上海商業銀行

SHANGHAI COMMERCIAL BANK

2023

GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

SHANGHAI COMMERCIAL BANK LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

Contents

Welcome to Shanghai Commercial Bank Limited's website

(All amounts in HK dollar thousands unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Six months ended 30 June 2023 (unaudited)**	Six months ended 30 June 2022 (restated)
Interest income	6	**4,514,779**	2,421,714
Interest expense	6	**(2,506,113)**	(627,646)
Net interest income		**2,008,666**	1,794,068
Fee and commission income	7	**351,594**	361,426
Fee and commission expense	7	**(28,645)**	(23,925)
Net fee and commission income	7	**322,949**	337,501
Net trading income	8	**210,644**	244,817
Net gains from disposal of investment securities at fair value through other comprehensive income		**1,925**	22,128
Dividend income from investment securities at fair value through other comprehensive income		**193,079**	2,525
Other operating income	9	**61,034**	61,830
Net income from insurance services	10	**2,330**	4,640
Operating expenses	11	**(927,477)**	(879,003)
Credit impairment losses	12	**(113,618)**	(46,348)
Operating profit		**1,759,532**	1,542,158
Share of net profits of associates and joint venture		**33,823**	3,948
Profit before income tax		**1,793,355**	1,546,106
Income tax expense	13	**(374,997)**	(328,212)
Profit for the period		**1,418,358**	1,217,894
Attributable to:			
Equity holders of the Bank		**1,415,567**	1,215,539
Non-controlling interests		**2,791**	2,355
		1,418,358	1,217,894

(All amounts in HK dollar thousands unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (restated)
Profit for the period	**1,418,358**	1,217,894
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Currency translation difference arising from overseas operations	**(45,994)**	(67,210)
Investment securities at fair value through other comprehensive income		
– Change in fair value	**546,055**	(1,922,895)
– Change in credit impairment losses recognised in profit or loss	**(3,492)**	(4,325)
– Fair value changes transferred to profit or loss on disposal	**(1,925)**	(22,128)
– Deferred income tax	**(89,782)**	320,929
Share of reserves of associates and joint venture	**–**	2,323
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income		
– Change in fair value	**(126,486)**	(439,843)
– Deferred income tax	**(7,641)**	(1,007)
Share of reserves of associates and joint venture	**134**	290
Other comprehensive income/(loss) for the period, net of tax	**270,869**	(2,133,866)
Net comprehensive income/(loss) for the period	**1,689,227**	(915,972)
Attributable to:		
Equity holders of the Bank	**1,686,436**	(918,697)
Non-controlling interests	**2,791**	2,725
Net comprehensive income/(loss) for the period	**1,689,227**	(915,972)

(All amounts in HK dollar thousands unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2023 (unaudited)**	31 December 2022 (restated)
ASSETS			
Cash and balances with banks	14	**51,862,172**	44,796,626
Placements with banks	15	**24,856,416**	17,645,562
Loans and advances to customers	16	**94,252,909**	95,995,971
Financial assets at fair value through profit or loss	22(b)	**965,970**	970,847
Derivative financial instruments	17	**895,478**	552,801
Investment securities at fair value through other comprehensive income	22(b)	**41,287,323**	51,277,567
Investment securities at amortised cost		**7,136,317**	4,728,167
Properties for sale	18	**781,438**	756,643
Investments in associates and joint venture		**513,447**	481,204
Properties and equipment	19	**2,407,481**	2,456,376
Investment properties	20	**989,331**	993,778
Deferred income tax assets	24	**342,659**	486,029
Other assets		**2,235,388**	2,256,899
TOTAL ASSETS		**228,526,329**	223,398,470
LIABILITIES			
Deposits and balances from banks		**7,506,901**	7,471,442
Deposits from customers	21	**177,286,756**	176,501,730
Derivative financial instruments	17	**853,994**	598,173
Subordinated debts	23	**5,053,134**	2,328,890
Other liabilities		**2,666,830**	2,776,058
Current income tax liabilities		**208,521**	185,851
Deferred income tax liabilities	24	**7,315**	7,315
TOTAL LIABILITIES		**193,583,451**	189,869,459
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Share capital		**2,000,000**	2,000,000
Retained earnings		**24,876,187**	23,733,850
Reserves	25	**7,961,180**	7,692,081
		34,837,367	33,425,931
Non-controlling interests in equity		**105,511**	103,080
TOTAL EQUITY		**34,942,878**	33,529,011
TOTAL EQUITY AND LIABILITIES		**228,526,329**	223,398,470

(All amounts in HK dollar thousands unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders			Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings		
As at 31 December 2021 as originally presented		2,000,000	10,515,909	21,608,831	96,627	34,221,367
Changes in accounting policies	3(c)	–	(490)	111,538	673	111,721
Restated as at 1 January 2022		2,000,000	10,515,419	21,720,369	97,300	34,333,088
Profit for the period		–	–	1,215,539	2,355	1,217,894
Other comprehensive loss net of tax		–	(2,134,342)	106	370	(2,133,866)
Net change in fair value of investment securities at fair value through other comprehensive income		–	(2,069,639)	–	370	(2,069,269)
Currency translation difference arising from overseas operations		–	(67,316)	106	–	(67,210)
Share of reserves of associates and joint venture		–	2,613	–	–	2,613
Net comprehensive loss for the period		–	(2,134,342)	1,215,645	2,725	(915,972)
Payment of dividend relating to 2021		–	–	(313,000)	(480)	(313,480)
Restated as at 30 June 2022 (unaudited)		2,000,000	8,381,077	22,623,014	99,545	33,103,636
As at 31 December 2022 as originally presented		**2,000,000**	**7,547,028**	**23,809,577**	**101,195**	**33,457,800**
Changes in accounting policies	3(c)	**–**	**145,053**	**(75,727)**	**1,885**	**71,211**
Restated as at 1 January 2023		**2,000,000**	**7,692,081**	**23,733,850**	**103,080**	**33,529,011**
Profit for the period		**–**	**–**	**1,415,567**	**2,791**	**1,418,358**
Other comprehensive income net of tax		**–**	**269,099**	**1,770**	**–**	**270,869**
Net change in fair value of investment securities at fair value through other comprehensive income	25	**–**	**316,729**	**–**	**–**	**316,729**
Currency translation difference arising from overseas operations	25	**–**	**(47,973)**	**1,979**	**–**	**(45,994)**
Share of reserves of associates and joint venture	25	**–**	**343**	**(209)**	**–**	**134**
Net comprehensive income for the period		**–**	**269,099**	**1,417,337**	**2,791**	**1,689,227**
Payment of dividend relating to 2022		**–**	**–**	**(275,000)**	**(360)**	**(275,360)**
As at 30 June 2023 (unaudited)		**2,000,000**	**7,961,180**	**24,876,187**	**105,511**	**34,942,878**

(All amounts in HK dollar thousands unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Six months ended 30 June 2023 (unaudited)**	Six months ended 30 June 2022 (restated)
Cash flows from operating activities			
Profit before income tax		**1,793,355**	1,546,106
Share of net profits of associates and joint venture		**(33,823)**	(3,948)
Credit impairment losses	12	**113,618**	46,348
Depreciation expenses		**112,515**	120,400
Net losses/(gains) from disposal of equipment	9	**6**	(6)
Net gains from disposal of investment securities at fair value through other comprehensive income		**(1,925)**	(22,128)
Interest income on investment securities at amortised cost and at fair value through other comprehensive income	6	**(515,024)**	(569,110)
Interest expense on subordinated debts	6	**122,586**	97,011
Interest expense on lease liabilities	6	**4,146**	1,321
Dividend income on investment securities at fair value through other comprehensive income		**(193,079)**	(2,525)
Hong Kong profits tax paid		**(85,372)**	(86,476)
Overseas tax paid		**(267,698)**	(160,745)
Effect of exchange rate changes		**(202,396)**	205,796
Cash flows from operating activities before changes in operating assets and liabilities		**846,909**	1,172,044
Changes in operating assets and liabilities:			
– Net decrease/(increase) in balances with banks with original maturity beyond 3 months		**5,074,327**	(928,353)
– Net decrease/(increase) in placements with banks with original maturity beyond 3 months		**3,743,425**	(6,615,347)
– Net decrease in financial assets at fair value through profit or loss		**4,877**	1,241,811
– Net increase in derivative financial instruments		**(86,856)**	(35,482)
– Net decrease/(increase) in loans and advances to customers		**1,845,187**	(1,549,150)
– Net decrease/(increase) in other assets		**104,850**	(778,080)
– Net increase/(decrease) in deposits and balances from banks		**93,768**	(526,661)
– Net increase in deposits from customers		**1,031,356**	1,292,675
– Net decrease in other liabilities		**(151,236)**	(154,929)
Net cash generated from/(used in) operating activities		**12,506,607**	(6,881,472)

(All amounts in HK dollar thousands unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Six months ended 30 June 2023 (unaudited)**	Six months ended 30 June 2022 (restated)
Cash flows from investing activities			
Interest received on investment securities at amortised cost and at fair value through other comprehensive income		**654,663**	732,536
Dividends received on investment securities at fair value through other comprehensive income		**44,043**	2,525
Dividends received from associates and joint venture		**1,714**	4,235
Purchases of properties and equipment		**(26,995)**	(19,170)
Additions of properties for sale		**(24,795)**	(13,109)
Proceeds from sale of equipment		**21**	16
Purchases of investment securities at amortised cost and at fair value through other comprehensive income		**(6,769,040)**	(14,703,969)
Proceeds from sale and redemption of investment securities at amortised cost and at fair value through other comprehensive income		**14,707,988**	26,866,012
Net cash generated from investing activities		**8,587,599**	12,869,076
Cash flows from financing activities			
Issuance of subordinated debts	26	**2,714,169**	–
Interest paid on subordinated debts		**(58,647)**	(95,280)
Payment of lease liabilities	26	**(53,862)**	(57,812)
Dividend paid to equity holders		**(275,000)**	(313,000)
Dividend paid to non-controlling interests		**(360)**	(480)
Net cash generated from/(used in) financing activities		**2,326,300**	(466,572)
Net increase in cash and cash equivalents		**23,420,506**	5,521,032
Cash and cash equivalents as at 1 January		**38,436,685**	30,342,667
Effect of exchange rate changes on cash and cash equivalents		**(322,607)**	(548,254)
Cash and cash equivalents as at 30 June		**61,534,584**	35,315,445
Represented by:			
Cash and balances with banks with less than 3 months' original maturity	14	**49,661,562**	34,328,926
Placements with banks with less than 3 months' original maturity	15	**11,873,022**	986,519
		61,534,584	35,315,445
Cash flows from operating and investing activities included:			
Interest received		**4,571,411**	2,509,243
Interest paid		**(2,126,438)**	(477,820)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

1 General information

Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together, the "Group") are engaged in the provision of banking and related financial services in Hong Kong, United States, United Kingdom and the People's Republic of China.

The Bank is a financial institution incorporated in Hong Kong. The address of its registered office is Shanghai Commercial Bank Tower, 12 Queen's Road Central, Hong Kong.

The ultimate holding company is The Shanghai Commercial & Savings Bank, Ltd., which is incorporated in Taiwan.

This Group Interim Financial Disclosure Statement is presented in thousands of units of Hong Kong Dollars (HK$'000), unless otherwise stated and was approved for issue by the Board of Directors on 23 August 2023.

2 Basis of preparation

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

The financial information relating to the year ended 31 December 2022 that is included in the 2023 Group Interim Financial Disclosure Statement as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements.

The Group 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 Group's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

3 Accounting policies

The accounting policies applied in the preparation of the 2023 Group Interim Financial Disclosure Statement are consistent with those used and described in the Group's audited annual financial statements for the year ended 31 December 2022, except for the accounting policy changes that are detailed in Note 3(c).

(a) New and amended standards adopted by the Group for the period ended 30 June 2023

A number of new and amended standards become applicable for the current period. They do not have significant impact to the financial statements of the Group, except for the accounting policy changes that are detailed in Note 3(c).

	Effective for accounting periods beginning on or after
HKFRS 17 "Insurance Contracts"	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023

(b) New and amended standards issued but not yet effective

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024

The Group has not early adopted standard, interpretation or amendment that has been issued but is not yet effective.

(c) Changes in accounting policies

HKFRS 17 "Insurance Contracts" became effective for accounting periods beginning on or after 1 January 2023 and replaces HKFRS 4 "Insurance Contracts". It is applicable to the Bank's subsidiary Paofoong Insurance Company (Hong Kong) Limited and investment in associates namely Hong Kong Life Insurance Limited and BC Reinsurance Limited. The Group adopted HKFRS 17 retrospectively on 1 January 2023 with comparatives restated from 1 January 2022 by applying alternative transition methods where the full retrospective approach was impracticable.

In conjunction with the implementation of HKFRS 17, one associate has made use of the option to re-designate its debt securities at amortised cost and financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss.

HKFRS 17 establishes specific principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The Group's insurance and reinsurance contracts are accounted for under general measurement model or premium allocation approach depending on the type of contracts.

The impact of adopting HKFRS 17 and the re-designation option under HKFRS 9 on the Group's financial statements as at 1 January 2023 and 1 January 2022, as well as for the period ended 30 June 2022 are presented below. The HKFRS 17 changes involve assumptions, judgements and estimation techniques which are under scrutiny in the first year of implementation and may require refinement.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

3 Accounting policies (Continued)

(c) Changes in accounting policies (Continued)

(i) Reconciliation of consolidated statement of financial position balances as at 1 January 2023 from HKFRS 4 to HKFRS 17.

	HKFRS 4 31 December 2022	Remeasurement	HKFRS 17 1 January 2023
ASSETS			
Investments in associates and joint venture	414,706	66,498	481,204
Other assets	2,259,048	(2,149)	2,256,899
All other assets	220,660,367	–	220,660,367
TOTAL ASSETS	223,334,121	64,349	223,398,470
LIABILITIES			
Other liabilities	2,782,920	(6,862)	2,776,058
All other liabilities	187,093,401	–	187,093,401
TOTAL LIABILITIES	189,876,321	(6,862)	189,869,459
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Share capital	2,000,000	–	2,000,000
Retained earnings	23,809,577	(75,727)	23,733,850
Reserves	7,547,028	145,053	7,692,081
	33,356,605	69,326	33,425,931
Non-controlling interests in equity	101,195	1,885	103,080
TOTAL EQUITY	33,457,800	71,211	33,529,011
TOTAL EQUITY AND LIABILITIES	223,334,121	64,349	223,398,470

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

3 Accounting policies (Continued)

(c) Changes in accounting policies (Continued)

(ii) Reconciliation of consolidated statement of financial position balances as at 1 January 2022 from HKFRS 4 to HKFRS 17.

	HKFRS 4 31 December 2021	Remeasurement	HKFRS 17 1 January 2022
ASSETS			
Investments in associates and joint venture	466,829	110,038	576,867
Other assets	1,669,618	(1,213)	1,668,405
All other assets	231,796,866	–	231,796,866
TOTAL ASSETS	233,933,313	108,825	234,042,138
LIABILITIES			
Other liabilities	2,426,108	(2,896)	2,423,212
All other liabilities	197,285,838	–	197,285,838
TOTAL LIABILITIES	199,711,946	(2,896)	199,709,050
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Share capital	2,000,000	–	2,000,000
Retained earnings	21,608,831	111,538	21,720,369
Reserves	10,515,909	(490)	10,515,419
	34,124,740	111,048	34,235,788
Non-controlling interests in equity	96,627	673	97,300
TOTAL EQUITY	34,221,367	111,721	34,333,088
TOTAL EQUITY AND LIABILITIES	233,933,313	108,825	234,042,138

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

3 Accounting policies (Continued)

(c) Changes in accounting policies (Continued)

(iii) Reconciliation of consolidated statement of profit or loss for the period ended 30 June 2022 from HKFRS 4 to HKFRS 17.

	HKFRS 4 30 June 2022	Remeasurement	HKFRS 17 30 June 2022
Interest income	2,421,714	–	2,421,714
Interest expense	(627,646)	–	(627,646)
Net interest income	1,794,068	–	1,794,068
Fee and commission income	362,631	(1,205)	361,426
Fee and commission expense	(23,925)	–	(23,925)
Net fee and commission income	338,706	(1,205)	337,501
Net trading income	244,817	–	244,817
Net gains from disposal of investment securities at fair value through other comprehensive income	22,128	–	22,128
Dividend income from investment securities at fair value through other comprehensive income	2,525	–	2,525
Other operating income	61,830	–	61,830
Net earned insurance premium	18,008	(18,008)	–
Net insurance claims incurred and movement in policyholders' liabilities	(13,043)	13,043	–
Net income from insurance services	–	4,640	4,640
Operating expenses	(880,787)	1,784	(879,003)
Credit impairment losses	(46,348)	–	(46,348)
Operating profit	1,541,904	254	1,542,158
Share of net profits of associates and joint venture	37,619	(33,671)	3,948
Profit before income tax	1,579,523	(33,417)	1,546,106
Income tax expense	(328,144)	(68)	(328,212)
Profit for the period	1,251,379	(33,485)	1,217,894
Attributable to:			
Equity holders of the Bank	1,249,098	(33,559)	1,215,539
Non-controlling interests	2,281	74	2,355
	1,251,379	(33,485)	1,217,894

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

3 Accounting policies (Continued)

(c) Changes in accounting policies (Continued)

(iv) Reconciliation of consolidated statement of comprehensive income for the period ended 30 June 2022 from HKFRS 4 to HKFRS 17.

	HKFRS 4 30 June 2022	Remeasurement	HKFRS 17 30 June 2022
Profit for the period	1,251,379	(33,485)	1,217,894
Items that may be reclassified to profit or loss			
Share of reserves of associates and joint venture	(51,311)	53,634	2,323
All other items that may be reclassified to profit or loss	(1,695,629)	–	(1,695,629)
Items that will not be reclassified to profit or loss	(440,560)	–	(440,560)
Other comprehensive loss for the period, net of tax	(2,187,500)	53,634	(2,133,866)
Net comprehensive loss for the period	(936,121)	20,149	(915,972)
Attributable to:			
Equity holders of the Bank	(938,772)	20,075	(918,697)
Non-controlling interests	2,651	74	2,725
Net comprehensive loss for the period	(936,121)	20,149	(915,972)

4 Estimates

The preparation of the Group Interim Financial Disclosure Statement 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 Group Interim Financial Disclosure Statement, 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 Group's audited annual financial statements for the year ended 31 December 2022.

5 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

5 Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

The following is a list of the subsidiaries as at 30 June 2023:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held	30 June 2023 Total assets	30 June 2023 Total equity	31 December 2022 (restated) Total assets	31 December 2022 (restated) Total equity
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares	100%[1]	**10**	**10**	10	10
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares	60%[2]	**15,525**	**15,303**	15,638	15,531
Shacom Futures Limited	Hong Kong	Advising and dealing in futures contracts Hong Kong	600,000 ordinary shares	100%[1]	**91,320**	**54,840**	86,572	54,486
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares	100%[1]	**3,566,905**	**13,001**	3,483,773	12,935
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding United Kingdom	2 ordinary shares of US$1 each	100%[1]	**28,082**	**4,565**	27,001	4,288
Shacom Property (NY), Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%[1]	**5,527**	**5,527**	5,501	5,501
Shacom Property (CA), Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%[1]	**2,706**	**2,706**	2,653	2,653
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares	100%[1]	**1,084,824**	**2,891**	1,083,997	2,056
Infinite Financial Solutions Limited	Hong Kong	Information Technology services provider Hong Kong	500,000 ordinary shares	100%[1]	**31,463**	**20,594**	30,633	22,387
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares	100%[1]	**7,174**	**2,188**	5,238	1,923
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	2,000,000 ordinary shares	100%[1]	**341,523**	**269,206**	419,912	268,589
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares	100%[1]	**792**	**671**	988	643
Paofoong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares	60%[2]	**351,838**	**248,474**	332,020	241,263
Right Honour Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%[1]	**2**	**(210)**	6	(201)
Glory Step Westpoint Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	**405,946**	**(34,048)**	400,368	(30,243)
Silver Wisdom Westpoint Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	**1,229,278**	**(76,079)**	1,206,187	(60,533)
KCC 23F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	**337,083**	**153,606**	299,461	116,058
KCC 25F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	**338,759**	**155,200**	300,520	117,035
KCC 26F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	**340,103**	**156,679**	301,546	118,195

1 Ordinary share capital is held directly by the Bank.

2 60% of ordinary share capital is held directly by the Bank and 40% of ordinary share capital is held by non-controlling interests in equity.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

5 Basis of consolidation (Continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement and have right to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, and are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in an associate or a joint venture equals or exceeds its interests in the associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

When the Group transacts with its associates or joint ventures, profits and losses resulting from such transactions are recognised in the Group's consolidated financial statements only to the extent of interests in the associates or joint ventures that are not related to the Group. Unrealised losses arising from the transactions between the Group and the associates or joint ventures are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

6 Net interest income

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Interest income		
Balances with banks and placements with banks	**1,114,687**	152,821
Investment securities at amortised cost	**94,793**	2,855
Investment securities at fair value through other comprehensive income	**420,231**	566,255
Loans and advances to customers	**2,877,860**	1,697,250
Others	**7,208**	2,533
Interest income on financial assets that are not measured at fair value through profit or loss	**4,514,779**	2,421,714
Interest expense		
Deposits and balances from banks	**141,443**	54,226
Deposits from customers	**2,233,384**	474,183
Subordinated debts	**122,586**	97,011
Lease liabilities	**4,146**	1,321
Others	**4,554**	905
Interest expense on financial liabilities that are not measured at fair value through profit or loss	**2,506,113**	627,646

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

7 Net fee and commission income

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (restated)
Fee and commission income		
Bills	**26,972**	30,770
Nominees, custodian and securities brokerage	**72,733**	100,183
Investment products	**55,214**	56,168
Remittance	**25,695**	27,568
Credit cards	**26,679**	19,542
Retail banking	**23,008**	23,047
Insurance	**16,224**	10,192
Loans and advances and facility fees	**103,511**	92,602
Trust and other commissions	**1,558**	1,354
Total fee and commission income	**351,594**	361,426
Less: fee and commission expense	**(28,645)**	(23,925)
Net fee and commission income	**322,949**	337,501
Of which:		
Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not measured at fair value through profit or loss		
– fee and commission income	**157,162**	142,914
– fee and commission expense	**3,347**	3,511
Net fee and commission income on trust and other fiduciary activities		
– fee and commission income	**10,618**	10,711

8 Net trading income

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Foreign exchange	**189,697**	322,103
Interest rate instruments	**17,208**	(24,947)
Equity instruments:		
– Trading losses	**(1,074)**	(55,488)
– Dividend income	**679**	2,863
Other trading income	**4,134**	286
	210,644	244,817

"Foreign exchange" includes gains and losses from spot, forward and option contracts, swaps and translated foreign currency assets and liabilities, which are not designated as qualifying hedging relationship. "Interest rate instruments" include the results of trading in government securities, corporate debt securities, money market instruments and interest rate swaps. "Equity instruments" include equity securities and equity derivatives.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

9 Other operating income

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Gross rental income from investment properties	**25,993**	26,400
Net (losses)/gains from disposal of equipment	**(6)**	6
Others	**35,047**	35,424
	61,034	61,830

Direct operating expenses arising from investment properties of HK$2,000 (six months ended 30 June 2022: HK$699,000) are included in premises management expenses (Note 11).

10 Net income from insurance services

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (restated)
Insurance revenue	**24,939**	23,835
Insurance service expenses	**(18,197)**	(13,931)
Net expenses from reinsurance contracts held	**(4,412)**	(5,264)
	2,330	4,640

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

11 Operating expenses

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (restated)
Auditor's remuneration		
Audit services (Note a)	**5,889**	5,882
Non-audit-related services (Note b)	**3,384**	4,307
Premises management expenses	**25,945**	23,414
Depreciation expenses		
Properties and equipment	**58,830**	61,968
Right-of-use assets	**49,238**	53,985
Investment properties	**4,447**	4,447
Employee benefit expenses		
Wages and salaries and other costs (Note c)	**554,309**	514,208
Pension costs – defined contribution schemes	**43,063**	35,334
Expenses relating to short-term and low-value leases	**860**	1,028
Information technology and communications	**54,828**	47,029
Legal and consultancy	**5,845**	23,247
Printing, stationery and postage	**10,941**	11,068
Promotion and advertising	**20,202**	17,149
Others	**89,696**	75,937
	927,477	879,003

Note a: The above auditor's remuneration for audit services represents the fee for the audit of the Group's financial information for the interim and annual period to comply with the statutory and regulatory requirements in Hong Kong and Taiwan and is accrued on a pro-rata basis.

Note b: The above fee for non-audit-related services includes the fee for the review under Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" for the first quarter results of the Group in accordance with the regulatory requirements of the ultimate holding company in Taiwan and is accrued on a pro-rata basis.

Note c: Employee benefit expenses include directors' emoluments. The number of employees of the Group as at 30 June 2023 was 1,854 (30 June 2022: 1,796).

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

12 Credit impairment losses

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Loans and advances to customers	**122,375**	32,748
Balances with banks and placements with banks	**400**	123
Investment securities	**(3,341)**	(4,334)
Other assets	**(553)**	2,233
Loan commitments and financial guarantee contracts	**(5,263)**	15,578
	113,618	46,348

13 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits for the six months ended 30 June 2023. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2023 at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the statement of profit or loss represents:

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (restated)
Current income tax:		
– Hong Kong profits tax	**168,243**	178,018
– Overseas taxation	**159,277**	158,155
– Under provisions in respect of prior years	**1,026**	248
Total current income tax	**328,546**	336,421
Deferred income tax:		
– Hong Kong deferred tax	**3,747**	577
– Overseas deferred tax	**42,704**	(8,786)
Total deferred income tax	**46,451**	(8,209)
Income tax expense	**374,997**	328,212

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

14 Cash and balances with banks

	30 June 2023 (unaudited)	31 December 2022 (audited)
Cash in hand	698,741	988,636
Balances with central banks and Hong Kong Monetary Authority	1,751,306	3,684,244
Balances with banks	49,413,405	40,124,817
	51,863,452	44,797,697
Less: Stage 1 credit impairment allowances	(1,280)	(1,071)
	51,862,172	44,796,626
Gross amount of cash and balances with banks	51,863,452	44,797,697
Less: Amount with an original maturity beyond 3 months	(2,201,890)	(7,276,217)
Amount included in cash and cash equivalents	49,661,562	37,521,480

Included in the above amounts, HK$188,195,000 (31 December 2022: HK$93,780,000) were deposited in central banks or designated banks as at 30 June 2023, to comply with the statutory requirements of respective jurisdiction in which the Group is operating the business. In addition, financial assets amounted to HK$991,405,000 as at 30 June 2023 (31 December 2022: HK$973,580,000) comprising balances with banks of HK$75,932,000 (31 December 2022: HK$54,153,000) and financial assets at fair value through profit or loss of HK$915,473,000 (31 December 2022: HK$919,427,000) were under a collateral arrangement with a shareholder of the Bank for its provision of the credit facilities of HK$744,282,000 (31 December 2022: HK$740,848,000) to the Bank's branches in the United States.

15 Placements with banks

	30 June 2023 (unaudited)	31 December 2022 (audited)
Placements with banks maturing between 1 and 12 months	24,857,038	17,645,993
Less: Stage 1 credit impairment allowances	(622)	(431)
	24,856,416	17,645,562
Gross amount of placements with banks	24,857,038	17,645,993
Less: Amount with an original maturity beyond 3 months	(12,984,016)	(16,730,788)
Amount included in cash and cash equivalents	11,873,022	915,205

Included in the above amounts, HK$382,138,000 (31 December 2022: HK$488,860,000) were deposited with designated banks in the Mainland China as at 30 June 2023, to comply with the local statutory requirements.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers

	30 June 2023 (unaudited)	31 December 2022 (audited)
Gross loans and advances to customers	**94,952,348**	96,721,773
Less: credit impairment allowances		
– Stage 1	**(150,630)**	(149,072)
– Stage 2	**(402,820)**	(410,905)
– Stage 3	**(145,989)**	(165,825)
	94,252,909	95,995,971
Gross trade bills and other eligible bills, included within gross loans and advances to customers	**278,183**	259,674
Less: credit impairment allowances on trade bills		
– Stage 1	**(217)**	(395)
– Stage 2	**(126)**	(29)
	277,840	259,250

The Group accepted listed securities at fair value of HK$2,552,096,000 as at 30 June 2023 (31 December 2022: HK$3,606,552,000) as collateral for shares financing facilities. These securities are permitted to be sold or re-pledged in the event of default by the borrowers.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers (Continued)

(a) Loans and advances (excluding trade bills and other eligible bills) by industry sector

The following table shows the breakdown of the Group's loans and advances (excluding trade bills and other eligible bills) by industry sector according to the usage of loans based on the categories and definitions set by the Hong Kong Monetary Authority.

	30 June 2023 (unaudited)		31 December 2022 (audited)	
	Balance	**% covered by collateral**	Balance	% covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**3,993,922**	**28%**	3,566,198	32%
– Property investment	**4,400,446**	**92%**	4,651,210	92%
– Financial concerns	**2,476,586**	**26%**	2,563,503	16%
– Stockbrokers	**447,713**	**33%**	620,108	52%
– Wholesale and retail trade	**896,925**	**81%**	1,132,110	68%
– Manufacturing	**788,529**	**69%**	743,528	67%
– Transport and transport equipment	**390,401**	**34%**	402,198	33%
– Recreational activities	**2,590,550**	**16%**	2,587,520	15%
– Information technology – telecommunication	**4,981**	**100%**	4,982	100%
– Hotels, boarding houses and catering	**3,316,311**	**51%**	3,246,381	54%
– Others	**13,080,378**	**42%**	13,235,632	44%
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	**50,440**	**100%**	54,256	100%
– Loans for the purchase of other residential properties	**3,638,887**	**100%**	3,784,020	100%
– Credit card advances	**179,329**	**0%**	193,379	0%
– Others	**6,029,745**	**92%**	5,859,953	94%
Trade financing	**8,323,493**	**58%**	8,089,160	60%
Loans for use outside Hong Kong	**44,065,529**	**89%**	45,727,961	88%
	94,674,165	**72%**	96,462,099	73%

As at 30 June 2023 and 31 December 2022, the Bank did not have exposures to individual industry sector constituting 10% or more of the Group's total amount of loans and advances.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers (Continued)

(b) Loans and advances (excluding trade bills and other eligible bills) by geographical area

The information concerning the breakdown of the gross amount of loans and advances to customers (excluding trade bills and other eligible bills) by country or geographical area is derived according to the location of the customers after taking into account any transfer of risk. In general, such transfer of risk takes place if the loans and advances are guaranteed by a party in a country which is different from that of the customers.

As at 30 June 2023 (unaudited)	**Balance**	**Stage 3 balance**	**Balance overdue for over 3 months**	**Total Stage 3 credit impairment allowances**	**Total Stage 1 and Stage 2 credit impairment allowances**
Hong Kong	**58,605,730**	**254,935**	**150,320**	**101,381**	**470,635**
Mainland China	**4,628,683**	**113,625**	**109,866**	**21,104**	**9,054**
United States	**27,150,272**	**445,438**	**383,228**	**23,504**	**61,882**
Others	**4,289,480**	**–**	**–**	**–**	**11,536**
	94,674,165	**813,998**	**643,414**	**145,989**	**553,107**
% of total loans and advances to customers		**0.86**			
Fair value of collateral		**1,180,425**			

As at 31 December 2022 (audited)	Balance	Stage 3 balance	Balance overdue for over 3 months	Total Stage 3 credit impairment allowances	Total Stage 1 and Stage 2 credit impairment allowances
Hong Kong	58,728,923	171,285	27,189	22,520	489,489
Mainland China	5,443,850	301,841	301,841	143,305	12,375
United States	27,792,637	402,090	353,241	–	45,619
Others	4,496,689	–	–	–	12,070
	96,462,099	875,216	682,271	165,825	559,553
% of total loans and advances to customers		0.91			
Fair value of collateral		1,466,062			

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers (Continued)

(c) Loans and advances (excluding trade bills and other eligible bills) overdue for more than 3 months

	30 June 2023 (unaudited)		31 December 2022 (audited)	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Balances which have been overdue for:				
– 6 months or less but over 3 months	**151,028**	**0.16**	30,048	0.03
– 1 year or less but over 6 months	**51,022**	**0.05**	299,281	0.31
– over 1 year	**441,364**	**0.47**	352,942	0.37
	643,414	**0.68**	682,271	0.71
Current market value of collateral	**921,615**		852,844	
Covered portion by collateral	**567,209**		661,367	
Uncovered portion by collateral	**76,205**		20,904	
Credit impairment allowances	**120,440**		164,736	

Collateral held against such loans and advances mainly include mortgages over properties.

(d) Rescheduled loans and advances (net of amounts included in loans and advances overdue for more than 3 months)

	30 June 2023 (unaudited)		31 December 2022 (audited)	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Rescheduled loans and advances	**20,023**	**0.02**	20,132	0.02

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

17 Derivative financial instruments

		Fair values	
As at 30 June 2023 (unaudited)	**Contract amount**	**Assets**	**Liabilities**
Derivatives held for trading			
Exchange rate contracts	**213,505,456**	**895,478**	**(853,994)**
Total recognised derivative assets/(liabilities)		**895,478**	**(853,994)**

		Fair values	
As at 31 December 2022 (audited)	Contract amount	Assets	Liabilities
Derivatives held for trading			
Exchange rate contracts	123,385,889	552,801	(598,173)
Total recognised derivative assets/(liabilities)		552,801	(598,173)

	Credit risk weighted amount	
	30 June 2023 (unaudited)	31 December 2022 (audited)
Derivatives held for trading	**561,413**	572,316

The contract amounts of these instruments indicate the volume of transactions outstanding as at the reporting date, they do not represent the amounts at risk.

The credit risk weighted amounts are calculated in accordance with the standardised (counterparty credit risk) approach as stipulated in the Banking (Capital) Rules.

The above fair values have not taken into account the effect of bilateral netting arrangements and accordingly the amounts disclosed are shown on a gross basis.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

17 Derivative financial instruments (Continued)

The Group uses the following derivative strategies:

– Trading purposes (customer needs)

The Group offers its customers derivatives in connection with their risk management actions to transfer, modify or reduce their interest rate, foreign exchange and other market/credit risks or for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. The Group also manages its derivative-risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers.

– Trading purposes (own account)

The Group trades derivatives for its own account. These derivatives are entered into in order to take proprietary positions. Trading limits and price verification controls are key aspects of this activity.

18 Properties for sale

	30 June 2023 (unaudited)	31 December 2022 (audited)
Property development		
Leasehold land held for development for sale	**381,187**	381,188
Building development cost	**400,251**	375,455
	781,438	756,643

The Group has undertaken a project to redevelop the properties located in West Point. As at 30 June 2023, the net book amount of land and building incurred for this project were HK$972,234,000 (31 December 2022: HK$943,515,000), of which HK$781,438,000 (31 December 2022: HK$756,643,000) were classified as properties for sale while the remaining HK$190,796,000 (31 December 2022: HK$186,872,000) as bank premises under development (Note 19) in accordance with the redevelopment plan.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

19 Properties and equipment

	Leasehold land	Bank premises	Furniture, fittings and equipment	Property under development: Leasehold land	Property under development: Development cost	Right-of-use assets	Total
As at 1 January 2022							
Cost	1,391,522	1,082,228	988,917	97,823	74,789	643,891	4,279,170
Accumulated depreciation	(213,065)	(358,471)	(764,427)	(1,078)	–	(391,852)	(1,728,893)
Net book amount	1,178,457	723,757	224,490	96,745	74,789	252,039	2,550,277
Year ended 31 December 2022							
Opening net book amount	1,178,457	723,757	224,490	96,745	74,789	252,039	2,550,277
Additions	–	–	44,354	–	15,449	83,032	142,835
Adjustments	–	–	–	–	–	(1,212)	(1,212)
Disposals/write-off/expiry							
Cost	–	–	(9,047)	–	–	(120,675)	(129,722)
Accumulated depreciation	–	–	9,040	–	–	120,675	129,715
Depreciation charge	(17,432)	(25,805)	(79,292)	(111)	–	(109,200)	(231,840)
Exchange adjustments	–	(2,147)	(1,132)	–	–	(398)	(3,677)
Closing net book amount	1,161,025	695,805	188,413	96,634	90,238	224,261	2,456,376
As at 31 December 2022 (audited)							
Cost	1,391,522	1,078,846	1,019,861	97,823	90,238	603,223	4,281,513
Accumulated depreciation	(230,497)	(383,041)	(831,448)	(1,189)	–	(378,962)	(1,825,137)
Net book amount	1,161,025	695,805	188,413	96,634	90,238	224,261	2,456,376
Six months ended 30 June 2023							
Opening net book amount	**1,161,025**	**695,805**	**188,413**	**96,634**	**90,238**	**224,261**	**2,456,376**
Additions	**–**	**–**	**23,021**	**–**	**3,974**	**30,735**	**57,730**
Adjustments	**–**	**–**	**–**	**–**	**–**	**(231)**	**(231)**
Disposals/write-off/expiry							
Cost	**–**	**–**	**(10,286)**	**–**	**–**	**(44,375)**	**(54,661)**
Accumulated depreciation	**–**	**–**	**10,259**	**–**	**–**	**44,375**	**54,634**
Depreciation charge	**(8,716)**	**(12,903)**	**(37,161)**	**(50)**	**–**	**(49,238)**	**(108,068)**
Exchange adjustments	**–**	**1,267**	**330**	**–**	**–**	**104**	**1,701**
Closing net book amount	**1,152,309**	**684,169**	**174,576**	**96,584**	**94,212**	**205,631**	**2,407,481**
As at 30 June 2023 (unaudited)							
Cost	**1,391,522**	**1,080,859**	**1,033,262**	**97,823**	**94,212**	**589,028**	**4,286,706**
Accumulated depreciation	**(239,213)**	**(396,690)**	**(858,686)**	**(1,239)**	**–**	**(383,397)**	**(1,879,225)**
Net book amount	**1,152,309**	**684,169**	**174,576**	**96,584**	**94,212**	**205,631**	**2,407,481**

The Group has undertaken a project to redevelop the properties located in West Point. As at 30 June 2023, the net book amount of land and building incurred for this project were HK$972,234,000 (31 December 2022: HK$943,515,000), of which HK$781,438,000 (31 December 2022: HK$756,643,000) were classified as properties for sale (Note 18) while the remaining HK$190,796,000 (31 December 2022: HK$186,872,000) as bank premises under development in accordance with the redevelopment plan.

As at 30 June 2023, interests in freehold land outside Hong Kong amounted to HK$33,762,000 (31 December 2022: HK$32,957,000) were included as bank premises above.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

20 Investment properties

	Leasehold land	Buildings	Total
As at 1 January 2022			
Cost	725,305	335,666	1,060,971
Accumulated depreciation	(12,136)	(46,163)	(58,299)
Net book amount	713,169	289,503	1,002,672
Year ended 31 December 2022			
Opening net book amount	713,169	289,503	1,002,672
Depreciation charge	(865)	(8,029)	(8,894)
Closing net book amount	712,304	281,474	993,778
As at 31 December 2022 (audited)			
Cost	725,305	335,666	1,060,971
Accumulated depreciation	(13,001)	(54,192)	(67,193)
Net book amount	712,304	281,474	993,778
Six months ended 30 June 2023			
Opening net book amount	**712,304**	**281,474**	**993,778**
Depreciation charge	**(433)**	**(4,014)**	**(4,447)**
Closing net book amount	**711,871**	**277,460**	**989,331**
As at 30 June 2023 (unaudited)			
Cost	**725,305**	**335,666**	**1,060,971**
Accumulated depreciation	**(13,434)**	**(58,206)**	**(71,640)**
Net book amount	**711,871**	**277,460**	**989,331**

As at 30 June 2023, the Group's investment properties were valued at HK$2,492,500,000 (31 December 2022: HK$2,629,000,000) by an independent firm of Jones Lang LaSalle Limited (31 December 2022: Cushman & Wakefield Limited), who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The valuations were performed on an open market value basis.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

20 Investment properties (Continued)

Operating lease commitments as a lessor

Where a group company is the lessor, the future minimum lease receivables under non-cancellable leases are as follows:

	30 June 2023 (unaudited)	31 December 2022 (audited)
Not later than 1 year	**49,268**	57,674
1 to 2 years	**42,731**	48,930
2 to 5 years	**27,529**	35,083
	119,528	141,687

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from 2 to 5 years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions at the expiration of the lease.

21 Deposits from customers

	30 June 2023 (unaudited)	31 December 2022 (audited)
Demand deposits and current accounts	**15,179,488**	16,917,656
Savings deposits	**38,268,450**	45,582,087
Time, call and notice deposits	**123,447,090**	113,612,067
Deposits from Hong Kong Government Exchange Fund	**391,728**	389,920
	177,286,756	176,501,730

22 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

(i) Balances with banks and placements with banks

Balances with banks and placements with banks include inter-bank placements and are stated net of impairment allowances. The maturities of these financial assets are within one year. The carrying amount at the reporting date approximates their fair value.

(ii) Loans and advances to customers

Loans and advances are stated net of impairment allowances. An insignificant portion of loans and advances to customers bears interest at fixed rate. The carrying amount at the reporting date approximates their fair value.

(iii) Investment securities at amortised cost

The fair value for investment securities at amortised cost is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The fair value of investment securities at amortised cost is classified under Level 1 (30 June 2023: HK$4,077,974,000; 31 December 2022: HK$3,664,642,000) and Level 2 (30 June 2023: HK$3,026,543,000; 31 December 2022: HK$1,025,706,000) in the fair value hierarchy. Please refer to Note 22(b) for the definition of fair value hierarchy.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

22 Fair value of financial assets and liabilities (Continued)

(a) Financial instruments not measured at fair value (Continued)

(iv) Deposits and balances from banks and deposits from customers

Substantially all the deposits and balances from banks and deposits from customers will mature within 1 year from the reporting date. Hence, the carrying amount at the reporting date approximates their fair value.

(v) Subordinated debts

The fair value of subordinated debts of HK$5,052,055,000 (31 December 2022: HK$2,295,771,000) is classified under Level 2 in the fair value hierarchy.

(b) Fair value hierarchy

Valuation governance

The Group has in place fair valuation policy to ensure adequate governance and control processes for the designation and valuation of financial instruments to be measured at fair value for financial reporting, risk management and regulatory capital purposes. The valuation process is conducted by control units independent of risk taking units.

The Group is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt securities on exchanges and exchange-traded derivative contracts.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes instruments such as over-the-counter derivative contracts and unlisted debt securities. Observable parameters that are used as input include market data such as interest rate yield curves and exchange rate implied volatilities.

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes unlisted equity securities and unlisted debt securities with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

22 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Recurring fair value measurement

As at 30 June 2023 (unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Debt securities (Note a)	**915,473**	**–**	**–**	**915,473**
Equity securities	**36,712**	**–**	**13,785**	**50,497**
Derivative financial instruments				
Exchange rate contracts	**–**	**895,478**	**–**	**895,478**
Investment securities at fair value through other comprehensive income				
Debt securities	**23,996,901**	**14,172,532**	**2,874**	**38,172,307**
Equity securities (Note b)	**2,774,906**	**–**	**340,110**	**3,115,016**
Total Assets	**27,723,992**	**15,068,010**	**356,769**	**43,148,771**
Derivative financial instruments				
Exchange rate contracts	**–**	**853,994**	**–**	**853,994**
Total Liabilities	**–**	**853,994**	**–**	**853,994**

As at 31 December 2022 (audited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Debt securities (Note a)	919,427	–	–	919,427
Equity securities	39,178	–	12,242	51,420
Derivative financial instruments				
Exchange rate contracts	–	552,801	–	552,801
Investment securities at fair value through other comprehensive income				
Debt securities	28,483,360	19,549,831	2,874	48,036,065
Equity securities (Note b)	2,945,039	–	296,463	3,241,502
Total Assets	32,387,004	20,102,632	311,579	52,801,215
Derivative financial instruments				
Exchange rate contracts	–	598,173	–	598,173
Total Liabilities	–	598,173	–	598,173

Note a: Financial assets amounted to HK$991,405,000 as at 30 June 2023 (31 December 2022: HK$973,580,000) comprising balances with banks of HK$75,932,000 (31 December 2022: HK$54,153,000) and financial assets at fair value through profit or loss of HK$915,473,000 (31 December 2022: HK$919,427,000) were under a collateral arrangement with a shareholder of the Bank for its provision of the credit facilities of HK$744,282,000 (31 December 2022: HK$740,848,000) to the Bank's branches in the United States.

Note b: As at 30 June 2023, equity securities designated at fair value through other comprehensive income amounting to HK$3,115,016,000 (31 December 2022: HK$3,241,502,000) were for long term investment purpose, of which HK$2,645,027,000 (31 December 2022: HK$2,817,825,000) were the fair value of the Bank's investment in Bank of Shanghai, China.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

22 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

There were no significant transfers of financial assets or liabilities between level 1 and level 2 fair value hierarchy classifications.

Level 2 fair values of unlisted debt securities are determined based on quotes from brokers. The most significant input is discount rate of the instruments.

Level 2 fair values of foreign exchange rate contracts are determined using the appropriate foreign exchange rates, interest rate yield curves and where applicable, the implied option volatility at the reporting date, with the expected cash-flow discounted back to present value.

Level 3 fair values of unlisted equity securities and debentures are determined based on valuation techniques using significant unobservable inputs, which includes the market comparison approach and the dividend discount approach. The fair value is affected by the price to book ratio of appropriate comparables, dividend growth rate or discount rate.

If the significant unobservable inputs would be shifted by +/– 5%, the impact on other comprehensive income would be increased by HK$3,092,000 (31 December 2022: HK$4,601,000) or decreased by HK$2,460,000 (31 December 2022: HK$4,088,000) and profit or loss would be increased/decreased by HK$689,000 (31 December 2022: HK$612,000) respectively.

The following table presents the changes in level 3 instruments for the period ended 30 June 2023 and year ended 31 December 2022 respectively.

	Financial assets at fair value through profit or loss		Investment securities at fair value through other comprehensive income		
	Equity securities	Total	Equity securities	Debt securities	Total
As at 1 January 2022	10,224	10,224	66,080	2,874	68,954
Total gains					
– Profit	2,018	2,018	–	–	–
– Other comprehensive loss	–	–	(4,111)	–	(4,111)
– Change in accounting estimate (Note)	–	–	260,841	–	260,841
Exchange adjustments	–	–	(26,347)	–	(26,347)
As at 31 December 2022 (audited) and 1 January 2023	**12,242**	**12,242**	**296,463**	**2,874**	**299,337**
Total gains					
– Profit	**1,543**	**1,543**	**–**	**–**	**–**
– Other comprehensive income	**–**	**–**	**55,077**	**–**	**55,077**
Exchange adjustments	**–**	**–**	**(11,430)**	**–**	**(11,430)**
As at 30 June 2023 (unaudited)	**13,785**	**13,785**	**340,110**	**2,874**	**342,984**

Note: The Group has enhanced the valuation technique of an unlisted equity investment in a financial sector entity incorporated in Mainland China after considering the following factors: market transaction, business development trends of such investment and other available market data. The assumptions and valuation parameters of the dividend discount model have been reviewed and as a result, the fair value of such equity investment as at 31 December 2022 increased to HK$279,642,000. The Group believes the change in valuation technique results in a measurement that is more representative of its fair value.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

23 Subordinated debts

	30 June 2023 (unaudited)	31 December 2022 (audited)
US$300 million fixed rate subordinated notes issued due 2029 at amortised cost (Note a)	**2,340,621**	2,328,890
US$350 million fixed rate subordinated notes issued due 2033 at amortised cost (Note b)	**2,712,513**	–
	5,053,134	2,328,890

Note a: This represents US$300,000,000 Basel III compliant 10-year subordinated fixed rate notes qualifying as Tier 2 capital of the Bank in accordance with the Banking (Capital) Rules ("BCR"), which are listed on the Hong Kong Stock Exchange. The notes will mature on 17 January 2029 with an optional redemption date falling on 17 January 2024. Interest at 5.00% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will be reset and the notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 250 basis points. The Bank may, subject to receiving the prior approval of the HKMA, redeem the notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the notes.

Note b: This represents US$350,000,000 Basel III compliant 10-year subordinated fixed rate notes qualifying as Tier 2 capital of the Bank in accordance with the BCR, which are listed on the Hong Kong Stock Exchange. The notes will mature on 28 February 2033 with an optional redemption date falling on 28 February 2028. Interest at 6.375% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will be reset and the notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 240 basis points. The Bank may, subject to receiving the prior approval of the HKMA, redeem the notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the notes.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

24 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred income tax assets	Credit impairment allowances	Accelerated tax depreciation	Fair value (gains)/losses on investment securities at fair value through other comprehensive income	Others	Total
As at 1 January 2022	97,483	(51,236)	(3,600)	12,963	55,610
Credited to the statement of profit or loss	68,270	1,106	–	10,205	79,581
Exchange adjustments	(3,880)	986	–	(42)	(2,936)
Credited to other comprehensive loss	–	–	353,774	–	353,774
As at 31 December 2022 (audited) and 1 January 2023	**161,873**	**(49,144)**	**350,174**	**23,126**	**486,029**
(Charged)/credited to the statement of profit or loss	**(51,897)**	**8,011**	**–**	**(2,565)**	**(46,451)**
Exchange adjustments	**658**	**(265)**	**–**	**111**	**504**
Charged to other comprehensive income	**–**	**–**	**(97,423)**	**–**	**(97,423)**
As at 30 June 2023 (unaudited)	**110,634**	**(41,398)**	**252,751**	**20,672**	**342,659**

Deferred income tax liabilities	Credit impairment allowances	Accelerated tax depreciation	Fair value (gains)/losses on investment securities at fair value through other comprehensive income	Others	Total
As at 1 January 2022	1	(15,524)	–	10,282	(5,241)
Charged to the statement of profit or loss	–	(1,757)	–	(317)	(2,074)
As at 31 December 2022 (audited) and 30 June 2023 (unaudited)	**1**	**(17,281)**	**–**	**9,965**	**(7,315)**

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

25 Reserves attributable to equity holders

	Regulatory reserve (Note a)	Investment revaluation reserve	General and other reserves	Total
As at 31 December 2021 as originally presented	942,311	2,271,062	7,302,536	10,515,909
Change in accounting policies (Note 3(c))	–	1,200	(1,690)	(490)
Restated as at 1 January 2022	942,311	2,272,262	7,300,846	10,515,419
Net change in fair value of investment securities at fair value through other comprehensive income (Note b)	–	(2,697,659)	–	(2,697,659)
Currency translation difference arising from overseas operations	(6,848)	–	(121,308)	(128,156)
Share of reserves of associates and joint venture	–	2,520	(43)	2,477
As at 31 December 2022 and 1 January 2023 (restated)	**935,463**	**(422,877)**	**7,179,495**	**7,692,081**
Net change in fair value of investment securities at fair value through other comprehensive income (Note b)	**–**	**316,729**	**–**	**316,729**
Currency translation difference arising from overseas operations	**(2,567)**	**–**	**(45,406)**	**(47,973)**
Share of reserves of associates and joint venture	**–**	**65**	**278**	**343**
As at 30 June 2023 (unaudited)	**932,896**	**(106,083)**	**7,134,367**	**7,961,180**

Note a: The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements of overseas branches for prudent supervision purpose. Any movements in the regulatory reserve for Hong Kong operations are made in consultation with the Hong Kong Monetary Authority.

Note b: For the six months ended 30 June 2023, net change in fair value of investment securities at fair value through other comprehensive income was a gain of HK$316,729,000 (for the year ended 31 December 2022: loss of HK$2,697,659,000) due to the increase in net fair value of HK$450,856,000 (for the year ended 31 December 2022: decrease of HK$1,969,879,000) from debt securities portfolio and the decrease in net fair value of HK$134,127,000 (for the year ended 31 December 2022: decrease of HK$727,780,000) on equities holdings. As at 30 June 2023, the debt securities at fair value through other comprehensive income had 95% (31 December 2022: 95%) in investment grade based on Standard & Poor's ratings or their equivalents while 87% (31 December 2022: 85%) of the portfolio maturing within 3 years.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

26 Other cash flow information

Reconciliation of liabilities arising from financing activities

	Subordinated debts	
	2023	2022
As at 1 January	**2,328,890**	4,269,682
Issuance of subordinated debt	**2,714,169**	–
Non-cash changes:		
– Foreign exchange movement	**7,680**	27,184
– Amortisation of discount and issuance cost	**2,395**	1,495
As at 30 June (unaudited)	**5,053,134**	4,298,361

	Lease liabilities	
	2023	2022
As at 1 January	**236,557**	266,933
Payment of lease liabilities	**(53,862)**	(57,812)
Non-cash changes:		
– Additions	**28,776**	42,679
– Adjustments	**(231)**	(1,004)
– Other changes	**3,497**	1,005
As at 30 June (unaudited)	**214,737**	251,801

Note: Lease liabilities are included in “other liabilities” in statement of financial position.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

27 Contingent liabilities and commitments

(a) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

Contract amounts	**30 June 2023 (unaudited)**	31 December 2022 (audited)
Direct credit substitutes	**1,996,353**	2,215,097
Trade-related contingencies	**1,711,213**	1,733,322
Forward forward deposits placed	**946,733**	–
Other commitments with an original maturity of:		
– under 1 year	**2,651,013**	2,049,204
– 1 year and over	**5,174,821**	5,587,121
– unconditionally cancellable	**33,051,098**	34,082,067
	45,531,231	45,666,811
Credit risk weighted amounts	**4,621,785**	4,639,786

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are therefore subject to the same credit origination, portfolio maintenance and collateral requirements as for customers applying for loans.

(b) Capital commitments

Capital expenditure for the acquisition of properties and equipment outstanding as at the reporting date but not yet incurred is as follows:

	30 June 2023 (unaudited)	31 December 2022 (audited)
Contracted but not provided for	**94,019**	82,769

(c) Other contingent liabilities

The Group is involved in legal actions which are in relation to its normal business operations. No material provision was made for those actions against the Group because the management believes that the Group has adequate grounds to defend against the claimants or the amounts involved in those actions are not expected to be material.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

28 Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

As at 30 June 2023 (unaudited)	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	4,815,136	47,047,036	–	–	–	–	–	51,862,172
Placements with banks	–	–	16,381,041	8,475,375	–	–	–	24,856,416
Loans and advances to customers	4,705,599	5,674,882	13,075,099	18,608,437	37,236,304	13,677,068	1,275,520	94,252,909
Financial assets at fair value through profit or loss	–	–	388,212	–	498,802	28,458	50,498	965,970
Derivative financial instruments	–	182,709	292,838	418,404	1,527	–	–	895,478
Investment securities at fair value through other comprehensive income	306,715	774,101	2,660,928	17,521,095	15,250,867	1,655,726	3,117,891	41,287,323
Investment securities at amortised cost	–	999,466	1,309,937	4,036,174	790,740	–	–	7,136,317
Properties for sale	–	65,120	130,240	312,575	273,503	–	–	781,438
Investments in associates and joint venture	–	–	–	–	–	–	513,447	513,447
Properties and equipment	–	8,059	15,006	50,632	71,465	60,469	2,201,850	2,407,481
Investment properties	–	–	–	–	–	–	989,331	989,331
Deferred income tax assets	–	–	–	–	–	–	342,659	342,659
Other assets	277,555	892,381	182,583	372,398	430,837	64,288	15,346	2,235,388
Total assets	10,105,005	55,643,754	34,435,884	49,795,090	54,554,045	15,486,009	8,506,542	228,526,329
Liabilities								
Deposits and balances from banks	656,958	4,087,532	2,354,615	407,796	–	–	–	7,506,901
Deposits from customers	54,844,219	37,104,689	57,872,993	26,940,409	524,446	–	–	177,286,756
Derivative financial instruments	–	184,580	256,656	411,820	938	–	–	853,994
Subordinated debts	–	–	–	–	–	5,053,134	–	5,053,134
Other liabilities	333,053	1,084,955	565,337	529,976	74,331	79,178	–	2,666,830
Current income tax liabilities	–	–	–	208,521	–	–	–	208,521
Deferred income tax liabilities	–	–	–	–	–	–	7,315	7,315
Total liabilities	55,834,230	42,461,756	61,049,601	28,498,522	599,715	5,132,312	7,315	193,583,451
Net liquidity gap	(45,729,225)	13,181,998	(26,613,717)	21,296,568	53,954,330	10,353,697	8,499,227	34,942,878
Of which lease liabilities included in: Other liabilities	–	8,239	15,276	49,804	62,240	79,178	–	214,737

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

28 Maturity analysis (Continued)

As at 31 December 2022 (restated)	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	7,961,042	36,835,584	–	–	–	–	–	44,796,626
Placements with banks	–	–	7,474,545	10,171,017	–	–	–	17,645,562
Loans and advances to customers	4,398,130	7,302,772	9,442,024	21,115,764	38,690,970	14,245,947	800,364	95,995,971
Financial assets at fair value through profit or loss	–	545,123	231,667	–	114,623	28,015	51,419	970,847
Derivative financial instruments	–	152,608	244,801	148,292	7,100	–	–	552,801
Investment securities at fair value through other comprehensive income	–	2,409,612	4,519,490	9,696,109	29,339,150	2,068,830	3,244,376	51,277,567
Investment securities at amortised cost	–	–	2,042,059	2,140,719	545,389	–	–	4,728,167
Properties for sale	–	–	94,580	283,741	378,322	–	–	756,643
Investments in associates and joint venture	–	–	–	–	–	–	481,204	481,204
Properties and equipment	–	8,337	15,580	60,884	75,722	63,738	2,232,115	2,456,376
Investment properties	–	–	–	–	–	–	993,778	993,778
Deferred income tax assets	–	–	–	–	–	–	486,029	486,029
Other assets	279,582	908,347	137,959	292,030	553,506	67,276	18,199	2,256,899
Total assets	12,638,754	48,162,383	24,202,705	43,908,556	69,704,782	16,473,806	8,307,484	223,398,470
Liabilities								
Deposits and balances from banks	1,096,545	3,119,769	2,822,443	432,685	–	–	–	7,471,442
Deposits from customers	63,314,253	42,228,866	51,154,521	19,478,921	325,169	–	–	176,501,730
Derivative financial instruments	–	215,522	215,450	160,211	6,990	–	–	598,173
Subordinated debts	–	–	–	–	–	2,328,890	–	2,328,890
Other liabilities	616,613	1,218,754	382,205	398,511	78,606	81,369	–	2,776,058
Current income tax liabilities	–	153,905	–	31,946	–	–	–	185,851
Deferred income tax liabilities	–	–	–	–	–	–	7,315	7,315
Total liabilities	65,027,411	46,936,816	54,574,619	20,502,274	410,765	2,410,259	7,315	189,869,459
Net liquidity gap	(52,388,657)	1,225,567	(30,371,914)	23,406,282	69,294,017	14,063,547	8,300,169	33,529,011
Of which lease liabilities included in:								
Other liabilities	–	8,627	15,847	62,382	68,333	81,368	–	236,557

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

29 Related party transactions

A number of banking transactions were entered into with related parties by the Group in the normal course of business and at arm's length basis. The outstanding balances of the related party transactions at the reporting date, and related expense and income for the period were as follows:

As at 30 June 2023 (unaudited)	**Ultimate holding company and fellow subsidiaries**	**Associates and joint venture**	**Key management personnel (Note a)**	**Other related parties (Note b)**	**Total**
Aggregate amounts outstanding at the period end					
– Loans and advances	**–**	**–**	**39,924**	**–**	**39,924**
– Cash and balances with banks	**16,787**	**–**	**–**	**111,157**	**127,944**
– Deposits and balances from banks and customers	**283,438**	**841,211**	**449,138**	**2,296,548**	**3,870,335**
– Investment securities at fair value through other comprehensive income	**129,879**	**–**	**–**	**–**	**129,879**
– Stage 1 and Stage 2 credit impairment allowances	**–**	**–**	**81**	**2**	**83**
– Contingent liabilities and other commitments	**–**	**2,000**	**64,299**	**–**	**66,299**
Six months ended 30 June 2023 (unaudited)					
Interest income received from related parties	**232**	**–**	**1,206**	**2,062**	**3,500**
Interest expenses paid to related parties	**3,449**	**7,867**	**4,224**	**61,979**	**77,519**
Net fee and commission income/(expense) from/(to) related parties	**(7,293)**	**23,166**	**–**	**(818)**	**15,055**
Net other operating income/(expense) from/(to) related parties	**15**	**(3,289)**	**(150)**	**–**	**(3,424)**

As at 31 December 2022 (audited)	Ultimate holding company and fellow subsidiaries	Associates and joint venture	Key management personnel (Note a)	Other related parties (Note b)	Total
Aggregate amounts outstanding at the year end					
– Loans and advances	–	–	44,930	–	44,930
– Cash and balances with banks	16,953	–	–	86,470	103,423
– Deposits and balances from banks and customers	226,595	491,872	403,130	2,360,926	3,482,523
– Investment securities at fair value through other comprehensive income	127,214	–	–	–	127,214
– Stage 1 and Stage 2 credit impairment allowances	1	–	92	2	95
– Contingent liabilities and other commitments	–	2,000	59,184	–	61,184
Six months ended 30 June 2022 (unaudited)					
Interest income received from related parties	16	–	537	1,495	2,048
Interest expenses paid to related parties	526	1,531	3,314	12,615	17,986
Net fee and commission income/(expense) from/(to) related parties	(426)	24,161	2	(847)	22,890
Net other operating income/(expense) from/(to) related parties	15	(2,672)	(175)	–	(2,832)

Note a: Include key management personnel and Directors of the Bank and the ultimate holding company, their close family members and entities that are controlled or jointly controlled, directly or indirectly, by key management personnel or Directors.

Note b: Include other shareholders of the Group.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

29 Related party transactions (Continued)

Key management personnel compensation

The compensation for Directors and key management personnel of the Bank is as follows:

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Salaries and other short-term employee benefits	**41,179**	41,233

30 Segment reporting

(a) By operating segment

Operating segments, and the amounts of each segment item reported in the Group Interim Financial Disclosure Statement, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

For the purpose of assessing performance of business activity by class, the allocation of revenue, besides the direct revenue generated by the business, also includes the benefits of funding resources derived from the other businesses by way of internal fund transfer pricing mechanisms. Cost allocation is based on the direct cost incurred by the class of business and internal allocation of management overheads. Asset allocation is based on the assets directly attributable to the class of business and internal allocation of assets.

The Group is engaged predominantly in banking and related financial activities. It comprises retail and corporate banking, trade finance, treasury and other classes of business.

Retail and corporate banking – incorporating banking services to individual and corporate customers such as current accounts, savings accounts, fixed deposits, safe deposit box, credit cards, loans and other credit facilities.

Trade finance – incorporating import and export bills services, invoice discounting/receivable financing and ECIC supported export finance for small and medium enterprises.

Treasury – conducting treasury operations for trading and investment purposes such as foreign exchange, money market and capital market activities and providing treasury products such as yield enhancement and hedging products to retail and corporate customers.

The business activities under "Others" mainly comprise remittance, share dealing, provisions of trustee, wealth management and insurance services, and support services for operations not directly identified under other reportable segments.

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

30 Segment reporting (Continued)

(a) By operating segment (Continued)

	Six months ended 30 June 2023 (unaudited)				
	Retail and corporate banking	**Trade finance**	**Treasury**	**Others**	**Total**
Net interest income	**1,886,311**	**23,529**	**38,277**	**60,549**	**2,008,666**
Non-interest income	**153,159**	**36,069**	**212,569**	**390,164**	**791,961**
Operating income	**2,039,470**	**59,598**	**250,846**	**450,713**	**2,800,627**
Operating expenses	**(491,507)**	**(46,027)**	**(61,937)**	**(328,006)**	**(927,477)**
Operating profit before credit impairment losses	**1,547,963**	**13,571**	**188,909**	**122,707**	**1,873,150**
Credit impairment losses	**(114,648)**	**(1,957)**	**2,897**	**90**	**(113,618)**
Operating profit after credit impairment losses	**1,433,315**	**11,614**	**191,806**	**122,797**	**1,759,532**
Share of net profits of associates and joint venture	**–**	**–**	**–**	**33,823**	**33,823**
Profit before income tax (after taking into account internal fund transfers and cost allocation)	**1,433,315**	**11,614**	**191,806**	**156,620**	**1,793,355**
Income tax expense	**349,862**	**1,858**	**28,040**	**(4,763)**	**374,997**
Depreciation expenses	**48,120**	**3,351**	**4,631**	**56,413**	**112,515**
As at 30 June 2023 (unaudited):					
Total assets	**94,899,352**	**3,403,710**	**124,907,078**	**5,316,189**	**228,526,329**
Total liabilities	**178,643,342**	**74,349**	**13,831,261**	**1,034,499**	**193,583,451**

	Six months ended 30 June 2022 (restated)				
	Retail and corporate banking	Trade finance	Treasury	Others	Total
Net interest income	1,721,106	19,707	25,349	27,906	1,794,068
Non-interest income	140,523	37,788	266,945	228,185	673,441
Operating income	1,861,629	57,495	292,294	256,091	2,467,509
Operating expenses	(464,019)	(44,511)	(58,293)	(312,180)	(879,003)
Operating profit/(loss) before credit impairment losses	1,397,610	12,984	234,001	(56,089)	1,588,506
Credit impairment losses	(49,377)	(1,249)	4,012	266	(46,348)
Operating profit/(loss) after credit impairment losses	1,348,233	11,735	238,013	(55,823)	1,542,158
Share of net profits of associates and joint venture	–	–	–	3,948	3,948
Profit/(loss) before income tax (after taking into account internal fund transfers and cost allocation)	1,348,233	11,735	238,013	(51,875)	1,546,106
Income tax expense	301,815	1,843	33,972	(9,418)	328,212
Depreciation expenses	50,989	4,903	7,407	57,101	120,400
As at 31 December 2022 (restated):					
Total assets	97,366,935	3,126,806	117,356,566	5,548,163	223,398,470
Total liabilities	177,658,750	81,360	10,888,955	1,240,394	189,869,459

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

30 Segment reporting (Continued)

(b) By geographical regions

The following tables provide segment information by geographical area determined with reference to the location of the principal operations of the branches and subsidiaries of the Group.

	As at 30 June 2023 (unaudited)			**Six months ended 30 June 2023 (unaudited)**		
	Total assets	**Total liabilities**	**Contingent liabilities and commitments**	**Total operating income**	**Profit before income tax**	**Capital expenditure**
Hong Kong and Mainland China	**194,096,624**	**181,124,588**	**43,105,777**	**2,127,551**	**1,250,513**	**57,532**
United States	**28,963,409**	**10,232,081**	**2,102,278**	**613,012**	**496,941**	**24**
United Kingdom	**5,466,296**	**2,226,782**	**323,176**	**60,064**	**45,901**	**174**
Total	**228,526,329**	**193,583,451**	**45,531,231**	**2,800,627**	**1,793,355**	**57,730**

	As at 31 December 2022 (restated)			Six months ended 30 June 2022 (restated)		
	Total assets	Total liabilities	Contingent liabilities and commitments	Total operating income	Profit before income tax	Capital expenditure
Hong Kong and Mainland China	188,195,520	177,158,404	42,808,521	1,895,171	1,066,174	59,669
United States	29,868,030	10,551,504	2,832,418	525,055	448,805	1,467
United Kingdom	5,334,920	2,159,551	25,872	47,283	31,127	755
Total	223,398,470	189,869,459	45,666,811	2,467,509	1,546,106	61,891

(All amounts in HK dollar thousands unless otherwise stated)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

31 International claims

The following table shows the Group's international claims by major country or geographical segment, each representing 10% or more of the Group's total international claims. International claims refer to exposures to counterparties on which the ultimate risk lies, and are derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

			Non-bank private sector		
As at 30 June 2023 (unaudited)	**Banks**	**Official sector**	**Non-bank financial institutions**	**Non-financial private sector**	**Total**
Developed countries	**24,259,000**	**2,378,000**	**82,000**	**2,106,000**	**28,825,000**
Offshore centres	**14,533,000**	**822,000**	**1,633,000**	**21,272,000**	**38,260,000**
– of which Hong Kong	**6,859,000**	**822,000**	**1,304,000**	**18,128,000**	**27,113,000**
Developing Asia-Pacific	**48,008,000**	**286,000**	**315,000**	**6,101,000**	**54,710,000**
– of which China	**26,547,000**	**286,000**	**315,000**	**4,259,000**	**31,407,000**
– of which Taiwan (Note)	**17,637,000**	**–**	**–**	**1,742,000**	**19,379,000**

			Non-bank private sector		
As at 31 December 2022 (audited)	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	26,506,000	2,513,000	81,000	1,923,000	31,023,000
Offshore centres	13,790,000	508,000	2,297,000	25,589,000	42,184,000
– of which Hong Kong	8,372,000	508,000	1,954,000	22,184,000	33,018,000
Developing Asia-Pacific	37,845,000	275,000	280,000	7,091,000	45,491,000
– of which China	23,998,000	275,000	280,000	5,221,000	29,774,000

Note: The Group's international claims on Taiwan as at 31 December 2022 did not exceed 10% of the Group's total international claims.

32 Comparative figures

Upon adoption of HKFRS 17, certain comparative figures have been restated to conform with the current period's presentation.

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

The following disclosures are prepared under regulatory scope of consolidation to comply with the Banking (Disclosure) Rules and are not audited.

1 Key prudential ratios

		30 June 2023	31 March 2023	31 December 2022	30 September 2022	30 June 2022
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	33,087,952	32,926,103	31,564,599	30,631,433	30,870,615
2	Tier 1	33,087,952	32,926,103	31,564,599	30,631,433	30,870,615
3	Total capital	39,667,727	39,541,189	35,436,431	36,363,933	36,597,182
Risk Weighted Amounts (RWA)						
4	Total RWA	157,220,098	158,346,905	161,184,137	164,392,099	170,617,169
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	21.0%	20.8%	19.6%	18.6%	18.1%
6	Tier 1 ratio (%)	21.0%	20.8%	19.6%	18.6%	18.1%
7	Total capital ratio (%)	25.2%	25.0%	22.0%	22.1%	21.4%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.6%	0.6%	0.6%	0.6%	0.6%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.1%	3.1%	3.1%	3.1%	3.1%
12	CET1 available after meeting the AI's minimum capital requirements (%)	15.0%	14.8%	13.6%	12.6%	12.1%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	237,006,590	232,742,246	231,523,758	238,811,033	242,454,957
14	LR (%)	14.0%	14.1%	13.6%	12.8%	12.7%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)						
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	57.9%	59.5%	52.8%	50.7%	56.8%
Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)						
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	231.4%	227.0%	225.6%	225.3%	224.0%

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy

The calculation of the capital adequacy ratio as at 30 June 2023 is based on the Banking (Capital) Rules ("BCR"). The capital adequacy ratio represents the consolidated ratio of the Bank's Hong Kong offices and its overseas branches, Shacom Property (CA), Inc., Shacom Property (NY), Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited, Right Honour Investments Limited, Glory Step Westpoint Investments Limited, Silver Wisdom Westpoint Investments Limited, Shacom Insurance Brokers Limited, KCC 23F Limited, KCC 25F Limited, and KCC 26F Limited computed in accordance with Section 3C(1) of the BCR.

For accounting purposes, the basis of consolidation is described in Note 5 to the Group Interim Financial Disclosure Statement.

The table below shows the balance sheet based on accounting scope of consolidation and the regulatory scope of consolidation, and the reconciliation of the capital components from balance sheet based on regulatory scope of consolidation to the Composition of Regulatory Capital as at 30 June 2023.

Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross-referenced to Composition of Regulatory Capital
Assets			
Cash and balances with banks	51,862,172	51,860,809	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital		(1,280)	(1)
Placements with banks	24,856,416	24,856,416	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital		(622)	(2)
Loans and advances to customers	94,252,909	94,252,909	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital		(553,450)	(3)
Financial assets at fair value through profit or loss	965,970	929,257	
Derivative financial instruments	895,478	895,478	
Investment securities at fair value through other comprehensive income	41,287,323	41,287,323	
Investment securities at amortised cost	7,136,317	7,136,317	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital		(256)	(4)
Properties for sale	781,438	781,438	
Investments in associates and joint venture	513,447	188,000	
Investments in and amounts due from subsidiaries	–	323,575	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital		(13,843)	(5)
Properties and equipment	2,407,481	2,403,977	
Investment properties	989,331	1,017,835	
Deferred income tax assets	342,659	344,936	(6)
Other assets	2,235,388	2,193,053	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital		(1,787)	(7)
Total assets	228,526,329	228,471,323	

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Reconciliation of regulatory capital to balance sheet (Continued)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross-referenced to Composition of Regulatory Capital
Liabilities			
Deposits and balances from banks	7,506,901	7,506,901	
Deposits from customers	177,286,756	177,286,756	
Derivative financial instruments	853,994	853,994	
Amounts due to subsidiaries	–	657,959	
Subordinated debts	5,053,134	5,053,134	(8)
Other liabilities	2,666,830	2,529,934	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital		22,507	(9)
Current income tax liabilities	208,521	208,382	
Deferred income tax liabilities	7,315	7,237	
Total liabilities	193,583,451	194,104,297	
Equity			
Share capital	2,000,000	2,000,000	(10)
Retained earnings	24,876,187	24,420,408	(11)
Reserves	7,961,180	7,946,618	
of which: accumulated other comprehensive income/(loss), other than regulatory reserve		7,013,722	(12)
regulatory reserve		932,896	(13)
Non-controlling interests in equity	105,511	–	
Total equity	34,942,878	34,367,026	
Total equity and liabilities	228,526,329	228,471,323	

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital

The Bank has already applied full capital deductions under the BCR. The Composition of Regulatory Capital as at 30 June 2023 is shown below:

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(10)
2	Retained earnings	24,420,408	(11)
3	Disclosed reserves	7,946,618	(12) + (13)
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	Not applicable	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	
6	**CET1 capital before regulatory deductions**	**34,367,026**	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,242	
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	–	
10	Deferred tax assets (net of associated deferred tax liabilities)	344,936	(6)
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	932,896	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	
26b	Regulatory reserve for general banking risks	932,896	(13)
26c	Securitization exposures specified in a notice given by the Monetary Authority	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	**Total regulatory deductions to CET1 capital**	**1,279,074**	
29	**CET1 capital**	**33,087,952**	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	
33	Capital instruments subject to phase-out arrangements from AT1 capital	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	–	
36	**AT1 capital before regulatory deductions**	**–**	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments applied to AT1 capital	–	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43	**Total regulatory deductions to AT1 capital**	**–**	
44	**AT1 capital**	**–**	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**33,087,952**	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	5,053,134	(8)
47	Capital instruments subject to phase-out arrangements from Tier 2 capital	–	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	
49	of which: capital instruments issued by subsidiaries subject to phase-out arrangements	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,526,641	(9) + (13) – (1) – (2) – (3) – (4) – (5) – (7)
51	**Tier 2 capital before regulatory deductions**	**6,579,775**	

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	–	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments applied to Tier 2 capital	–	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	
57	**Total regulatory adjustments to Tier 2 capital**	**–**	
58	**Tier 2 capital**	**6,579,775**	
59	**Total regulatory capital (TC = Tier 1 + Tier 2)**	**39,667,727**	
60	**Total risk weighted assets**	**157,220,098**	
Capital ratios (as a percentage of risk weighted assets)			
61	**CET1 capital ratio**	**21.0%**	
62	**Tier 1 capital ratio**	**21.0%**	
63	**Total capital ratio**	**25.2%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**3.1%**	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	0.6%	
67	of which: higher loss absorbency requirement	–	
68	**CET1 (as a percentage of RWA) available after meeting minimum capital requirements**	**15.0%**	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	2,998,922	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	658,594	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,526,641	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,770,604	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase-out arrangements	–	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	–	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	–	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	–	

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

Note to the template:

Element where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis	Basel III basis
10	**Deferred tax assets ("DTA") (net of associated deferred tax liabilities)**	**344,936**	**–**
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for mortgage servicing rights, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
Remarks: The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments

The main features of regulatory capital instruments as at 30 June 2023 are shown below. Full terms and conditions are published in the Bank's website of http://www.shacombank.com.hk and are accessible at the following direct link: http://www.shacombank.com.hk/eng/about/regulatory/20230630.jsp

		Ordinary shares	Subordinated notes due 2029	Subordinated notes due 2033
1	Issuer	Shanghai Commercial Bank Limited	Shanghai Commercial Bank Limited	Shanghai Commercial Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	ISIN: XS1892105823	ISIN: XS2531672892
3	Governing law(s) of the instrument	Laws of Hong Kong	English Law, except that the subordination provisions shall be governed by the laws of Hong Kong.	English Law, except that the subordination provisions shall be governed by the laws of Hong Kong.
	Regulatory treatment			
4	Transitional Basel III rules#	N/A	N/A	N/A
5	Post-transitional Basel III rules+	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo*/group/solo and group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Other Tier 2 instruments	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK$2,000 million	HK$2,341 million	HK$2,713 million
9	Par value of instrument	N/A	US$300 million	US$350 million
10	Accounting classification	Shareholders' equity	Liability-amortised cost	Liability-amortised cost
11	Original date of issuance	1951, 1968, 1969, 1970, 1972, 1973, 1975, 1979, 1981, 1985, 1988, 1990, 1991, 1996, 2000	17 January 2019	28 February 2023
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	17 January 2029	28 February 2033
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	One-off call date: 17 January 2024. Additional optional redemption in whole at 100% of principal amount with accrued interest for taxation reasons, tax deductions reasons and regulatory reasons. Redemption amount subject to adjustment following occurrence of a Non-Viability Event. Redemption subject to prior written consent of the HKMA.	One-off call date: 28 February 2028. Additional optional redemption in whole at 100% of principal amount with accrued interest for taxation reasons, tax deductions reasons and regulatory reasons. Redemption amount subject to adjustment following occurrence of a Non-Viability Event. Redemption subject to prior written consent of the HKMA.
16	Subsequent call dates, if applicable	N/A	N/A	N/A

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments (Continued)

		Ordinary shares	Subordinated notes due 2029	Subordinated notes due 2033
	Coupons/dividends			
17	Fixed or floating dividend/ coupon	Floating	Fixed	Fixed
18	Coupon rate and any related index	N/A	5.00% p.a. Fixed until 17 January 2024 and thereafter reset to a new fixed rate equal to the sum of the then prevailing U.S. Treasury Rate and the Spread at Pricing.	6.375% p.a. Fixed until 28 February 2028 and thereafter reset to a new fixed rate equal to the sum of the then prevailing U.S. Treasury Rate and the Spread at Pricing.
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down feature	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	The earlier of the HKMA notifying the issuer in writing: (i) that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable or (ii) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.	The earlier of the HKMA notifying the issuer in writing: (i) that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable or (ii) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32	If write-down, full or partial	N/A	May be in part or in full	May be in part or in full
33	If write-down, permanent or temporary	N/A	Permanent	Permanent

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments (Continued)

		Ordinary shares	Subordinated notes due 2029	Subordinated notes due 2033
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	N/A	The rights of the holders will, in the event of the winding up of the Bank, rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, (a) the holders of Junior Obligations, and (b) holders of Tier 1 Capital Instruments of the Issuer.	The rights of the holders will, in the event of the winding up of the Bank, rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, (a) the holders of Junior Obligations, and (b) holders of Tier 1 Capital Instruments of the Issuer.
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Footnote:

\# Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR

\+ Regulatory treatment of capital instruments not subject to transitional arrangement provided for in Schedule 4H to the BCR

* Include solo-consolidated

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

3 Overview of RWA

The table below shows the breakdowns of RWA for various risks as at 30 June 2023 and 31 March 2023 and the minimum capital requirements as at 30 June 2023 which are calculated by multiplying the Group's RWA by 8%.

		RWA		Minimum capital requirements
		30 June 2023	31 March 2023	30 June 2023
1	Credit risk for non-securitization exposures	139,440,449	140,192,116	11,155,236
2	Of which STC approach	139,440,449	140,192,116	11,155,236
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
6	Counterparty default risk and default fund contributions	561,413	722,885	44,913
7	Of which SA-CCR approach	561,413	722,885	44,913
7a	Of which CEM	–	–	–
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	–	–	–
10	CVA risk	131,538	167,875	10,523
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme ("CIS") exposures – LTA	–	–	–
13	CIS exposures – MBA	–	–	–
14	CIS exposures – FBA	–	–	–
14a	CIS exposures – combination of approaches	–	–	–
15	Settlement risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	Market risk	5,672,375	5,908,663	453,790
21	Of which STM approach	5,672,375	5,908,663	453,790
22	Of which IMM approach	–	–	–
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	9,767,838	9,498,938	781,427
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,646,485	1,856,428	131,719
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA	–	–	–
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27	**Total**	157,220,098	158,346,905	12,577,608

REGULATORY DISCLOSURES (UNAUDITED)

4 Countercyclical Capital Buffer ("CCyB") Ratio

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB ("JCCyB") ratio effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction's applicable CCyB ratio is the ratio of the Bank's aggregate RWA for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction where the location of the exposures is determined as far as possible on an ultimate risk basis to the sum of the Bank's aggregate RWA across all jurisdictions in which the Bank has private sector credit exposures.

Key drivers for the changes in exposure amounts include asset quality, credit growth and credit portfolio. The applicable JCCyB ratio for Hong Kong is determined by the Hong Kong Monetary Authority based on the Initial Reference Calculator that is transparently calculated and made public, while the applicable JCCyB ratio in respect of a given jurisdiction outside Hong Kong may differ from the JCCyB ratio as determined by the relevant authority in that jurisdiction if the Hong Kong Monetary Authority has determined and announced the application of a higher or lower rate.

The following table shows the CCyB ratio, the geographical breakdown of the RWA in relation to private sector credit exposures that are relevant to the calculation of CCyB ratio and which have an applicable JCCyB ratio greater than zero as at 30 June 2023.

	Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	1.0%	71,254,514		
2	Australia	1.0%	49,778		
3	France	0.5%	5,722		
4	Germany	0.8%	73,527		
5	Netherlands	1.0%	10,421		
6	United Kingdom	1.0%	556,855		
	Sum		**71,950,817**		
	Total		**111,855,446**	**0.6%**	**1,010,925**

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

5 Leverage ratio

The leverage ratio ("LR") represents the consolidated ratio computed in the same regulatory consolidation basis as the capital adequacy ratio. The table below presents the summary comparison of accounting assets against leverage ratio exposure measure as at 30 June 2023.

Item		Value under the LR framework
1	Total consolidated assets as per published financial statements (before adjustments for specific and collective provisions)	229,266,063
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(55,006)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	–
4	Adjustments for derivative contracts	106,289
5	Adjustment for SFTs (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	9,708,052
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(739,734)
7	Other adjustments	(1,279,074)
8	**Leverage ratio exposure measure**	**237,006,590**

The leverage ratios as at 30 June 2023 and 31 March 2023 are shown below:

		30 June 2023	31 March 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	228,315,579	224,750,883
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,279,074)	(1,322,729)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	227,036,505	223,428,154
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	155,940	89,082
5	Add-on amounts for PFE associated with all derivative contracts	845,827	1,137,708
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit-related derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	–	–
11	**Total exposures arising from derivative contracts**	1,001,767	1,226,790

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

5 Leverage ratio (Continued)

		30 June 2023	31 March 2023
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	**Total exposures arising from SFTs**	–	–
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	45,531,231	44,528,300
18	Less: Adjustments for conversion to credit equivalent amounts	(35,823,179)	(35,661,940)
19	**Off-balance sheet items**	9,708,052	8,866,360
Capital and total exposures			
20	**Tier 1 capital**	33,087,952	32,926,103
20a	**Total exposures before adjustments for specific and collective provisions**	237,746,324	233,521,304
20b	**Adjustments for specific and collective provisions**	(739,734)	(779,058)
21	**Total exposures after adjustments for specific and collective provisions**	237,006,590	232,742,246
Leverage ratio			
22	**Leverage ratio**	14.0%	14.1%

Footnote:
CCP: Central counterparty
CCR: Counterparty credit risk
PFE: Potential future exposure
SFT: Securities financing transactions

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

6 Credit risk

(a) Credit quality of exposures as at 30 June 2023

		Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions	Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values
1	Loans	643,414	94,308,934	699,439	145,989	553,450	–	94,252,909
2	Debt securities	–	45,308,879	256	–	256	–	45,308,623
3	Off-balance sheet exposures	–	12,480,133	7,764	–	7,764	–	12,472,369
4	**Total**	**643,414**	**152,097,946**	**707,459**	**145,989**	**561,470**	**–**	**152,033,901**

(b) Changes in defaulted loans and debt securities

		Amount
1	Defaulted loans and debt securities as at end December 2022	682,271
2	Loans and debt securities that have defaulted since the last reporting period	215,201
3	Returned to non-defaulted status	(3,759)
4	Amounts written off	(147,256)
5	Other changes	(103,043)
6	**Defaulted loans and debt securities as at end June 2023**	**643,414**

(c) Overview of recognised credit risk mitigation as at 30 June 2023

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	92,595,090	1,657,819	1,646,799	11,020	–
2	Debt securities	45,308,623	–	–	–	–
3	**Total**	**137,903,713**	**1,657,819**	**1,646,799**	**11,020**	**–**
4	Of which defaulted	8,764	522,756	522,756	–	–

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

6 Credit risk (Continued)

(d) Credit risk exposures and effects of recognised credit risk mitigation – for STC approach as at 30 June 2023

		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	8,570,578	–	8,570,921	–	67,924	1%
2	PSE exposures	4,178,137	250,000	4,177,794	125,000	860,559	20%
2a	Of which: domestic PSEs	3,684,847	250,000	3,684,504	125,000	761,901	20%
2b	Of which: foreign PSEs	493,290	–	493,290	–	98,658	20%
3	Multilateral development bank exposures	2,856,228	–	2,856,228	–	–	0%
4	Bank exposures	88,293,349	3,266,220	88,298,428	1,423,233	25,571,980	29%
5	Securities firm exposures	457,740	3,261,279	457,740	–	228,870	50%
6	Corporate exposures	95,818,716	27,937,203	95,275,930	3,748,907	92,422,521	93%
7	CIS exposures	–	–	–	–	–	0%
8	Cash items	781,006	–	1,905,048	–	152,712	8%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	0%
10	Regulatory retail exposures	3,124,733	2,186,952	3,023,932	92,476	2,337,307	75%
11	Residential mortgage loans	7,392,029	1,936,876	7,392,029	964,139	3,800,685	45%
12	Other exposures which are not past due exposures	13,898,335	6,692,701	13,412,801	49,188	13,461,989	100%
13	Past due exposures	531,520	–	531,520	–	535,902	101%
14	Significant exposures to commercial entities	–	–	–	–	–	0%
15	**Total**	**225,902,371**	**45,531,231**	**225,902,371**	**6,402,943**	**139,440,449**	**60%**

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

6 Credit risk (Continued)

(e) Credit risk exposures by asset classes and by risk weights – for STC approach as at 30 June 2023

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	8,231,301	–	339,620	–	–	–	–	–	–	–	**8,570,921**
2	PSE exposures	–	–	4,302,794	–	–	–	–	–	–	–	**4,302,794**
2a	Of which: domestic PSEs	–	–	3,809,504	–	–	–	–	–	–	–	**3,809,504**
2b	Of which: foreign PSEs	–	–	493,290	–	–	–	–	–	–	–	**493,290**
3	Multilateral development bank exposures	2,856,228	–	–	–	–	–	–	–	–	–	**2,856,228**
4	Bank exposures	–	–	64,300,562	–	25,418,465	–	2,634	–	–	–	**89,721,661**
5	Securities firm exposures	–	–	–	–	457,740	–	–	–	–	–	**457,740**
6	Corporate exposures	–	–	140,062	–	12,980,532	–	85,904,243	–	–	–	**99,024,837**
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	**–**
8	Cash items	1,469,234	–	353,878	–	–	–	81,936	–	–	–	**1,905,048**
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	–	–	–	–	–	**–**
10	Regulatory retail exposures	–	–	–	–	–	3,116,408	–	–	–	–	**3,116,408**
11	Residential mortgage loans	–	–	–	6,950,862	–	149,692	1,255,614	–	–	–	**8,356,168**
12	Other exposures which are not past due exposures	–	–	–	–	–	–	13,461,989	–	–	–	**13,461,989**
13	Past due exposures	–	–	–	–	–	–	522,756	8,764	–	–	**531,520**
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	**–**
15	**Total**	**12,556,763**	**–**	**69,436,916**	**6,950,862**	**38,856,737**	**3,266,100**	**101,229,172**	**8,764**	**–**	**–**	**232,305,314**

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

7 Counterparty credit risk

(a) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as at 30 June 2023

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR approach (for derivative contracts)	138,283	579,608		1.4	1,005,047	561,413
1a	CEM (for derivative contracts)	–	–		1.4	–	–
2	IMM (CCR) approach			–	–	–	–
3	Simple approach (for SFTs)					–	–
4	Comprehensive approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	**Total**						**561,413**

(b) CVA capital charge as at 30 June 2023

		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method		
1	(i) VaR (after application of multiplication factor if applicable)		–
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		–
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	1,005,047	131,538
4	**Total**	**1,005,047**	**131,538**

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

7 Counterparty credit risk (Continued)

(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach as at 30 June 2023

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	–
2	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a	Of which: domestic PSEs	–	–	–	–	–	–	–	–	–	–	–
2b	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4	Bank exposures	–	–	136,297		653,515	–	–	–	–	–	**789,812**
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	–	–	–	–	15,677	–	132,412	–	–	–	**148,089**
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8	Regulatory retail exposures	–	–	–	–	–	–	–	–	–	–	–
9	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
10	Other exposures which are not past due exposures	–	–	–	–	–	–	67,146	–	–	–	**67,146**
11	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
12	**Total**	**–**	**–**	**136,297**	**–**	**669,192**	**–**	**199,558**	**–**	**–**	**–**	**1,005,047**

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

7 Counterparty credit risk (Continued)

(d) Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as at 30 June 2023

		Derivative contracts				SFTs	
		Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash – other currencies	–	123,616	–	117,518	–	–
2	**Total**	**–**	**123,616**	**–**	**117,518**	**–**	**–**

(e) Credit-related derivatives contracts

The Group did not have any credit-related derivatives contracts as at 30 June 2023.

(f) Exposures to CCPs

The Group did not have any exposures to CCPs as at 30 June 2023.

8 Market risk

Market risk under STM approach as at 30 June 2023

		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	1,074,800
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	4,552,000
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	45,575
7	Other approach	–
8	Securitization exposures	–
9	**Total**	**5,672,375**

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

9 Non-bank Mainland exposures

The Bank	**30 June 2023**			31 December 2022		
Types of counterparties	**On-balance sheet exposures**	**Off-balance sheet exposures**	**Total**	On-balance sheet exposures	Off-balance sheet exposures	Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures	**3,323,062**	**5,869**	**3,328,931**	4,012,715	4,419	4,017,134
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	**–**	**–**	**–**	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	**8,365,274**	**1,040,549**	**9,405,823**	8,902,883	1,321,000	10,223,883
4. Other entities of central government not reported in item 1 above	**390,883**	**–**	**390,883**	70,855	–	70,855
5. Other entities of local governments not reported in item 2 above	**150,475**	**–**	**150,475**	160,580	–	160,580
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	**5,230,566**	**405,454**	**5,636,020**	5,025,023	398,777	5,423,800
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	**816,752**	**669**	**817,421**	818,436	582	819,018
Total	**18,277,012**	**1,452,541**	**19,729,553**	18,990,492	1,724,778	20,715,270
Total assets after provision	**217,910,902**			212,670,991		
On-balance sheet exposures as percentage of total assets	**8.39%**			8.93%		

(All amounts in HK dollar thousands unless otherwise stated)

REGULATORY DISCLOSURES (UNAUDITED)

10 Currency concentrations

As at 30 June 2023

Equivalent in Hong Kong dollars	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net options position	Net long/ (short) position	Net structural position
US Dollars	**89,627,000**	**(88,911,000)**	**95,965,000**	**(94,195,000)**	**40,000**	**2,526,000**	**6,093,000**
Pound Sterling	**8,905,000**	**(5,897,000)**	**2,183,000**	**(5,382,000)**	**18,000**	**(173,000)**	**5,000**
Euro Dollars	**1,325,000**	**(1,380,000)**	**1,627,000**	**(1,731,000)**	**(42,000)**	**(201,000)**	**–**
Renminbi	**20,559,000**	**(20,251,000)**	**15,563,000**	**(15,257,000)**	**(16,000)**	**598,000**	**3,696,000**
Canadian Dollars	**1,354,000**	**(1,367,000)**	**36,000**	**(18,000)**	**–**	**5,000**	**–**
Australian Dollars	**2,792,000**	**(2,785,000)**	**2,105,000**	**(2,119,000)**	**–**	**(7,000)**	**–**
Other currencies and gold	**2,164,000**	**(1,512,000)**	**4,451,000**	**(4,932,000)**	**–**	**171,000**	**–**
	126,726,000	**(122,103,000)**	**121,930,000**	**(123,634,000)**	**–**	**2,919,000**	**9,794,000**

As at 31 December 2022

Equivalent in Hong Kong dollars	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net options position	Net long/ (short) position	Net structural position
US Dollars	92,566,000	(87,407,000)	50,099,000	(53,559,000)	(359,000)	1,340,000	5,684,000
Pound Sterling	8,616,000	(5,998,000)	3,012,000	(5,727,000)	–	(97,000)	69,000
Euro Dollars	1,479,000	(1,566,000)	335,000	(407,000)	93,000	(66,000)	–
Renminbi	22,749,000	(22,083,000)	4,096,000	(4,205,000)	(8,000)	549,000	3,852,000
Canadian Dollars	1,484,000	(1,468,000)	22,000	(23,000)	–	15,000	–
Australian Dollars	2,447,000	(2,472,000)	1,340,000	(1,308,000)	–	7,000	–
Other currencies and gold	2,575,000	(1,409,000)	3,026,000	(4,363,000)	274,000	103,000	–
	131,916,000	(122,403,000)	61,930,000	(69,592,000)	–	1,851,000	9,605,000

The net options position is calculated based on the delta-weighted positions of all foreign exchange option contracts.

The above disclosure is based on the significance of the Group's foreign currency exposures of the current period.

REVIEW OF OPERATIONS

Financial Review

As we progressed into 2023, all coronavirus-related restrictions have relaxed and the border reopened, helping the real Gross Domestic Product ("GDP") recorded a year-on-year growth of 1.5% for the second quarter and the local seasonally adjusted unemployment rate remained at a low of 2.9% for the three months ending June 2023 despite merchandise exports continued to be challenging. And in the face of a banking crisis in the European Union and the United States in March 2023, major central banks worldwide have taken prompt and effective measures to uphold financial stability, while monitoring an environment of elevated interest rates, sustained inflationary pressures, economic uncertainties and persistent geopolitical tensions.

For the first six months ended 30 June 2023, the consolidated profit after tax of Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together the "Group") was HK$1,418 million, an increase of HK$200 million or 16.5%, largely attributable to higher net interest income though offset by lower fee and trading income and higher impairment charges, and the early receipt in June 2023 of a dividend from a strategic investment (compared to last year's receipt in July 2022).

As a result of global interest rate hikes during the period, the net interest income recorded an increase of 12% with the average net interest margin improved by 27 basis points to 1.88%. Net fee and commission income was 4.2% lower than that of the same period last year due to reduced contribution from the securities brokerage business, and trading income decreased by 14% year-on-year mainly attributable to lower foreign exchange activities. Impairment charges increased to HK$114 million for the period, mainly resulting from certain loan downgrades. Nevertheless, the credit quality of our loans portfolio remained stable and sound, with impaired loan ratio improved to 0.86% at the end of June 2023 (from 0.90% at the end of 2022). The Group's total expenses were 5.5% higher than that for the first half of last year, yet the average cost-to-income ratio for the period improved to 33.1% versus 35.6% for the same period last year.

Net comprehensive income attributable to equity holders for the first half of 2023 amounted to HK$1,686 million, against a net comprehensive loss of HK$919 million for the same period last year, mainly due to the marked increase in market value of the Group's debt securities portfolio.

The overall loan-to-deposit ratio dropped marginally from 54.8% at the end of 2022 to 53.6% at the end of June 2023 as loans and advances decreased by 1.8% to HK$95 billion while total customer deposits increased by 0.4% to HK$177 billion during the period.

At the end of June 2023, the Group's total assets increased by 2.3% to HK$229 billion while shareholders' funds grew by 4.2% to HK$34.8 billion as compared to that at the end of 2022. Returns on average total assets and average equity for the first half of 2023 were 1.3% and 8.3% respectively. The Group has adopted the new accounting standard HKFRS17 "Insurance Contracts" for the period, with comparative figures for the same period last year revised for consistency. The Group's capital and liquidity levels remained robust, with capital adequacy ratio and common equity Tier 1 capital ratio as of 30 June 2023 stood at 25.2% and 21.0% respectively and the average liquidity maintenance ratio for the period at 58.7%. On 28 February 2023, the Group successfully launched the third issuance of the Tier-2 subordinated notes for US$350 million to strengthen the capital base and support the Group's business growth. The Group has continued to maintain a prudent yet robust approach to asset and liability management in order to ensure our capital and liquidity stay at comfortable levels that meet both regulatory requirements and our business development objectives.

Highlights of Business Performance

Amid the high interest rate environment, the Group stayed cautious, employing a strategy that balances loan pricing and funding cost, which resulted in a continued increase in net interest income while the average loan balance remained stable. Going forward, the Group will continue to focus on customers' credit quality and on community financing that explores growth opportunities related to Small-and-Medium Sized Enterprises ("SMEs"), green financing, and the Environmental, Social and Governance ("ESG") realms. Customer deposits continued to be steady, reflecting mild growth as more deposits being transferred from saving and current accounts to time deposits, and interest expenses were prudently managed and in line with the market.

In terms of fee income, the Group recorded a year-on-year decrease, primarily due to a reduction in securities brokerage resulting from the recent local stock market performance and turnover amidst market volatility, while investment products income and facility fee increased, reflecting more active customer activities. For the credit card business, both card spending and merchant turnover recorded a satisfactory high double-digit growth as consumer sentiment continued to improve and anti-epidemic restrictions in both Hong Kong and the Mainland removed.

With respect to our Treasury business in an environment of sustained inflation and ongoing geopolitical tensions, the Group continued to regard high credit quality and sound liquidity as key criteria for managing Treasury assets including debt securities investments and money market placement. Our Group's strategy is thus to rein in bond purchases and to steer the majority of the cash flows as bonds matured to money market lending or high quality short-term sovereign debts. Such an approach will help manage prudently capital adequacy and liquidity while avoiding the undue mark-to-market volatility of our bond portfolios, and it will allow the Group to benefit from higher short-end rates during an expected rate hike cycle.

REVIEW OF OPERATIONS

Highlights of Business Performance (Continued)

With an eye to banking's increasingly digital present and future, the Group continues to invest in the digital infrastructure and online security. During the period, the Bank expanded remote account opening services to a wider range of customers, upgraded the mobile security token in our corporate mobile banking app ("Shacom Business") to deter unauthorized access and to strengthen our business customers' around-the-clock banking abilities, also implemented speech-to-text call log monitoring and network graph analytics to streamline our regulatory compliance processes and strengthen risk management capabilities. Going forward, we will leverage Commercial Data Interchange ("CDI") and Inter-bank Account Data Sharing ("IADS") to enhance operational efficiency and risk management processes, and enrich customer experience. The Bank has also been bolstering our wealth management digital capabilities. Indeed we deploy the latest technologies to integrate customers' financial goals with market trends and performance and investment solutions, allowing us to provide the customers with efficient and user-friendly investment service.

Our Catchick Street redevelopment in West Point, Hong Kong, has resumed normal progress following the phasing out of COVID-19 measures. Its expected completion is stated for the second half of 2024, and the sale of the residential portion of the project on a strata-title basis is scheduled to commence in the second half of 2023.

Sustainability

Committed to sustainable banking, the Bank has been engaging employees and customers through a variety of ESG and Green and Sustainable Banking ("GSB") initiatives to raise awareness of the related issues. We work closely with stakeholders and the community to embed sustainability into our operations, culture and overall business strategy. Utilizing relevant controls, systems and personnel, we are able to identify climate-related risks and opportunities, mitigate risk and bolster resilience. Ongoing initiatives include continuous development of green banking solutions, offering our customers more green-related investment products, exploring further opportunities for green lending to our customers, adopting resources-saving measures within our Bank premises, and optimizing our digitalization trajectory to complement our multifaceted sustainability efforts. We remain steadfast to our commitment to carbon neutrality.

In addition, the Bank continues to be dedicated to lending a hand to those in need. We have long invested in a wide range of community initiatives particularly those focused on community care, youth development and environmental protection. We provide crucial support to our non-governmental organization partners with monetary and in-kind donations as well as through volunteer opportunities for our staff, who participated in various charitable and community-oriented activities.

Bank Culture

Supporting the Bank's ongoing commitment to transitioning into a green and digital future, we have devoted considerable resources and efforts in the period, including encouraging sustainable work habits and lifestyles through a series of initiatives and competitions, arranging training programmes to upskill our staff in fintech adoption and market technology trends. We also continue to prioritize the cultivation of positive behavior and qualities including providing special recognition to those who have made collaborative efforts in completing "green" initiative through digital means as well as those who consistently demonstrated exemplary service, leadership and performance.

Looking Ahead

Despite the foreseeable challenges ahead, there is much to be optimistic about as we gain distance from the darkest days of the coronavirus pandemic. For the remainder of this year, we expect Hong Kong's recent economic momentum to continue, supported by increased inbound tourism and travel, greater domestic demand and the gradual recovery of the economy in Mainland China. By expecting the unexpected, learning from recent and historical lessons, and reacting swiftly to the issues of the day (including high interest rate environment, general fears of upcoming recession, geopolitical uncertainties, climate change and talent shortages), we are formulating a new Five-Year Plan for 2024–2028 to guide the Bank into the future. The Plan will include initiatives designed to build and buttress our capabilities in digital, ESG, GSB and our abilities to serve our local community, including the Greater Bay Area and particularly to enrich our asset portfolio for generating sustainable value in the process. The Bank will continue to explore growth opportunities across all business lines, to cope with the dynamic market and enhance our competitiveness. And we remain committed to evidently upholding high regulatory compliance and governing standards while investing in our business resiliency and our capability to restore services rapidly in the event of disruption.

STATEMENT OF COMPLIANCE

In preparing the Group Interim Financial Disclosure Statement, the Bank complies with the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance.

Stephen Ching Yen LEE
Chairman

David Sek-chi KWOK
Managing Director and Chief Executive

Hong Kong, 23 August 2023

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SHANGHAI COMMERCIAL BANK LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 44, which comprises the interim condensed consolidated statement of financial position of Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2023