



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

**2022 INTERIM FINANCIAL STATEMENTS**

**BANK OF SHANGHAI (HONG KONG) LIMITED**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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**BANK OF SHANGHAI (HONG KONG) LIMITED**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

Bank of Shanghai (Hong Kong) Limited (the “Company”) is pleased to present the condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the first half of 2022 ended 30 June 2022. 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 2022, and the condensed consolidated statement of financial position as at 30 June 2022 of the Group, along with the explanatory notes (all of which are unaudited) are illustrated on pages 6 to 29 of this condensed consolidated financial statements.

In preparing the unaudited condensed consolidated financial statements and the Regulatory Disclosure Statements for the first half of 2022, the Company has fully complied with the disclosure requirements stipulated in the Banking (Disclosure) Rules.

**Financial Review**

The Group’s pre-tax loss for the period was HK\$90 million (first half of 2021: profit of HK\$237 million). It should be noted that the Group’s operating results included a foreign exchange translation loss of HK\$33 million (first half of 2021: gain of HK\$9 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 net loss from investment securities and allowances for credit and other losses. Net interest income decreased by 30% to HK\$271 million mainly attributable to the decrease in net interest margin of interest bearing assets and liabilities.

Operating expenses decreased by 15% to HK\$115 million. Allowances for credit and other losses were HK\$217 million, 44% higher than the same period last year, which is mainly contributed by the new impairment charge for non-performing loans and investment securities. Total gross loans and advances to customers slightly increased by 2% to HK\$19,238 million (2021 year end: HK\$18,855 million), customer deposits increased by 10% to HK\$15,392 million.

The Group’s financial position remained sound. Total capital adequacy ratio was maintained at a comfortable level at 19.9%, and the average liquidity maintenance ratio (“LMR”) at 127.9%. 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 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
Interest income		432,896	527,120
Interest expense		(162,168)	(140,927)
<b>Net interest income</b>	4	270,728	386,193
Net fee and commission income	5	117,593	66,657
Net income from financial instruments measured at fair value	6	86,784	57,360
Net (loss)/income from investment securities		(233,606)	12,476
Other operating income		175	327
<b>Total operating income</b>		241,674	523,013
Operating expenses	7	(114,827)	(134,327)
<b>Operating profit before impairment losses</b>		126,847	388,686
Allowances for credit and other losses	8	(217,239)	(151,236)
<b>(Loss)/profit before taxation</b>		(90,392)	237,450
Taxation	9	(23,865)	(38,158)
<b>(Loss)/profit for the period</b>		(114,257)	199,292
<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 subsidiaries		(23,311)	3,176
Net movement in revaluation reserve	10	(438,887)	(137,822)
<b>Total comprehensive income for the period</b>		(576,455)	64,646

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

	Notes	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Assets</b>			
Cash and balances with banks and central bank	11	1,610,045	1,900,471
Placements with and advances to banks	12	1,058,742	1,858,962
Financial assets at fair value through profit or loss		1,176,184	1,332,026
Derivative financial assets	20	46,108	55,448
Loans and advances to customers	13	18,801,454	18,546,214
Investment securities	14	11,808,129	11,096,413
Investment in associate		4,616	4,659
Property and equipments	15	63,274	76,454
Intangible assets		3,659	3,999
Current tax recoverable		31,660	34,191
Deferred tax assets		303,760	202,675
Other assets	16	313,647	220,254
<b>TOTAL ASSETS</b>		<u>35,221,278</u>	<u>35,331,766</u>
<b>Liabilities</b>			
Deposits from customers	17	15,392,224	14,029,315
Deposits from banks		7,338,521	4,255,218
Derivative financial liabilities	20	101,529	22,204
Certificates of deposit and other debt securities issued	18	7,348,731	11,362,244
Current tax payable		81,092	81,020
Deferred tax liabilities		–	27
Lease liabilities		60,244	72,556
Short-term borrowings		234,246	306,176
Other liabilities	19	396,995	358,855
<b>TOTAL LIABILITIES</b>		<u>30,953,582</u>	<u>30,487,615</u>
<b>Capital and reserves</b>			
Share capital	22	4,000,000	4,000,000
Retained profits		965,590	1,079,847
Other reserves		(697,894)	(235,696)
<b>TOTAL EQUITY</b>		<u>4,267,696</u>	<u>4,844,151</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>35,221,278</u>	<u>35,331,766</u>

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

	Share capital HK\$'000	Retained profits HK\$'000	Revaluation reserve HK\$'000	Regulatory reserve HK\$'000	Capital Contribution HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
<b>Balance at 1 January 2021</b>	4,000,000	1,168,885	102,019	–	–	4,155	5,275,059
Profit for the period	–	199,292	–	–	–	–	199,292
Other comprehensive income	–	–	(137,822)	–	–	3,176	(134,646)
Total comprehensive income	–	199,292	(137,822)	–	–	3,176	64,646
Transfers	–	–	–	–	–	–	–
<b>Balance at 30 June 2021 and 1 July 2021</b>	4,000,000	1,368,177	(35,803)	–	–	7,331	5,339,705
Loss for the period	–	(288,330)	–	–	–	–	(288,330)
Other comprehensive income	–	–	(345,458)	–	–	8,360	(337,098)
Total comprehensive income	–	(288,330)	(345,458)	–	–	8,360	(625,428)
Contribution of shareholder	–	–	–	–	129,874	–	129,874
Transfers	–	–	–	–	–	–	–
<b>Balance at 31 December 2021 and 1 January 2022</b>	4,000,000	1,079,847	(381,261)	–	129,874	15,691	4,844,151
Loss for the period	–	(114,257)	–	–	–	–	(114,257)
Other comprehensive income	–	–	(438,887)	–	–	(23,311)	(462,198)
Total comprehensive income	–	(114,257)	(438,887)	–	–	(23,311)	(576,455)
Transfers	–	–	–	–	–	–	–
<b>Balance at 30 June 2022</b>	<u>4,000,000</u>	<u>965,590</u>	<u>(820,148)</u>	<u>–</u>	<u>129,874</u>	<u>(7,620)</u>	<u>4,267,696</u>

The regulatory reserve is maintained in accordance with Hong Kong Banking regulations. At 30 June 2022, no regulatory reserve (2021: Nil) was required to satisfy the provisions of the 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 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
<b>Net cash inflow from operating activities</b>	21(a)	343,369	2,442,697
<b>Investing activities</b>			
Proceeds from sale and redemption of investment securities		9,203,623	9,875,962
Purchase of investment securities		(8,149,942)	(11,828,981)
Purchases of property and equipments and intangible assets		(1,201)	(648)
Sale of interests in associates		166	212
Interest received from investment securities		200,246	245,398
<b>Net cash inflow/ (outflow) from investing activities</b>		1,252,892	(1,708,057)
<b>Financing activities</b>			
Redemption of other debt securities		–	(3,876,171)
Interest paid for other debt securities		(24,323)	(84,792)
Net proceeds from short-term borrowings		(71,930)	(630,711)
Interest paid for short-term borrowings		(8,594)	(3,563)
Payment of lease liabilities		(13,509)	(13,674)
<b>Net cash outflow from financing activities</b>	21(d)	(118,356)	(4,608,911)
<b>Increase/ (decrease) in cash and cash equivalents</b>		1,477,905	(3,874,271)
<b>Cash and cash equivalents at 1 January</b>		3,874,467	6,432,448
<b>Cash and cash equivalents at 30 June</b>	21(b)	5,352,372	2,558,177

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

**(1) BASIS OF CONSOLIDATION**

The condensed consolidated 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) Significant 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 25 August 2022.

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 2021 as disclosed in the Group’s Directors’ Report and Consolidated Financial Statements for the year ended 31 December 2021, 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 2022 annual financial statements. Details of any changes in accounting policies are set out in note (2)(b).

The preparation of an condensed consolidated 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.

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 2021 annual financial statements. The condensed consolidated 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.



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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 Group has applied the following amendments to HKFRSs issued by the HKICPA to interim financial report for the current accounting period:

- Amendments to AG 5 – *Merger Accounting for Common Control Combinations*
- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRs 16, *Interest Rate benchmark reform phase 2*
- Annual Improvements to HKFRS Standards 2018-2020. HKFRS 9 *Financial Instruments and HKFRS 16 Leases*

None of the amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim Condensed Consolidated Financial Statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**(c) Critical accounting estimates**

The preparation of condensed consolidated 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 condensed consolidated 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 2021.

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

The financial information relating to the year ended 31 December 2021 that is included in the condensed consolidated financial statements for the six months ended 30 June 2022 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 2021 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).

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

**(4) NET INTEREST INCOME**

Interest income mainly accrued on loan and advances to customers and investment securities amounted to HK\$237,538,000 and HK\$188,014,000 respectively (first half of 2021: HK\$257,582,000 and HK\$265,707,000 respectively).

Interest income calculated using the effective interest method amounted to HK\$432,896,000 (first half of 2021: HK\$527,120,000).

Interest expense mainly recognised on deposits from customers and certificates of deposit and other debt securities issued amounted to HK\$58,577,000 and HK\$56,520,000 respectively (first half of 2021: HK\$52,038,000 and HK\$57,102,000 respectively).

Interest expense recognised on financial liabilities that was not measured at fair value through profit or loss amounted to HK\$162,168,000 (first half of 2021: HK\$140,927,000).

The interest income accrued on impaired financial assets and on unwinding of discount on loan impairment allowances amounted to HK\$7,870,000 for the six months ended 30 June 2022 (first half of 2021: HK\$9,411,000).

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

	6 months ended 30 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
Fee and commission income		
– Credit facilities	7,896	7,515
– Trade services	1,441	1,127
– Corporate advisory	106,131	55,548
– Asset management	8,772	8,816
– Others	1,431	4,176
	<u>125,671</u>	<u>77,182</u>
Fee and commission expense	<u>(8,078)</u>	<u>(10,525)</u>
Net fee and commission income	<u><u>117,593</u></u>	<u><u>66,657</u></u>

Fee and commission income of HK\$125,671,000 (first half of 2021: HK\$77,182,000) and fee and commission expense of HK\$8,078,000 (first half of 2021: HK\$10,525,000) for the six months ended 30 June 2022 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 2022 was HK\$8,772,000 (first half of 2021: HK\$8,816,000).

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

**(6) NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

	6 months ended 30 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
Foreign exchange	38,497	24,534
Interest rate and others	48,287	32,826
	<u>86,784</u>	<u>57,360</u>

The foreign exchange gain in 2022 included the translation loss of HK\$33 million (first half of 2021: gain of HK\$9 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 2022. Excluding this translation loss, trading income from normal foreign exchange activities was HK\$71 million (first half of 2021: HK\$16 million).

**(7) OPERATING EXPENSES**

	6 months ended 30 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
Staff costs		
– Salaries and other benefits	77,620	91,897
– Pension and provident funds	3,275	3,285
	<u>80,895</u>	<u>95,182</u>
Premises and equipment expenses excluding depreciation		
– Variable lease payments not included in the measurement of lease liabilities	30	30
– Maintenance and office facility expenses	2,121	1,975
– Others	746	629
	<u>2,897</u>	<u>2,634</u>
Auditors’ remuneration	310	298
Depreciation of property and equipments	712	3,127
Amortisation of right-of-use (“RoU”) assets	12,949	12,925
Amortisation of intangible assets	1,207	979
Legal and professional fees	1,047	2,576
IT and systems expenses	5,182	5,517
Data subscription fees	3,526	2,866
Other operating expenses	6,102	8,223
	<u>31,035</u>	<u>36,511</u>
	<u>114,827</u>	<u>134,327</u>

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

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

	6 months ended 30 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
Cash and balances with banks and central bank	(10)	(262)
Placements with and advances to banks	(436)	(441)
Loans and advances to customers	134,926	136,624
Investment securities	83,769	(2,327)
Other assets	2,161	18,896
Off-balance sheet credit exposures	(3,171)	(1,254)
	<u>217,239</u>	<u>151,236</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>2022</b>						
<b>Stage 3 ECL</b>						
Loans and advances to customers	109,907	110,091	–	–	(6,529)	213,469
Investment securities	279,063	16,456	–	–	–	295,519
Other assets	17,763	2,161	–	–	(729)	19,195
	<u>406,733</u>	<u>128,708</u>	<u>–</u>	<u>–</u>	<u>(7,258)</u>	<u>528,183</u>
<b>Stage 1&amp;2 ECL</b>						
Cash and balances with banks and central bank	74	(10)	–	–	–	64
Placements with and advances to banks	655	(436)	–	–	–	219
Loans and advances to customers	198,458	24,835	–	–	–	223,293
Investment securities	85,924	67,313	–	–	–	153,237
Off-balance sheet credit exposures	9,919	(3,171)	–	–	–	6,748
	<u>295,030</u>	<u>88,531</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>383,561</u>
Total allowances for credit and other losses	<u>701,763</u>	<u>217,239</u>	<u>–</u>	<u>–</u>	<u>(7,258)</u>	<u>911,744</u>

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

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

	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>2021</b>						
<b>Stage 3 ECL</b>						
Loans and advances to customers	248,849	153,333	–	(256,123)	(8,436)	137,623
Other assets	20,624	18,896	–	(31,525)	(597)	7,398
	<u>269,473</u>	<u>172,229</u>	<u>–</u>	<u>(287,648)</u>	<u>(9,033)</u>	<u>145,021</u>
<b>Stage 1&amp;2 ECL</b>						
Cash and balances with banks and central bank	330	(262)	–	–	–	68
Placements with and advances to banks	770	(441)	–	–	–	329
Loans and advances to customers	229,394	(16,709)	–	–	–	212,685
Investment securities	117,899	(2,327)	–	–	–	115,572
Off-balance sheet credit exposures	10,737	(1,254)	–	–	–	9,483
	<u>359,130</u>	<u>(20,993)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>338,137</u>
Total allowances for credit and other losses	<u>628,603</u>	<u>151,236</u>	<u>–</u>	<u>(287,648)</u>	<u>(9,033)</u>	<u>483,158</u>

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

**(9) TAXATION**

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

	6 months ended 30 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
<b>Current tax</b>		
Hong Kong profits tax		
– Provision for the period	5,108	23,121
	<u>5,108</u>	<u>23,121</u>
Taxation outside Hong Kong		
– Withholding tax in the People's Republic of China	4	18
– Provision for the period	28,945	10,185
	<u>34,057</u>	<u>33,324</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(10,192)	4,834
	<u>23,865</u>	<u>38,158</u>

The provision for Hong Kong profits tax was calculated at 16.5% (2021: 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.

**(10) OTHER COMPREHENSIVE INCOME**

**Components of other comprehensive income**

	6 months ended 30 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
<b>Financial assets at fair value through other comprehensive income:</b>		
Changes in fair value recognised during the period	(763,414)	(152,580)
Reclassification adjustments for amounts transferred to profit or loss upon disposal	233,552	(12,476)
Net deferred tax credited to revaluation reserve	90,975	27,234
	<u>(438,887)</u>	<u>(137,822)</u>
Net movement in revaluation reserve during the period recognised in other comprehensive income	<u>(438,887)</u>	<u>(137,822)</u>

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

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Balances with banks	901,736	1,807,776
Balances with central bank	708,373	92,769
	<u>1,610,109</u>	<u>1,900,545</u>
Allowance for credit and other losses at stage 1	(64)	(74)
	<u>1,610,045</u>	<u>1,900,471</u>

A subsidiary of the Company maintains segregated accounts with authorised institutions as a result of its normal business transaction. At 30 June 2022, segregated accounts dealt within these financial statements amounted to HK\$50,000 (2021: HK\$301,000).

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Gross placements with and advances to banks		
– maturing within one month	1,058,961	1,759,617
– maturing between one and twelve months	–	100,000
	<u>1,058,961</u>	<u>1,859,617</u>
Allowance for credit and other losses at stage 1	(219)	(655)
	<u>1,058,742</u>	<u>1,858,962</u>

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

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Gross loans and advances to customers	19,238,216	18,854,579
Less: Allowance for credit and other losses		
– Stage 1 & 2 ECL	(223,293)	(198,458)
– Stage 3 ECL	(213,469)	(109,907)
	<u>18,801,454</u>	<u>18,546,214</u>
Comprising:		
– Trade bills	–	–
– Loans	18,801,454	18,546,214
	<u>18,801,454</u>	<u>18,546,214</u>

**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 2022				
Neither past due nor impaired				
– Pass	18,717,940	–	–	18,717,940
– Special Mention	–	134,776	–	134,776
Past due but not impaired <sup>(a)</sup>	–	–	–	–
Impaired	–	–	385,500	385,500
Allowance for credit and other losses	(186,864)	(36,429)	(213,469)	(436,762)
	<u>18,531,076</u>	<u>98,347</u>	<u>172,031</u>	<u>18,801,454</u>
As at 31 December 2021				
Neither past due nor impaired				
– Pass	18,302,836	–	–	18,302,836
– Special Mention	–	194,638	–	194,638
Past due but not impaired <sup>(a)</sup>	–	–	–	–
Impaired	–	–	357,105	357,105
Allowance for credit and other losses	(159,352)	(39,106)	(109,907)	(308,365)
	<u>18,143,484</u>	<u>155,532</u>	<u>247,198</u>	<u>18,546,214</u>

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



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**(14) INVESTMENT SECURITIES**

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
Investment securities measured at amortised cost		
– at stage 1	3,675,666	3,367,498
– at stage 2	324,362	124,364
– at stage 3	311,160	310,467
Of which: past due and impaired	311,160	310,467
Allowance for credit and other losses		
– at stage 1	(9,841)	(8,271)
– at stage 2	(48,887)	(24,216)
– at stage 3	(204,616)	(203,368)
Of which : past due and impaired	(204,616)	(203,368)
	<u>4,047,844</u>	<u>3,566,474</u>
	-----	-----
Investment securities at fair value through other comprehensive income		
– at stage 1	7,645,737	7,475,355
– at stage 2	101,920	27,730
– at stage 3	12,628	26,854
Of which: past due and impaired	12,628	26,854
	<u>7,760,285</u>	<u>7,529,939</u>
	-----	-----
	<u><u>11,808,129</u></u>	<u><u>11,096,413</u></u>

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**(15) PROPERTY AND EQUIPMENTS**

Details of movement of property and equipments are as follows:

	Leasehold improvements HK\$'000	Furniture, computer and other equipments HK\$'000	Motor vehicles HK\$'000	RoU assets – properties and office equipment HK\$'000	Total HK\$'000
<b>Cost:</b>					
At 1 January 2021	22,376	23,981	2,978	83,449	132,784
Additions	66	652	–	67,663	68,381
Write-off	–	(18)	–	(64,369)	(64,387)
Exchange adjustments	–	71	34	519	624
At 31 December 2021	<u>22,442</u>	<u>24,686</u>	<u>3,012</u>	<u>87,262</u>	<u>137,402</u>
At 1 January 2022	22,442	24,686	3,012	87,262	137,402
Additions	19	315	–	778	1,112
Write-off	–	(200)	–	(526)	(726)
Exchange adjustments	–	(108)	(55)	(319)	(482)
At 30 June 2022	<u>22,461</u>	<u>24,693</u>	<u>2,957</u>	<u>87,195</u>	<u>137,306</u>
<b>Accumulated depreciation:</b>					
At 1 January 2021	(18,914)	(21,326)	(1,951)	(51,513)	(93,704)
Charge for the year	(3,459)	(1,465)	(547)	(25,869)	(31,340)
Write-off	–	18	–	64,369	64,387
Exchange adjustments	–	(55)	(14)	(222)	(291)
At 31 December 2021	<u>(22,373)</u>	<u>(22,828)</u>	<u>(2,512)</u>	<u>(13,235)</u>	<u>(60,948)</u>
At 1 January 2022	(22,373)	(22,828)	(2,512)	(13,235)	(60,948)
Charge for the period	(19)	(502)	(191)	(12,949)	(13,661)
Write-off	–	200	–	307	507
Exchange adjustments	–	3	127	(60)	70
At 30 June 2022	<u>(22,392)</u>	<u>(23,127)</u>	<u>(2,576)</u>	<u>(25,937)</u>	<u>(74,032)</u>
<b>Net book value:</b>					
At 30 June 2022	<u>69</u>	<u>1,566</u>	<u>381</u>	<u>61,258</u>	<u>63,274</u>
At 31 December 2021	<u>69</u>	<u>1,858</u>	<u>500</u>	<u>74,027</u>	<u>76,454</u>

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**(16) OTHER ASSETS**

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Interest receivables (note a)	174,675	163,089
Collaterals placed (note b)	69,656	16,996
Fees receivable	791	799
Prepaid expenses	10,410	14,836
Accounts receivable (note c)	50,889	17,015
Others	7,226	7,519
	<u>313,647</u>	<u>220,254</u>

Note a: Included Stage 3 ECL of interest receivable of HK\$4,852,000 associated with loans and advances to customers and investment securities at stage 3 as at 30 June 2022 (2021: HK\$4,909,000).

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

Note c: Included Stage 3 ECL of accounts receivable of HK\$14,343,000 mainly associated with loans and advances to customers and investment securities at stage 3 as at 30 June 2022 (2021: HK\$12,853,000).

**(17) DEPOSITS FROM CUSTOMERS**

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Deposits from customers		
– time, call and notice deposits	<u>15,392,224</u>	<u>14,029,315</u>

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Certificates of deposits issued at amortised costs	3,437,443	7,479,265
Other debt securities issued at amortised costs (note 21(d))	<u>3,911,288</u>	<u>3,882,979</u>
	<u>7,348,731</u>	<u>11,362,244</u>

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**(19) OTHER LIABILITIES**

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
Interest payable	91,399	40,121
Account payable (note a)	12,652	2,997
Accrued expenses	6,142	8,202
Provision for short term employee benefits	22,623	35,817
Collateral received	28,882	59,468
Others (note b)	235,297	212,250
	<u>396,995</u>	<u>358,855</u>

Note a: Included a balance of HK\$50,000 (2021: HK\$301,000) for the money held on behalf of clients at the segregated bank accounts which are repayable on demand.

Note b: Included allowance for credit and other losses of HK\$6,748,000 (2021: HK\$9,919,000).

**(20) 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 2022, no derivative financial instruments have fulfilled the above criteria, therefore no derivative financial instruments were offset on the condensed consolidated statement of financial position (2021: Nil).

**Derivatives – held for trading**

	<u>At 30 June 2022</u>			<u>At 31 December 2021</u>		
	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000
Exchange rate contracts	11,170,019	31,893	101,191	4,324,296	50,270	8,424
Interest rate contracts	<u>1,055,274</u>	<u>14,215</u>	<u>338</u>	<u>1,282,730</u>	<u>5,178</u>	<u>13,780</u>
	<u>12,225,293</u>	<u>46,108</u>	<u>101,529</u>	<u>5,607,026</u>	<u>55,448</u>	<u>22,204</u>

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

**(21) 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 June 2022 HK\$'000	6 months ended 30 June 2021 HK\$'000
(Loss)/ profit before taxation		(90,392)	237,450
Adjustments for:			
Interest income		(432,896)	(527,120)
Interest expense		162,168	140,927
Depreciation of property and equipments	7	712	3,127
Amortisation of right-of-use assets	7	12,949	12,925
Amortisation of intangible assets	7	1,207	979
Impairment charges	8	217,239	151,236
Net loss/(income) from investment securities		233,606	(12,476)
Interest received		220,630	243,495
Interest paid		(55,336)	(117,588)
Elimination of exchange differences and other non-cash items		79,866	(80,340)
<b>Operating profit before changes in working capital</b>		<b>349,753</b>	<b>52,615</b>
Changes in financial assets at fair value through profit or loss		87,906	(84,555)
Change in balances and placements with banks and advances to banks with original maturity beyond three months		–	11,678
Decrease in client trust bank balances		250	–
Change in gross loans and advances to customers		(373,392)	98,955
Change in other assets		(83,544)	80,119
Change in deposits from banks		3,083,303	(1,601,345)
Change in deposits from customers		1,362,909	(717,319)
Change in certificates of deposit issued		(4,042,318)	4,474,847
Change in financial assets sold under repurchase agreement		–	164,744
Change in other liabilities		(10,003)	(8,156)
<b>Cash generated from operating activities</b>		<b>374,864</b>	<b>2,471,583</b>
Hong Kong profits tax paid		–	(10,867)
Tax paid outside Hong Kong		(31,495)	(18,019)
<b>Net cash inflow from operating activities</b>		<b>343,369</b>	<b>2,442,697</b>

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

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

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

	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Gross cash and balances with banks and central bank (note 11)	1,610,109	1,357,352
Less: Balances with banks for segregated accounts	(50)	(301)
Gross placements with banks with original maturity within three months	1,058,961	1,005,631
Investment securities with original maturity within three months	2,683,352	195,495
	<u>5,352,372</u>	<u>2,558,177</u>

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

	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Cash and balances with banks and central bank (note 11)	1,610,109	1,357,352
Gross placements with and advances to banks (note 12)	1,058,961	1,374,996
Investment securities	12,071,473	11,954,208
	<u>14,740,543</u>	<u>14,686,556</u>
Amounts shown in the condensed consolidated statement of financial position	14,740,543	14,686,556
Less: Balances, gross placements with and advances to banks and investment securities with an original maturity beyond three months	(9,388,121)	(12,128,078)
Less: Balances with banks for segregated accounts	(50)	(301)
	<u>5,352,372</u>	<u>2,558,177</u>

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

**(21) 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 18) \$'000	Short-term borrowings \$'000	Lease Liabilities \$'000	Total \$'000
At 1 January 2021	7,727,911	1,250,111	33,373	9,011,395
<b>Changes from financing cash flow:</b>				
Redemption from other debt securities	(3,876,171)	–	–	(3,876,171)
Net proceeds from short-term borrowings	–	(943,935)	–	(943,935)
Capital element of lease rentals paid	–	–	(22,753)	(22,753)
Interest element of lease rentals paid	–	–	(1,142)	(1,142)
Interest paid	(110,365)	(23,117)	–	(133,482)
Total changes from financing cash flow	(3,986,536)	(967,052)	(23,895)	(4,977,483)
Increase in lease liabilities from entering new lease during the period	–	–	61,949	61,949
Interest expense	118,625	23,117	1,142	142,884
Exchange difference	22,979	–	(13)	22,966
<b>Total other changes</b>	141,604	23,117	63,078	227,799
At 1 January 2022	3,882,979	306,176	72,556	4,261,711
<b>Changes from financing cash flow:</b>				
Net proceeds from short-term borrowings	–	(71,930)	–	(71,930)
Capital element of lease rentals paid	–	–	(12,834)	(12,834)
Interest element of lease rentals paid	–	–	(675)	(675)
Interest paid	(24,323)	(8,594)	–	(32,917)
Total changes from financing cash flow	(24,323)	(80,524)	(13,509)	(118,356)
Increase in lease liabilities from entering new lease during the period	–	–	777	777
Decrease in lease liabilities from early termination of lease during the period	–	–	(228)	(228)
Interest expense	28,814	8,594	675	38,083
Exchange difference	23,818	–	(27)	23,791
<b>Total other changes</b>	52,632	8,594	1,197	62,423
At 30 June 2022	3,911,288	234,246	60,244	4,205,778

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**(22) SHARE CAPITAL**

	No. of shares '000	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
At 30 June 2022 and 31 December 2021	<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.

**(23) CONTINGENT LIABILITIES AND COMMITMENTS**

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Contract amounts		
- Other commitments:		
- which are unconditionally cancellable	5,504,907	3,993,649
- with an original maturity under one year	49,631	15,625
- with an original maturity over one year	<u>539,056</u>	<u>445,373</u>
	<u>6,093,594</u>	<u>4,454,647</u>
Credit risk-weighted amount	<u>279,454</u>	<u>225,811</u>



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

**(24) 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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**(24) 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 2022 and 31 December 2021, by the level in the fair value hierarchy into which the fair value treatment is categorised.

**At 30 June 2022**

	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	–	464,403	711,781	1,176,184
Derivative financial assets (note 20)	–	46,108	–	46,108
Investment securities at fair value through other comprehensive income (note 14)	<u>1,937,085</u>	<u>5,823,200</u>	<u>–</u>	<u>7,760,285</u>
<b>Liabilities</b>				
Derivative financial liabilities (note 20)	<u>–</u>	<u>101,529</u>	<u>–</u>	<u>101,529</u>

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

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

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

**At 31 December 2021**

	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	–	440,210	891,816	1,332,026
Derivative financial assets (note 20)	–	55,448	–	55,448
Investment securities at fair value through other comprehensive income (note 14)	912,281	6,617,658	–	7,529,939
	<u>912,281</u>	<u>6,617,658</u>	<u>–</u>	<u>7,529,939</u>
<b>Liabilities</b>				
Derivative financial liabilities (note 20)	–	22,204	–	22,204
	<u>–</u>	<u>22,204</u>	<u>–</u>	<u>22,204</u>

During the six months ended 30 June 2022 and the year of 2021, 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 financial assets at fair value through profit and loss in Level 3 is determined using the most recent transactions, market comparable investment or discounted cashflow analysis. As at 30 June 2022, 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 HK\$33.3 million (2021: HK\$21.3 million).

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**(24) 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			Total HK\$'000
	Convertible bonds HK\$'000	Return of beneficial interest HK\$'000	Unlisted equity investments HK\$'000	
At 1 January 2022	284,241	571,091	36,484	891,816
Payment for purchases	–	142,894	12,489	155,383
Disposal/redemption for the products	(184,535)	(118,234)	–	(302,769)
Other changes	(4,837)	(29,436)	1,624	(32,649)
At 30 June 2022	<u>94,869</u>	<u>566,315</u>	<u>50,597</u>	<u>711,781</u>
Total gains or losses for the period reclassified from other comprehensive income on disposal	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total gains or losses for the period included in profit or loss for assets held during the reporting period:				
– Net income from financial instruments measured at fair value	<u>9,190</u>	<u>30,547</u>	<u>3,986</u>	<u>43,723</u>

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

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

	Assets					Total HK\$'000
	Wealth management products from banks HK\$'000	Convertible bonds HK\$'000	Return of beneficial interest HK\$'000	Unlisted equity investments HK\$'000	Usufruct of investment assets HK\$'000	
At 1 January 2021	–	341,274	112,920	37,227	–	491,421
Payment for purchases	79,907	–	–	2,607	122,085	204,599
Disposal/redemption for the products	(79,978)	(47,743)	–	–	–	(127,721)
Other changes	71	1,860	172	(1,043)	(1,914)	(854)
At 30 June 2021	–	295,391	113,092	38,791	120,171	567,445
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 during the reporting period:						
– Net income from financial instruments measured at fair value	–	17,779	7,383	(780)	–	24,382
– Other operating income	114	–	–	–	–	114

**(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, certificates of deposit issued and other debt securities. These financial liabilities were measured at amortised cost.

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

**(24) 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 June 2022 HK\$'000	Fair value at 30 June 2022 HK\$'000	Fair value measurements as at 30 June 2022 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 14)	4,047,844	3,515,296	174,672	3,340,624	–
<b>Liabilities</b>					
Other debt securities issued at amortised cost (note 18)	3,911,288	3,798,570	–	3,798,570	–
	Carrying amounts at 31 December 2021 HK\$'000	Fair value at 31 December 2021 HK\$'000	Fair value measurements as at 31 December 2021 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 14)	3,566,474	3,367,653	–	3,367,653	–
<b>Liabilities</b>					
Other debt securities issued at amortised cost (note 18)	3,882,979	3,866,512	–	3,866,512	–

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**(25) 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 June 2022	6 months ended 30 June 2021
	HK\$'000	HK\$'000
<b>Condensed consolidated statement of profit or loss and other comprehensive income:</b>		
Interest income	22	28
Interest expense	(12,436)	(2,715)
Net fee and commission income	1,368	1,168
Net (loss)/income from investment securities (note a)	(229,178)	–
Other operating income	–	114
Other operating expenses	(1,563)	–
	<u>                    </u>	<u>                    </u>
	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
<b>Condensed consolidated statement of financial position:</b>		
Amounts due from:		
– Cash and balances with banks and central bank	13,952	14,308
– Other assets	1,908	1,920
– Property and equipments	7,599	9,535
Amounts due to:		
– Deposits from banks	3,451,428	1,403,340
– Other liabilities	126,951	187,666
– Lease liabilities	8,037	9,935
	<u>                    </u>	<u>                    </u>

Note a: The Group disposed investment securities of an nominal amount of US\$40,700,000 to ultimate holding company during the period ended 30 June 2022 (nil during the period ended 30 June 2021). The consideration for the disposal represented the prevailing market price at the time of the disposal.

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

As at 30 June 2022, 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 Condensed Consolidated Financial Statements**  
**To the Board of Directors of Bank of Shanghai (Hong Kong) Limited**  
*(incorporated in Hong Kong with limited liability)*

**Introduction**

We have reviewed the condensed consolidated financial statements set out on pages 2 to 29, which comprises the 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 2022 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements 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 condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 August 2022