interest rate cuts and economic stimulus measures announced by the Hong Kong Government, but investor confidence remained relatively weak and corporates were also conservative in business expansion, thus dampening the loan demand.

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

FINANCIAL REVIEW

Revenue and earnings

For the year ended 31 December 2024, the Group recorded a loss after tax of HK\$999.4 million (inclusive of goodwill impairment of HK\$810.0 million) as compared with a profit after tax of HK\$14.4 million in the previous year. The Group's basic loss per share for 2024 was HK\$0.91 (basic earnings per share for 2023: HK\$0.01). The Board did not declare or recommend the payment of an interim dividend (2023: HK\$32.9 million or HK\$0.03 per share) or a final dividend (2023: Nil) for the year 2024 taking into consideration the uncertainties in the operating environment and results of the financial performance of the Group.

For the year under review, the Group's interest income increased by HK\$93.7 million or 4.8% to HK\$2.05 billion contributed mainly from the growth in interest income from investments in debt securities and placements with banks under the higher interest rate environment. Total interest expenses increased by HK\$115.4 million or 12.1% to HK\$1.07 billion mainly due to higher interest cost on time deposits coupled with the migration of lower cost savings and demand deposits to time deposits under the high interest rate environment. As a result, the Group's net interest income decreased by HK\$21.7 million or 2.2% to HK\$983.3 million. Other operating income of the Group increased by HK\$19.7 million or 8.4% to HK\$253.3 million mainly due to the higher fees and commission income from wealth management services, stockbroking and securities management benefited by a higher turnover in Hong Kong stock market.

Total operating expenses (excluding changes in fair value of investment properties) increased by HK\$857.9 million or 101.8% to HK\$1.70 billion, mainly due to the impairment of goodwill and higher staff costs incurred as part of talent retention strategy. The carrying amount of goodwill was written down by HK\$810.0 million for the year ended 31 December 2024 following the adoption of more conservative business projections by the Board amidst expected challenging operating environment and market conditions.

Revaluation loss of investment properties amounted to HK\$52.0 million during the year under review as compared with HK\$30.5 million in the previous year.

Credit loss expenses increased by HK\$174.7 million or 53.9% to HK\$499.1 million in 2024 as compared with HK\$324.4 million in the previous year. The increase in credit loss expenses was mainly attributable to hire purchase loans amidst a considerable decline in the value of public vehicle licences, increased delinquencies and bankruptcies from personal lending borrowers, and additional impairment provision for a few corporate borrowers.

Balance Sheet Highlights

The Group's total loans and advances (including trade bills) increased by HK\$0.29 billion or 1.2% to HK\$24.46 billion as at 31 December 2024 from HK\$24.17 billion as at 31 December 2023. The increase in loans and advances was mainly attributable to property mortgage loan portfolio driven by the full upliftment of property market cooling measures by the Hong Kong Government and relaxation on prudential measures on property mortgage loans. The Group's customer deposits grew by HK\$2.63 billion or 8.9% to HK\$32.17 billion as at 31 December 2024 from HK\$29.54 billion as at 31 December 2023. The increase in customer deposits was due to the strong deposit-holding by customers as investment sentiment continued to be conservative with escalated market volatilities and uncertainties; and the Group had been managing deposit costs in alignment with the downward interest rate environment.

As at 31 December 2024, the Group's total assets stood at HK\$42.84 billion.

Key financial and business performance indicators

The Group's return on equity, based on reported loss excluding impairment on goodwill to average equity, was negative 2.33% in the year under review mainly due to the heightened credit losses amidst asset price slump. As market conditions are beyond the control of the Group, the Group implemented business rationalisation for more effective cost control and would continue further improving its operating cost efficiency and effectiveness by optimising system and staff resources, streamlining the support services across group entities and making use of synergies from the combined branch network of Public Bank (Hong Kong), Public Finance and Winton Financial Limited ("Winton Financial") to achieve cost synergy within the Group.

The Group's impaired loans to total loans ratio decreased to 2.23% as at 31 December 2024 from 3.66% as at 31 December 2023 after settlement of a large commercial loan impaired in year 2023. The Group continues adopting prudent underwriting standards to ensure healthy level of quality loans and taking prompt actions to pursue loans recovery for problem credits.

Business performance of key subsidiaries

Public Bank (Hong Kong)

During the year under review, total loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank and a direct subsidiary of the Company, recorded an increase of HK\$126.0 million or 0.7% to HK\$18.81 billion as at 31 December 2024 from HK\$18.69 billion as at 31 December 2023. Customer deposits (excluding deposits from a subsidiary) increased by HK\$2.76 billion or 11.0% to HK\$27.94 billion as at 31 December 2024 from HK\$25.18 billion as at 31 December 2023. Impaired loans to total loans ratio of Public Bank (Hong Kong) decreased by 2.29% to 1.95% as at 31 December 2024 from 4.24% as at 31 December 2023. Excluding intra-group dividend income, Public Bank (Hong Kong) recorded a loss of HK\$132.1 million for year 2024 mainly due to higher credit loss expenses on hire purchase loan portfolio affected by the headwind on taxi and public light bus industry with declining licence value as well as additional impairment provisions for a few corporate borrowers.

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

Public Finance

Total loans and advances of Public Finance, a deposit-taking company and a direct subsidiary of Public Bank (Hong Kong), recorded a growth of HK\$106.1 million or 2.1% to HK\$5.19 billion as at 31 December 2024 from HK\$5.08 billion as at 31 December 2023. Customer deposits declined by HK\$129.6 million or 2.9% to HK\$4.28 billion as at 31 December 2024 from HK\$4.41 billion as at 31 December 2023. Impaired loans to total loans ratio of Public Finance increased by 0.28% to 1.91% as at 31 December 2024 from 1.63% as at 31 December 2023. Excluding intra-group dividend income, profit of Public Finance for year 2024 decreased by HK\$50.1 million or 84.8% to HK\$9.0 million mainly due to the increase in credit loss expenses on unsecured personal lending affected by escalated bankruptcy cases.

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

Segmental information

The Group's businesses comprise three main segments: (i) retail and commercial banking businesses, (ii) wealth management services, stockbroking and securities management, and (iii) other businesses. For the year under review, the contribution of the aforesaid segments to the Group's operating income was 90.6%, 7.7% and 1.7%, respectively. The loss before tax of HK\$1.01 billion recognised by the retail and commercial banking businesses was mainly due to the impairment loss on goodwill and heightened credit losses to hire purchase loans, unsecured personal loans and a few corporate borrowers. For wealth management services, stockbroking and securities management segment, profit before tax increased by HK\$42.3 million mainly due to the higher commission received from stockbroking activities and lower operating cost after the integration of stockbroking and securities businesses operated by Public Bank (Hong Kong) and Public Securities Limited.

Group's branch network

Public Bank (Hong Kong) has a branch network of 30 branches in Hong Kong and 5 branches in Shenzhen in the People's Republic of China. Public Finance has a branch network of 40 branches in Hong Kong. Winton Financial, another operating subsidiary of the Company which operates under a money lenders licence, has a branch network of 3 branches in Hong Kong. In total, the Group has a combined branch network of 78 branches to serve its customers.

Significant investments

The Company has a significant investment, with a value of 5% or more of the Company's total assets, in Public Bank (Hong Kong). The principal businesses of Public Bank (Hong Kong) are the provision of retail and commercial banking businesses. The investment cost in the subsidiary amounted to HK\$6.59 billion or 75.2% of total assets of the Company, and such cost reflected the fair value of the Company's investment. Public Bank (Hong Kong)'s business strategically focuses on loan business development, deposit-taking, stockbroking and bancassurance business operations; and continues striking a balance between pursuing business growth and maintaining sound liquidity and asset quality. Public Bank (Hong Kong) and its subsidiaries recorded a loss of HK\$116.9 million on consolidated basis, which represented a negative return of 1.8% from the Company's investment. Dividend income received from Public Bank (Hong Kong) was HK\$103.9 million during the year under review. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) will be disclosed in 2024 Annual Report.

Contingent liabilities and commitments

The Group had no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments as disclosed in the Notes to the financial statements) as at the end of the year under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the year under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 31 December 2024, there was no charge over the assets of the Group. There was also no significant event affecting the Group which had occurred since 31 December 2024.

OPERATIONAL REVIEW

Funding and capital management

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

The Group relies principally on its internally generated capital, customer deposits and deposits from financial institutions to fund its retail and commercial banking businesses and its consumer financing business. The Group's cash and cash equivalents are mainly denominated in HKD or United States dollars. Its bank borrowings are in the form of term loans denominated in HKD at floating interest rates and stood at approximately HK\$1.62 billion as at the end of 2024. Based on the level of bank borrowings as compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.21 times as at 31 December 2024, which was slightly higher than the position of 0.19 times in the previous year. The bank borrowings as at 31 December 2024 had remaining maturity periods of less than one year and the Group had already secured refinancing and roll-over of the bank borrowings. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange swaps and forward contracts to reduce the foreign exchange rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates were minimal. In addition, there were no foreign currency investments hedged by foreign currency borrowings and other hedging instruments during the year under review.

The consolidated CET1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 23.8% and 24.6% respectively as at 31 December 2024.

The Group continues safeguarding its capital adequacy position and manage key risks prudently.

Asset quality and credit management

The Group's impaired loans to total loans ratio dropped by 1.43% to 2.23% as at 31 December 2024 from 3.66% as at 31 December 2023. The Group will continue managing credit risk prudently and undertaking flexible business development strategies to strike a balance between business/income growth and prudent risk management.

Human resources management

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

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

As at 31 December 2024, the Group's staff force stood at 1,242 employees. For the year ended 31 December 2024, the Group's total staff related costs amounted to HK\$569.3 million.

PROSPECTS

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

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

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

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

The Group will stay vigilant of the uncertainties and challenges ahead and strive to expand its banking and financing businesses with disciplined cost control and prudent risk management in 2025. The Group is also committed to fostering a healthy and strong corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Ms. Phe Kheng Peng, Mr. Lee Chin Guan and Mr. Lim Chao Li, and two Non-Executive Directors, namely Mr. Lai Wan and Mr. Quah Poh Keat. The annual results for the year ended 31 December 2024 as set out in this announcement have been reviewed by the Audit Committee.

PUBLICATION OF 2024 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2024 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2024 Annual Report containing all applicable information required by the Listing Rules will be published on the above websites in or around late-February 2025.

APPRECIATION

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

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

Hong Kong, 16 January 2025

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