



# **BANK OF SHANGHAI (HONG KONG) LIMITED**

**2020 INTERIM FINANCIAL STATEMENTS**

**BANK OF SHANGHAI (HONG KONG) LIMITED  
INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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**BANK OF SHANGHAI (HONG KONG) LIMITED**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

Bank of Shanghai (Hong Kong) Limited (the “Company”) is pleased to present the interim financial statements of the Company and its subsidiaries (the “Group”) for the first half of 2020 ended 30 June 2020. The condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, and the condensed consolidated statement of changes in equity for the six months period ended 30 June 2020, and the condensed consolidated statement of financial position as at 30 June 2020 of the Group, along with the explanatory notes (all of which are unaudited) are illustrated on pages 6 to 29 of this interim financial statements.

In preparing the unaudited interim financial statements and the Regulatory Disclosure Statements for the first half of 2020, the Company has fully complied with the disclosure requirements stipulated in the Banking (Disclosure) Rules.

**Financial Review**

The Group’s pre-tax profit for the period was HK\$138 million, which decreased by 33% as compared with the same period of the previous year. It should be noted that the Group’s operating results included a foreign exchange translation loss of HK\$19 million (first half of 2019: loss of HK\$4 million) on the capital denominated in Renminbi (“RMB”) due to depreciation of RMB against HK Dollar during the period. The decrease in the pre-tax profit was mainly driven by the increase in allowances for credit and other losses.

Net interest income increased by 13% to HK\$318 million mainly attributable to increase in the asset size. However, non-interest income decreased due to the lower deal flows as businesses were interrupted by the coronavirus outbreak. Operating expenses decreased by 6% to HK\$123 million. Allowances for credit and other losses were HK\$135 million, 145% higher than the same period last year, in view of the impact of coronavirus outbreak and higher uncertainty of economic outlook, as well as new impairment charge for non-performing loans. Total loans and advances to customers were up by 8% to HK\$18,165 million from 2019 year end, customer deposits decreased by 6% to HK\$11,621 million.

The Group’s financial position remained sound. Total capital adequacy ratio was maintained at a comfortable level at 19.6%, and the average liquidity maintenance ratio (“LMR”) at 65.8%. Both ratios are calculated on unconsolidated basis and adequately met the statutory requirements.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

	Notes	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
Interest income		637,634	641,449
Interest expense		(319,527)	(359,751)
<b>Net interest income</b>	5	318,107	281,698
Net fee and commission income	6	68,229	89,128
Net (loss)/gain from financial instruments measured at fair value	7	(1,297)	8,484
Net income from investment securities		11,317	11,971
Other operating income		155	622
<b>Total operating income</b>		396,511	391,903
Operating expenses	8	(123,206)	(131,390)
<b>Operating profit before impairment losses</b>		273,305	260,513
Allowances for credit and other losses	9	(135,127)	(55,181)
<b>Profit before taxation</b>		138,178	205,332
Taxation	10	(21,096)	(36,354)
<b>Profit for the period</b>		117,082	168,978
<b>Other comprehensive income for the period, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for Mainland China subsidiaries		(7,753)	(824)
Net movement in revaluation reserve	11	2,428	177,279
<b>Total comprehensive income for the period</b>		111,757	345,433

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

	Notes	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
<b>Assets</b>			
Cash and balances with banks and central bank	12	1,599,083	1,105,547
Placements with and advances to banks	13	1,965,936	2,574,294
Financial assets at fair value through profit or loss		806,108	520,688
Derivative financial assets	21	37,888	31,132
Loans and advances to customers	14	17,809,368	16,569,338
Investment securities	15	13,954,885	11,748,563
Investment in associate		3,834	224
Property and equipment	16	53,287	68,324
Intangible assets		3,719	3,683
Deferred tax assets		38,647	35,144
Other assets	17	313,805	284,491
<b>TOTAL ASSETS</b>		<b>36,586,560</b>	<b>32,941,428</b>
<b>Liabilities</b>			
Deposits from customers	18	11,620,840	12,374,436
Deposits from banks		8,226,098	7,721,451
Financial liabilities at fair value through profit or loss		–	111,765
Financial assets sold under repurchase agreement		–	550,067
Derivative financial liabilities	21	52,180	22,028
Certificates of deposit and other debt securities issued	19	7,747,220	6,446,953
Current tax payable		55,451	97,445
Lease liabilities		44,714	57,496
Short-term borrowings		1,739,439	51,485
Other liabilities	20	1,979,091	498,532
<b>TOTAL LIABILITIES</b>		<b>31,465,033</b>	<b>27,931,658</b>
<b>Capital and reserves</b>			
Share capital	23	4,000,000	4,000,000
Retained profits		1,058,159	941,077
Other reserves		63,368	68,693
<b>TOTAL EQUITY</b>		<b>5,121,527</b>	<b>5,009,770</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36,586,560</b>	<b>32,941,428</b>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

	Share capital HK\$'000	Retained profits HK\$'000	Revaluation reserve/ (deficit) HK\$'000	Regulatory reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
<b>Balance at 1 January 2019</b>	4,000,000	626,045	(137,674)	6,738	(12,167)	4,482,942
Profit for the period	–	168,978	–	–	–	168,978
Other comprehensive income	–	–	177,279	–	(824)	176,455
Total comprehensive income	–	168,978	177,279	–	(824)	345,433
Transfers	–	6,738	–	(6,738)	–	–
<b>Balance at 30 June 2019 and 1 July 2019</b>	4,000,000	801,761	39,605	–	(12,991)	4,828,375
Profit for the period	–	139,316	–	–	–	139,316
Other comprehensive income	–	–	46,494	–	(4,415)	42,079
Total comprehensive income	–	139,316	46,494	–	(4,415)	181,395
Transfers	–	–	–	–	–	–
<b>Balance at 31 December 2019</b>	4,000,000	941,077	86,099	–	(17,406)	5,009,770
Profit for the period	–	117,082	–	–	–	117,082
Other comprehensive income	–	–	2,428	–	(7,753)	(5,325)
Total comprehensive income	–	117,082	2,428	–	(7,753)	111,757
Transfers	–	–	–	–	–	–
<b>Balance at 30 June 2020</b>	<u>4,000,000</u>	<u>1,058,159</u>	<u>88,527</u>	<u>–</u>	<u>(25,159)</u>	<u>5,121,527</u>

The regulatory reserve is maintained to satisfy the provisions of Hong Kong Banking Ordinance for prudential supervision purposes. Movement in this reserve was made directly through retained profits after consultation with the Hong Kong Monetary Authority. The regulatory reserve is non-distributable.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

	Notes	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
<b>Net cash outflow from operating activities</b>	22(a)	(1,151,808)	(1,090,123)
<b>Investing activities</b>			
Proceeds from sale and redemption of investment securities		4,245,956	3,815,134
Purchase of investment securities		(3,748,305)	(3,805,790)
Purchases of property and equipments and intangible assets		(2,739)	(2,862)
Purchase of interests in associates		(3,615)	–
Interest received from investment securities		259,338	187,211
<b>Net cash inflow from investing activities</b>		750,635	193,693
<b>Financing activities</b>			
Interest paid for the other debt securities		(60,833)	(113,877)
Proceeds from short-term borrowings		1,687,954	–
Redemption from short-term borrowings		–	(36,910)
Interest paid for short-term borrowings		(14,433)	(2,185)
Proceeds from other borrowings		–	193,128
Payment of lease liabilities		(13,486)	(12,252)
<b>Net cash inflow from financing activities</b>	22(d)	1,599,202	27,904
<b>Increase/(decrease) in cash and cash equivalents</b>		1,198,029	(868,526)
<b>Cash and cash equivalents at 1 January</b>		4,385,605	4,512,899
<b>Cash and cash equivalents at 30 June</b>	22(b)	5,583,634	3,644,373

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(1) BASIS OF CONSOLIDATION**

The interim financial statements covers the consolidated positions of the Company and its subsidiaries.

For regulatory reporting purposes, the Company is required to compute its capital adequacy ratios and leverage ratio on an unconsolidated basis that is different from the basis of consolidation for accounting purposes. The basis is illustrated in the Note 3(a) of the Regulatory Disclosure Statements.

**(2) BASIS OF PREPARATION**

**(a) Accounting policies**

These condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They were authorised for issuance on 24 September 2020.

The accounting policies applied in preparing the condensed consolidated financial statements are the same as those applied in preparing the financial statements for the year ended 31 December 2019 as disclosed in the Group’s Directors’ Report and Consolidated Financial Statements for the year ended 31 December 2019, which were prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), except for the accounting policy changes that are expected to be reflected in 2020 annual financial statements. Details of any changes in accounting policies are set out in note (2)(b).

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

There was no major change in the current period to the critical accounting estimates and judgements applied in 2020, which are stated in note 2 of the condensed consolidated financial statements 2020.

The Group recognises loss allowance for expected credit loss (ECL) on all financial assets, except for financial assets classified or designated as FVPL and equity securities, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments. The ECL is measured using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile.

ECLs are probability-weighted estimates of credit losses determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions. The measurement of ECL is based primarily on the product of the instrument’s probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted using the Effective Interest Rate to the reporting date.



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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(2) BASIS OF PREPARATION (CONTINUED)**

**(a) Accounting policies (Continued)**

Credit judgment is an integral part of ECL quantification in view of the close integration with the credit risk management process of the Group, including management overlay. However, the level of estimation uncertainty and judgement for the calculation of expected credit losses has increased since 31 December 2019 as a result of the economic effects of the COVID-19 outbreak. There have been no significant changes in the methodology used to determine the expected credit losses estimate. But an management overlay has been adjusted to reflect the change in management's view of the deterioration economic outlook since 31 December 2019. The management will continue to monitor the situation at year end.

These condensed consolidated financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs. PricewaterhouseCooper's independent review report to the Board of Directors is included on page 30.

These condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers 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 HKICPA.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(2) BASIS OF PREPARATION (CONTINUED)**

**(b) New and amended standards**

A number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following amendments to accounting standards are applicable for annual reporting periods commencing on or after 1 January 2020:

- Definition of Material – amendments to Hong Kong Accounting Standard (“HKAS”) 1 and HKAS 8
- Definition of a Business – amendments to Hong Kong Financial Reporting Standard (“HKFRS”) 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7

Amendments made to HKFRS 9, “Financial Instruments”, HKAS 39, “Financial Instruments: Recognition and Measurement” and HKFRS 7, “Financial Instruments: Disclosures” provide certain reliefs in relation to interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving interbank offered rates (IBOR)-based contracts, the reliefs will affect companies in all industries.

There are no other HKFRSs or interpretations that are effective from 1 January 2020 or not yet effective that would be expected to have a material impact on the Group.

**(c) Critical accounting estimates**

The preparation of interim financial statements requires management to exercise judgements, use estimates and make assumptions that affect the application of policies and reported amounts in the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from these estimates. In preparing this condensed consolidated financial statements, critical accounting estimates and assumptions used that are significant to the interim financial statements, and areas involving a higher degree of judgement and complexity were the same as those disclosed in the consolidated financial statements for the year ended 31 December 2019.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(3) CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENTS**

The financial information relating to the year ended 31 December 2019 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2020 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Group has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 622(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).

**(4) COMPARATIVE FIGURES**

Certain comparative figures in note (5),(7) and (22) in the condensed consolidated financial statements have been reclassified to conform with current period's presentation.

**(5) NET INTEREST INCOME**

Interest income mainly accrued on loan and advances to customers and investment securities amounted to HK\$315,591,000 and HK\$298,102,000 respectively (first half of 2019: HK\$387,990,000 and HK\$228,172,000 respectively).

Interest income calculated using the effective interest method amounted to HK\$637,634,000 (first half of 2019: HK\$641,449,000).

Interest expense mainly recognised on deposits from customers and certificates of deposit and other debt securities issued amounted to HK\$127,743,000 and HK\$93,911,000 respectively (first half of 2019: HK\$137,582,000 and HK\$138,007,000 respectively).

Interest expense recognised on financial liabilities that was not measured at fair value through profit or loss amounted to HK\$318,051,000 (first half of 2019: HK\$359,433,000).

The interest income accrued on impaired financial assets and on unwinding of discount on loan impairment allowances is immaterial for the six months ended 30 June 2020 and 2019.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(6) NET FEE AND COMMISSION INCOME**

	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
Fee and commission income		
– Credit facilities	10,942	10,413
– Trade services	978	955
– Corporate advisory	59,056	80,141
– Asset management	5,859	5,902
– Brokerage	10	19
– Others	70	1,055
	<u>76,915</u>	<u>98,485</u>
Fee and commission expense	(8,686)	(9,357)
Net fee and commission income	<u>68,229</u>	<u>89,128</u>

Fee and commission income of HK\$76,915,000 (first half of 2019: HK\$98,485,000) and fee and commission expense of HK\$8,686,000 (first half of 2019: HK\$9,357,000) for the six months ended 30 June 2020 arose from financial assets and financial liabilities that were not measured at fair value through profit or loss.

Net fee and commission income arose from trust or other fiduciary activities in which the Group held or invested on behalf of its customers for the six months ended 30 June 2020 was HK\$5,859,000 (first half of 2019: HK\$5,902,000).

**(7) NET (LOSS)/GAIN FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
Foreign exchange	(7,043)	(2,288)
Interest rate and others	5,746	10,772
	<u>(1,297)</u>	<u>8,484</u>

The foreign exchange loss in 2020 included the translation loss of HK\$19 million (2019: loss of HK\$4 million) on those Renminbi (“RMB”) assets funded by the Company’s capital denominated in RMB (which was recorded on these financial statements at historical exchange rate) due to the depreciation of RMB against HKD in 2020. Excluding this translation loss, trading income from normal foreign exchange activities was HK\$12 million (2019: HK\$2 million).

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(8) OPERATING EXPENSES**

	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
Staff costs		
– Salaries and other benefits	82,632	89,285
– Pension and provident funds	3,491	3,619
	<u>86,123</u>	<u>92,904</u>
	-----	-----
Premises and equipment expenses excluding depreciation		
– Rental of premises	235	620
– Maintenance and office facility expenses	1,617	2,051
– Others	640	606
	<u>2,492</u>	<u>3,277</u>
	-----	-----
Auditors' remuneration	371	489
Depreciation of property and equipment	3,196	3,587
Amortisation of right-of-use assets	12,763	12,789
Amortisation of intangible assets	1,492	1,545
Legal and professional fees	2,543	1,622
IT and systems expenses	5,661	4,402
Data subscription fees	2,476	2,447
Advertising	–	29
Other operating expenses	6,089	8,299
	<u>34,591</u>	<u>35,209</u>
	-----	-----
	<u>123,206</u>	<u>131,390</u>
	=====	=====

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(9) ALLOWANCES FOR CREDIT AND OTHER LOSSES**

	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
Cash and balances with banks and central banks	103	(119)
Placements with and advances to banks	(54)	(54)
Loans and advances to customers	71,614	50,187
Investment securities	7,681	6,246
Other assets	58,772	–
Off-balance sheet credit exposures	(2,989)	(1,079)
	<u>135,127</u>	<u>55,181</u>

The table below shows the movements in Stage 3 ECL and Stage 1 & 2 ECL during the period.

	Balance at 1 January HK\$'000	Charge to / (release from) statement of comprehensive income HK\$'000	Recoveries HK\$'000	Write-off HK\$'000	Exchange and other movements HK\$'000	Balance at 30 June HK\$'000
<b>2020</b>						
<b>Stage 3 Expected Credit Losses (“ECL”)</b>						
Loans and advances to customers	113,783	58,002	–	–	(532)	171,253
Other assets	8,351	58,772	–	–	(39)	67,084
	<u>122,134</u>	<u>116,774</u>	<u>–</u>	<u>–</u>	<u>(571)</u>	<u>238,337</u>
<b>Stage 1&amp;2 ECL</b>						
Cash and balances with banks and central banks	190	103	–	–	–	293
Placements with and advances to banks	864	(54)	–	–	–	810
Loans and advances to customers	170,872	13,612	–	–	–	184,484
Investment securities	93,203	7,681	–	–	–	100,884
Off-balance sheet credit exposures	11,600	(2,989)	–	–	–	8,611
	<u>276,729</u>	<u>18,353</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>295,082</u>
Total general allowances	<u>276,729</u>	<u>18,353</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>295,082</u>
Total allowances for credit and other losses	<u>398,863</u>	<u>135,127</u>	<u>–</u>	<u>–</u>	<u>(571)</u>	<u>533,419</u>

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(9) ALLOWANCES FOR CREDIT AND OTHER LOSSES (CONTINUED)**

	Balance at 1 January HK\$'000	Charge to statement of comprehensive income HK\$'000	Recoveries HK\$'000	Write-off HK\$'000	Exchange and other movements HK\$'000	Balance at 30 June HK\$'000
<b>2019</b>						
<b>Stage 3 ECL</b>						
Loans and advances to customers	146,455	(1,784)	1,226	(108,917)	163	37,143
Other assets	412	-	-	-	(1)	411
	<u>146,867</u>	<u>(1,784)</u>	<u>1,226</u>	<u>(108,917)</u>	<u>162</u>	<u>37,554</u>
Total specific allowances	<u>146,867</u>	<u>(1,784)</u>	<u>1,226</u>	<u>(108,917)</u>	<u>162</u>	<u>37,554</u>
<b>Stage 1&amp;2 ECL</b>						
Cash and balances with banks and central banks	207	(119)	-	-	-	88
Placements with and advances to banks	474	(54)	-	-	-	420
Loans and advances to customers	144,473	51,971	-	-	-	196,444
Investment securities	43,407	6,246	-	-	-	49,653
Off-balance sheet credit exposures	3,007	(1,079)	-	-	-	1,928
	<u>191,568</u>	<u>56,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,533</u>
Total general allowances	<u>191,568</u>	<u>56,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,533</u>
Total allowances for credit and other losses	<u>338,435</u>	<u>55,181</u>	<u>1,226</u>	<u>(108,917)</u>	<u>162</u>	<u>286,087</u>

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(10) TAXATION**

Taxation in the condensed consolidated statement of comprehensive income is illustrated below:

	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
<b>Current tax</b>		
Hong Kong profits tax		
Provision for the period	16,657	41,063
Over-provision in prior year	(195)	–
	<u>16,462</u>	<u>41,063</u>
Taxation outside Hong Kong		
Withholding tax in the People's Republic of China	3	–
Provision for the period	8,658	5,129
	<u>25,123</u>	<u>46,192</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(4,027)</u>	<u>(9,838)</u>
	<u>21,096</u>	<u>36,354</u>

The provision for Hong Kong profits tax was calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the Group operates.

**(11) OTHER COMPREHENSIVE INCOME**

**Components of other comprehensive income**

	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
<b>Financial assets at fair value through other comprehensive income:</b>		
Changes in fair value recognised during the period	14,397	221,144
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(11,317)	(11,971)
Net deferred tax debited to revaluation reserve	(652)	(31,894)
	<u>2,428</u>	<u>177,279</u>
Net movement in revaluation reserve during the period recognised in other comprehensive income	<u>2,428</u>	<u>177,279</u>



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**(12) CASH AND BALANCES WITH BANKS AND CENTRAL BANK**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Balances with banks	688,033	1,101,024
Balances with central bank	911,343	4,713
	<u>1,599,376</u>	<u>1,105,737</u>
Allowance for credit and other losses	(293)	(190)
	<u>1,599,083</u>	<u>1,105,547</u>

**(13) PLACEMENTS WITH AND ADVANCES TO BANKS**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Gross placements with and advances to banks		
– maturing within one month	1,180,264	2,013,369
– maturing between one and twelve months	786,482	561,789
	<u>1,966,746</u>	<u>2,575,158</u>
Allowance for credit and other losses	(810)	(864)
	<u>1,965,936</u>	<u>2,574,294</u>

There were no overdue, impaired or rescheduled placements with and advances to banks for the periods indicated.

**(14) LOANS AND ADVANCES TO CUSTOMERS**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Gross loans and advances to customers	18,165,105	16,853,993
Less: Allowance for credit and other losses		
– Stage 1 & 2 ECL	(184,484)	(170,872)
– Stage 3 ECL	(171,253)	(113,783)
	<u>17,809,368</u>	<u>16,569,338</u>
Comprising:		
– Trade bills	35,453	–
– Loans	17,773,915	16,569,338
	<u>17,809,368</u>	<u>16,569,338</u>

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**(14) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

**Loans and advances to customers by credit quality**

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 30 June 2020				
Neither past due nor impaired				
– Pass	16,674,686	–	–	16,674,686
– Special Mention	–	–	–	–
Past due but not impaired <sup>(a)</sup>	766,745	–	–	766,745
Impaired	–	–	723,674	723,674
	<u>17,441,431</u>	<u>–</u>	<u>723,674</u>	<u>18,165,105</u>
As at 31 December 2019	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Neither past due nor impaired				
– Pass	15,868,300	–	–	15,868,300
– Special Mention	–	643,711	–	643,711
Past due but not impaired	–	–	–	–
Impaired	–	–	341,982	341,982
	<u>15,868,300</u>	<u>643,711</u>	<u>341,982</u>	<u>16,853,993</u>

(a) The past due but not impaired assets are classified as “Pass”.

**(15) INVESTMENT SECURITIES**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Investment securities measured at amortised cost	1,881,397	3,255,859
Allowance for credit and other losses	(41,423)	(60,626)
	<u>1,839,974</u>	<u>3,195,233</u>
Investment securities at fair value through other comprehensive income	<u>12,114,911</u>	<u>8,553,330</u>
	<u>13,954,885</u>	<u>11,748,563</u>

As at 30 June 2020 and 31 December 2019, there were no investment securities individually determined to be impaired.

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**(16) PROPERTY AND EQUIPMENT**

Details of movement of property and equipment are as follows:

	Leasehold improvements HK\$'000	Furniture, computer and other equipments HK\$'000	Motor vehicles HK\$'000	RoU asset – properties and office equipment HK\$'000	Total HK\$'000
<b>Cost:</b>					
At 1 January 2019	21,799	22,207	2,173	63,844	110,023
Additions	397	1,492	737	18,203	20,829
Exchange adjustments	–	(20)	(8)	–	(28)
At 31 December 2019	<u>22,196</u>	<u>23,679</u>	<u>2,902</u>	<u>82,047</u>	<u>130,824</u>
At 1 January 2020	22,196	23,679	2,902	82,047	130,824
Additions	50	1,202	–	–	1,252
Exchange adjustments	–	(42)	(23)	(396)	(461)
Write-off	–	(1,351)	–	–	(1,351)
At 30 June 2020	<u>22,246</u>	<u>23,488</u>	<u>2,879</u>	<u>81,651</u>	<u>130,264</u>
<b>Accumulated depreciation:</b>					
At 1 January 2019	(11,081)	(17,535)	(1,126)	–	(29,742)
Charge for the year	(3,833)	(2,983)	(383)	(25,595)	(32,794)
Exchange adjustments	–	16	3	17	36
At 31 December 2019	<u>(14,914)</u>	<u>(20,502)</u>	<u>(1,506)</u>	<u>(25,578)</u>	<u>(62,500)</u>
At 1 January 2020	(14,914)	(20,502)	(1,506)	(25,578)	(62,500)
Charge for the period	(1,971)	(1,019)	(206)	(12,763)	(15,959)
Exchange adjustments	–	19	5	107	131
Write-off	–	1,351	–	–	1,351
At 30 June 2020	<u>(16,885)</u>	<u>(20,151)</u>	<u>(1,707)</u>	<u>(38,234)</u>	<u>(76,977)</u>
<b>Net book value:</b>					
At 30 June 2020	<u>5,361</u>	<u>3,337</u>	<u>1,172</u>	<u>43,417</u>	<u>53,287</u>
At 31 December 2019	<u>7,282</u>	<u>3,177</u>	<u>1,396</u>	<u>56,469</u>	<u>68,324</u>

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**(17) OTHER ASSETS**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Interest receivables (Note a)	212,581	235,639
Collaterals placed (Note b)	41,464	8,254
Fees receivable	16,092	15,924
Customer liability under acceptances	11,586	3,949
Prepaid expenses	16,376	8,248
Accounts receivable	7,905	4,225
Others	7,801	8,252
	<u>313,805</u>	<u>284,491</u>

Note a: Included Stage 3 ECL of \$67,084,000 (2019: \$8,351,000).

Note b: Mainly relates to cash collaterals placed in respect of derivative financial liabilities.

**(18) DEPOSITS FROM CUSTOMERS**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Deposits from customers		
– time, call and notice deposits	<u>11,620,840</u>	<u>12,374,436</u>

**(19) CERTIFICATES OF DEPOSIT AND OTHER DEBT SECURITIES ISSUED**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Certificates of deposits issued at amortised costs	3,876,460	2,560,568
Other debt securities issued at amortised costs (note 22(d))	<u>3,870,760</u>	<u>3,886,385</u>
	<u>7,747,220</u>	<u>6,446,953</u>

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**(20) OTHER LIABILITIES**

	30 Jun 2020	31 Dec 2019
	HK\$'000	HK\$'000
Interest payable	133,406	184,667
Acceptance outstanding	11,586	3,949
Account payable	4,576	169,460
Accrued expenses	2,077	6,598
Provision for short term employee benefits	63,840	94,924
Collateral received	17,030	8,866
Trade date payable	1,690,244	–
Deferred income	44,665	15,829
Others (note a)	11,667	14,239
	<u>1,979,091</u>	<u>498,532</u>

Note a: Included allowance for credit and other losses of HK\$8,611,000 (2019: \$11,600,000).

**(21) DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are presented in net when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle them on a net basis or realise the asset and settle the liability simultaneously. As at 30 June 2020, no derivative financial instruments have fulfilled the above criteria, therefore no derivative financial instruments were offset on the condensed consolidated statement of financial position (2019: Nil).

**Derivatives – held for trading**

	<u>At 30 Jun 2020</u>				<u>At 31 Dec 2019</u>			
	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000	Credit risk- weighted amounts HK\$'000	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000	Credit risk- weighted amounts HK\$'000
Exchange rate contracts								
– Spot and forward	7,994,626	17,331	7,258	19,455	5,805,730	22,942	19,535	21,730
Interest rate contracts								
– Swap	1,546,397	20,557	44,922	25,096	1,280,650	8,190	2,493	12,056
– forward forward deposits	–	–	–	–	1,463,881	–	–	–
	<u>9,541,023</u>	<u>37,888</u>	<u>52,180</u>	<u>44,551</u>	<u>8,550,261</u>	<u>31,132</u>	<u>22,028</u>	<u>33,786</u>

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**(22) NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

**(a) Reconciliation of profit before taxation to net cash outflow from the operating activities**

	Notes	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
Profit before taxation		138,178	205,332
Adjustments for:			
Interest income		(637,634)	(641,449)
Interest expense		319,527	359,751
Depreciation of property and equipment	8	3,196	3,587
Amortisation of right-of-use assets	8	12,763	12,789
Amortisation of intangible assets	8	1,492	1,545
Written off of loans and advances net of recoveries		–	(107,692)
Impairment charges	9	135,127	55,181
Net income from investment securities		(11,317)	(11,971)
Interest received		319,740	409,132
Interest paid		(276,502)	(288,451)
Elimination of exchange differences and other non-cash items		(36,277)	44,110
<b>Operating (loss)/profit before changes in working capital</b>		<b>(31,707)</b>	<b>41,864</b>
Changes in financial assets at fair value through profit or loss		(102,094)	(272,491)
Change in balances and placements with banks and advances to banks with original maturity beyond three months		155,922	4
Change in gross loans and advances to customers		(1,299,541)	7,454
Change in other assets		(44,613)	(4,593)
Change in deposits from banks		504,647	352,160
Change in deposits from customers		(753,596)	844,117
Change in certificates of deposit issued		1,311,317	(2,174,467)
Change in financial assets sold under repurchase agreement		(550,067)	–
Change in financial liabilities at fair value through profit or loss		(111,765)	114,031
Change in other liabilities		(152,708)	24,171
<b>Cash used in operating activities</b>		<b>(1,074,205)</b>	<b>(1,067,750)</b>
Hong Kong profits tax paid		(53,960)	(12,108)
Tax paid outside Hong Kong		(23,643)	(10,265)
<b>Net cash outflow from operating activities</b>		<b>(1,151,808)</b>	<b>(1,090,123)</b>

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**(22) NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

**(b) Cash and cash equivalents in the condensed consolidated statement of cash flows**

	30 Jun 2020 HK\$'000	30 Jun 2019 HK\$'000
Gross cash and balances with banks and central bank (Note 12)	1,599,376	652,216
Less: Balances with banks for segregated accounts	(301)	(4,001)
Gross placements with banks with original maturity within three months	1,857,211	1,973,648
Financial assets at fair value through profit or loss with original maturity within three months	–	54,607
Investment securities with original maturity within three months	2,127,348	967,903
	<u>5,583,634</u>	<u>3,644,373</u>

**(c) Reconciliation with the condensed consolidated statement of financial position**

	30 Jun 2020 HK\$'000	30 Jun 2019 HK\$'000
Cash and balances with banks and central bank (Note 12)	1,599,376	652,216
Gross placements with and advances to banks (Note 13)	1,966,746	1,973,648
Financial assets at fair value through profit or loss	806,108	660,281
Investment securities	13,996,308	9,766,952
Amounts shown in the condensed consolidated statement of financial position	<u>18,368,538</u>	<u>13,053,097</u>
Less: Balances, gross placements with and advances to banks financial assets at fair value through profit or loss and investment securities with an original maturity beyond three months	(12,784,603)	(9,404,723)
Less: Balances with banks for segregated accounts	(301)	(4,001)
	<u>5,583,634</u>	<u>3,644,373</u>

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**(22) NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

**(d) Reconciliation of liabilities arising from financing activities:**

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

	Other debt securities issued (note 19) \$'000	Short-term borrowings \$'000	Other borrowings \$'000	Lease Liabilities \$'000	Total \$'000
At 1 January 2019	3,898,728	102,123	–	63,844	4,064,695
<b>Changes from financing cash flow:</b>					
Repayment of other borrowings	–	–	(193,129)	–	(193,129)
Repayment of short-term borrowings	–	(50,638)	–	–	(50,638)
Proceeds from other borrowings	–	–	193,129	–	193,129
Capital element of lease rentals paid	–	–	–	(24,551)	(24,551)
Interest element of lease rentals paid	–	–	–	(2,499)	(2,499)
Interest paid	(142,562)	(1,835)	(9,931)	–	(154,328)
Total changes from financing cash flow	(142,562)	(52,473)	(9,931)	(27,050)	(232,016)
Increase in lease liabilities from entering new lease during the period	–	–	–	18,203	18,203
Interest expense	142,562	1,835	9,931	2,499	156,827
Exchange difference	(12,343)	–	–	–	(12,343)
<b>Total other changes</b>	130,219	1,835	9,931	20,702	162,687
At 31 December 2019 and 1 January 2020	3,886,385	51,485	–	57,496	3,995,366
<b>Changes from financing cash flow:</b>					
Proceeds from short-term borrowings	–	1,687,954	–	–	1,687,954
Capital element of lease rentals paid	–	–	–	(12,479)	(12,479)
Interest element of lease rentals paid	–	–	–	(1,007)	(1,007)
Interest paid	(60,833)	(14,433)	–	–	(75,266)
Total changes from financing cash flow	(60,833)	1,673,521	–	(13,486)	1,599,202
Interest expense	63,375	14,433	–	1,007	78,815
Exchange difference	(18,167)	–	–	(303)	(18,470)
<b>Total other changes</b>	45,208	14,433	–	704	60,345
At 30 June 2020	3,870,760	1,739,439	–	44,714	5,654,913



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**(23) SHARE CAPITAL**

	No. of shares '000	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
At 30 June 2020 and 31 December 2019	<u>360,439</u>	<u>4,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

**(24) CONTINGENT LIABILITIES AND COMMITMENTS**

	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
Contract amounts		
– Trade-related contingencies	–	7,103
– Transaction-related contingencies	10,860	10,860
– Other commitments:		
– which are unconditionally cancellable	1,723,738	2,447,850
– with an original maturity under one year	292,060	251,597
– with an original maturity over one year	166,066	195,656
	<u>2,192,724</u>	<u>2,913,066</u>
Credit risk weighted amount	<u>141,445</u>	<u>149,012</u>

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**(25) FAIR VALUE OF FINANCIAL INSTRUMENTS**

**(a) Financial assets and liabilities measured at fair value**

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: fair value measured using quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value measured using valuation techniques based on observable inputs, either directly or indirectly. This category includes quoted prices in active markets for similar financial instruments, or quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: fair value measured using significant unobservable inputs. This category includes inputs to valuation techniques not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Where available, the most suitable measure for fair value is the quoted market price. In absence of organised secondary markets for most of the unlisted securities and over-the-counter derivatives, direct market prices of these financial instruments may not be available. The fair values of such instruments are therefore calculated based on established valuation techniques using current market parameters or market prices provided by counterparties.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. For other derivative financial instruments, the Group uses estimated discounted cash flows to determine their fair value and the discount rate used is a discount rate at the end of reporting period applicable for an instrument with similar terms and conditions.

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**(25) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Financial assets and liabilities measured at fair value (continued)**

The table below analyses financial instruments, measured at fair value as at 30 June 2020 and 31 December 2019, by the level in the fair value hierarchy into which the fair value treatment is categorised.

**At 30 June 2020**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	–	434,368	371,740	806,108
Derivative financial assets (note 21)	–	37,888	–	37,888
Investment securities at fair value through other comprehensive income (note 15)	<u>2,291,527</u>	<u>9,823,384</u>	<u>–</u>	<u>12,114,911</u>
<b>Liabilities</b>				
Derivative financial liabilities (note 21)	<u>–</u>	<u>52,180</u>	<u>–</u>	<u>52,180</u>

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**(25) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Financial assets and liabilities measured at fair value (continued)**

**At 31 December 2019**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	30,426	113,189	377,073	520,688
Derivative financial assets (note 21)	–	31,132	–	31,132
Investment securities at fair value through other comprehensive income (note 15)	1,185,478	7,367,852	–	8,553,330
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	–	–	111,765	111,765
Derivative financial liabilities (note 21)	–	22,028	–	22,028
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

During the six months ended 30 June 2020 and the year of 2019, there were no transfers of financial instruments between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of the debt securities in Level 2 is determined using broker quotes as at the end of the reporting period.

*Valuation of financial instruments with significant unobservable inputs*

The fair value of fair value through other comprehensive income/investment securities and financial liabilities at fair value through profit or loss in Level 3 is determined using significant inputs from the most recent transactions. As at 30 June 2020, it is estimated that with all other variable held constant, an increase/decrease in the price of same products by 5% would have increased/decreased the Group's equity by \$13.9 million (2019: \$9.9 million).

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**(25) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Financial assets and liabilities measured at fair value (continued)**

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	Assets			Liabilities	
	Wealth management products from banks HK\$'000	Convertible bonds HK\$'000	Unlisted equity investments HK\$'000	Unlisted issued notes payable HK\$'000	Total HK\$'000
At 1 January 2020	–	352,060	25,013	(111,765)	265,308
Payment for purchases	173,834	27,559	104,058	–	305,451
Disposal/redemption for the products	(156,915)	(145,664)	–	111,440	(191,139)
Other changes	(489)	(7,217)	(499)	325	(7,880)
At 30 June 2020	16,430	226,738	128,572	–	371,740
Total gains or losses for the period reclassified from other comprehensive income on disposal	–	–	–	–	–
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period:					
– Other operating income	290	–	–	–	290
– Interest income	–	17,162	–	–	17,162
– Interest expense	–	–	–	–	–

**(b) Financial assets and liabilities not measured at fair value**

Financial assets and liabilities that were presented not at their fair value on the condensed consolidated statement of financial position mainly represented cash and balances with banks and central bank, placements with and advances to banks, loans and advances to customers and investment securities at amortised costs. These financial assets were measured at amortised cost less impairment. Financial liabilities not presented at their fair value on the condensed consolidated statement of financial position mainly included deposits from banks, deposits from customers and certificates of deposit issued. These financial liabilities were measured at amortised cost.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**(25) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial assets and liabilities not measured at fair value (continued)**

The Group assessed that the differences between fair values and carrying amounts of those financial assets and liabilities not presented on the Group's condensed consolidated statement of financial position at their fair values are minimal as most of the Group's financial assets and liabilities are either short-term or priced at floating rates, except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amounts at 30 Jun 2020 HK\$'000	Fair value at 30 Jun 2020 HK\$'000	Fair value measurements as at 30 Jun 2020 categorised into		
			Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets</b>					
Investments securities at amortised cost, net of ECL (Note 15)	1,839,974	1,812,323	–	1,812,323	–
<b>Liabilities</b>					
Other debt securities issued at amortised cost (Note 19)	3,870,760	3,908,775	–	3,908,775	–
	Carrying amounts at 31 Dec 2019 HK\$'000	Fair value at 31 Dec 2019 HK\$'000	Fair value measurements as at 31 Dec 2019 categorised into		
			Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets</b>					
Investments securities at amortised cost, net of ECL (Note 15)	3,195,233	3,193,670	–	3,193,670	–
<b>Liabilities</b>					
Other debt securities issued at amortised cost (Note 19)	3,886,385	3,907,160	–	3,907,160	–

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**(26) MATERIAL RELATED PARTY TRANSACTIONS**

During the period, the Group entered into transactions with related parties in the normal course of business including accepting and placement of inter-bank deposits, conducting correspondent banking and foreign exchange transactions. All these related party transactions were priced at the relevant market rates at the time of each transaction.

The amount of material related party transactions during the period and outstanding balances at the reporting date are set out below:

	Immediate and ultimate holding company	
	6 months ended 30 Jun 2020 HK\$'000	6 months ended 30 Jun 2019 HK\$'000
<b>Consolidated statement of profit or loss and other comprehensive income:</b>		
Interest income	46	20
Interest expense	(19,750)	(12,203)
Net fee and commission income	563	1,073
Other operating income	290	239
	<u>          </u>	<u>          </u>

	Immediate and ultimate holding company	
	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
<b>Consolidated statement of financial position:</b>		
Amounts due from:		
– Cash and balances with banks and central bank	21,311	28,348
– Other assets	18,501	1,045
Amounts due to:		
– Deposits from banks	1,007,526	2,335,980
– Other liabilities	290	6,648
– Lease liabilities	13,629	15,185
	<u>          </u>	<u>          </u>

**(27) IMMEDIATE AND ULTIMATE HOLDING COMPANY**

As at 30 June 2020, the Company's immediate and ultimate holding company is Bank of Shanghai Co., Limited, which is incorporated in the People's Republic of China. Bank of Shanghai Co., Limited produces financial statements available for public access.

**Report On Review of Interim Financial Information**  
**To the Board of Directors of Bank of Shanghai (Hong Kong) Limited**  
*(incorporated in Hong Kong with limited liability)*

**Introduction**

We have reviewed the interim financial information set out on pages 2 to 29, which comprises the interim condensed consolidated statement of financial position of Bank of Shanghai (Hong Kong) Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and 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 a summary of significant accounting policies and other explanatory notes. The directors of the Company 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, 24 September 2020