

# 2023

## INTERIM REPORT



# CONTENTS

<b>2</b>	<b>Corporate Information</b>
<b>4</b>	<b>Chairman's Statement</b>
<b>6</b>	<b>Chief Executive's Statement</b>
<b>9</b>	<b>Corporate Governance and Other Information</b>
<b>10</b>	<b>Condensed Consolidated Income Statement</b>
<b>11</b>	<b>Condensed Consolidated Statement of Comprehensive Income</b>
<b>12</b>	<b>Condensed Consolidated Statement of Financial Position</b>
<b>13</b>	<b>Condensed Consolidated Statement of Changes in Equity</b>
<b>15</b>	<b>Condensed Consolidated Statement of Cash Flows</b>
<b>17</b>	<b>Notes to the Condensed Consolidated Interim Financial Information</b>
<b>54</b>	<b>Supplementary Information</b>
<b>72</b>	<b>Head Office, Branches, Sub-Bran­ches, Principal Subsidiaries and Associates</b>

# CORPORATE INFORMATION

as of 24 August 2023

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr ZONG Jianxin (*Deputy Chairman and Chief Executive*)  
Mr LAU Wai Man (*Deputy Chief Executive*)

### NON-EXECUTIVE DIRECTORS

Mr ZHANG Zhaoxing (*Chairman*)  
Mr LI Feng  
Mr CHOW Cheuk Yu Alfred BBS, JP  
Ms CHEN Jing

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr CHENG Yuk Wo  
Mr LEE Ka Lun  
Mr YU Lup Fat Joseph

## BOARD COMMITTEES

### AUDIT COMMITTEE

Mr CHENG Yuk Wo (*Chairman*)  
Mr CHOW Cheuk Yu Alfred BBS, JP  
Ms CHEN Jing  
Mr LEE Ka Lun  
Mr YU Lup Fat Joseph

### CONNECTED PARTY TRANSACTIONS COMMITTEE

Mr CHENG Yuk Wo (*Chairman*)  
Mr CHOW Cheuk Yu Alfred BBS, JP  
Mr YEE Wing Chi  
Mr YOUNG Chi Ho

## DIGITALIZATION STRATEGY COMMITTEE

Mr LEE Ka Lun (*Chairman*)  
Mr LI Feng  
Mr ZONG Jianxin  
Mr LAU Wai Man

## NOMINATION AND REMUNERATION COMMITTEE

Mr YU Lup Fat Joseph (*Chairman*)  
Mr ZHANG Zhaoxing  
Mr CHOW Cheuk Yu Alfred BBS, JP  
Mr CHENG Yuk Wo  
Mr LEE Ka Lun

## RISK COMMITTEE

Mr LEE Ka Lun (*Chairman*)  
Mr LI Feng  
Mr CHENG Yuk Wo  
Mr YU Lup Fat Joseph

## SENIOR MANAGEMENT

Mr JIN Lin (*Deputy Chief Executive*)  
Mr TANG Xianqing (*Deputy Chief Executive*)  
Ms CHAN Yun Ling (*Chief Operating Officer  
and Alternate Chief Executive*)  
Mr YEE Wing Chi (*Chief Financial Officer*)  
Mr YOUNG Chi Ho (*Chief Risk Officer*)  
Ms LAM Pik Ha Eliza (*Head of Financial Institutions Division*)  
Ms NG Sau Wai Sylvia (*Head of Personal Banking Division*)  
Mr WONG Kwok Pun (*Head of Treasury and Markets*)  
Ms CHENG Wing Yi (*Head of Human Resources Division*)  
Ms LAI Wing Nga (*Company Secretary*)

**CORPORATE INFORMATION**

as of 24 August 2023

**REGISTERED OFFICE**

Address : Ground Floor, Chong Hing Bank Centre  
24 Des Voeux Road Central, Hong Kong

Telephone : (852) 3768 6888

Facsimile : (852) 3768 1888

SWIFT BIC : LCHB HK HH

Website : [www.chbank.com](http://www.chbank.com)

E-mail : [customerservice@chbank.com](mailto:customerservice@chbank.com)



Chong Hing Bank's website access code

**PRINCIPAL LEGAL ADVISERS**

Deacons  
Mayer Brown JSM

**AUDITOR**

Ernst & Young  
*Certified Public Accountants*

**STOCK CODES AND SHORT NAMES**

The Stock Exchange of Hong Kong Limited's Stock Codes and Short Names in respect of the Bank's (1) US\$400,000,000 5.70 per cent. undated non-cumulative subordinated additional tier 1 capital securities and (2) US\$300,000,000 5.50 per cent. undated non-cumulative subordinated additional tier 1 capital securities are (1) 04419 (CH BANK NCSCS) and (2) 40329 (CH BANK NCSCSB) respectively.

## CHAIRMAN'S STATEMENT

The banking sector faced a number of challenges in its operations in the first half of 2023 amid a complex and harsh macroeconomic situation. Chong Hing Bank Limited ("Chong Hing Bank") demonstrated its determination to uphold the business philosophy of seeking progress in a stable manner and aiming high. Chong Hing Bank also continued to reinforce its risk management and control, capitalised on business opportunities that arose under difficult operating conditions, and achieved quality growth in key operating indicators. In the list of the Top 1000 World Banks for 2023 released by the British magazine The Banker, Chong Hing Bank further climbed to 333rd place, maintaining its ranking among the top 400 banks for the fifth consecutive year and demonstrating improvement in its overall strength in a sustainable manner.

For the six months ended 30 June 2023, the profit attributable to equity owners of Chong Hing Bank amounted to HK\$1,239 million, an increase of 62.26% compared to the same period last year. The Board of Directors of Chong Hing Bank (the "Board") has declared payment of an interim cash dividend of HK\$180,000,000 for the six months ended 30 June 2023. The dividend payout for the period as a percentage of the adjusted profit attributable to equity owners, less the distribution paid on additional equity instruments, will be 17.33%.

The major financial ratios for the first half of 2023 are as follows:

- Return on shareholders' equity: 6.92%
- Average liquidity maintenance ratio: 56.57%
- Total capital ratio as of 30 June 2023: 17.82%
- Tier 1 capital ratio as of 30 June 2023: 16.28%
- Loan to deposit ratio as of 30 June 2023: 70.50%

In the first half of 2023, while the impact of the pandemic has gradually subsided worldwide, the outlook for the global economy remains uncertain due to external factors such as ongoing geopolitical tensions, high inflation, interest rate hikes and tightened monetary policies implemented by major central banks. China continued to optimise its policy and institutional design to provide strong support for stable economy growth, employment and prices, resulting in a positive trend in its economy recovery. Meanwhile Hong Kong further strengthened its position as an international financial centre by continuously leveraging its unique advantages of enjoying strong support from Mainland China and being closely connected to the rest of the world, attracting more opportunities for the local financial industry.

**CHAIRMAN'S STATEMENT**

Chong Hing Bank, a wholly-owned subsidiary of Yuexiu Group, proactively integrated itself into the development plan of the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") and, by utilising the strength of Yuexiu Group and valuable resources across other fellow subsidiaries, continuously strengthened its regional interaction and promoted strategic transformation and improvement of business structure in an orderly manner so as to deliver differentiated and distinctive cross-border financial services. In the first half of this year, Yuexiu Group made a further capital injection of HK\$1 billion into Chong Hing Bank. This effectively enhanced Chong Hing Bank's capital adequacy ratio, provided stable support for its high-quality development, and reflected Yuexiu Group's full confidence in Chong Hing Bank's business development.

The year 2023 marks the 75th anniversary of the establishment of Chong Hing Bank. Standing at a new historical point, Chong Hing Bank will adhere to compliant and sound operations, deepen forward-looking risk management, make better use of the synergies with Yuexiu Group, and further enhance the value of integrated financial services through effective improvement of its business structure, thereby creating a new development path in the new situation in which the global economy gradually returns to normal. At the same time, Chong Hing Bank will continue to promote the in-depth development of its Mainland business, expand its presence in core Mainland cities, and take solid steps to build up the strength of its cross-border expertise, with a view to becoming a fully integrated commercial bank based in Guangzhou and Hong Kong with an in-depth layout in the Greater Bay Area and a nationwide network.

Last but not least, I would like to extend my sincere gratitude to all our directors for their wise guidance, to our customers and business partners for their trust and support, and to our management team and the entire staff for their persistent dedication. Embarking on a new journey at such a fresh starting point, we shall reinforce our confidence, achieve a great beginning based on the legacy of 75 years, and forge ahead with the ambition of realising our vision of building a century-old brand.

**ZHANG Zhaoxing**

*Chairman*

Hong Kong, 24 August 2023

## CHIEF EXECUTIVE'S STATEMENT

Stepping into 2023, with the revival of local economic activities, the exchanges between Hong Kong and the Mainland as well as the international markets have returned to normal, and the overall economic sentiment has improved. However, global economic growth has slowed due to the tightening of financial conditions caused by the interest rate hikes in the US and globally. Real GDP in the second quarter increased by 1.5% as compared with the same period last year, but external demand for goods remained weak, and the overall exports of goods therefore continued to decline. Generally, investment spending declined slightly amid the tightened financial conditions. Chong Hing Bank Limited (the "Bank" or "Chong Hing Bank") closely monitored the business opportunities that arose alongside the economic recovery. The Bank proactively developed credit and cross-border businesses, optimised its credit risk control capabilities and maintained the balanced development of core businesses, thereby achieving a satisfactory performance in various indicators of operating income and scale in the first half of the year.

### FINANCIAL REVIEW

As of 30 June 2023, profit attributable to equity owners of Chong Hing Bank for the first 6 months amounted to HK\$1,239 million, representing an increase of 62.26% as compared with the same period in 2022. The increase in profit for the period was mainly attributable to the growth in net interest income. Driven by the Bank's proactive balance sheet management and the continuous rise of Hong Kong dollar interest rates, net interest margin of the Bank in the first half of 2023 increased by 23 basis points from the same period last year to 1.58%, while net interest income increased by 30.50% from the same period last year to HK\$2,225 million. Net fee and commission income decreased by 30.50% from the same period last year to HK\$162 million, mainly due to the decrease in loan-related fee income and income from securities dealings. Foreign exchange and other treasury customer activities remained stable. Net income from trading and investments amounted to HK\$299 million, which was mainly derived from foreign currency funding swap activities, translation gain from foreign currency assets and liabilities, and income from securities investment and trading.

While the Bank continued to maintain cost effectiveness and process streamlining, the operating expenses increased by 1.67% from the same period last year to HK\$970 million. Coupled with the remarkable growth in operating income, the cost to income ratio in the period decreased to 34.84% from 41.31% for the same period last year.

In the first half of 2023, impairment losses on financial assets amounted to HK\$435 million, a decline of 12.76% as compared with the same period last year. However, systemic risks still exist in some sectors, and given the credit deterioration of certain corporate customers, provisions for the expected credit risk would be needed. Loans and advances to customers remained at HK\$166.7 billion. The Bank continued to adopt prudent credit risk management, and the non-performing loan ratio rose slightly to 2.75%.

Total assets of the Bank amounted to HK\$288.5 billion, up by 2.77% from the beginning of 2023. Deposits from customers amounted to HK\$230.5 billion, up by 3.12% from the beginning of 2023. The Bank continued to maintain a stable deposit base to balance the growth of loans and the development of cross-border financial business. The loan to deposit ratio was 70.50%.

At the end of the first half of 2023, the return on shareholders' equity of the Bank was 6.92%. The Bank's capital and liquidity position remained strong and steady, with total capital ratio, Tier 1 capital ratio and Common Equity Tier 1 capital ratio of 17.82%, 16.28% and 13.73%, respectively, whereas the average liquidity maintenance ratio for the period was 56.57%. The capital adequacy ratio and liquidity maintenance ratio were above the relevant statutory requirements.

**CHIEF EXECUTIVE'S STATEMENT****BUSINESS REVIEW****CORPORATE BANKING**

Business sentiment improved in the first quarter of 2022, benefiting from the economic recovery. However, in the second quarter, the business environment was fraught with uncertainties due to the weak external environment and further tightening of monetary policies in developed economies. The Bank remained committed to providing a full range of banking products and services to its corporate customers in Hong Kong and the Mainland, and leveraged on the linkage advantages of outlets in Hong Kong and the Mainland to help its corporate customers in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") seize the opportunities arising from the recovery of business activities. The Bank has also continued to provide support to small and medium-sized enterprise customers and to participate actively in the SME Financing Guarantee Scheme of HKMC Insurance Limited and the Special 100% Loan Guarantee under this Scheme.

During the period, the Bank successfully undertook 14 primary syndicated loans and acquired 3 secondary syndicated loans, with the net interest income of corporate banking business recording a moderate increase over the same period last year.

**PERSONAL BANKING**

With the re-opening of the Hong Kong-Mainland border, the number of Mainland visitors to Hong Kong has gradually picked up, driving the demand among cross-border customers for wealth management service. In the first half of the year, the Bank further introduced a Mainland bank partner for the Cross-boundary Wealth Management Connect and made available the full services for the Southbound Scheme and the Northbound Scheme. The Bank also established the trading channel of the Chong Hing Mobile Banking App to meet the needs of cross-border customers for wealth management and asset allocation. In addition, from April to July, the Bank arranged designated branches to open for special operation on Sundays. This provided account opening service for Exceed Banking and wealth management service on site with a view to enabling convenient cross-border asset allocation for customers in the Greater Bay Area.

With our consistent efforts to build a trusted brand for high-net-worth customers, the number of customers of Exceed Banking has continued to rise, recording a growth of over 30% as of the end of June 2023 compared with the end of last year. With strict control of the spread between lending and deposit rates, the net interest income of personal banking business increased significantly during the period as compared with the same period last year, and non-interest business also recorded a year-on-year growth in income. Both the merchant acquiring business and the credit card consumption business recorded double-digit growth.

**TREASURY AND MARKETS BUSINESS**

The Bank has actively developed its treasury and markets business, and during the period significant growth was registered in areas such as treasury activities and customer cross-selling business. In recent years, the Bank has operated proprietary trading business to enhance its ability to meet customers' investment and risk hedging needs, which has increased the market share of its sales business and generated additional revenue for the Bank.



## CHIEF EXECUTIVE'S STATEMENT

### MAINLAND OPERATIONS

By implementing the national financial regulatory arrangements and adhering to the business philosophy of risk-based and compliant operation, the Bank's Mainland branches and sub-branches have accelerated the pace of business development in the Mainland. They have focused on credit transformation, broadened their cross-border expertise and taken advantage of synergies to provide quality services for the local economy and to promote the high-quality socio-economic development.

With the Guangzhou Panyu Sub-Branch of the Bank commencing operation in June 2023, Chong Hing Bank now has a network of "5 branches and 9 sub-branches" in Mainland China. Meanwhile, the Bank is steadily preparing for the establishment of the Shenzhen Qianhai Sub-Branch and the Shanghai Hongqiao Sub-Branch, marking the further business expansion and more comprehensive network of Chong Hing Bank in the Mainland.

### DIGITAL BANKING

The Bank has committed to providing quality digital banking services to its customers through technological empowerment. During the period, the Bank launched a new corporate digital banking platform with a new interface design and various new functions to provide its corporate customers with more convenient one-stop digital banking platform services. The Bank also continued to improve the digital experience of individual customers and its own service capabilities by introducing a new online banking function for third-party account registration, and enhanced frequently used functions such as upgrading of cross-currency exchange and online deposit. In addition, the Bank comprehensively upgraded the home page layout of the Mobile Banking with an optimised list of functions and highlighted selected offers, allowing customers to handle their daily finances with ease anytime, anywhere.

### CORPORATE GOVERNANCE

The Bank strictly abides by the relevant regulations and regulatory requirements and proactively adopts and implements corresponding measures while striving to improve its corporate governance standards so as to ensure the sustainable development of the Bank.

### LOOKING AHEAD

The year 2023 marks the 75th anniversary of Chong Hing Bank. Since its establishment in 1948, the Bank has developed from a savings bank to an integrated commercial bank with cross-border expertise. The Bank's development and transformation over the years has been made possible by the support from all our stakeholders, and I would like to extend my sincere gratitude to them for their trust and to all staff members for their contributions.

Looking ahead, the economic outlook of the second half of the year remains uncertain and the business environment is full of challenges. The Bank will prioritise risk management and control, optimise its asset and liability structure, step up its efforts to expand customer groups in key industries, accelerate the establishment of Mainland branches and sub-branches and digital channels in the Mainland, and proactively expand its cross-border expertise. With the strong support from its shareholder Yuexiu Group, Chong Hing Bank will maintain its strategic focus on the Greater Bay Area throughout its development and adhere to the pursuit of long-term value with a view to achieving high quality and sustainable growth while providing its customers with quality products and services.

**ZONG Jianxin**

*Chief Executive*

Hong Kong, 24 August 2023

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

The Bank is an authorized institution supervised by the Hong Kong Monetary Authority (the "HKMA") under the Hong Kong Banking Ordinance. The Bank is committed to maintaining high standards of corporate governance, with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders.

The Bank has applied the principles in the module on "Corporate Governance of Locally Incorporated Authorized Institutions" under the Supervisory Policy Manual issued by the HKMA to its corporate governance structure and practices.

## REVIEW OF FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

## INTERIM DIVIDEND

The Board has declared an interim cash dividend for 2023 of HK\$180,000,000 (2022: interim cash dividend of HK\$100,000,000).

## PUBLICATION OF 2023 INTERIM REPORT

The Bank's 2023 Interim Report in both English and Chinese is now available in printed form and on the website of the Bank ([www.chbank.com](http://www.chbank.com)).

# CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income		5,695,028	2,871,645
Interest expense		(3,470,501)	(1,167,003)
Net interest income	6	2,224,527	1,704,642
Fee and commission income		207,496	269,302
Fee and commission expenses		(45,241)	(35,840)
Net fee and commission income	7	162,255	233,462
Net income from trading and investments	8	299,100	285,717
Other operating income	9	99,218	86,859
Operating expenses	10	(970,423)	(954,520)
Operating profit before impairment allowances		1,814,677	1,356,160
Net impairment losses on financial assets	11	(435,131)	(498,790)
Operating profit after impairment allowances		1,379,546	857,370
Net (losses) gains on disposal of equipment and other investments		(1,705)	1,468
Net gains (losses) on fair value adjustments on investment properties	19	100	(2,440)
Share of profits of associates		30,178	30,880
Profit before taxation		1,408,119	887,278
Taxation	12	(169,468)	(123,891)
Profit for the period			
– Attributable to equity owners of the Bank		1,238,651	763,387

The notes on pages 17 to 53 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period	1,238,651	763,387
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Net gains (losses) on investments in equity instruments measured at fair value through other comprehensive income ("FVOCI")	337	(2,231)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(356,941)	(321,118)
Net gains (losses) on investments in debt instruments measured at FVOCI	168,440	(138,351)
Amount reclassified to profit or loss upon disposal of FVOCI debt securities	(19,756)	(20,570)
Income tax effect relating to disposal of financial assets measured at FVOCI	3,260	3,660
Income tax effect relating to fair value change of financial assets measured at FVOCI	(51,075)	15,710
Share of other comprehensive income of associates	(3,542)	(50,823)
Other comprehensive expenses for the period (net of tax)	(259,277)	(513,723)
Total comprehensive income for the period	979,374	249,664
Total comprehensive income for the period attributable to:		
Equity owners of the Bank	979,374	249,664

The notes on pages 17 to 53 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023

	<i>Notes</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Assets</b>			
Cash and short-term funds	14	37,027,722	34,702,201
Placements with banks	14	7,759,032	5,667,404
Derivative financial instruments	15	2,359,154	1,610,386
Investments in securities	16	65,200,726	65,748,813
Advances and other accounts	18	173,469,845	170,396,926
Tax recoverable		50,976	104,389
Interests in associates		429,150	404,193
Investment properties	19	319,864	319,764
Property and equipment	20	1,125,962	982,682
Deferred tax assets	27	12,389	15,644
Intangible assets	21	782,988	814,263
<b>Total assets</b>		<b>288,537,808</b>	<b>280,766,665</b>
<b>Liabilities</b>			
Deposits and balances of banks	23	6,806,963	9,140,137
Financial assets sold under repurchase agreements	22	3,251,536	4,504,613
Deposits from customers	23	230,460,305	223,488,227
Derivative financial instruments	15	1,582,640	1,300,681
Other accounts and accruals	24	5,108,047	4,552,829
Current tax liabilities		44,632	13,538
Certificates of deposit	25	1,765,673	–
Loan capital	26	1,752,196	1,746,101
Deferred tax liabilities	27	127,564	77,904
<b>Total liabilities</b>		<b>250,899,556</b>	<b>244,824,030</b>
<b>Equity attributable to owners of the Bank</b>			
Share capital	28	18,030,884	17,030,884
Additional equity instruments	29	5,427,996	5,427,996
Reserves		14,179,372	13,483,755
<b>Total equity</b>		<b>37,638,252</b>	<b>35,942,635</b>
<b>Total liabilities and equity</b>		<b>288,537,808</b>	<b>280,766,665</b>

The notes on pages 17 to 53 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023

	Note											
		Share capital	Additional equity instruments	Goodwill	Share-based payment reserve	Investment revaluation reserve	Land and building revaluation reserve	General reserve	Translation reserve	Regulatory reserve	Retained profits	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2023</b>		17,030,884	5,427,996	(182)	-	77,104	197,136	1,388,500	(263,811)	614,000	11,471,008	35,942,635
Profit for the period		-	-	-	-	-	-	-	-	-	1,238,651	1,238,651
Other comprehensive income		-	-	-	-	97,664	-	-	(356,941)	-	-	(259,277)
Total comprehensive income for the period		-	-	-	-	97,664	-	-	(356,941)	-	1,238,651	979,374
Issue of share capital		1,000,000	-	-	-	-	-	-	-	-	-	1,000,000
Distribution payment for additional equity instruments		-	(153,757)	-	-	-	-	-	-	-	-	(153,757)
Transfer from retained profits		-	153,757	-	-	-	-	-	-	-	(153,757)	-
Final dividend paid	13	-	-	-	-	-	-	-	-	-	(130,000)	(130,000)
Earmark of retained profits as regulatory reserve		-	-	-	-	-	-	-	-	170,000	(170,000)	-
<b>At 30 June 2023</b>		<b>18,030,884</b>	<b>5,427,996</b>	<b>(182)</b>	<b>-</b>	<b>174,768</b>	<b>197,136</b>	<b>1,388,500</b>	<b>(620,752)</b>	<b>784,000</b>	<b>12,255,902</b>	<b>37,638,252</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023

	Share capital	Additional equity instruments	Goodwill	Share-	Investment	Land and	General reserve	Translation reserve	Regulatory reserve	Retained profits	Total
				based payment reserve	revaluation reserve	building revaluation reserve					
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2022</b>	15,280,884	5,427,996	(182)	-	330,559	197,136	1,388,500	361,703	582,000	11,027,171	34,595,767
Profit for the period	-	-	-	-	-	-	-	-	-	763,387	763,387
Other comprehensive income	-	-	-	-	(192,605)	-	-	(321,118)	-	-	(513,723)
Total comprehensive income for the period	-	-	-	-	(192,605)	-	-	(321,118)	-	763,387	249,664
Issue of share capital	1,750,000	-	-	-	-	-	-	-	-	-	1,750,000
Distribution payment for additional equity instruments	-	(153,102)	-	-	-	-	-	-	-	-	(153,102)
Transfer from retained profits	-	153,102	-	-	-	-	-	-	-	(153,102)	-
Final dividend paid	13	-	-	-	-	-	-	-	-	(260,000)	(260,000)
Earmark of retained profits as regulatory reserve	-	-	-	-	-	-	-	-	(271,000)	271,000	-
<b>At 30 June 2022</b>	<b>17,030,884</b>	<b>5,427,996</b>	<b>(182)</b>	<b>-</b>	<b>137,954</b>	<b>197,136</b>	<b>1,388,500</b>	<b>40,585</b>	<b>311,000</b>	<b>11,648,456</b>	<b>36,182,329</b>

The retained profits of the Group included retained profits of HK\$339,817,000 (30 June 2022: retained profits of HK\$243,328,000) retained by the associates of the Group.

The regulatory reserve is set up in compliance with the requirements of the Hong Kong Monetary Authority (the "HKMA") and is distributable to the shareholders of the Bank subject to consultation with the HKMA. The general reserve comprises transfers from previous years' retained profits.

The notes on pages 17 to 53 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	1,408,119	887,278
Adjustments for:		
Net interest income	(2,224,527)	(1,704,642)
Net impairment losses on financial assets	435,131	498,790
Net losses (gains) on disposal of equipment and other investments	1,705	(1,468)
Net gains on disposal of financial assets measured at FVOCI	(19,756)	(20,570)
Net (gains) losses on fair value adjustments on investment properties	(100)	2,440
Net gains on financial instruments at fair value through profit or loss	(109,905)	–
Share of profits of associates	(30,178)	(30,880)
Net (gains) losses on fair value hedge	(8,589)	12,298
Dividend received from investments	(11,476)	(5,079)
Depreciation and amortisation	162,878	169,465
Exchange adjustments	265,305	100,957
Operating cash flows before movements in operating assets and liabilities	(131,393)	(91,411)
(Increase) decrease in operating assets:		
Money at call and short notice with original maturity over three months	–	(488,530)
Placements with banks with original maturity over three months	(1,861,260)	103,928
Financial assets at fair value through profit or loss	(349,234)	16,509
Advances to customers	(436,116)	(2,073,622)
Advances to banks	(3,053,962)	(261,154)
Other accounts	140,696	(402,998)
Increase (decrease) in operating liabilities:		
Deposits and balances of banks	(2,333,174)	6,938,331
Financial assets sold under repurchase agreements	(1,253,077)	1,304,936
Deposits from customers	6,972,078	4,033,054
Certificates of deposit	1,765,673	(1,208,166)
Derivative financial instruments	(482,700)	(288,655)
Other accounts and accruals	90,554	620,214
Cash generated from operations	(931,915)	8,202,436
Hong Kong Profits Tax paid	(36,597)	(43,320)
Overseas tax paid	(43,264)	(39,842)
Interest received	4,710,120	2,442,092
Interest paid	(3,153,886)	(991,204)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>544,458</b>	<b>9,570,162</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>INVESTING ACTIVITIES</b>		
Interest received on investments in securities	633,683	423,317
Dividends received on investments in securities	11,476	5,079
Dividends received from associates	1,680	4,200
Purchase of financial assets measured at amortised cost	(373,080)	(4,794,356)
Purchase of financial assets measured at FVOCI	(74,551,155)	(73,856,108)
Purchase of property and equipment	(17,325)	(54,341)
Purchase of intangible assets	(562)	(10,012)
Proceeds from redemption of financial assets measured at amortised cost	2,331,579	788,042
Proceeds from sale and redemption of financial assets measured at FVOCI	73,367,197	70,552,627
Proceeds from disposal of equipment	830	40,484
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>	<b>1,404,323</b>	<b>(6,901,068)</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of share capital	1,000,000	1,750,000
Interest paid on loan capital	(43,035)	(32,268)
Payment of lease liabilities	(76,795)	(88,181)
Dividends paid to ordinary shareholders	(130,000)	(260,000)
Distribution paid on additional equity instruments	(153,757)	(153,102)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>596,413</b>	<b>1,216,449</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,545,194</b>	<b>3,885,543</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>38,394,697</b>	<b>32,387,203</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>40,939,891</b>	<b>36,272,746</b>
Represented by:		
Cash and balances with central bank and banks	12,401,911	11,394,933
Money at call and short notice	24,625,811	22,011,714
Placements with banks with original maturity of less than three months	3,912,169	2,866,099
	<b>40,939,891</b>	<b>36,272,746</b>

The notes on pages 17 to 53 form an integral part of this condensed interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 1. GENERAL INFORMATION

Chong Hing Bank Limited (the "Bank") is a limited company incorporated in Hong Kong. The listing of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited had been withdrawn on 30 September 2021, and it became a wholly-owned subsidiary of Yuexiu Financial Holdings Limited since then.

The Bank is engaged in the provision of banking and related financial services. The address of the registered office of the Bank is Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.

The condensed consolidated interim financial information is presented in Hong Kong dollars, which is the same as the functional currency of the Bank.

The financial information relating to the year ended 31 December 2022 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2023 as comparative information does not constitute the Bank's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). The Bank's auditors have reported on the financial statements for the year ended 31 December 2022. The auditor's report was unqualified and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

— HKFRS 17 "Insurance Contracts"

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. HKFRS 17 replaces the existing HKFRS 4 Insurance Contracts. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which were largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

As the Group did not have significant amount of contracts within the scope of HKFRS 17, the standard did not have a significant impact on the financial position or performance of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

- Amendments to HKFRS 17 “Insurance Contracts”

Amendments to HKFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. As the Group did not have significant amount of contracts within the scope of HKFRS 17, the amendments did not have a significant impact on the financial position or performance of the Group.

- Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

Amendment to HKFRS 17 is a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17, which helps to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and to improve the usefulness of comparative information for users of financial statements. An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of HKFRS 17. As the Group did not have significant amount of contracts within the scope of HKFRS 17, the amendment did not have a significant impact on the financial position or performance of the Group.

There are no other HKFRSs that are effective from 1 January 2023 that would be expected to have a material impact on the Group.

## 3. SEGMENT INFORMATION

The Group’s operating segments, which are also the reportable segments, based on information regularly reviewed by the chief operating decision maker (Executive Committee of the Group) for the purposes of allocating resources to segments and assessing their performance on business divisions of the Group, are as follows:

1. Corporate and personal banking
2. Financial markets activities
3. Securities business
4. Others, comprising investment holding, insurance broking, insurance underwriting, other investment advisory services and property investments.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group’s revenue and results by reportable and operating segment for the periods under review:

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### OPERATING SEGMENT REVENUE AND RESULTS

Six months ended 30 June 2023

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	4,215,287	1,462,369	11,494	5,878	–	5,695,028
Interest expense to external customers	(3,286,223)	(139,659)	(7)	(44,612)	–	(3,470,501)
Inter-segment interest income <i>(Note 1)</i>	984,267	–	–	565,599	(1,549,866)	–
Inter-segment interest expense <i>(Note 1)</i>	–	(1,549,866)	–	–	1,549,866	–
Net interest income	1,913,331	(227,156)	11,487	526,865	–	2,224,527
Fee and commission income	161,649	63	42,889	2,895	–	207,496
Fee and commission expenses	(45,027)	(85)	(129)	–	–	(45,241)
Net income from trading and investments	177,310	93,850	(1)	27,941	–	299,100
Other operating income	77,718	–	630	20,870	–	99,218
Segment revenue						
Total operating income	2,284,981	(133,328)	54,876	578,571	–	2,785,100
Comprising:						
– Segment revenue from external customers	1,300,714	1,416,538	54,876	12,972		
– Inter-segment transactions	984,267	(1,549,866)	–	565,599		
Operating expenses	(856,786)	(61,298)	(39,919)	(12,420)	–	(970,423)
Net impairment (losses) reversal on financial assets	(470,184)	35,047	6	–	–	(435,131)
Segment profit	958,011	(159,579)	14,963	566,151	–	1,379,546
Unallocated corporate expenses						(1,605)
Share of profits of associates						30,178
Profit before taxation						1,408,119

Note:

- Inter-segment pricing for funding transactions is charged with reference to prevailing market interest rates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### OPERATING SEGMENT ASSETS AND LIABILITIES

At 30 June 2023

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>					
Segment assets	187,840,821	98,056,017	252,322	431,535	286,580,695
Interests in associates					429,150
Unallocated corporate assets					1,527,963
Consolidated total assets					<u>288,537,808</u>
<b>Liabilities</b>					
Segment liabilities	233,156,197	16,169,070	155,778	138,226	249,619,271
Unallocated corporate liabilities					1,280,285
Consolidated total liabilities					<u>250,899,556</u>

#### OTHER INFORMATION

Six months ended 30 June 2023

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure during the period	13,043	13	4	592	4,235	17,887
Depreciation and amortisation	149,860	11,798	960	260	–	162,878

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### OPERATING SEGMENT REVENUE AND RESULTS

Six months ended 30 June 2022

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	2,502,739	364,465	3,240	1,201	–	2,871,645
Interest expense to external customers	(1,123,938)	(29,020)	(12)	(14,033)	–	(1,167,003)
Inter-segment interest income <i>(Note 1)</i>	124,259	–	–	70,798	(195,057)	–
Inter-segment interest expense <i>(Note 1)</i>	–	(195,057)	–	–	195,057	–
Net interest income	1,503,060	140,388	3,228	57,966	–	1,704,642
Fee and commission income	208,360	140	58,909	1,893	–	269,302
Fee and commission expenses	(35,689)	(63)	(88)	–	–	(35,840)
Net income from trading and investments	149,947	96,866	(3)	38,907	–	285,717
Other operating income	63,329	–	617	22,913	–	86,859
Segment revenue						
Total operating income	1,889,007	237,331	62,663	121,679	–	2,310,680
Comprising:						
– Segment revenue from external customers	1,764,748	432,388	62,663	50,881		
– Inter-segment transactions	124,259	(195,057)	–	70,798		
Operating expenses	(830,049)	(71,214)	(40,576)	(12,681)	–	(954,520)
Net impairment (losses) reversal on financial assets	(503,480)	4,687	2	1	–	(498,790)
Segment profit	555,478	170,804	22,089	108,999	–	857,370
Unallocated corporate expenses						(972)
Share of profits of associates						30,880
Profit before taxation						887,278

Note:

1. Inter-segment pricing for funding transactions is charged with reference to prevailing market interest rates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### OPERATING SEGMENT ASSETS AND LIABILITIES

At 31 December 2022

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>					
Segment assets	183,678,639	94,870,603	231,491	254,156	279,034,889
Interests in associates					404,193
Unallocated corporate assets					1,327,583
Consolidated total assets					280,766,665
<b>Liabilities</b>					
Segment liabilities	226,110,332	17,588,991	145,677	126,613	243,971,613
Unallocated corporate liabilities					852,417
Consolidated total liabilities					244,824,030

#### OTHER INFORMATION

Six months ended 30 June 2022

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure during the period	44,132	736	163	46	19,276	64,353
Depreciation and amortisation	108,795	7,022	9,542	4,480	39,626	169,465

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions' costs are allocated to various segments and products based on effort and time spent while segments' other operating income is allocated depending on the nature of costs incurred. Indirect costs and support functions' costs and income related to corporate activities that cannot be reasonably allocated to segments or products are grouped as unallocated corporate expenses and unallocated corporate income respectively. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### OTHER INFORMATION *(Continued)*

There is no operating income with a single external customer amounting to or exceeding 10% of the Group's and the Bank's total operating income.

Assets and liabilities related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped as unallocated corporate assets and liabilities. All direct segment assets and liabilities are grouped under respective segments.

#### GEOGRAPHICAL INFORMATION

Geographical information (including geographical analysis of total segment revenue) 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. Non-current assets presented below are based on the location of the entities' country of domicile which is the same as the location of the non-current assets.

	Six months ended 30 June 2023			At 30 June 2023			
	Total operating income	Profit before taxation	Capital expenditure during the period			Total contingent liabilities and commitments	Non-current assets
				Total assets	Total liabilities		
				HK\$'000	HK\$'000		
Hong Kong	2,111,857	990,392	5,540	194,578,746	164,577,071	44,387,279	2,309,924
Mainland China	649,868	449,266	12,347	90,001,948	82,664,803	19,195,652	350,833
Macau and others	23,375	(31,539)	–	3,957,114	3,657,682	516,591	9,596
<b>Total</b>	<b>2,785,100</b>	<b>1,408,119</b>	<b>17,887</b>	<b>288,537,808</b>	<b>250,899,556</b>	<b>64,099,522</b>	<b>2,670,353</b>

	Six months ended 30 June 2022			At 31 December 2022			
	Total operating income	Profit before taxation	Capital expenditure during the period			Total contingent liabilities and commitments	Non-current assets
				Total assets	Total liabilities		
				HK\$'000	HK\$'000		
Hong Kong	1,569,945	533,040	34,895	192,122,744	163,796,149	41,137,176	2,134,568
Mainland China	701,693	323,560	29,273	83,944,360	76,657,143	18,219,300	390,755
Macau and others	39,042	30,678	185	4,699,561	4,370,738	168,079	11,223
<b>Total</b>	<b>2,310,680</b>	<b>887,278</b>	<b>64,353</b>	<b>280,766,665</b>	<b>244,824,030</b>	<b>59,524,555</b>	<b>2,536,546</b>

Note:

Total operating income consists of net interest income, net fee and commission income, net income from trading and investments and other operating income.

Non-current assets consist of interests in associates, investment properties, property and equipment, deferred tax assets and intangible assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### 4.1 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The fair value hierarchy is defined as follows:

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

The following table presents the fair value hierarchy of the Group's financial assets and liabilities as at 30 June 2023.

	Fair value hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 June 2023</b>				
Financial assets measured at fair value through profit or loss				
Debt securities	108,261	–	–	108,261
Other securities	–	2,266,884	–	2,266,884
Financial assets measured at FVOCI				
Equity securities	34,125	–	175,483	209,608
Debt securities	46,234,784	11,919,587	–	58,154,371
Trade bills	–	2,755,497	–	2,755,497
Derivative financial assets not used for hedging	–	1,726,153	–	1,726,153
Derivative financial assets used for hedging	–	633,001	–	633,001
Derivative financial liabilities not used for hedging	–	(1,510,918)	–	(1,510,918)
Derivative financial liabilities used for hedging	–	(71,722)	–	(71,722)
<b>Total</b>	<b>46,377,170</b>	<b>17,718,482</b>	<b>175,483</b>	<b>64,271,135</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### 4.1 FAIR VALUE ESTIMATION *(Continued)*

The following table presents the fair value hierarchy of the Group's financial assets and liabilities as at 31 December 2022.

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>At 31 December 2022</b>				
Financial assets measured at				
fair value through profit or loss				
Debt securities	114,448	–	–	114,448
Other securities	–	1,801,558	–	1,801,558
Financial assets measured				
at FVOCI				
Equity securities	33,501	–	176,303	209,804
Debt securities	54,844,093	2,301,002	–	57,145,095
Trade bills	–	7,982,708	–	7,982,708
Derivative financial assets				
not used for hedging				
	–	965,892	–	965,892
Derivative financial assets				
used for hedging				
	–	644,494	–	644,494
Derivative financial liabilities				
not used for hedging				
	–	(1,257,609)	–	(1,257,609)
Derivative financial liabilities				
used for hedging				
	–	(43,072)	–	(43,072)
Total	54,992,042	12,394,973	176,303	67,563,318

There was no transfer between Levels 1, 2 and 3 during the current and prior reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### 4.1 FAIR VALUE ESTIMATION *(Continued)*

Except as detailed in the following table, the directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values.

	Carrying amount		Fair value	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Financial assets				
– measured at amortised cost	4,461,602	6,477,908	4,461,700	6,448,099
Financial liabilities				
– Loan capital	1,752,196	1,746,101	1,649,474	1,746,101

#### 4.2 VALUATION TECHNIQUES

The fair values of listed equity securities are determined with reference to quoted market bid prices from relevant stock exchanges.

The fair values of unlisted equity securities are determined with reference to (i) multiples of comparable listed companies, including average of the price/earnings ratios and average of the price/book values ratios of the comparables; or (ii) enterprise multiples of the comparables; or (iii) dividend discount model calculation of the underlying equity investments.

The fair values of debt securities classified as FVOCI, debt securities classified as amortised cost and loan capital are determined based on indicative prices provided by the dealers and brokers. In addition, the Group makes comparison of the indicative prices with the prices obtained from pricing service providers and other service providers and with the values calculated using valuation models such as discounted cash flows method to substantiate the indicative prices of the debt securities. The key inputs used in the valuation models are the interest rate data, which are observable at the end of the reporting period. The objective of valuation models is to arrive at a fair value estimation that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The fair values of trade bills classified as FVOCI are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, which are observable at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### 4.2 VALUATION TECHNIQUES *(Continued)*

The fair values of foreign currency forward contracts are measured by comparing the contracted forward rates and the quoted forward exchange rates, which are observable at the end of the reporting period.

The fair values of interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, which are observable at the end of the reporting period.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. There were no changes in the Group's valuation techniques during the period.

#### 4.3 RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	Financial assets measured at FVOCI HK\$'000
<b>Balance at 1 January 2022</b>	42,654
Disposal	(277)
Total gain or loss recognised in other comprehensive income	
– fair value gain	136,473
Exchange difference	(2,547)
<b>Balance at 31 December 2022 and 1 January 2023</b>	<b>176,303</b>
Total gain or loss recognised in other comprehensive income	
– fair value gain	489
Exchange difference	(1,309)
<b>Balance at 30 June 2023</b>	<b>175,483</b>

The majority of the Group's investments are valued based on quoted market information or observable market data. A small percentage, less than 0.02% (31 December 2022: less than 0.02%), assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a material impact on the Group's financial positions.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**5. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The Group has financial assets and financial liabilities that:

- are offset in the Group's condensed consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the condensed consolidated statement of financial position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for derivatives and sale and repurchase agreements. In addition, the Group receives and pledges collateral in the form of cash in respect of its derivative transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral received or pledged must be returned on maturity of the transactions.

Under the agreement of Continuous Net Settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), money obligations receivable and payable with HKSCC on the same settlement date are settled on net basis.

The Group has a legally enforceable right to set off the trades receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**6. NET INTEREST INCOME**

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interest income		
Balances and placements with central bank and banks	634,544	128,194
Investments in securities	1,115,867	477,866
Loans and advances	3,944,617	2,265,585
	<u>5,695,028</u>	<u>2,871,645</u>
Interest expense		
Deposits and balances of banks	(161,261)	(108,889)
Deposits from customers	(3,193,078)	(985,028)
Financial assets sold under repurchase agreements	(41,196)	(23,210)
Certificates of deposit	(24,134)	(2,231)
Loan capital in issue	(43,399)	(40,350)
Lease liabilities	(7,433)	(7,295)
	<u>(3,470,501)</u>	<u>(1,167,003)</u>
Net interest income	<u>2,224,527</u>	<u>1,704,642</u>
Included within interest income		
Interest income on impaired loans and advances	<u>17,728</u>	<u>13,831</u>

Included within interest income and interest expense are HK\$5,695,028,000 (2022: HK\$2,871,645,000) and HK\$3,470,501,000 (2022: HK\$1,167,003,000) earned and incurred from financial assets and financial liabilities that are not recognised at fair value through profit or loss, respectively.

Included above is interest income from investments in debt securities of HK\$1,115,867,000 (2022: HK\$477,866,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 7. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Fee and commission income		
Securities dealings	43,357	59,339
Loans, overdrafts and guarantees	66,972	115,467
Trade finance	4,098	5,043
Credit card services	50,492	37,868
Agency services	34,669	39,611
Others	7,908	11,974
Total fee and commission income	207,496	269,302
Less: Fee and commission expenses	(45,241)	(35,840)
	162,255	233,462
of which:		
Net fee and commission, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities, that are not recognised at fair value through profit or loss		
– Fee income	108,525	102,541
– Fee expenses	(42,934)	(33,223)
	65,591	69,318



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**8. NET INCOME FROM TRADING AND INVESTMENTS**

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Foreign exchange gains	160,850	241,121
Net gains on financial instruments at fair value through profit or loss	109,905	36,324
Net gains (losses) on fair value hedge	8,589	(12,298)
Net gains on disposal of financial assets at FVOCI		
– Debt securities	19,756	20,570
	<b>299,100</b>	<b>285,717</b>

“Foreign exchange gains” includes gains and losses from spot and forward contracts, swaps and translated foreign currency assets and liabilities, which are not designated as qualifying hedging relationship.

The Group entered into foreign exchange swaps for its liquidity management and funding activities. It involves swapping a currency (“original currency”) into another currency (“swap currency”) at the spot exchange rate for short-term placement and simultaneously entering into a forward contract to convert the funds back to the original currency on maturity of the placement. The exchange difference between the spot and forward contracts as well as the corresponding interest differential between the surplus funds in the original currency and swap currency are recognised as “Foreign exchange gains”.

Net gains on disposal of the financial assets at FVOCI were included in the net income from trading and investments of the Group which form part of the business operation. This is to in line with the current business model of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 9. OTHER OPERATING INCOME

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Dividend income		
– Listed investments	1,513	1,504
– Unlisted investments	9,963	3,575
	11,476	5,079
Gross rents from investment properties	3,520	2,344
Less: Outgoings	(250)	(230)
Net rental income	3,270	2,114
Safe deposit box rentals	28,051	28,651
Net insurance income	12,132	10,338
Other banking services income	43,443	39,810
Others	846	867
	99,218	86,859

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**10. OPERATING EXPENSES**

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration		
– Audit services	3,906	3,800
– Non-audit services	244	367
Staff costs (including directors' emoluments)		
– Salaries and other costs	592,783	563,984
– Retirement benefits scheme contributions	35,679	34,074
– Capitalised to intangible assets	–	(6)
Total staff costs	628,462	598,052
Depreciation		
– Property and equipment	43,690	43,336
– Right-of-use assets	90,190	97,192
	133,880	140,528
Amortisation of intangible assets	28,998	28,937
Premises and equipment expenses, excluding depreciation		
– Rentals and rates for premises	3,948	3,501
– Expenses relating to short-term leases	24	1,114
– Expenses relating to leases of low-value assets	30	32
– Others	2,418	4,383
	6,420	9,030
Other operating expenses	168,513	173,806
	<b>970,423</b>	<b>954,520</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**11. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Loans and advances to customers	484,400	504,096
Investment in securities	(31,612)	(7,815)
Other financial assets	(10,856)	(13,491)
Loan commitments and financial guarantees	(6,801)	16,000
	<b>435,131</b>	<b>498,790</b>

Other financial assets include short-term funds, placements with banks and other receivables.

**12. TAXATION**

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax	94,151	103,267
Overseas taxation	70,217	86,535
Deferred tax	5,100	(65,911)
	<b>169,468</b>	<b>123,891</b>

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**13. DIVIDENDS**

On 19 June 2023, a dividend of HK\$130,000,000 was paid to shareholders as the final dividend for 2022.

On 28 June 2022, a dividend of HK\$260,000,000 was paid to shareholders as the final dividend for 2021.

Subsequent to the end of the interim period, the Board has declared a total amount of interim dividend in respect of the financial year ending 31 December 2023 of HK\$180,000,000 (2022: HK\$100,000,000).

**14. CASH AND SHORT-TERM FUNDS AND PLACEMENTS WITH BANKS**

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Cash and balances with central bank and banks	12,401,911	11,515,947
Money at call and short notice	24,625,811	23,186,254
	<u>37,027,722</u>	<u>34,702,201</u>
Placements with banks		
– With original maturity within three months	3,912,169	3,692,496
– With original maturity over three months	3,846,863	1,974,908
	<u>7,759,032</u>	<u>5,667,404</u>

Included in the "Cash and balances with central bank and banks" are surplus reserve deposits placed with People's Bank of China by the Mainland branches of HK\$564,668,000 (31 December 2022: HK\$941,307,000).

As of 30 June 2023, the gross carrying amount, including accrued interest, of placements with banks amounted to HK\$7,859,281,000 (31 December 2022: HK\$5,775,657,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2023		
	Notional amount HK\$'000	Fair value	
		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading			
– Foreign currency forward contracts and swaps	297,333,588	1,442,859	1,265,696
– Foreign currency options	181,203,243	6,987	5,502
– Interest rate swaps	83,515,562	276,307	239,720
– Futures	–	–	–
Derivatives designated as hedging instruments			
– Interest rate swaps	24,509,608	633,001	71,722
		2,359,154	1,582,640

	31 December 2022		
	Notional amount HK\$'000	Fair value	
		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading			
– Foreign currency forward contracts and swaps	270,669,430	615,376	945,177
– Foreign currency options	45,544,557	2,051	3,648
– Interest rate swaps	74,430,895	348,465	308,559
– Futures	1,561,940	–	225
Derivatives designated as hedging instruments			
– Interest rate swaps	17,689,359	644,494	43,072
		1,610,386	1,300,681

As at 30 June 2023, all foreign currency forward contracts have settlement dates within 2 years (31 December 2022: 3 years) from the end of the reporting period.

The remaining maturity of interest rate swaps held for trading is within 8 years (31 December 2022: within 10 years).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**16. INVESTMENTS IN SECURITIES**

	Financial assets			
	measured at fair value through profit or loss HK\$'000	Financial assets measured at FVOCI HK\$'000	Financial assets measured at amortised cost HK\$'000	Total HK\$'000
<b>30 June 2023</b>				
Equity securities	–	209,608	–	209,608
Debt securities	108,261	58,154,371	4,461,602	62,724,234
Other securities	2,266,884	–	–	2,266,884
Total	<u>2,375,145</u>	<u>58,363,979</u>	<u>4,461,602</u>	<u>65,200,726</u>
<b>31 December 2022</b>				
Equity securities	–	209,804	–	209,804
Debt securities	114,448	57,145,095	6,477,908	63,737,451
Other securities	1,801,558	–	–	1,801,558
Total	<u>1,916,006</u>	<u>57,354,899</u>	<u>6,477,908</u>	<u>65,748,813</u>

As of 30 June 2023, the gross carrying amount, including accrued interest, of investment in securities measured at amortised cost amounted to HK\$4,471,231,000 (31 December 2022: HK\$6,515,659,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 17. TRANSFER OF FINANCIAL ASSETS

The following were the Group's debt securities and trade bills classified as financial assets measured at FVOCI as at 30 June 2023 and 31 December 2022 that were transferred to other entities with terms to repurchase these debt securities and trade bills at agreed dates and prices. As the Group has retained substantially all the risks and rewards relating to these debt securities and trade bills, the full carrying amount of these debt securities and trade bills continued to be recognised. The cash received on the transfer was reported as liabilities under "Financial assets sold under repurchase agreements" (see Note 22). The transferred debt securities serve as collateral to secure these liabilities. During the covered periods, the legal title of the debt securities and trade bills are transferred to the counterparty entities and there is no restriction for the counterparty entities to sell or repledge the collateral. These debt securities and trade bills are measured at fair value in the condensed consolidated statement of financial position.

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Carrying amount of transferred assets	3,456,778	4,588,922
Carrying amount of associated liabilities ( <i>Note 22</i> )	3,251,536	4,504,613



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 18. ADVANCES AND OTHER ACCOUNTS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Advances to customers		
Bills receivable	338,075	381,905
Trade bills measured at		
– amortised cost	216,312	227,302
– FVOCI	2,755,497	7,982,708
	2,971,809	8,210,010
Other advances to customers	163,386,335	158,112,218
	166,696,219	166,704,133
Interest receivable	1,682,695	1,448,916
Impairment allowances		
– Stage 1	(477,438)	(509,440)
– Stage 2	(80,704)	(210,812)
– Stage 3	(2,300,715)	(2,068,076)
	(2,858,857)	(2,788,328)
	165,520,057	165,364,721
Reverse repos	3,223,177	169,215
Other accounts		
– Deposit placed as mandatory reserve fund ( <i>Note 1</i> )	3,635,751	3,820,722
– Initial and variation margin ( <i>Note 2</i> )	458,498	535,343
– Others	632,362	506,925
	4,726,611	4,862,990
	173,469,845	170,396,926

*Note 1:* Balance mainly represented mandatory reserve deposits placed by Mainland Branches with the People's Bank of China which is not available for the Group's daily operation.

*Note 2:* Balance mainly represented deposits placed in banks as initial and variation margin for certain interest margin, foreign currency forward contracts and repurchase agreements.

As of 30 June 2023, the gross carrying amount, including accrued interest, of advances to customers amounted to HK\$167,214,752,000 (31 December 2022: HK\$167,116,122,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 18. ADVANCES AND OTHER ACCOUNTS *(Continued)*

Details of the impaired loans are as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Gross impaired loans	4,628,942	4,478,564
Less: Impairment allowances under stage 3	(2,300,715)	(2,068,076)
Net impaired loans	<u>2,328,227</u>	<u>2,410,488</u>
Gross impaired loans as a percentage of gross advances to customers	<u>2.78%</u>	<u>2.69%</u>
Market value of collateral pledged	<u>838,413</u>	<u>918,662</u>

Details of the non-performing loans are as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Gross non-performing loans <i>(Note)</i>	4,587,010	4,450,711
Less: Impairment allowances under stage 3	(2,300,715)	(2,068,076)
Net non-performing loans	<u>2,286,295</u>	<u>2,382,635</u>
Gross non-performing loans as a percentage of gross advances to customers	<u>2.75%</u>	<u>2.67%</u>
Market value of collateral pledged	<u>737,164</u>	<u>855,849</u>

*Note:* Non-performing loans represent advances which are either classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**19. INVESTMENT PROPERTIES**

	2023 HK\$'000	2022 HK\$'000
At 1 January	319,764	325,938
Net increase (decrease) in fair value recognised in the profit or loss	100	(610)
Exchange adjustments	–	(5,564)
At 30 June/31 December	<u>319,864</u>	<u>319,764</u>

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties owned by the Group were revalued as at 30 June 2023 and 31 December 2022 by Vigers Appraisal and Consulting Limited, independent professional qualified valuer. The fair value of investment properties is determined by adopting the direct comparison approach and income approach. Under direct comparison approach, the fair value is determined by reference to actual sales transactions of comparable properties with similar character and location. Under income approach, the fair value is determined by reference to the value of income, cash flow or cost savings generated by the assets.

The fair value of investment properties is estimated based on assumptions that there would be no forced sale situation in any manner for these investment properties and the structure of these investment properties were in a reasonable condition at the end of the reporting period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment properties are classified as Level 3 under fair value hierarchy as at 30 June 2023 and 31 December 2022. There was no transfer into or out of Level 3 during the periods.

The significant unobservable inputs and their range used for the fair value measurement of the Group's investment properties classified as Level 3 are market yield of 2.6%-2.7% (31 December 2022: 2.5%-2.6%) and property unit selling rate of HK\$3,286 - HK\$46,838 per square feet (31 December 2022: HK\$2,976 - HK\$44,126 per square feet). The higher the property unit selling rate and the lower the market yield, the higher the fair value.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 20. PROPERTY AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Right-of-use assets HK\$'000	Equipment HK\$'000	Total HK\$'000
<b>COST</b>					
<b>At 1 January 2023</b>	345,020	134,076	946,008	1,003,300	2,428,404
Additions	–	–	275,044	17,325	292,369
Disposals	–	–	(9,927)	(7,359)	(17,286)
Exchange adjustments	–	(1,463)	(13,624)	(13,193)	(28,280)
<b>At 30 June 2023</b>	345,020	132,613	1,197,501	1,000,073	2,675,207
<b>ACCUMULATED DEPRECIATION</b>					
<b>At 1 January 2023</b>	122,330	46,960	530,417	746,015	1,445,722
Depreciation	3,916	1,725	90,222	38,017	133,880
Eliminated on disposals	–	–	(9,187)	(5,564)	(14,751)
Exchange adjustments	–	(227)	(6,422)	(8,957)	(15,606)
<b>At 30 June 2023</b>	126,246	48,458	605,030	769,511	1,549,245
<b>CARRYING AMOUNTS</b>					
<b>At 30 June 2023</b>	218,774	84,155	592,471	230,562	1,125,962
<b>At 1 January 2023</b>	222,690	87,116	415,591	257,285	982,682
<b>COST</b>					
<b>At 1 January 2022</b>	345,020	113,025	1,000,467	986,002	2,444,514
Additions	–	22,855	129,510	94,908	247,273
Disposals	–	–	(159,038)	(53,789)	(212,827)
Exchange adjustments	–	(1,804)	(24,931)	(23,821)	(50,556)
<b>At 31 December 2022</b>	345,020	134,076	946,008	1,003,300	2,428,404
<b>ACCUMULATED DEPRECIATION</b>					
<b>At 1 January 2022</b>	114,498	44,062	488,702	705,357	1,352,619
Depreciation	7,832	3,164	205,141	78,189	294,326
Eliminated on disposals	–	–	(151,692)	(22,667)	(174,359)
Exchange adjustments	–	(266)	(11,734)	(14,864)	(26,864)
<b>At 31 December 2022</b>	122,330	46,960	530,417	746,015	1,445,722
<b>CARRYING AMOUNTS</b>					
<b>At 31 December 2022</b>	222,690	87,116	415,591	257,285	982,682
<b>At 1 January 2022</b>	230,522	68,963	511,765	280,645	1,091,895

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**21. INTANGIBLE ASSETS**

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Internally developed software and software	729,292	760,567
Club Membership	14,090	14,090
Goodwill	39,606	39,606
	<b>782,988</b>	<b>814,263</b>

**22. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS**

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Analysed by collateral type:		
Debt securities classified as financial assets at FVOCI	3,251,536	4,504,613

As of 30 June 2023, the gross carrying amount, including accrued interest, of financial assets sold under repurchase agreements amounted to HK\$3,252,117,000 (31 December 2022: HK\$4,519,150,000).

**23. DEPOSITS FROM CUSTOMERS AND DEPOSITS AND BALANCES WITH BANK**

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Deposits from customers		
– Demand deposits and current accounts	13,106,943	16,938,227
– Savings deposits	49,258,886	50,899,450
– Time, call and notice deposits	168,094,476	155,650,550
	<b>230,460,305</b>	<b>223,488,227</b>
Deposits and balances with banks	<b>6,806,963</b>	<b>9,140,137</b>

As of 30 June 2023, the gross carrying amount, including accrued interest, of deposits from customers and deposits and balances with banks amounted to HK\$232,407,707,000 and HK\$6,831,829,000 respectively (31 December 2022: HK\$225,326,016,000 and HK\$9,170,455,000 respectively).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 24. OTHER ACCOUNTS AND ACCRUALS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Accrued interest	2,655,599	2,396,219
Lease liabilities	613,902	417,107
Others	1,838,546	1,739,503
	<b>5,108,047</b>	<b>4,552,829</b>

## 25. CERTIFICATES OF DEPOSIT

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Certificates of deposit, measured at amortised cost	1,765,673	–

As of 30 June 2023, the gross carrying amount, including accrued interest, of certificates of deposit amounted to HK\$1,765,673,000 (31 December 2022: HK\$Nil).

## 26. LOAN CAPITAL

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Subordinated notes, at amortised cost without fair value hedge adjustments US\$224 million fixed rate subordinated note due 2032 ( <i>Notes (a) &amp; (b)</i> )	1,752,196	1,746,101

As of 30 June 2023, the gross carrying amount, including accrued interest, of loan capital amounted to HK\$1,788,986,000 (31 December 2022: HK\$1,782,770,000).

*Notes:*

- (a) This represented the subordinated notes qualifying as tier 2 capital under Basel III accord with face value of US\$224,000,000 issued on 27 July 2022 (the "Notes"). The Notes are 10-year non-call 5-year fixed rate notes, with a fixed coupon rate of 4.900% per annum, payable semi-annually for the first five years; the interest rate will be reset on 27 July 2027.
- (b) The subordinated note issued is not secured by any collateral.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

for the six months ended 30 June 2023

**26. LOAN CAPITAL** *(Continued)*

Analysis of changes in financing cash flows of loan capital are as follows:

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
<b>At 1 January</b>	1,746,101	3,009,489
<b>Changes from financing cash flows:</b>		
Interest paid on loan capital	(43,035)	(32,268)
	1,703,066	2,977,221
<b>Exchange adjustments</b>	5,731	18,685
<b>Fair value hedge adjustments</b>	–	(27,463)
<b>Other changes</b>		
Interest expense	43,399	40,350
Other non-cash movements	–	(5,896)
Total other changes	43,399	34,454
<b>At 30 June</b>	1,752,196	3,002,897

**27. DEFERRED TAXATION**

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Deferred tax assets	12,389	15,644
Deferred tax liabilities	(127,564)	(77,904)
	(115,175)	(62,260)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 27. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting period:

	Accelerated		Investment properties HK\$'000	Revaluation of		Remeasurement of retirement benefits HK\$'000	Total HK\$'000
	tax	Impairment		FVOCI			
	depreciation HK\$'000	allowance HK\$'000		securities HK\$'000			
<b>At 1 January 2023</b>	(161,668)	104,136	(25,201)	26,583	(6,110)	(62,260)	
(Charge) credit to the income statement for the period (Note 12)	73,272	(78,372)	-	-	-	(5,100)	
Charge to other comprehensive income for the period	-	(3,350)	-	(44,465)	-	(47,815)	
Exchange adjustments	-	-	-	-	-	-	
<b>At 30 June 2023</b>	<b>(88,396)</b>	<b>22,414</b>	<b>(25,201)</b>	<b>(17,882)</b>	<b>(6,110)</b>	<b>(115,175)</b>	
<b>At 1 January 2022</b>	(162,315)	127,567	(27,478)	(35,805)	(6,110)	(104,141)	
(Charge) credit to income statement for the year	647	(5,385)	-	-	-	(4,738)	
Credit (charge) to other comprehensive income for the year	-	(18,046)	-	62,388	-	44,342	
Exchange adjustments	-	-	2,277	-	-	2,277	
<b>At 31 December 2022</b>	<b>(161,668)</b>	<b>104,136</b>	<b>(25,201)</b>	<b>26,583</b>	<b>(6,110)</b>	<b>(62,260)</b>	

## 28. SHARE CAPITAL

	2023		2022	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	972,862,222	17,030,884	972,862,221	15,280,884
Shares issued as a result of capital injection (note (a))	1	1,000,000	1	1,750,000
At 30 June/31 December	<b>972,862,223</b>	<b>18,030,884</b>	<b>972,862,222</b>	<b>17,030,884</b>

Notes:

- (a) On 28 June 2022, the Bank further issued 1 ordinary share with nominal value of HK\$1,750,000,000 to the immediate holding company of the Bank, as a result of capital injection. Such share is fully paid.

On 28 June 2023, the Bank further issued 1 ordinary share with nominal value of HK\$1,000,000,000 to the immediate holding company of the Bank, as a result of capital injection. Such share is fully paid.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 29. ADDITIONAL EQUITY INSTRUMENTS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Additional Tier 1 Capital Securities		
US\$400 million undated non-cumulative subordinated capital securities ( <i>Note (a)</i> )	3,111,315	3,111,315
US\$300 million undated non-cumulative subordinated capital securities ( <i>Note (b)</i> )	2,316,681	2,316,681
	<b>5,427,996</b>	<b>5,427,996</b>

Notes:

- (a) On 15 July 2019, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$400 million (equivalent to HK\$3,115,315,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.70% coupon until the first call date on 15 July 2024. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.858% per annum.

The coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

- (b) On 3 August 2020, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$300 million (equivalent to HK\$2,316,681,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.500% coupon until the first call date on 3 August 2025. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 5.237% per annum.

The coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 30. MATURITY PROFILES

The maturity analysis of financial assets and liabilities shown on the condensed consolidated statement of financial position are presented based on the Group's remaining contractual maturity information provided to and reviewed by management, is shown below:

	Repayable	Repayable	Repayable	Repayable	Repayable	Undated	Total
	on demand	within	after	after	after		
		1 month	1 month	3 months	1 year but		
	HK\$'000	HK\$'000	but within	but within	within		
			3 months	1 year	5 years	5 years	HK\$'000
<b>At 30 June 2023</b>							
<b>Assets</b>							
Cash and short-term funds	10,335,808	25,416,050	1,275,864	–	–	–	37,027,722
Placements with banks	–	–	5,727,613	2,031,419	–	–	7,759,032
Derivative financial instruments	6,987	751,228	198,080	606,635	738,943	57,281	2,359,154
Financial assets at fair value through profit or loss	322,886	269,399	215,849	1,081,707	322,903	162,401	2,375,145
Financial assets measured at FVOCI	–	11,827,319	6,371,098	17,776,418	21,423,753	755,783	58,363,979
Financial assets measured at amortised cost	–	453,571	724,207	2,152,750	1,129,074	2,000	4,461,602
Advances and other accounts	6,037,430	11,039,519	13,166,222	43,809,529	64,556,557	34,682,701	173,428,713
<b>Total financial assets</b>	<b>16,703,111</b>	<b>49,757,086</b>	<b>27,678,933</b>	<b>67,458,458</b>	<b>88,171,230</b>	<b>35,660,166</b>	<b>285,775,347</b>
Non-financial assets	–	–	–	–	–	–	2,762,461
<b>Total assets</b>	<b>16,703,111</b>	<b>49,757,086</b>	<b>27,678,933</b>	<b>67,458,458</b>	<b>88,171,230</b>	<b>35,660,166</b>	<b>310,824</b>
<b>Liabilities</b>							
Deposits and balances of banks	201,623	3,064,260	3,038,370	502,710	–	–	6,806,963
Financial assets sold under repurchase agreements	–	2,796,820	454,716	–	–	–	3,251,536
Deposits from customers	68,732,146	44,365,457	64,484,159	42,627,182	10,251,361	–	230,460,305
Derivative financial instruments	–	753,902	197,192	368,656	247,792	15,098	1,582,640
Certificates of deposit	–	434,450	581,450	749,773	–	–	1,765,673
Loan capital	–	–	–	–	–	1,752,196	1,752,196
Lease liabilities	–	13,483	27,817	113,205	414,701	44,696	613,902
Other financial liabilities	1,221,638	597,776	1,644,488	537,417	65,164	–	4,273,847
<b>Total financial liabilities</b>	<b>70,155,407</b>	<b>52,026,148</b>	<b>70,428,192</b>	<b>44,898,943</b>	<b>10,979,018</b>	<b>1,811,990</b>	<b>250,507,062</b>
Non-financial liabilities	–	–	–	–	–	–	392,494
<b>Total liabilities</b>	<b>70,155,407</b>	<b>52,026,148</b>	<b>70,428,192</b>	<b>44,898,943</b>	<b>10,979,018</b>	<b>1,811,990</b>	<b>599,858</b>
<b>Net position – total financial assets and liabilities</b>	<b>(53,452,296)</b>	<b>(2,269,062)</b>	<b>(42,749,259)</b>	<b>22,559,515</b>	<b>77,192,212</b>	<b>33,848,176</b>	<b>138,999</b>
Of which debt securities included in:							
FVOCI	–	11,827,319	6,371,098	17,776,418	21,423,753	755,783	58,154,371
Amortised cost	–	453,571	724,207	2,152,750	1,129,074	2,000	4,461,602
	–	12,280,890	7,095,305	19,929,168	22,552,827	757,783	62,615,973

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

## 30. MATURITY PROFILES (Continued)

	Repayable on demand	Repayable within 1 month	Repayable after 1 month but within 3 months	Repayable after 3 months but within 1 year	Repayable after 1 year but within 5 years	Repayable after 5 years	Undated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 December 2022</b>								
<b>Assets</b>								
Cash and short-term funds	9,713,680	24,541,806	446,715	-	-	-	-	34,702,201
Placements with banks	-	-	5,359,248	308,156	-	-	-	5,667,404
Derivative financial instruments	2,051	211,467	175,121	358,559	739,086	124,102	-	1,610,386
Financial assets at fair value through profit or loss	-	-	-	1,127,050	338,531	114,448	335,977	1,916,006
Financial assets measured at FVOCI	-	10,968,737	5,203,436	16,201,332	22,712,754	2,058,836	209,804	57,354,899
Financial assets measured at amortised cost	-	253,194	624,970	3,225,148	2,372,596	2,000	-	6,477,908
Advances and other accounts	5,393,772	8,448,239	17,219,629	40,586,655	61,669,864	36,967,531	81,827	170,367,517
<b>Total financial assets</b>	<b>15,109,503</b>	<b>44,423,443</b>	<b>29,029,119</b>	<b>61,806,900</b>	<b>87,832,831</b>	<b>39,266,917</b>	<b>627,608</b>	<b>278,096,321</b>
Non-financial assets	-	-	-	-	-	-	2,670,344	2,670,344
<b>Total assets</b>	<b>15,109,503</b>	<b>44,423,443</b>	<b>29,029,119</b>	<b>61,806,900</b>	<b>87,832,831</b>	<b>39,266,917</b>	<b>3,297,952</b>	<b>280,766,665</b>
<b>Liabilities</b>								
Deposits and balances of banks	208,711	7,294,435	892,445	744,546	-	-	-	9,140,137
Financial assets sold under repurchase agreements	-	2,798,017	1,706,596	-	-	-	-	4,504,613
Deposits from customers	76,293,578	40,824,094	50,935,379	45,982,028	9,453,148	-	-	223,488,227
Derivative financial instruments	-	506,293	196,187	284,287	294,507	19,407	-	1,300,681
Certificates of deposit	-	-	-	-	-	-	-	-
Loan capital	-	-	-	-	-	1,746,101	-	1,746,101
Lease liabilities	-	14,321	28,842	133,649	192,714	47,581	-	417,107
Other financial liabilities	663,528	500,763	1,608,686	784,294	55,564	1	225,154	3,837,990
<b>Total financial liabilities</b>	<b>77,165,817</b>	<b>51,937,923</b>	<b>55,368,135</b>	<b>47,928,804</b>	<b>9,995,933</b>	<b>1,813,090</b>	<b>225,154</b>	<b>244,434,856</b>
Non-financial liabilities	-	-	-	-	-	-	389,174	389,174
<b>Total liabilities</b>	<b>77,165,817</b>	<b>51,937,923</b>	<b>55,368,135</b>	<b>47,928,804</b>	<b>9,995,933</b>	<b>1,813,090</b>	<b>614,328</b>	<b>244,824,030</b>
<b>Net position – total financial assets and liabilities</b>	<b>(62,056,314)</b>	<b>(7,514,480)</b>	<b>(26,339,016)</b>	<b>13,878,096</b>	<b>77,836,898</b>	<b>37,453,827</b>	<b>402,454</b>	<b>33,661,465</b>
Of which debt securities included in:								
FVOCI	-	10,968,737	5,203,436	16,201,332	22,712,754	2,058,836	-	57,145,095
Amortised cost	-	253,194	624,970	3,225,148	2,372,596	2,000	-	6,477,908
	-	11,221,931	5,828,406	19,426,480	25,085,350	2,060,836	-	63,623,003

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 31. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

	Interest and commission income		Interest, rental and other operating expenses	
	Six months ended 30 June		Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Ultimate holding company	14	14	15,867	15,867
Intermediate holding company	1,255	86	12,566	115
Fellow subsidiaries	37,663	33,760	81,854	74,629
Associates	15,097	17,897	17,313	10,885
Key management personnel ( <i>Note 1</i> )	334	9,069	1,429	11

During the period, the Group had net trading income with intermediate holding company and fellow subsidiary of HK\$375,258,000 (2022: Net trading income HK\$18,944,000).

At the end of the reporting period, the Group had the following material outstanding balances with related parties:

	Amounts due from related parties		Amounts due to related parties	
	30 June 2023 HK\$'000	31 December 2022 HK\$'000	30 June 2023 HK\$'000	31 December 2022 HK\$'000
	Ultimate holding company	–	–	3,674,049
Intermediate holding company	150,000	150,000	41,629	2,538,707
Fellow subsidiaries	2,173,125	2,399,597	8,585,235	9,670,588
Associates	–	–	209,274	210,646
Key management personnel ( <i>Note 1</i> )	511,238	43,664	161,498	149,729

*Note 1:* Includes directors, senior management and key personnel of the Group and its holding companies, their close family members and companies controlled or significantly influenced by them.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 31. RELATED PARTY TRANSACTIONS *(Continued)*

The above outstanding balances bear interest at rates similar to those made available to non-related parties. A portion of the loans to related parties are secured with properties, securities and fixed deposits.

As of 30 June 2023, the Group held financial assets at FVOCI issued by fellow subsidiaries of HK\$265,936,575 (2022: HK\$233,414,418) and did not hold financial assets at amortised cost issued by fellow subsidiaries (2022: Nil).

Amounts due from related parties are included under advances and other accounts in the condensed consolidated statement of financial position.

Amounts due to related parties are included under deposits from customers in the condensed consolidated statement of financial position.

#### COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors, senior management and key personnel during the period was as follows:

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Short-term benefits	118,254	114,197
Post employment benefits	9,044	8,876
	<b>127,298</b>	<b>123,073</b>

The remuneration of directors, senior management and key personnel is reviewed by the Remuneration Committee having regard to the performance of individuals and market trends.

### 32. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022 except the measurement of expected credit loss allowance, which resulted in changes in critical accounting judgement.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

### 32. ESTIMATES (Continued)

#### CRITICAL JUDGEMENTS IN KEY ASSUMPTIONS USED IN THE EXPECTED CREDIT LOSS (“ECL”) CALCULATION

##### *Uncertainty of economic environment*

According to the HKFRS 9, expected credit loss is expected to be assessed over a range of economic scenarios, being an unbiased and probability weighted amount. In light of the global economic recovery from the COVID-19 pandemic, the existing Hong Kong Bad scenario forecast should have incorporated the possible downturn impact from COVID-19, another separate COVID-19 scenario is no longer applicable. In Mainland China, the unwavering strategy to foster a resilient economy has effectively weathered the crisis brought about by COVID-19, the Mainland China scenario setting remains unchanged.

The weighting of each scenario is determined by management judgments with consideration of geographic sectors, macroeconomic environment of Hong Kong and Mainland China and the trend of global economy. The probability weightings was assigned as 5%, 75% and 20% to the Good, Base and Bad scenarios respectively in Hong Kong portfolio as well as Mainland China portfolio.

The key assumptions used for ECL estimates are set out below:

	Scenario	June 2023	December 2022
<b>Hong Kong Forecast Factors</b>			
GDP YoY Change %	Base	4.70%	0.83%
	Good	7.64%	3.57%
	Bad	-2.08%	-5.78%
<b>Mainland China Forecast Factors</b>			
GDP QoQ Change %	Base	1.09%	1.14%
	Good	2.30%	2.08%
	Bad	-1.01%	-0.96%

The Group will review the critical assumptions from time to time to reflect the outlook of the economy. Details of net impairment losses on financial assets are disclosed in note 11.

# SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

## 1. ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS

The Group's gross advances to customers (including advances booked in branches outside Hong Kong and subsidiaries) are analysed and reported by industry sectors according to the usage of the loans or business activities of the borrowers as follows:

	30 June 2023				
	Gross loans and advances HK\$'000	Impairment allowances stage 1 & stage 2 HK\$'000	Impairment allowances stage 3 HK\$'000	Loans and advances secured by collateral HK\$'000 <i>(Note 1)</i>	Gross impaired advances HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property development	4,610,552	13,559	2,599	2,576,180	3,971
– Property investment	5,639,895	6,890	–	5,244,887	–
– Financial concerns	13,972,046	1,732	–	586,781	–
– Stockbrokers	2,920,676	365	–	1,149,298	–
– Wholesale and retail trade	5,853,775	13,864	51,552	2,858,936	66,558
– Manufacturing	1,767,994	4,784	–	811,980	–
– Transport and transport equipment	2,716,944	8,632	153	340,768	1,095
– Recreational activities	–	–	–	–	–
– Information technology	1,532,320	8,066	–	44,051	–
– Others <i>(Note 2)</i>	12,537,347	37,028	72,984	6,370,195	605,918
Individuals					
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	303,896	7	–	303,896	1,030
– Loans for the purchase of other residential properties	7,648,943	267	1,964	7,648,943	32,095
– Credit card advances	57,218	318	380	–	380
– Others <i>(Note 3)</i>	5,044,838	3,751	2,836	3,093,153	30,251
	<u>64,606,444</u>	<u>99,263</u>	<u>132,468</u>	<u>31,029,068</u>	<u>741,298</u>
Trade finance	2,591,853	11,505	39,814	111,815	99,021
Loans for use outside Hong Kong	99,497,922	466,053	2,128,433	22,235,593	3,788,623
	<u>166,696,219</u>	<u>576,821</u>	<u>2,300,715</u>	<u>53,376,476</u>	<u>4,628,942</u>

Notes:

- (1) Loans and advances secured by collateral are determined as the lower of the market value of collateral or outstanding loan principal.
- (2) Major items mainly included loans to businesses in electricity and gas, hotels, catering, margin lending and other business purposes.
- (3) Major items mainly included loans to professionals and other individuals for various private purposes.

## SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

## 1. ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS (Continued)

	31 December 2022				
	Impairment Gross loans and advances HK\$'000	allowances stage 1 & stage 2 HK\$'000	Loans and Impairment allowances stage 3 HK\$'000	advances secured by collateral HK\$'000 (Note 1)	Gross impaired advances HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property development	5,262,351	21,174	–	2,627,571	–
– Property investment	6,652,635	10,027	–	6,327,618	15,788
– Financial concerns	13,022,464	1,736	–	811,682	–
– Stockbrokers	1,754,576	246	–	763,605	–
– Wholesale and retail trade	4,472,136	25,030	47,611	2,231,738	90,798
– Manufacturing	2,846,686	9,830	–	808,575	–
– Transport and transport equipment	3,877,866	11,398	6,687	380,768	7,449
– Recreational activities	343	–	–	343	–
– Information technology	341,004	2,401	–	41,000	–
– Others (Note 2)	10,465,343	35,777	83,431	4,707,458	622,822
Individuals					
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	329,299	14	–	329,299	863
– Loans for the purchase of other residential properties	7,474,832	336	2,071	7,474,832	26,461
– Credit card advances	58,433	311	400	–	400
– Others (Note 3)	5,058,674	3,577	2,599	3,164,282	20,222
	61,616,642	121,857	142,799	29,668,771	784,803
Trade finance	2,675,089	13,894	26,490	184,894	76,428
Loans for use outside Hong Kong	102,412,402	650,820	1,898,787	23,810,851	3,617,333
	166,704,133	786,571	2,068,076	53,664,516	4,478,564

## Notes:

- (1) Loans and advances secured by collateral are determined as the lower of the market value of collateral or outstanding loan principal.
- (2) Major items mainly included loans to businesses in electricity and gas, hotels, catering, margin lending and other business purposes.
- (3) Major items mainly included loans to professionals and other individuals for various private purposes.



**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**1. ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS** *(Continued)*

The Group's advances to customers overdue for over three months as at 30 June 2023 and 31 December 2022, and new impairment allowances and advances written-off during the six months ended 30 June 2023 and 2022 in respect of industry sectors which constitute not less than 10% of gross advances to customers are analysed as follows:

	2023		
	Advances overdue for over three months as at 30 June HK\$'000	New impairment allowances during the six months ended 30 June HK\$'000	Advances written-off during six months ended 30 June HK\$'000
Loans for use outside Hong Kong	2,536,019	229,409	429,825

  

	2022		
	Advances overdue for over three months as at 31 December HK\$'000	New impairment allowances during the six months ended 30 June HK\$'000	Advances written-off during six months ended 30 June HK\$'000
Loans for use outside Hong Kong	1,791,718	177,176	–

## SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

## 2. ADVANCES TO CUSTOMERS – BY GEOGRAPHICAL AREAS

The Group's gross advances to customers by countries or geographical areas after taking into account any risk transfers are as follows:

	30 June 2023				
	Total advances HK\$'000	Advances overdue for three months HK\$'000	Impaired advances HK\$'000	Impairment allowances stage 3 HK\$'000	Impairment allowances stage 1 & stage 2 HK\$'000
Hong Kong	104,137,257	3,320,429	4,550,942	2,264,800	209,439
Mainland China	52,484,158	–	–	–	345,575
Macau	4,744,161	–	78,000	35,915	6,332
Others	5,330,643	–	–	–	15,475
	<u>166,696,219</u>	<u>3,320,429</u>	<u>4,628,942</u>	<u>2,300,715</u>	<u>576,821</u>

	31 December 2022				
	Total advances HK\$'000	Advances overdue for three months HK\$'000	Impaired advances HK\$'000	Impairment allowances stage 3 HK\$'000	Impairment allowances stage 1 & stage 2 HK\$'000
Hong Kong	100,814,545	2,425,083	4,247,794	1,931,887	373,658
Mainland China	55,873,388	–	–	–	383,313
Macau	5,576,714	152,770	230,770	136,189	9,208
Others	4,439,486	–	–	–	20,392
	<u>166,704,133</u>	<u>2,577,853</u>	<u>4,478,564</u>	<u>2,068,076</u>	<u>786,571</u>

## SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

### 3. INTERNATIONAL CLAIMS

The Group's international claims by countries or geographical areas which constitute 10% or more of the relevant disclosure items after taking into account any risk transfers are as follows:

	At 30 June 2023				Total HK\$'000
	Banks HK\$'000	Official sector HK\$'000	Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
<b>Offshore centres</b>	7,048,653	14,654	7,752,996	28,078,146	42,894,449
of which: Hong Kong	2,388,591	14,077	6,536,669	12,592,321	21,531,658
<b>Developing Asia Pacific</b>	20,782,592	215,578	5,212,056	13,466,683	39,676,909
of which: Mainland China	12,927,262	215,419	5,212,056	13,296,601	31,651,338
<b>Developed countries</b>	15,555,018	4,223,429	1,304,595	378,935	21,461,977

	At 31 December 2022				Total HK\$'000
	Banks HK\$'000	Official sector HK\$'000	Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
<b>Offshore centres</b>	3,183,168	6,035	11,354,769	27,705,545	42,249,517
of which					
– Hong Kong	2,150,557	5,660	9,095,130	11,819,074	23,070,421
<b>Developing Asia-Pacific</b>	12,479,732	18,958	18,191,259	7,185,451	37,875,400
of which					
– Mainland China	8,026,730	18,782	18,191,259	7,036,661	33,273,432
<b>Developed countries</b>	10,074,797	33,937	388,488	8,932,593	19,429,815
of which					
– United States	1,164,210	28,090	–	8,922,454	10,114,754

## SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

## 4. OVERDUE AND RESCHEDULED ASSETS

	30 June 2023		31 December 2022	
	Gross amount of advances HK\$'000	Percentage to total advances %	Gross amount of advances HK\$'000	Percentage to total advances %
Advances overdue for				
– 6 months or less but over 3 months	1,065,612	0.6	1,732,319	1.0
– 1 year or less but over 6 months	2,167,478	1.3	754,849	0.5
– Over 1 year	87,339	0.1	90,685	0.1
Total overdue advances	<u>3,320,429</u>	<u>2.0</u>	<u>2,577,853</u>	<u>1.6</u>
Rescheduled advances				
– 3 months or less	130	0.0	26,496	0.0
– Over 3 months	88,358	0.1	94,921	0.1
Total rescheduled advances	<u>88,488</u>	<u>0.1</u>	<u>121,417</u>	<u>0.1</u>
Impairment allowances under stage 3 made in respect of overdue loans and advances	<u>1,633,945</u>		<u>1,210,231</u>	
Covered portion of overdue loans and advances	<u>721,451</u>		<u>712,098</u>	
Uncovered portion of overdue loans and advances	<u>2,598,978</u>		<u>1,865,755</u>	
	<u>3,320,429</u>		<u>2,577,853</u>	
Market value of collateral held against covered portion of overdue loans and advances	<u>812,307</u>		<u>777,056</u>	

There were no advances to banks and other assets which were overdue for over three months as at 30 June 2023 and 31 December 2022, nor were there any rescheduled advances to banks and other financial institutions.

There are no overdue debt securities and trade bills as at 30 June 2023 and 31 December 2022.

Repossession assets held by the Group as at 30 June 2023 was HK\$114,800,000 (31 December 2022: HK\$119,700,000).

## SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

### 5. MAINLAND ACTIVITIES EXPOSURES

The table below summaries the non-bank Mainland China exposures of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches categorized by types of counterparties:

	30 June 2023		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
<b>Type by counterparties</b>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	46,799,330	1,217,181	48,016,511
2. Local government, local government-owned entities and their subsidiaries and JVs	18,609,616	711,457	19,321,073
3. Mainland China nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	43,369,452	1,585,608	44,955,060
4. Other entities of central government not reported in item 1 above	5,814,884	185,845	6,000,729
5. Other entities of local government not reported in item 2 above	535,428	–	535,428
6. Mainland China nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,453,059	438,429	13,891,488
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,528,216	84,617	3,612,833
<b>Total</b>	<b>132,109,985</b>	<b>4,223,137</b>	<b>136,333,122</b>
<b>Total assets after provision (Note)</b>	<b>286,424,967</b>		
<b>On-balance sheet exposures as percentage of total assets (Note)</b>	<b>46.12%</b>		

The categories of non-bank counterparties and type of direct exposures are disclosed in accordance with Banking (Disclosure) Rules with reference to the Return of Mainland Activities of the HKMA.

*Note:* Include total assets after provisions of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches.

## SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

5. MAINLAND ACTIVITIES EXPOSURES *(Continued)*

	31 December 2022		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
<b>Type by counterparties</b>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	46,521,952	1,365,848	47,887,800
2. Local government, local government-owned entities and their subsidiaries and JVs	17,824,980	1,455,950	19,280,930
3. Mainland China nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	45,097,348	1,376,596	46,473,944
4. Other entities of central government not reported in item 1 above	5,974,977	236,043	6,211,020
5. Other entities of local government not reported in item 2 above	424,492	–	424,492
6. Mainland China nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	12,655,249	519,153	13,174,402
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,988,411	197,154	4,185,565
<b>Total</b>	<b>132,487,409</b>	<b>5,150,744</b>	<b>137,638,153</b>
<b>Total assets after provision <i>(Note)</i></b>	<b>278,826,204</b>		
<b>On-balance sheet exposures as percentage of total assets <i>(Note)</i></b>	<b>47.52%</b>		

The categories of non-bank counterparties and type of direct exposures are disclosed in accordance with Banking (Disclosure) Rules with reference to the Return of Mainland Activities of the HKMA.

*Note:* Include total assets after provisions of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches.

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**6. CURRENCY RISK**

The Group's foreign currency exposures arising from non-structural position which constitute 10% or more of the total net non-structural position in all foreign currencies are as follows:

	30 June 2023	
	USD HK\$'000	RMB HK\$'000
Spot assets	53,302,681	98,937,196
Spot liabilities	(43,149,706)	(92,401,580)
Forward purchases	142,173,462	15,753,358
Forward sales	(145,325,827)	(20,060,179)
Net options position	(808,336)	–
Net long position	<u>6,192,274</u>	<u>2,228,795</u>

  

	31 December 2022	
	USD HK\$'000	RMB HK\$'000
Spot assets	64,062,746	90,415,278
Spot liabilities	(40,727,960)	(86,088,068)
Forward purchases	118,637,177	17,965,699
Forward sales	(141,270,733)	(20,216,583)
Net options position	19,296	–
Net long position	<u>720,526</u>	<u>2,076,326</u>

The net options position is calculated in the basis of the delta-weighted position of option contracts.

## SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2023

## 6. CURRENCY RISK (Continued)

The Group's foreign currency exposures arising from structural position which constitute 10% or more of the total net structural position in all foreign currencies are as follows:

	30 June 2023		31 December 2022	
	USD	RMB	USD	RMB
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net structural position	459,778	4,042,453	459,778	4,042,453

## 7. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
<b>Contingent liabilities and commitments</b>		
– contractual amounts		
Direct credit substitutes	1,224,247	1,065,398
Transaction-related contingencies	1,479,545	2,545,165
Trade-related contingencies	929,219	258,215
Forward asset purchases	12,617	13,258
<b>Undrawn formal standby facilities, credit lines and other commitments</b>		
Which are unconditionally cancellable without prior notice	52,998,225	47,942,372
With an original maturity of one year and under	605,844	359,025
With an original maturity of over one year	6,849,742	7,340,912
Lease commitments	83	210
	<b>64,099,522</b>	<b>59,524,555</b>

The credit risk-weighted amount of contingent liabilities and commitments is HK\$5,708,520,000 (31 December 2022: HK\$5,816,374,000).

Most of contingent liabilities and commitments are denominated in Hong Kong dollars.



**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**8. CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY RATIO**

	30 June 2023 %	31 December 2022 % (Restated)
Total capital ratio	17.82	17.59
Tier 1 capital ratio	16.28	16.00
Common Equity Tier 1 ("CET 1") capital ratio	13.73	13.38
	30 June 2023 %	31 December 2022 %
Capital buffers (as a percentage of risk-weighted assets)		
Capital conservation buffer ratio	2.500	2.500
Countercyclical capital buffer ratio	0.620	0.586
	3.120	3.086
	30 June 2023 %	31 December 2022 %
Leverage ratio	11.62	11.41
	Six months ended 30 June 2023 %	Six months ended 30 June 2022 %
Average liquidity maintenance ratio ("LMR") for the period	56.57	49.11

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**8. CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY RATIO** *(Continued)*

Capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules under Hong Kong Banking Ordinance for the implementation of the “Basel III” capital accord, which became effective on 1 January 2013. The approaches used in calculating the Group’s regulatory capital and risk-weighted assets are in accordance with the Banking (Capital) Rules. The Group uses the standardised (credit risk) approach to calculate its credit risk. For counterparty credit risk, the Group uses the standardised approach (counterparty credit risk) to calculate its default risk exposures starting from 30 June 2021. For market risk, the Group uses the standardised (market risk) approach to calculate its market risk. For operational risk, the Group uses the basic indicator approach to calculate its operational risk. The capital adequacy ratio is consolidated, under the Banking (Capital) Rules, with reference to the financial information of the Bank, Chong Hing Finance Limited, Right Way Investments Limited, Gallbraith Limited, Chong Hing Information Technology Limited, Card Alliance Company Limited, Top Benefit Enterprise Limited and Hero Marker Limited.

Leverage ratio is disclosed in accordance with the Banking (Disclosure) Rules under Hong Kong Banking Ordinance. The leverage ratio is consolidated with reference to the financial information of the Bank, Chong Hing Finance Limited, Right Way Investments Limited, Gallbraith Limited, Chong Hing Information Technology Limited, Card Alliance Company Limited, Top Benefit Enterprise Limited and Hero Marker Limited.

**9. OTHER FINANCIAL INFORMATION**

The Bank has set up a “Regulatory Disclosure” section on its website to house all of information relating to the disclosure of regulatory capital to comply with Banking (Disclosure) Rules.

The “Regulatory Disclosure” will be available on the Bank’s website (<https://www.chbank.com/en/personal/footer/about-ch-bank/regulatory-disclosures/index.shtml>) in the “Regulatory Disclosure” section in accordance with the Banking (Disclosure) Rules.

**10. BASIS OF CONSOLIDATION**

This interim financial information covers the condensed consolidated financial information of the Bank and all its subsidiaries and includes the attributable share of interest in the Group’s associates.

The capital adequacy ratios of the Group are prepared according to the basis of consolidation determined by the HKMA for regulatory purposes. The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank, all its subsidiaries and the attributable share of interests in the Group’s associates whereas the latter includes the Bank and only some of the Group’s subsidiaries which mainly conduct banking business or other businesses incidental to banking business. The LMR is prepared on an unconsolidated basis which includes the Bank only.

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**10. BASIS OF CONSOLIDATION** *(Continued)*

There are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but where the method of consolidation differs at 30 June 2023.

There are no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation at 30 June 2023.

Subsidiaries that are included within the accounting scope of consolidation but are not included within the regulatory scope of consolidation are as follows:

Name of company	Principal activities	Total assets		Total equity	
		30 June 2023 HK\$'000	31 December 2022 HK\$'000	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Chong Hing (Nominees) Limited	Provision of nominee services	100	100	100	100
Chong Hing Securities Limited	Stockbroking	895,014	848,463	732,352	708,302
Chong Hing Commodities and Futures Limited	Investment holding and commodities and futures broking	67,579	69,450	66,685	65,884
Chong Hing Insurance Company Limited	Insurance underwriting	449,321	436,097	332,263	321,578
Chong Hing Insurance Brokers Limited	Insurance broking	5,687	3,031	2,455	2,000
Chong Hing (Management) Limited	Provision of management services	78	78	78	78

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**11. RISK MANAGEMENT**

The Group has established policies, procedures, and controls for measuring, monitoring and controlling risks arising from the banking and related financial services business. These policies, procedures, and controls are implemented by various committees, divisions and departments of the Group and are regularly reviewed by the Board. The internal auditors also play an important role in the risk management process by performing regular, as well as sporadic compliance audits.

The management of assets and liabilities of the Group is conducted under the guidance of the Asset and Liability Management Committee (the "ALCO"). The ALCO holds meetings every two weeks, and more frequent meetings when required, to review and direct the relevant policies, the business strategies and to monitor the bank-wide positions. The day-to-day management of the credit, operational, liquidity, foreign exchange, interest rate and other market risks, and the compliance with the ALCO and the Risk Management Committee (the "RMC") policies are monitored by the Finance & Capital Management Division, the Treasury and Markets Division, the Credit Risk Management Division, the Operational & IT Risk Management Department, Compliance Division and the Market Risk Management Department with the assistance of various qualitative and quantitative analysis. The Board level Risk Committee (RC) exercises further oversight of the Bank's risk management.

Complementing the ALCO in the management of assets and liabilities, the RMC also oversees the implementation of the policies and procedures established for managing the Group's credit, strategic, operational, legal, and reputation risks and compliance requirements.

**(I) CAPITAL MANAGEMENT**

The Group has adopted a policy of maintaining a strong capital base to support the development of the Group's business and to ensure compliance with the statutory capital adequacy ratio requirement.

Capital is allocated to the various activities of the Group depending on the risk taken by each business division. The Group's capital adequacy ratio has remained well above the minimum as stipulated in the Banking (Capital) Rules.

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**11. RISK MANAGEMENT** *(Continued)***(II) CREDIT RISK**

Credit risk is the risk that a customer or counterparty may fail to meet a commitment when it falls due.

The Group's lending policy sets out in details the credit approval and monitoring mechanism, the exposure classifications system and provisioning policy, which is established in accordance with the requirements and provisions of the Hong Kong Banking Ordinance, the guidelines issued by the HKMA and other regulatory bodies.

Day-to-day credit management is performed by the Credit Risk Management Division with reference to credit policy information, the creditworthiness of a counterparty, the exposure concentration risk and the collateral pledged by a counterparty. Credit decisions are made by individual approvers with the delegated credit authority.

**(III) LIQUIDITY RISK**

Liquidity risk is the risk that the Group may not be able to meet obligations as they fall due, without incurring unacceptable losses.

The Group adopts conservative risk appetite in liquidity risk management and maintains adequate liquid assets to meet its normal business obligations as well as to withstand a prolonged period of liquidity stress in accordance with the requirements set out in the Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management" ("SPM LM-2") revised by the HKMA in November 2016. The Board has the ultimate responsibility for liquidity risk management. The EXCO is delegated by the Board to oversee liquidity risk management. The ALCO is further delegated by the EXCO to oversee the Group's day-to-day liquidity risk management. The liquidity risk management policy which is reviewed and approved by the Board, specifies a set of liquidity risk metrics and risk control limits for effective liquidity risk management. The key liquidity metrics, e.g. liquidity maintenance ratio, core funding ratio ("CFR"), loan-to-deposit ratio, maturity profile of assets and liabilities, and inter-bank transactions are under ALCO's ongoing and periodic review.

The Group has sufficiently maintained the LMR and CFR well above the minimum as stipulated by the Banking (Liquidity) Rules.

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**11. RISK MANAGEMENT** *(Continued)***(IV) MARKET RISK**

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices.

Market risk arising from the trading book is at an acceptable level, as the Group maintains controllable positions of financial instruments leading to foreign exchange and interest rate exposures. The market risk positions are managed using risk limits approved by the Group. Daily risk monitoring is carried out independently by Market Risk Management Department, which ensures all dealing activities are conducted in a proper manner and within approved limits. The Group's exposures are periodically reviewed by the Board, RMC and senior management. Besides, structural foreign exchange exposure is to be detailed under (v) foreign exchange risk.

**(V) FOREIGN EXCHANGE RISK**

The Group has maintained a controllable level of foreign exchange risk for both trading and customer order fulfillment. Structural foreign exchange exposure arising from investments in branches outside Hong Kong and subsidiaries is accounted for in the reserves account. Day- to-day foreign exchange management is managed by the Treasury and Markets Division within approved limits.

**(VI) INTEREST RATE RISK**

Interest rate risk is referred to the risk to the Bank's financial condition resulting from adverse movements in interest rates. This consists of gap risk, basis risk and option risk. Interest margins may increase as a result of such changes in favour of the Bank but also result negative impacts in the event that unexpected or adverse movement arises. Interest rate risk comprises those originating from both trading and non-trading portfolio, and the Group's interest rate risk exposure is mainly contributed by non-trading portfolio. In non-trading portfolio, the management of Group's interest rate risk in banking book (IRRBB) is governed by the Interest Rate Risk Management Policy which is reviewed and endorsed by ALCO and approved by EXCO. The Group also manages its interest rate risk in banking book ("IRRBB") within the IRRBB limits approved by ALCO and under monitoring of Market Risk Management Department independently, which regularly report to both ALCO and RMC for senior management oversight. In trading portfolio, specific limits are approved by RMC on interest rate sensitivities (also known as DV01) and stop loss are being enforced on daily basis subject to independent monitoring by Market Risk Management Department.

The Group maintains manageable interest rate positions on its trading book, in addition to certain interest rate contracts entered into for the management of the Group's own risk with holding securities that are classified for trading purpose.

The Group manages its IRRBB exposures using economic value as well as earnings based measures.

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**11. RISK MANAGEMENT** *(Continued)***(VI) INTEREST RATE RISK** *(Continued)*

The economic value is measured from present values of its expected net cash flows of assets, liabilities and off balance sheet positions held with the Bank, discounted to reflect market rates. Therefore, the Group measures the change in Economic Value of Equity (“ $\Delta$ EVE”) as the maximum decrease of the banking book economic value under the six standard scenarios defined by the HKMA’s Supervisory Policy Manual.

Earnings-based measures the impact of changes in interest rates on accruing or reported earnings. Reduced earnings or outright losses can threaten the financial stability by undermining its capital adequacy and by reducing market confidence in it. According to the HKMA’s Supervisory Policy Manual, the Group measures the change in net interest income as the maximum reduction in net interest income over a period of 12 months.

**(VII) OPERATIONAL AND LEGAL RISK**

Operational risk is the risk of unexpected losses attributable to human error, systems failures, frauds, or inadequate internal controls and procedures. Identification, assessment, mitigation, monitoring and reporting of operational risk are to be done for departments and processes, with escalation and reporting mechanism designated for major operational risk incidents.

Executive directors, division heads, department heads, in-house legal counsels, and internal auditors collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board for maintaining a strong and disciplined control environment to provide reasonable assurance that the operational and legal risks are prudently managed.

A comprehensive contingency plan is available to ensure that the Bank’s key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

Operational Resilience is the ability of a bank to deliver Critical Operations through disruption. It enables the Bank to identify and protect itself from threats and potential failures, respond and adapt to, as well as recover and learn from disruptive events in order to minimise their impact on the delivery of critical operations through disruption. An operational resilience framework has been established and approved by the Board as a milestone of attaining the Bank’s operationally resilient.

**SUPPLEMENTARY INFORMATION**

for the six months ended 30 June 2023

**11. RISK MANAGEMENT** *(Continued)***(VIII) REPUTATION RISK**

Reputation risk is the risk that the Group's reputation is damaged by one or more than one reputation events that results in negative publicity about the Group's business practices, conduct or financial condition.

Reputation risk is managed by every member of staff, and proper and adequate communications and public relations efforts are required to foster the reputation of the Group. A reputation risk management policy guided by the Board has been established to manage including, without limitation, media exposure, handling of customers' and other stakeholders' complaints and suggestions, and to ensure that the Group's business activities, and agents and/or bodies acting on the Group's behalf do not jeopardise its reputation.



# HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 24 August 2023

		<b>Telephone</b>
<b>HONG KONG MAIN BRANCH</b>	Chong Hing Bank Centre, 24 Des Voeux Road Central	3768 1111
<b>HONG KONG ISLAND BRANCHES</b>		
Aberdeen	166-168 Aberdeen Main Road	3768 6210
Causeway Bay	488 Jaffe Road	3768 6290
North Point	376 King's Road	3768 6200
Shau Kei Wan	203-205 Shau Kei Wan Road	3768 6330
Sheung Wan	163 Wing Lok Street	3768 6220
Wan Chai	265-267 Hennessy Road	3768 6350
Western	347-349 Des Voeux Road West	3768 6280
<b>KOWLOON BRANCHES</b>		
Castle Peak Road	285-287 Castle Peak Road, Cheung Sha Wan	3768 6320
How Ming Street	114 How Ming Street, Kwun Tong	3768 6480
Kowloon Bay	Shop Unit 8, G/F, Chevalier Commercial Centre, No. 8 Wang Hoi Road	3768 6740
Kowloon City	31-33 Nga Tsin Wai Road	3768 6300
Kwun Tong	31-33 Mut Wah Street	3768 6410
Lei Yue Mun	Shop 123, 1/F, Domain, 38 Ko Chiu Road, Yau Tong	3768 6530
Mongkok	Shop No.2 of G/F & Whole of Upper Ground Floor, Ginza Square, No. 567 Nathan Road, Kowloon	3768 0001
San Po Kong	55-57 Yin Hing Street	3768 6360
Sham Shui Po	144-148 Tai Po Road	3768 6310
Shun Lee Estate	Lee Yat House, Shun Lee Estate	3768 6420
Tak Tin Estate	No. 207, Tak Tin Plaza, Tak Tin Estate, Lam Tin	3768 6470
To Kwa Wan	34-34A Tam Kung Road	3768 6370
Tsim Sha Tsui	16 Granville Road	3768 6240
Tsz Wan Shan	60-64 Sheung Fung Street	3768 6390

**HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES**

as of 24 August 2023

		<b>Telephone</b>
<b>NEW TERRITORIES BRANCHES</b>		
Cheung Fat Estate	Shop No. 206A, 2/F, Cheung Fat Plaza, Cheung Fat Estate, Tsing Yi	3768 6560
Glorious Garden	Shop No. 82, Glorious Garden, 45 Lung Mun Road, Tuen Mun	3768 6520
Ma On Shan	Shop 2701-14, L2, MOSTown, No 628 Sai Sha Road, Ma On Shan, Shatin	3768 6450
Shatin	Shop 1A, Ground Floor, Lucky Plaza, Shatin	3768 6400
Sheung Shui	71 San Fung Avenue	3768 6270
Sheung Tak Estate	Shop No. 237, TKO Spot, Sheung Tak Estate, Tseung Kwan O	3768 6510
Tai Wo Plaza	Shop No. 101 I, Level 1, Tai Wo Plaza, No. 12 Tai Wo Road, Tai Po	3768 6900
Tin Chak Estate	Shop No. 218, 2/F, Tin Chak Shopping Centre, Tin Chak Estate, Tin Shui Wai	3768 6570
Tsuen Wan	298 Sha Tsui Road	3768 6440
Tuen Mun Hong Lai Garden	G/F, Hong Lai Garden, 117 Heung Sze Wui Road, Tuen Mun	3768 6580
Yat Tung Estate	Shop Nos. 1 & 2, G/F, Yat Tung Shopping Centre, Yat Tung Estate, Tung Chung	3768 6710
Yuen Long	99-109 Castle Peak Road	3768 6230
<b>BEIJING BRANCH</b>		
Beijing	Unit 1001, 1003, 1005, 1007, 1009, 1010, 1011, 1015, 1017 & 1019 of 10th Floor, No. 23 Financial Street, Xicheng District, Beijing, China	(86-10) 6314 5100
<b>GUANGZHOU BRANCH</b>		
Guangzhou	Room 102, Room 201, Room 301, Room 5001 & Room 5401, Yuexiu Financial Tower, No. 28 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong, China	(86-20) 2213 7988
<b>SHENZHEN BRANCH</b>		
Shenzhen	Unit 01-Unit 08, 22nd Floor, China Resources Tower, No. 2666 Keyuan South Road, Yuehai Sub-District, Nanshan District, Shenzhen, China	(86-755) 3352 9099

**HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES**

as of 24 August 2023

**Telephone****SHANGHAI BRANCH**

Shanghai	28th Floor, Yue Xiu Tower, No. 388 Fushan Road, Pudong, Shanghai, China	(86-21) 6085 3000
----------	--	-------------------

**SHANTOU BRANCH**

Shantou	Room 601, 602, 603, 604, 605, 606 & 607, Tai An Tang Building, No. 18 Songshan Road South, Shantou, Guangdong, China	(86-754) 8890 3224
---------	--	--------------------

**SHENZHEN NANSHAN SUB-BRANCH**

Shenzhen Nanshan	Unit 17, 18 & 19 of 1st Floor, Unit 39 of 2nd Floor, T2 Tower, Ali Center, No. 3331 Keyuan South Road (Shenzhen Bay), Yuehai Sub-District, Nanshan District, Shenzhen, China	(86-755) 3352 7685
------------------	--	--------------------

**DONGGUAN SUB-BRANCH**

Dongguan	Unit 105, Nanfeng Center, No. 106 Hongfu Road, Nancheng District, Dongguan, Guangdong, China	(86-769) 8608 5888
----------	---	--------------------

**GUANGZHOU HAIZHU SUB-BRANCH**

Guangzhou Haizhu	Unit 106, No. 1236 Xingang East Road, Haizhu District Guangzhou, Guangdong, China	(86-20) 2213 7988
------------------	---	-------------------

**GUANGZHOU PANYU SUB-BRANCH**

Guangzhou Panyu	Room 110 and 111, Block Two, No. 103 Wanhui Second Road, Nancun Town, Panyu District, Guangzhou, Guangdong, China	(86-20) 2868 6520
-----------------	--	-------------------

**GUANGDONG PILOT FREE TRADE  
ZONE NANSHA SUB-BRANCH**

Nansha	Room 801-805, Building No. 1, No. 106 Fengze Road East, Nansha, District Guangzhou, Guangdong, China	(86-20) 3226 0620
--------	--	-------------------

**HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES**

as of 24 August 2023

**Telephone****FOSHAN SUB-BRANCHES**

Foshan	Unit B107 & B205-2, Level 1 and Level 2, Mall 1, Yuexiu Xing Hui Yun Jin Plaza, No. 84 North Nanhai Da Dao, Guicheng Jie Dao Nanhai District, Foshan, Guangdong, China	(86-757) 6352 2888
Shunde	Unit 105-106, Block 8, Poly Zhongyue Garden Zone A, No. 6 Guotai South Road, Dehe Residents Committee, Daliang Street, Shunde District, Foshan, Guangdong Province, China	(86-757) 6352 2838

**GUANGDONG PILOT FREE TRADE  
ZONE HENGQIN SUB-BRANCH**

Hengqin	Area B, Block 10, Hengqin Financial Industry Service Base, Shizimen Central Business District, Hengqin New Area, Zhuhai, Guangdong, China	(86-756) 3833 039
---------	--	-------------------

**ZHONGSHAN SUB-BRANCH**

Zhongshan	Room 4-5, First Floor, Tower 2, Shangfeng Financial Business Center, No. 88 Zhongshan Fourth Road, East District, Zhongshan, Guangdong, China	(86-760) 2385 2388
-----------	---	--------------------

## HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 24 August 2023

### Telephone

#### MACAU BRANCH

Macau	No. 693, Avenida da Praia Grande, Edifício Tai Wah, R/C, Macau	(853) 2833 9982
-------	---	-----------------

#### PRINCIPAL SUBSIDIARIES

Card Alliance Company Limited  
Chong Hing Commodities and Futures Limited  
Chong Hing Finance Limited  
Chong Hing Information Technology Limited  
Chong Hing Insurance Brokers Limited  
Chong Hing Insurance Company Limited  
Chong Hing (Management) Limited  
Chong Hing (Nominees) Limited  
Chong Hing Securities Limited  
Gallbraith Limited  
Hero Marker Limited  
Top Benefit Enterprise Limited

#### ASSOCIATES

Bank Consortium Holding Limited  
BC Reinsurance Limited  
Hong Kong Life Insurance Limited

