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2015 INTERIM RESULTS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Highlights

- Operating profit after impairment allowances amounted to HK\$604 million and showed an improvement of 34% from the corresponding period in previous year
- Profit attributable to equity owners amounted to HK\$726 million an increase of 87% over that for the same period last year after excluding the net gains on disposal of Chong Hing Bank Centre in 2014, translating into annualised return on shareholders' equity of 14.89% and earnings of HK\$1.50 per share
- Net interest income at HK\$845 million was 37% higher than same period last year as net interest margin at 1.51% was similar to 1.52% for the corresponding period in previous year and total assets grew by 33% year on year with advances to customers increasing by 28% and investments in securities increasing by 90%
- Net fee and commission income rose 86% to HK\$185 million mainly because of the significant increase in commission income arising from securities dealings
- Compared with the figures as of 31 December 2014, total loans and advances to customers increased by 10% to HK\$62,333 million, and some of such growth was attributable to growth in loans to stockbrokers in Hong Kong, companies listed in Hong Kong and China state-owned enterprises. With careful management on the exposure to credit risk, asset quality of loans and advances continued to be good with impaired loan ratio at 0.05%, provision coverage of impaired loans and advances at 891.52%, and rescheduled loan ratio at 0.01%
- Total assets increased by 7% in the six month period to HK\$115,821 million
- Total capital ratio decreased by 11% from 15.94% in December 2014 to 14.14% in June 2015 after the growth in total assets, the Tier 1 capital ratio was at 11.43% and the Common Equity Tier 1 capital ratio was at 8.65%
- The Bank's core business lines and overall financial health are strong and sound, asset quality good, impaired loan ratio low, provision coverage high, and capital adequacy ratio and liquidity maintenance ratio well above the relevant statutory requirements
- An interim cash dividend of HK\$0.21 per share is declared for the six months ended 30 June 2015 (2014 interim cash dividend: HK\$0.19 per share)

The Board of directors of Chong Hing Bank Limited (the “Bank”) are pleased to announce the unaudited consolidated results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2015, together with the comparative figures for the last correspondence period. The financial information in this results announcement is extracted from the interim financial information for the six months ended 30 June 2015. The interim financial information is unaudited, but has 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 Hong Kong Institute of Certified Public Accountants, and the Bank’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2015

| | | Six months ended 30 June | | Variance % |
|--|-------|---------------------------------|---------------------------------|---------------|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) | |
| | Notes | | | |
| Interest income | | 1,479,516 | 959,820 | +54.15 |
| Interest expense | | (634,017) | (340,496) | +86.20 |
| Net interest income | 6 | 845,499 | 619,324 | +36.52 |
| Fee and commission income | | 224,449 | 136,744 | +64.14 |
| Fee and commission expenses | | (39,276) | (36,982) | +6.20 |
| Net fee and commission income | 7 | 185,173 | 99,762 | +85.61 |
| Net trading income | 8 | 42,104 | 36,898 | +14.11 |
| Other operating income | 9 | 68,740 | 67,277 | +2.17 |
| Operating expenses | 10 | (526,114) | (415,415) | +26.65 |
| Operating profit before impairment allowances | | 615,402 | 407,846 | +50.89 |
| Net (charge) reversal of impairment allowances on loans and advances | 19 | (11,164) | 44,212 | -125.25 |
| Operating profit after impairment allowances | | 604,238 | 452,058 | +33.66 |
| Net gains on disposal of assets held for sale | | 52,135 | 1,960,732 | |
| Net gains (losses) on disposal of property and equipment | | 3,805 | (5,927) | |
| Net gains on disposal of available-for-sale securities | | 65,983 | 3 | |
| Net gains on disposal of and fair value adjustments on investment properties | 21 | 100,769 | – | |
| Share of profits of associates | | 37,422 | 14,904 | |
| Profit before taxation | | 864,352 | 2,421,770 | -35.69 |
| Taxation | 12 | (138,385) | (84,462) | +63.84 |
| Profit for the period | | | | |
| - Attributable to equity owners of the Bank | 13 | 725,967 | 2,337,308 | -68.94 |
| Earnings per share - basic and diluted | 13 | HK\$1.50 | HK\$5.37 | -72.07 |
| Dividends | | | | |
| - Special interim dividend declared | | – | 1,965,983 | -100.00 |
| - Interim dividend proposed after the end of reporting period | | 91,350 | 82,650 | +10.53 |
| | | 91,350 | 2,048,633 | -95.54 |

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2015

| | Six months ended 30 June | |
|--|--------------------------|-------------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | <u>725,967</u> | <u>2,337,308</u> |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation | (584) | (15,869) |
| Fair value gains on available-for-sale securities arising during the period | 112,665 | 53,067 |
| Amount reclassified to the profit or loss upon disposal of available-for-sale securities | (65,983) | (3) |
| Income tax effect relating to disposal of available-for-sale securities | 10,887 | – |
| Income tax effect relating to fair value change of available-for-sale securities | (18,360) | (8,606) |
| Share of other comprehensive income of associates | <u>1,474</u> | <u>(57)</u> |
| Other comprehensive income for the period (net of tax) | <u>40,099</u> | <u>28,532</u> |
| Total comprehensive income for the period | <u><u>766,066</u></u> | <u><u>2,365,840</u></u> |
| Total comprehensive income for the period attributable to: | | |
| Equity owners of the Bank | <u><u>766,066</u></u> | <u><u>2,365,840</u></u> |

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015

| | Notes | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) | Variance % |
|---|-------|---|---|---------------|
| Assets | | | | |
| Cash and short-term funds | 15 | 18,399,357 | 26,032,182 | -29.32 |
| Placements with banks maturing between one to twelve months | | 8,923,630 | 5,568,433 | +60.25 |
| Derivative financial instruments | 16 | 227,218 | 142,162 | +59.83 |
| Financial assets at fair value through profit or loss | 17 | 323 | 287 | +12.54 |
| Available-for-sale securities | 17 | 11,347,023 | 7,874,920 | +44.09 |
| Held-to-maturity securities | 17 | 11,051,161 | 8,663,136 | +27.57 |
| Advances and other accounts | 19 | 64,541,806 | 58,584,607 | +10.17 |
| Assets held for sale | 20 | 141,954 | 1,718 | +8,162.75 |
| Interests in associates | | 258,055 | 222,309 | +16.08 |
| Investment properties | 21 | 247,202 | 288,413 | -14.29 |
| Property and equipment | 22 | 624,699 | 609,956 | +2.42 |
| Prepaid lease payments for land | 23 | 2,303 | 2,336 | -1.41 |
| Deferred tax assets | 28 | 5,771 | 4,697 | +22.87 |
| Goodwill | 11 | 50,606 | 50,606 | - |
| Total assets | | 115,821,108 | 108,045,762 | +7.20 |
| Liabilities | | | | |
| Deposits and balances of banks | | 2,708,592 | 4,413,861 | -38.63 |
| Financial assets sold under repurchase agreements | 24 | 3,792,185 | 4,948,764 | -23.37 |
| Deposits from customers | 25 | 92,127,490 | 82,133,391 | +12.17 |
| Certificates of deposit | 26 | 1,648,579 | 2,108,136 | -21.80 |
| Derivative financial instruments | 16 | 610,754 | 415,122 | +47.13 |
| Other accounts and accruals | | 1,650,550 | 1,360,613 | +21.31 |
| Current tax liabilities | | 140,125 | 43,109 | +225.05 |
| Loan capital | 27 | 1,812,399 | 1,815,563 | -0.17 |
| Deferred tax liabilities | 28 | 34,672 | 23,551 | +47.22 |
| Total liabilities | | 104,525,346 | 97,262,110 | +7.47 |
| Equity attributable to owners of the Bank | | | | |
| Share capital | | 1,760,317 | 1,760,317 | - |
| Additional equity instruments | 29 | 2,312,030 | 2,312,030 | - |
| Reserves | | 7,223,415 | 6,711,305 | +7.63 |
| Total equity | | 11,295,762 | 10,783,652 | +4.75 |
| Total liabilities and equity | | 115,821,108 | 108,045,762 | +7.20 |

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015

| | | Share capital | Additional equity instruments | Goodwill | Investment revaluation reserve | Land and building revaluation reserve | General reserve | Translation reserve | Regulatory reserve | Retained profits | Total |
|--|------|------------------|-------------------------------------|--------------|--------------------------------------|--|--------------------|------------------------|-----------------------|---------------------|-------------------|
| | Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2015 | | 1,760,317 | 2,312,030 | (182) | 230,519 | 146,647 | 1,388,500 | 30,355 | 573,000 | 4,342,466 | 10,783,652 |
| Profit for the period | | - | - | - | - | - | - | - | - | 725,967 | 725,967 |
| Exchange differences arising on translation | | - | - | - | - | - | - | (584) | - | - | (584) |
| Fair value gains of available-for-sale securities arising during the period | | - | - | - | 112,665 | - | - | - | - | - | 112,665 |
| Amount reclassified to the profit or loss upon disposal of available-for-sale securities | | - | - | - | (65,983) | - | - | - | - | - | (65,983) |
| Income tax effect relating to disposal of available-for-sale securities | | - | - | - | 10,887 | - | - | - | - | - | 10,887 |
| Income tax effect relating to fair value change of available-for-sale securities | | - | - | - | (18,360) | - | - | - | - | - | (18,360) |
| Share of other comprehensive income of associates | | - | - | - | 1,474 | - | - | - | - | - | 1,474 |
| Other comprehensive income | | - | - | - | 40,683 | - | - | (584) | - | - | 40,099 |
| Total comprehensive income for the period | | - | - | - | 40,683 | - | - | (584) | - | 725,967 | 766,066 |
| Distribution payment for additional equity instruments | | - | (75,606) | - | - | - | - | - | - | - | (75,606) |
| Transfer from retained profits | | - | 75,606 | - | - | - | - | - | - | (75,606) | - |
| Final dividend paid | 14 | - | - | - | - | - | - | - | - | (178,350) | (178,350) |
| Earmark of retained profits as regulatory reserve | | - | - | - | - | - | - | - | 83,000 | (83,000) | - |
| At 30 June 2015 | | <u>1,760,317</u> | <u>2,312,030</u> | <u>(182)</u> | <u>271,202</u> | <u>146,647</u> | <u>1,388,500</u> | <u>29,771</u> | <u>656,000</u> | <u>4,731,477</u> | <u>11,295,762</u> |

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015

| | | Share capital | Share premium | Goodwill | Investment revaluation reserve | General reserve | Translation reserve | Regulatory reserve | Retained profits | Total |
|--|------|------------------|------------------|--------------|--------------------------------------|--------------------|------------------------|-----------------------|---------------------|------------------|
| | Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2014 | | 217,500 | 1,542,817 | (182) | 182,923 | 1,388,500 | 44,258 | 441,000 | 3,915,150 | 7,731,966 |
| Profit for the period | | – | – | – | – | – | – | – | 2,337,308 | 2,337,308 |
| Exchange differences arising on translation | | – | – | – | – | – | (15,869) | – | – | (15,869) |
| Fair value gains of available-for-sale securities arising during the period | | – | – | – | 53,067 | – | – | – | – | 53,067 |
| Amount reclassified to the profit or loss upon disposal of available-for-sale securities | | – | – | – | (3) | – | – | – | – | (3) |
| Income tax effect relating to fair value change of available-for-sale securities | | – | – | – | (8,606) | – | – | – | – | (8,606) |
| Share of other comprehensive expense of associates | | – | – | – | (57) | – | – | – | – | (57) |
| Other comprehensive income | | – | – | – | 44,401 | – | (15,869) | – | – | 28,532 |
| Total comprehensive income for the period | | – | – | – | 44,401 | – | (15,869) | – | 2,337,308 | 2,365,840 |
| Transition no-par value regime on 3 March 2014 | | 1,542,817 | (1,542,817) | – | – | – | – | – | – | – |
| Special interim dividend paid | 14 | – | – | – | – | – | – | – | (1,965,983) | (1,965,983) |
| Final dividend paid | 14 | – | – | – | – | – | – | – | (143,550) | (143,550) |
| Earmark of retained profits as regulatory reserve | | – | – | – | – | – | – | 44,000 | (44,000) | – |
| At 30 June 2014 | | <u>1,760,317</u> | <u>–</u> | <u>(182)</u> | <u>227,324</u> | <u>1,388,500</u> | <u>28,389</u> | <u>485,000</u> | <u>4,098,925</u> | <u>7,988,273</u> |

The retained profits of the Group included retained profits of HK\$138,807,000 (30 June 2014: retained profits of HK\$95,371,000) retained by the associates of the Group.

The regulatory reserve is set up in compliance with the Hong Kong Monetary Authority's requirements and is distributable to the shareholders of the Bank subject to consultation with the Hong Kong Monetary Authority (the "HKMA").

The general reserve comprises transfers from previous years' retained profits.

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2015

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| OPERATING ACTIVITIES | | |
| Profit before taxation | 864,352 | 2,421,770 |
| Adjustments for: | | |
| Net interest income | (845,499) | (619,324) |
| Net charge (reversal) of impairment allowances on loans and advances | 11,164 | (44,212) |
| Net gains on disposal of assets held for sale | (52,135) | (1,960,732) |
| Net (gains) losses on disposal of property and equipment | (3,805) | 5,927 |
| Net gains on disposal of available-for-sale securities | (65,983) | (3) |
| Net gains on disposal of and fair value adjustments on investment properties | (100,769) | – |
| Share of profits of associates | (37,422) | (14,904) |
| Net (gains) losses on financial instruments at fair value through profit or loss | (83,041) | 5,094 |
| Net losses (gains) on fair value hedge | 396 | (688) |
| Dividend received from investments | (5,252) | (5,025) |
| Depreciation | 24,711 | 23,620 |
| Release of prepaid lease payments for land | 33 | 33 |
| Exchange adjustments | (1,460) | (16,367) |
| Operating cash flows before movements in operating assets and liabilities | (294,710) | (204,811) |
| (Increase) decrease in operating assets: | | |
| Money at call and short notice with original maturity over three months | (168,301) | 2,112,968 |
| Exchange fund bills with original maturity over three months | (90,104) | (540,188) |
| Placements with banks with original maturity over three months | (3,892,896) | 1,282,235 |
| Financial assets at fair value through profit or loss | (36) | 91,868 |
| Advances to customers | (5,413,314) | (3,355,166) |
| Other accounts | (459,467) | 30,325 |
| Increase (decrease) in operating liabilities: | | |
| Deposits and balances of banks with original maturity over three months | (1,705,269) | (1,076,599) |
| Financial assets sold under repurchase agreements | (1,156,579) | 198,195 |
| Deposits from customers | 9,994,099 | 1,332,761 |
| Certificates of deposit | (459,557) | 729,372 |
| Derivative financial instruments | 134,259 | (137,367) |
| Other accounts and accruals | 165,931 | 66,385 |
| Cash (used in) generated from operations | (3,345,944) | 529,978 |
| Hong Kong Profits Tax paid | (4,343) | 589 |
| Overseas tax paid | (34,450) | (12,881) |
| Interest received | 1,108,432 | 789,975 |
| Interest paid | (478,235) | (277,132) |
| NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES | (2,754,540) | 1,030,529 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - continued

for the six months ended 30 June 2015

| | Six months ended 30 June | |
|--|--------------------------|--------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| INVESTING ACTIVITIES | | |
| Interest received on available-for-sale securities and held-to-maturity securities | 273,353 | 157,562 |
| Dividends received on investments | 5,252 | 5,025 |
| Dividends received from associates | 3,150 | 2,100 |
| Purchase of held-to-maturity securities | (5,031,184) | (2,489,904) |
| Purchase of available-for-sale securities | (4,488,478) | (630,809) |
| Purchase of property and equipment | (39,924) | (13,666) |
| Proceeds from redemption of held-to-maturity securities | 2,645,017 | 5,227,536 |
| Proceeds from sale and redemption of available-for-sale securities | 1,184,999 | 269 |
| Proceeds from disposal of assets held for sale | 53,853 | 2,230,000 |
| Proceeds from disposal of property and equipment | 4,145 | 2,133 |
| NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES | (5,389,817) | 4,490,246 |
| FINANCING ACTIVITIES | | |
| Interest paid on loan capital | (30,616) | (30,963) |
| Dividends paid to ordinary shareholders | (178,350) | (2,109,533) |
| Distribution payment for additional equity instruments | (75,606) | – |
| NET CASH (USED IN) FINANCING ACTIVITIES | (284,572) | (2,140,496) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (8,428,929) | 3,380,279 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 24,746,835 | 14,500,949 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 16,317,906 | 17,881,228 |
| Represented by: | | |
| Cash and balances with central bank and banks | 7,547,651 | 1,201,447 |
| Money at call and short notice with original maturity of three months or less | 7,736,724 | 14,435,879 |
| Exchange fund bills with original maturity of three months or less | 499,993 | – |
| Placements with banks maturing between one to twelve months with original maturity of less than three months | 533,538 | 2,243,902 |
| | 16,317,906 | 17,881,228 |

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

1. GENERAL INFORMATION

Chong Hing Bank Limited (the “Bank”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with HKFRSs.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

“Annual Improvements to HKFRSs 2010 - 2012 Cycle”, effective for the accounting period on or after 1 July 2014, include a number of amendments to various HKFRSs. None of the amendments are expected to have an impact to the Group except for amendments to HKFRS 8 “Operating segment” and amendments to HKFRS 13 “Fair value measurement”. The impact of these two amendments are summarised below:

- The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39, “Financial Instruments: Recognition and Measurement” did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The Group considers the abovementioned amendments does not have a significant effect on the results for the current interim period.

Other amendments to HKFRSs effective on 1 January 2015 do not have a material impact on the Group for the current interim period.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

3. SEGMENT INFORMATION

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

1. Corporate and retail banking
2. Treasury activities
3. Securities business
4. Others comprising investment holding, insurance, other investment advisory services and property investments.

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

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

Operating segment revenue and results

Six months ended 30 June 2015

| | Corporate and retail banking HK\$'000 | Treasury activities HK\$'000 | Securities business HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--|--|------------------------------------|------------------------------------|--------------------|--------------------------|--------------------------|
| Interest income from external customers | 922,811 | 553,190 | 2,850 | 665 | – | 1,479,516 |
| Interest expense to external customers | (533,263) | (100,754) | – | – | – | (634,017) |
| Inter-segment interest income (Note 1) | 259,631 | – | – | – | (259,631) | – |
| Inter-segment interest expense (Note 1) | – | (259,631) | – | – | 259,631 | – |
| Net interest income | 649,179 | 192,805 | 2,850 | 665 | – | 845,499 |
| Fee and commission income | 113,499 | – | 110,950 | – | – | 224,449 |
| Fee and commission expenses | (39,208) | – | (68) | – | – | (39,276) |
| Net trading income (expenses) | 484 | 42,934 | – | (1,314) | – | 42,104 |
| Other operating income | 53,799 | – | – | 14,941 | – | 68,740 |
| Segment revenue | | | | | | |
| Total operating income | 777,753 | 235,739 | 113,732 | 14,292 | – | 1,141,516 |
| Comprising: | | | | | | |
| - Segment revenue from external customers | 518,122 | 495,370 | 113,732 | 14,292 | | |
| - Inter-segment transactions | 259,631 | (259,631) | – | – | | |
| Operating expenses (Note 2) | (307,674) | (20,196) | (33,729) | (10,849) | – | (372,448) |
| Impairment allowances on loans and advances | (11,164) | – | – | – | – | (11,164) |
| Net gains on disposal of assets held for sale | – | – | – | 52,135 | – | 52,135 |
| Net gains on disposal of property and equipment | 3,805 | – | – | – | – | 3,805 |
| Net gains on disposal of available-for-sale securities | – | – | – | 65,983 | – | 65,983 |
| Net gains on fair value adjustments on investment properties | – | – | – | 100,769 | – | 100,769 |
| Segment profit | 462,720 | 215,543 | 80,003 | 222,330 | – | 980,596 |
| Unallocated corporate expenses | | | | | | (153,666) |
| Share of profits of associates | | | | | | 37,422 |
| Profit before taxation | | | | | | 864,352 |

Notes: 1. Inter-segment pricing for funding transactions is charged at prevailing customer deposits interest rates.

2. The difference between the operating expenses in the condensed consolidated income statement and the operating expenses in the operating segments is the unallocated corporate expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

3. SEGMENT INFORMATION - continued

Operating segment assets and liabilities

At 30 June 2015

| | Corporate and retail banking HK\$'000 | Treasury activities HK\$'000 | Securities business HK\$'000 | Others HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------|--|------------------------------------|------------------------------------|--------------------|--------------------------|
| Assets | | | | | |
| Segment assets | 70,749,064 | 43,011,550 | 803,400 | 756,549 | 115,320,563 |
| Interests in associates | | | | | 258,055 |
| Unallocated corporate assets | | | | | 242,490 |
| Consolidated total assets | | | | | <u>115,821,108</u> |
| Liabilities | | | | | |
| Segment liabilities | 92,868,349 | 10,647,335 | 572,098 | 123,692 | 104,211,474 |
| Unallocated corporate liabilities | | | | | 313,872 |
| Consolidated total liabilities | | | | | <u>104,525,346</u> |

Other information

Six months ended 30 June 2015

| | Corporate and retail banking HK\$'000 | Treasury activities HK\$'000 | Securities business HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|--|------------------------------------|------------------------------------|--------------------|-------------------------|--------------------------|
| Capital expenditure during the period | 32,594 | 231 | 622 | 59 | 6,418 | 39,924 |
| Depreciation | 17,463 | 249 | 956 | 221 | 5,822 | 24,711 |
| Release of prepaid lease payments for land | <u>33</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>33</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

3. SEGMENT INFORMATION - continued

Operating segment revenue and results

Six months ended 30 June 2014

| | Corporate and retail banking HK\$'000 | Treasury activities HK\$'000 | Securities business HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--|--|------------------------------------|------------------------------------|--------------------|--------------------------|--------------------------|
| Interest income from external customers | 598,206 | 358,368 | 3,246 | – | – | 959,820 |
| Interest expense to external customers | (293,562) | (46,934) | – | – | – | (340,496) |
| Inter-segment interest income (Note 1) | 132,221 | – | – | – | (132,221) | – |
| Inter-segment interest expense (Note 1) | – | (132,221) | – | – | 132,221 | – |
| Net interest income | 436,865 | 179,213 | 3,246 | – | – | 619,324 |
| Fee and commission income | 77,158 | – | 59,586 | – | – | 136,744 |
| Fee and commission expenses | (36,978) | – | (4) | – | – | (36,982) |
| Net trading income | 544 | 36,364 | – | (10) | – | 36,898 |
| Other operating income (Note 2) | 47,047 | – | – | 20,177 | – | 67,224 |
| Segment revenue | | | | | | |
| Total operating income | 524,636 | 215,577 | 62,828 | 20,167 | – | 823,208 |
| Comprising: | | | | | | |
| - segment revenue from external customers | 392,415 | 347,798 | 62,828 | 20,167 | | |
| - inter-segment transactions | 132,221 | (132,221) | – | – | | |
| Operating expenses (Note 3) | (241,539) | (16,729) | (31,852) | (7,106) | – | (297,226) |
| Reversal of impairment allowances on loans and advances | 44,212 | – | – | – | – | 44,212 |
| Net losses on disposal of property and equipment | (5,927) | – | – | – | – | (5,927) |
| Net gains on disposal of available-for-sale securities | – | – | – | 3 | – | 3 |
| Segment profit | 321,382 | 198,848 | 30,976 | 13,064 | – | 564,270 |
| Unallocated corporate expenses | | | | | | (118,189) |
| Unallocated corporate income | | | | | | 53 |
| Net gains on disposal of assets held for sale | | | | | | 1,960,732 |
| Share of profits of associates | | | | | | 14,904 |
| Profit before taxation | | | | | | 2,421,770 |

Notes: 1. Inter-segment pricing for funding transactions is charged at prevailing customer deposits interest rates.

2. The difference between the other operating income in the condensed consolidated income statement and other operating income in the operating segments is the unallocated corporate income.

3. The difference between the operating expenses in the condensed consolidated income statement and the operating expenses in the operating segments is the unallocated corporate expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

3. SEGMENT INFORMATION - continued

Operating segment assets and liabilities

At 31 December 2014

| | Corporate and retail banking HK\$'000 | Treasury activities HK\$'000 | Securities business HK\$'000 | Others HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------|--|------------------------------------|------------------------------------|--------------------|--------------------------|
| Assets | | | | | |
| Segment assets | 61,147,810 | 45,041,500 | 392,603 | 667,151 | 107,249,064 |
| Interests in associates | | | | | 222,309 |
| Unallocated corporate assets | | | | | 574,389 |
| Consolidated total assets | | | | | <u>108,045,762</u> |
| Liabilities | | | | | |
| Segment liabilities | 82,811,059 | 13,800,809 | 327,744 | 106,108 | 97,045,720 |
| Unallocated corporate liabilities | | | | | 216,390 |
| Consolidated total liabilities | | | | | <u>97,262,110</u> |

Other information

Six months ended 30 June 2014

| | Corporate and retail banking HK\$'000 | Treasury activities HK\$'000 | Securities business HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|--|------------------------------------|------------------------------------|--------------------|-------------------------|--------------------------|
| Capital expenditure during the period | 7,536 | 11 | 650 | 127 | 5,342 | 13,666 |
| Depreciation | 16,155 | 385 | 1,112 | 96 | 5,872 | 23,620 |
| Release of prepaid lease payments for land | <u>33</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>33</u> |

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

3. SEGMENT INFORMATION - continued

Geographical information

Geographical information (including geographical analysis of total segment revenue) is analysed by the Group based on the locations of the principal operations of the branches and subsidiaries which are responsible for reporting the results or booking the assets. Non-current assets presented below are based on the location of the entities' country of domicile which is the same as the location of the non-current assets.

| | Six months ended 30 June 2015 | | | At 30 June 2015 | | | |
|--------------------------|--|--|--|-----------------------------|----------------------------------|---|---------------------------------------|
| | Total operating income HK\$'000 | Profit before taxation HK\$'000 | Capital expenditure during the period HK\$'000 | Total assets HK\$'000 | Total liabilities HK\$'000 | Total contingent liabilities and commitments HK\$'000 | Non- current assets HK\$'000 |
| Hong Kong | 993,274 | 762,054 | 14,017 | 106,826,782 | 101,094,714 | 19,573,743 | 1,130,687 |
| Macau and Mainland China | 133,171 | 86,388 | 25,907 | 8,972,146 | 3,430,321 | 1,236,388 | 51,798 |
| America | 15,071 | 15,910 | — | 22,180 | 311 | 1,934 | 347 |
| Total | <u>1,141,516</u> | <u>864,352</u> | <u>39,924</u> | <u>115,821,108</u> | <u>104,525,346</u> | <u>20,812,065</u> | <u>1,182,832</u> |

| | Six months ended 30 June 2014 | | | At 31 December 2014 | | | |
|--------------------------|--|--|--|-----------------------------|----------------------------------|---|---------------------------------------|
| | Total operating income HK\$'000 | Profit before taxation HK\$'000 | Capital expenditure during the period HK\$'000 | Total assets HK\$'000 | Total liabilities HK\$'000 | Total contingent liabilities and commitments HK\$'000 | Non- current assets HK\$'000 |
| Hong Kong | 699,529 | 2,311,748 | 10,242 | 98,930,729 | 89,930,872 | 18,983,914 | 1,145,177 |
| Macau and Mainland China | 114,007 | 103,354 | 3,416 | 8,395,665 | 7,271,517 | 1,067,739 | 27,964 |
| America | 9,725 | 6,668 | 8 | 719,368 | 59,721 | 9,538 | 413 |
| Total | <u>823,261</u> | <u>2,421,770</u> | <u>13,666</u> | <u>108,045,762</u> | <u>97,262,110</u> | <u>20,061,191</u> | <u>1,173,554</u> |

Note: Total operating income consists of net interest income, net fee and commission income, net trading income and other operating income.

Non-current assets consist of interests in associates, investment properties, property and equipment, prepaid lease payments for land (non-current portion) and goodwill.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

During the period, there are certain changes in the financial risk management related policies and they are summarised as follows:

- Market Risk Management Department has been established by the Group to enhance the market risk monitoring mechanism of the Group; and
- Credit approval is performed by individual approvers of Credit Risk Management Division with the delegated credit authority and / or the Executive Loans Committee. Credit decisions made by individual approvers are regularly reviewed by Credit Control Department. For credit applications exceeding the delegated authority of individual approvers, these applications shall be assessed by credit managers and approved by Executive Loans Committee.

4.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

4.2 Fair value estimation - continued

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2015.

| | Fair value hierarchy | | | Total HK\$'000 |
|---|----------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | |
| At 30 June 2015 | | | | |
| Financial assets held for trading | 323 | – | – | 323 |
| Available-for-sale securities | | | | |
| Equity securities | 235,203 | – | 361 | 235,564 |
| Other debt securities | – | 11,056,212 | 19,536 | 11,075,748 |
| Derivative financial assets not used for hedging | – | 112,071 | – | 112,071 |
| Derivative financial assets used for hedging | – | 115,147 | – | 115,147 |
| Derivative financial liabilities not used for hedging | – | (397,595) | – | (397,595) |
| Derivative financial liabilities used for hedging | – | (213,159) | – | (213,159) |
| Total | 235,526 | 10,672,676 | 19,897 | 10,928,099 |

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2014.

| | Fair value hierarchy | | | Total HK\$'000 |
|---|----------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | |
| At 31 December 2014 | | | | |
| Financial assets held for trading | 287 | – | – | 287 |
| Available-for-sale securities | | | | |
| Equity securities | 244,766 | – | 371 | 245,137 |
| Other debt securities | – | 7,579,555 | 14,484 | 7,594,039 |
| Derivative financial assets not used for hedging | – | 20,982 | – | 20,982 |
| Derivative financial assets used for hedging | – | 121,180 | – | 121,180 |
| Derivative financial liabilities not used for hedging | – | (261,621) | – | (261,621) |
| Derivative financial liabilities used for hedging | – | (153,501) | – | (153,501) |
| Total | 245,053 | 7,306,595 | 14,855 | 7,566,503 |

There were no transfers between Levels 1, 2 and 3 in both years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

4.2 Fair value estimation - continued

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

| | Carrying amount HK\$'000 | Fair value HK\$'000 |
|-------------------------------|-----------------------------|------------------------|
| At 30 June 2015 | | |
| Financial assets | | |
| - Held-to-maturity securities | <u>11,051,161</u> | <u>11,127,080</u> |
| Financial liabilities | | |
| - Loan capital | <u>1,812,399</u> | <u>1,893,664</u> |
| At 31 December 2014 | | |
| Financial assets | | |
| - Held-to-maturity securities | <u>8,663,136</u> | <u>8,713,004</u> |
| Financial liabilities | | |
| - Loan capital | <u>1,815,563</u> | <u>1,860,905</u> |

4.3 Valuation techniques

The fair value of listed securities is determined with reference to quoted market bid prices from relevant stock exchanges.

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

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

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

There were no other changes in the Group's valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

4.4 Reconciliation of Level 3 fair value measurements of financial assets

| | Available- for-sale securities HK\$'000 | Total HK\$'000 |
|--|--|----------------------|
| Balance at 1 January 2014 | 6,442 | 6,442 |
| Total net gains recognised in the investment revaluation reserve | <u>8,413</u> | <u>8,413</u> |
| Balance at 1 January 2015 | 14,855 | 14,855 |
| Total net gains recognised in the investment revaluation reserve | <u>5,042</u> | <u>5,042</u> |
| Balance at 30 June 2015 | <u>19,897</u> | <u>19,897</u> |

The majority of the Group's investments are valued based on quoted market information or observable market data. A small percentage, 0.02% (2014: 0.01%), of total assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a material impact on the Group's financial positions.

The net gains included in other comprehensive income, an amount of HK\$5,042,000 (2014: HK\$3,026,000) relate to available-for-sale securities held during the period.

5. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has financial assets and financial liabilities that:

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

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

Under the Continuous Net Settlement, money obligations receivable and payable with the Hong Kong Securities Clearing Company Limited on the same settlement date are settled on a net basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

6. NET INTEREST INCOME

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Interest income | | |
| Balances and placements with central bank and banks | 278,604 | 214,135 |
| Investments in securities | 280,451 | 149,056 |
| Loans and advances | 919,936 | 594,838 |
| Interest rate swaps | <u>525</u> | <u>1,791</u> |
| | <u>1,479,516</u> | <u>959,820</u> |
| Interest expense | | |
| Deposits and balances of banks | (20,442) | (3,035) |
| Deposits from customers | (533,183) | (293,509) |
| Financial assets sold under repurchase agreements | (23,339) | (4,620) |
| Certificates of deposit | (24,662) | (6,747) |
| Loan capital in issue | (31,426) | (31,255) |
| Interest rate swaps | <u>(965)</u> | <u>(1,330)</u> |
| | <u>(634,017)</u> | <u>(340,496)</u> |
| Net interest income | <u>845,499</u> | <u>619,324</u> |
| Included within interest income | | |
| Interest income on impaired loans and advances | <u>103</u> | <u>145</u> |

Included within interest income and interest expense are HK\$1,478,991,000 (2014: HK\$958,199,000) and HK\$633,052,000 (2014: HK\$339,166,000) earned and incurred from financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

Included above is interest income from unlisted investments in debt securities of HK\$280,451,000 (2014: HK\$149,056,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

7. NET FEE AND COMMISSION INCOME

| | Six months ended 30 June | |
|---|---------------------------------|----------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Fee and commission income | | |
| Securities dealings | 110,950 | 59,586 |
| Credit lines | 19,783 | 9,166 |
| Trade finance | 5,173 | 6,297 |
| Credit card services | 42,812 | 39,850 |
| Agency services | 24,738 | 14,553 |
| Others | 20,993 | 7,292 |
| Total fee and commission income | 224,449 | 136,744 |
| Less: Fee and commission expenses | (39,276) | (36,982) |
| Net fee and commission income | <u>185,173</u> | <u>99,762</u> |
| of which: | | |
| Net fee and commission, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities, that are not held for trading nor designed at fair value through profit or loss | | |
| - Fee income | 84,894 | 59,412 |
| - Fee expenses | (38,692) | (36,809) |
| | <u>46,202</u> | <u>22,603</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

8. NET TRADING INCOME

| | Six months ended 30 June | |
|--|---------------------------------|----------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Foreign exchange | 46,860 | 36,806 |
| Net expenses from financial assets designated at fair value | – | (9,342) |
| Net (losses) gains on financial instruments at fair value through profit or loss | (4,360) | 8,746 |
| Net gains (losses) on fair value hedge: | | |
| - Net (losses) gains on hedged items attributable to the hedged risk | (24,079) | 40,679 |
| - Net gains (losses) on hedging instruments | 23,683 | (39,991) |
| | <u>42,104</u> | <u>36,898</u> |

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

9. OTHER OPERATING INCOME

| | Six months ended 30 June | |
|---|---------------------------------|----------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Dividend income | | |
| - Listed investments | 1,952 | 2,825 |
| - Unlisted investments | 3,300 | 2,200 |
| | 5,252 | 5,025 |
| Gross rents from investment properties | 4,469 | 5,451 |
| Less: Outgoings | (534) | (630) |
| Net rental income | 3,935 | 4,821 |
| Safe deposit box rentals | 23,900 | 21,828 |
| Insurance underwriting premium less claims and commission expense | 10,589 | 10,331 |
| Other banking services income | 24,132 | 23,460 |
| Others | 932 | 1,812 |
| | <u>68,740</u> | <u>67,277</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

10. OPERATING EXPENSES

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 |
| Auditor's remuneration | 1,999 | 2,183 |
| Staff costs (including directors' emoluments) | | |
| - Salaries and other costs | 312,734 | 222,518 |
| - Retirement benefits scheme contributions | 16,488 | 16,234 |
| Total staff costs | 329,222 | 238,752 |
| Depreciation | 24,711 | 23,620 |
| Release of prepaid lease payments for land | 33 | 33 |
| Premises and equipment expenses, excluding depreciation and release of prepaid lease payments for land | | |
| - Rentals and rates for premises | 57,965 | 44,851 |
| - Others | 14,757 | 11,265 |
| Other operating expenses | 97,427 | 94,711 |
| | <u>526,114</u> | <u>415,415</u> |

Included in the premises and equipment expenses are minimum lease payments under operating leases of HK\$53,919,000 (2014: HK\$41,076,000).

11. IMPAIRMENT LOSS ON GOODWILL

For the six-month period ended 30 June 2015, the management has reviewed goodwill for impairment testing purposes. The review comprised a comparison of the carrying amount and the value in use of an acquired subsidiary (the smallest cash-generating unit) to which the goodwill has been allocated. The acquired subsidiary is involved in insurance business.

The value in use calculations primarily use cash flow projections based on the four-year financial budgets approved by the management of the subsidiary and estimated terminal value at the end of the four-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and estimated terminal value. Key assumptions include the expected growth in revenues (growth rate at 4% to 29.9%), long term growth rate (3%) and selection of discount rate (12%).

Value in use is derived by discounting the expected future cash flows.

The management of the Group determines that there is no impairment loss on the goodwill for the six-month periods ended 30 June 2015 and 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

12. TAXATION

| | Six months ended 30 June | |
|---------------------------|---------------------------------|----------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| The tax charge comprises: | | |
| Hong Kong Profits Tax | 108,087 | 72,643 |
| Overseas taxation | 27,722 | 22,765 |
| Deferred tax | 2,576 | (10,946) |
| | <u>138,385</u> | <u>84,462</u> |

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the period.

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

13. EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Bank of HK\$725,967,000 (2014: HK\$2,337,308,000) with deduction of distribution payment for additional equity instruments of HK\$75,606,000 (2014: HK\$Nil) and on 435,000,000 (2014: 435,000,000) ordinary shares in issue.

The basic earnings per share for the six months ended 30 June 2014 excluding the net gains on disposal of Chong Hing Bank Centre of HK\$1,949,582,000 (net of tax) was HK\$0.89.

The profit for the six months ended 30 June 2014 excluding the net gains on disposal of Chong Hing Bank Centre of HK\$1,949,582,000 (net of tax) was HK \$387,726,000.

There were no potential dilutive instrument in issue during both periods.

14. DIVIDENDS

On 3 June 2015, a dividend of HK\$0.41 per share totalling HK\$178,350,000 was paid to shareholders as the final dividend for 2014.

At an extraordinary general meeting of the shareholders on 20 December 2013, a special interim dividend of HK\$4.5195 per share, totaling HK\$1,965,982,500 to shareholders on the Bank's register of members as of 4 February 2014 was approved. The conditions for payment of the special interim dividend were satisfied on 5 February 2014, when the Partial Disposal, as defined and stipulated in the joint announcement made by the Bank, the ultimate holding company and Guangzhou Yue Xiu Holdings Limited on 25 October 2013, became unconditional, and on 19 February 2014 when the completion of the Property Transfer, as defined and stipulated in this joint arrangement, took place. The special interim dividend of HK\$4.5195 per share was paid on 20 February 2014.

On 23 May 2014, a dividend of HK\$0.33 per share totalling HK\$143,550,000 was paid to shareholders as the final dividend for 2013.

Subsequent to the end of the interim period, the Board has declared a total amount of interim dividend in respect of the financial year ending 31 December 2015 of HK\$91,350,000 (2014: HK\$82,650,000) at a rate of HK\$0.21 (2014: HK\$0.19) per share should be paid to the shareholders of the Bank whose names appear in the Register of Members on 7 September 2015.

for the six months ended 30 June 2015

| | 30 June 2015 | 31 December 2014 |
|---|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Cash and balances with central bank and banks | 7,547,651 | 3,097,135 |
| Money at call and short notice | 8,803,310 | 21,476,748 |
| Exchange fund bills | 2,048,396 | 1,458,299 |
| | <u>18,399,357</u> | <u>26,032,182</u> |

16. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2015, the currencies of foreign currency forward contracts mainly comprise buying Hong Kong dollars and Renminbi (2014: Hong Kong dollars and Renminbi), and the currencies of foreign currency forward contracts mainly comprise selling Renminbi and United States dollars (2014: Renminbi and United States dollars). As at 30 June 2015 and 31 December 2014, all of these contracts have settlement dates within one year from the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

17. INVESTMENTS IN SECURITIES

| | Financial assets at fair value through profit or loss | | Available- for-sale securities | Held-to- maturity securities | Total |
|---------------------------------------|---|---|--------------------------------------|------------------------------------|------------|
| | Held for trading HK\$'000 | Designated at fair value HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 30 June 2015 | | | | | |
| Equity securities: | | | | | |
| Listed in Hong Kong | 323 | – | 232,190 | – | 232,513 |
| Listed overseas | – | – | 3,013 | – | 3,013 |
| | 323 | – | 235,203 | – | 235,526 |
| Unlisted | – | – | 36,072 | – | 36,072 |
| | 323 | – | 271,275 | – | 271,598 |
| Debt securities: | | | | | |
| Certificates of deposit | – | – | – | 313,740 | 313,740 |
| Other debt securities | | | | | |
| - Unlisted | – | – | 11,075,748 | 10,737,421 | 21,813,169 |
| | – | – | 11,075,748 | 11,051,161 | 22,126,909 |
| Total: | | | | | |
| Listed in Hong Kong | 323 | – | 232,190 | – | 232,513 |
| Listed overseas | – | – | 3,013 | – | 3,013 |
| Unlisted | – | – | 11,111,820 | 11,051,161 | 22,162,981 |
| | 323 | – | 11,347,023 | 11,051,161 | 22,398,507 |
| Market value of listed securities: | | | | | |
| Listed in Hong Kong | 323 | – | 232,190 | – | 232,513 |
| Listed overseas | – | – | 3,013 | – | 3,013 |
| | 323 | – | 235,203 | – | 235,526 |
| As analysed by issuing entities: | | | | | |
| Central governments and central banks | – | – | 284,613 | 8,898 | 293,511 |
| Public sector entities | – | – | – | 815,819 | 815,819 |
| Banks | – | – | 2,456,435 | 5,518,770 | 7,975,205 |
| Corporate entities | 323 | – | 8,595,763 | 4,707,674 | 13,303,760 |
| Others | – | – | 10,212 | – | 10,212 |
| | 323 | – | 11,347,023 | 11,051,161 | 22,398,507 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

17. INVESTMENTS IN SECURITIES - continued

| | Financial assets at fair value through profit or loss | | Available- for-sale securities | Held-to- maturity securities | Total |
|---------------------------------------|--|--|---|---|-----------------|
| | Held for trading HK\$'000 | Designated at fair value HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 31 December 2014 | | | | | |
| Equity securities: | | | | | |
| Listed in Hong Kong | 287 | – | 236,193 | – | 236,480 |
| Listed overseas | – | – | 8,573 | – | 8,573 |
| | 287 | – | 244,766 | – | 245,053 |
| Unlisted | – | – | 36,115 | – | 36,115 |
| | 287 | – | 280,881 | – | 281,168 |
| Debt securities: | | | | | |
| Certificates of deposit | – | – | – | 1,163,972 | 1,163,972 |
| Other debt securities | | | | | |
| - Unlisted | – | – | 7,594,039 | 7,499,164 | 15,093,203 |
| | – | – | 7,594,039 | 8,663,136 | 16,257,175 |
| Total: | | | | | |
| Listed in Hong Kong | 287 | – | 236,193 | – | 236,480 |
| Listed overseas | – | – | 8,573 | – | 8,573 |
| Unlisted | – | – | 7,630,154 | 8,663,136 | 16,293,290 |
| | 287 | – | 7,874,920 | 8,663,136 | 16,538,343 |
| Market value of listed securities: | | | | | |
| Listed in Hong Kong | 287 | – | 236,193 | – | 236,480 |
| Listed overseas | – | – | 8,573 | – | 8,573 |
| | 287 | – | 244,766 | – | 245,053 |
| As analysed by issuing entities: | | | | | |
| Central governments and central banks | – | – | – | 10,629 | 10,629 |
| Public sector entities | – | – | – | 822,649 | 822,649 |
| Banks | – | – | 376,172 | 3,154,901 | 3,531,073 |
| Corporate entities | 287 | – | 7,493,896 | 4,674,957 | 12,169,140 |
| Others | – | – | 4,852 | – | 4,852 |
| | 287 | – | 7,874,920 | 8,663,136 | 16,538,343 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

17. INVESTMENTS IN SECURITIES - continued

For the equity securities classified as available-for-sale financial instruments, impairment losses accumulated through the years of HK\$24,488,000 (2014: HK\$33,109,000) have been provided by the Group.

Unlisted equity securities classified as available-for-sale securities held by the Group amounting to HK\$35,711,000 (2014: HK\$35,744,000) are measured at cost less impairment. No impairment has been recognised for these equity securities.

Certain held-to-maturity certificates of deposit of HK\$17,055,000 (2014: HK\$17,065,000) held by the San Francisco Branch of the Bank have been pledged to the State of California of the United States of America in compliance with the requirements of the California Financial Code.

Debt securities classified as held-to-maturity amounting to HK\$8,898,000 (2014: HK\$10,629,000) were issued by the Government of Hong Kong Special Administrative Region and the PRC.

The debt securities classified as available-for-sale and held-to-maturity held by the Group are mainly guaranteed or issued by corporates and financial institutions from the PRC, Hong Kong and Australia.

The certificates of deposit classified as held-to-maturity securities held by the Group are mainly issued by banks from the PRC, Australia and Hong Kong. Of the above, held-to-maturity certificates of deposit amounting to HK\$100,774,000 (2014: HK\$246,921,000) and held-to-maturity debt securities amounting to HK\$4,062,843,000 (2014: HK\$1,680,863,000) held by the Group are credit exposures to the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

18. TRANSFER OF FINANCIAL ASSETS

The following were the Group's debt securities classified as held-to-maturity and available-for-sale as at 30 June 2015 and 31 December 2014 that were transferred to an entity with terms to repurchase these debt securities at agreed dates and prices. As the Group has retained substantially all the risks and rewards relating to these debt securities, the full carrying amount of these debt securities continued to be recognised. The cash received on the transfer was reported as liabilities under "Financial assets sold under repurchase agreements" (see note 24). The transferred debt securities serve as collateral to secure these liabilities. During the covered period, the legal title of the debt securities are transferred to the counterparty entity and there is no restriction for the counterparty entity to sell or repledge the collateral. These debt securities are either measured at amortised cost or carried at fair value in the condensed consolidated statement of financial position.

| | 30 June 2015 | | |
|--|---|---|---------------------------|
| | Available- for-sale debt securities HK\$'000 | Held-to- maturity debt securities HK\$'000 | Total HK\$'000 |
| Carrying amount of transferred assets | 2,581,262 | 1,519,494 | 4,100,756 |
| Carrying amount of associated liabilities (<i>Note 24</i>) | <u>2,380,897</u> | <u>1,411,288</u> | <u>3,792,185</u> |

| | 31 December 2014 | | |
|--|---|---|---------------------------|
| | Available- for-sale debt securities HK\$'000 | Held-to- maturity debt securities HK\$'000 | Total HK\$'000 |
| Carrying amount of transferred assets | 3,368,491 | 2,102,043 | 5,470,534 |
| Carrying amount of associated liabilities (<i>Note 24</i>) | <u>3,025,130</u> | <u>1,923,634</u> | <u>4,948,764</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

19. ADVANCES AND OTHER ACCOUNTS

| | 30 June 2015 | 31 December 2014 |
|-----------------------------|---------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| Advances to customers | | |
| Bills receivable | 471,241 | 380,029 |
| Trade bills | 7,630,440 | 7,734,103 |
| Other advances to customers | 54,231,426 | 48,811,288 |
| | 62,333,107 | 56,925,420 |
| Interest receivable | 423,945 | 328,381 |
| Impairment allowances | | |
| - Individually assessed | (28,102) | (19,945) |
| - Collectively assessed | (236,349) | (238,987) |
| | 62,492,601 | 56,994,869 |
| Other accounts | 2,049,205 | 1,589,738 |
| | 64,541,806 | 58,584,607 |

Included in the “Other Accounts” is variation margin of HK\$562,905,000 (2014: HK\$328,666,000) deposited in banks for certain interest rate swaps, foreign currency forward contracts and repurchase agreements and an amount of approximately HK\$474,480,000 (2014: HK\$658,218,000) placed as reserve funds with a bank in the PRC by the Shantou Branch of the Bank. Among which, HK\$306,052,000 (2014: HK\$489,673,000) are the mandatory reserve deposits placed with the People’s Bank of China. The mandatory reserve deposits are not available for the Group’s daily operation; HK\$168,428,000 (2014: HK\$168,545,000) are the fixed deposits placed with a bank in the PRC in compliance with the requirements of Regulations Governing Foreign Financial Institutions of the PRC.

The remaining balance of “Other Accounts” of the Group amounting to HK\$1,011,820,000 (2014: HK\$602,854,000) mainly included account receivables from Hong Kong Securities Clearing Company Limited, Hong Kong Futures Exchange Clearing Corporation Limited and brokerage clients in relation to securities dealing of HK\$770,674,000 (2014: HK\$365,783,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

19. ADVANCES AND OTHER ACCOUNTS - continued

Impairment allowances on advances:

| | Individual assessment HK\$'000 | Collective assessment HK\$'000 | Total HK\$'000 |
|--|--------------------------------------|--------------------------------------|-------------------|
| Balance 1 January 2015 | 19,945 | 238,987 | 258,932 |
| - Increase in impairment allowances | 17,643 | – | 17,643 |
| - Amounts reversed | (3,859) | (2,620) | (6,479) |
| Charge (reversal) of impairment allowances (net) | 13,784 | (2,620) | 11,164 |
| Amounts written off | (6,422) | – | (6,422) |
| Recoveries of advances written off in previous years | 898 | – | 898 |
| Unwinding effect of discount rate | (103) | – | (103) |
| Exchange adjustments | – | (18) | (18) |
| Balance 30 June 2015 | 28,102 | 236,349 | 264,451 |
| Balance 1 January 2014 | 14,755 | 189,425 | 204,180 |
| - Increase in impairment allowances | 11,253 | 49,621 | 60,874 |
| - Amounts reversed | (93,218) | – | (93,218) |
| (Reversal) charge of impairment allowances (net) | (81,965) | 49,621 | (32,344) |
| Amounts written off | (3,367) | – | (3,367) |
| Recoveries of advances written off in previous years | 90,805 | – | 90,805 |
| Unwinding effect of discount rate | (283) | – | (283) |
| Exchange adjustments | – | (59) | (59) |
| Balance 31 December 2014 | 19,945 | 238,987 | 258,932 |

Details of the impaired loans are as follows:

| | 30 June 2015 HK\$'000 | 31 December 2014 HK\$'000 |
|---|--------------------------|------------------------------|
| Gross impaired loans | 29,663 | 23,825 |
| Less: Impairment allowances under individual assessment | (28,102) | (19,945) |
| Net impaired loans | 1,561 | 3,880 |
| Gross impaired loans as a percentage of gross advances to customers | 0.05% | 0.04% |
| Market value of collateral pledged | 12,043 | 14,336 |

In addition to the individually assessed loans impairment allowance, the Group has also provided collectively assessed loans impairment allowance for loans that are individually insignificant or advances where no impairment has been identified individually.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

20. ASSETS HELD FOR SALE

The carrying amount of assets held for sale comprises:

| | 30 June 2015 HK\$'000 | 31 December 2014 HK\$'000 |
|---|--------------------------|------------------------------|
| Leasehold land and buildings in Hong Kong | | |
| Held on medium-term lease (10-50 years expired) | <u>141,954</u> | <u>1,718</u> |

The assets held for sale as at 30 June 2015 are classified as level 3 under fair value hierarchy.

21. INVESTMENT PROPERTIES

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| At 1 January | 288,413 | 136,575 |
| Transfer (to) from assets held for sale | (141,954) | 149,500 |
| Net increase in fair value recognised in profit or loss | 100,769 | 3,100 |
| Exchange adjustments | (26) | (762) |
| At 30 June / 31 December | <u>247,202</u> | <u>288,413</u> |

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

Net gains on fair value adjustments on investment properties:

| | Six months ended 30 June 2015 HK\$'000 | 2014 HK\$'000 |
|--|--|------------------|
| Net gains on fair value adjustments on investment properties | <u>100,769</u> | <u>—</u> |

Investment properties owned by the Group were revalued at 30 June 2015 by adopting the direct comparison approach and with reference to the recent transactions for similar premises by Vigers Appraisal and Consulting Limited, independent professional qualified valuer. The fair value is mainly arrived at by reference to comparable market transactions for similar properties.

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

The investment properties are rented out under operating leases or are held for capital appreciation purposes.

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

One of the key inputs used in valuing the investment properties was the unit sale rate taking into account of time, location and individual factors such as size and levels of building, which ranged from HK\$5,800 to HK\$45,000 (2014: HK\$5,700 to HK\$40,000) per square feet. A decrease in the unit sale rate would result in decrease in fair value measurement of the investment properties by the same percentage decrease and vice versa.

Investment properties are classified as Level 3 under fair value hierarchy as at 30 June 2015 and 31 December 2014. There were no transfers into or out of Level 3 during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

22. PROPERTY AND EQUIPMENT

| | Leasehold land HK\$'000 | Buildings HK\$'000 | Equipment HK\$'000 | Total HK\$'000 |
|--------------------------------------|--|-------------------------------|-------------------------------|---------------------------|
| COST | | | | |
| At 1 January 2015 | 486,350 | 166,070 | 577,595 | 1,230,015 |
| Additions | – | – | 39,924 | 39,924 |
| Disposals | – | – | (2,915) | (2,915) |
| Exchange adjustments | – | (3) | (212) | (215) |
| At 30 June 2015 | 486,350 | 166,067 | 614,392 | 1,266,809 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2015 | 120,634 | 45,160 | 454,265 | 620,059 |
| Depreciation | 5,417 | 2,024 | 17,270 | 24,711 |
| Eliminated on disposals | – | – | (2,575) | (2,575) |
| Exchange adjustments | – | (1) | (84) | (85) |
| At 30 June 2015 | 126,051 | 47,183 | 468,876 | 642,110 |
| CARRYING AMOUNTS | | | | |
| At 30 June 2015 | 360,299 | 118,884 | 145,516 | 624,699 |
| At 1 January 2015 | 365,716 | 120,910 | 123,330 | 609,956 |
| COST | | | | |
| At 1 January 2014 | 491,963 | 167,103 | 565,426 | 1,224,492 |
| Additions | – | – | 33,896 | 33,896 |
| Disposals | – | – | (22,257) | (22,257) |
| Reclassified to assets held for sale | (2,913) | – | – | (2,913) |
| Transfer to investment properties | (2,700) | (1,119) | – | (3,819) |
| Exchange adjustments | – | 86 | 530 | 616 |
| At 31 December 2014 | 486,350 | 166,070 | 577,595 | 1,230,015 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2014 | 111,112 | 41,878 | 435,800 | 588,790 |
| Depreciation | 10,828 | 4,132 | 32,693 | 47,653 |
| Eliminated on disposals | – | – | (14,143) | (14,143) |
| Reclassified to assets held for sale | (1,195) | – | – | (1,195) |
| Transfer to investment properties | (111) | (855) | – | (966) |
| Exchange adjustments | – | 5 | (85) | (80) |
| At 31 December 2014 | 120,634 | 45,160 | 454,265 | 620,059 |
| CARRYING AMOUNTS | | | | |
| At 31 December 2014 | 365,716 | 120,910 | 123,330 | 609,956 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

23. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments for land comprise:

| | 2015 | 2014 |
|---|---------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| COST | | |
| Outside Hong Kong held on: | | |
| Leases of between 10 to 50 years | <u>2,850</u> | <u>2,850</u> |
| Net book value at 1 January | <u>2,336</u> | 2,403 |
| Release of prepaid operating lease payments | (33) | (66) |
| Exchange adjustments | <u>—</u> | <u>(1)</u> |
| Net book value at 30 June / 31 December | <u><u>2,303</u></u> | <u><u>2,336</u></u> |
| Analysed as: | | |
| Current portion | 33 | 66 |
| Non-current portion | <u>2,270</u> | <u>2,270</u> |
| Total | <u><u>2,303</u></u> | <u><u>2,336</u></u> |

24. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | 30 June 2015 | 31 December 2014 |
|--------------------------------|-------------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| Analysed by collateral type: | | |
| Debt securities classified as: | | |
| Available-for-sale | <u>2,380,897</u> | 3,025,130 |
| Held-to-maturity | <u>1,411,288</u> | <u>1,923,634</u> |
| | <u><u>3,792,185</u></u> | <u><u>4,948,764</u></u> |

As at 30 June 2015, debt securities which are classified as available-for-sale and held-to-maturity with carrying amounts of HK\$2,581,262,000 (2014: HK\$3,368,491,000) and HK\$1,519,494,000 (2014: HK\$2,102,043,000) respectively were sold under repurchase agreements with other banks. All repurchase agreements are due within 12 months from the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

25. DEPOSITS FROM CUSTOMERS

| | 30 June 2015 | 31 December 2014 |
|--------------------------------------|--------------------------|--------------------------|
| | HK\$'000 | HK\$'000 |
| Demand deposits and current accounts | 7,963,030 | 9,657,057 |
| Savings deposits | 29,118,241 | 29,223,905 |
| Time, call and notice deposits | <u>55,046,219</u> | <u>43,252,429</u> |
| | <u>92,127,490</u> | <u>82,133,391</u> |

26. CERTIFICATES OF DEPOSIT

The Group has issued certificates of deposit which are measured at amortised cost with a total carrying amount of HK\$1,648,579,000 as at 30 June 2015 (2014: HK\$2,108,136,000). Certificates of deposit bear contractual interest rates between 0% to 4% (2014: 0% to 4%) per annum and will mature in 2015 and 2016. All certificates of deposit issued are not secured by any collateral.

27. LOAN CAPITAL

| | 30 June 2015 | 31 December 2014 |
|---|-------------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| US\$225 million fixed rate subordinated note due 2020 under fair value hedge (after adjustment of hedged interest rate risk) (Notes (a) & (b)) | <u>1,812,399</u> | <u>1,815,563</u> |

Notes:

(a) This represented a subordinated note qualifying as tier 2 capital under Basel II accord with face value of US\$225,000,000 issued on 5 November 2010. The note will mature on 4 November 2020. If at any time on or after 1 January 2013, the note no longer fully qualifies as term subordinated debt for inclusion in Category II - Supplementary Capital of the Bank upon changes to regulatory requirements, the Bank may, at its option and subject to the prior written approval of the HKMA, exercise a change of the status of the note by serving the "Change in Status Notice" to the noteholders. Upon a "Change in Status Notice" becoming effective, the note shall thereafter constitute unsubordinated obligations and the rate of interest on the note shall be reduced from 6% per annum to 5.5% per annum. As "Change in Status Notice" has not been served, the rate of interest on the note remains at 6% per annum.

(b) The subordinated note issued is not secured by any collateral.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

28. DEFERRED TAXATION

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

| | 30 June 2015 HK\$'000 | 31 December 2014 HK\$'000 |
|--------------------------|--------------------------|------------------------------|
| Deferred tax assets | 5,771 | 4,697 |
| Deferred tax liabilities | <u>(34,672)</u> | <u>(23,551)</u> |
| | <u>(28,901)</u> | <u>(18,854)</u> |

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

| | Accelerated tax depreciation HK\$'000 | Collectively assessed impairment allowance HK\$'000 | Investment properties HK\$'000 | Revaluation of available- for-sale securities HK\$'000 | Remeasurement of retirement benefits HK\$'000 | Total HK\$'000 |
|--|--|---|--------------------------------------|---|--|-------------------|
| At 1 January 2015 | (6,844) | 38,138 | (4,729) | (41,927) | (3,492) | (18,854) |
| Credit (charge) to the income statement for the period | 209 | (1,311) | (1,474) | – | – | (2,576) |
| Charge to other comprehensive income for the period | – | – | – | (7,473) | – | (7,473) |
| Exchange adjustments | – | – | 2 | – | – | 2 |
| At 30 June 2015 | <u>(6,635)</u> | <u>36,827</u> | <u>(6,201)</u> | <u>(49,400)</u> | <u>(3,492)</u> | <u>(28,901)</u> |
| At 1 January 2014 | (15,575) | 29,784 | (4,837) | (31,838) | (1,694) | (24,160) |
| Credit to the income statement for the year | 8,731 | 8,354 | – | – | – | 17,085 |
| Charge to other comprehensive income for the year | – | – | – | (10,089) | (1,798) | (11,887) |
| Exchange adjustments | – | – | 108 | – | – | 108 |
| At 31 December 2014 | <u>(6,844)</u> | <u>38,138</u> | <u>(4,729)</u> | <u>(41,927)</u> | <u>(3,492)</u> | <u>(18,854)</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

29. ADDITIONAL EQUITY INSTRUMENTS

| | 30 June 2015 | 31 December 2014 |
|--|-------------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| US\$300 million undated non-cumulative subordinated capital securities | <u>2,312,030</u> | <u>2,312,030</u> |

On 25 September 2014, the Bank issued undated non-cumulative subordinated capital securities ("Additional Tier 1 Capital Securities") with a face value of US\$300 million (equivalent to HK\$2,312,030,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 6.50% coupon until the first call date on 25 September 2019. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 4.628% per annum.

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

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

The Bank has a call option to redeem all the outstanding capital securities from 25 September 2019 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

During the period, a distribution payment of US\$9,750,000 (equivalent to HK\$75,606,000) was paid to the securities holders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

30. MATURITY PROFILES

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

| | Repayable on demand HK\$'000 | Repayable within 1 month (except those repayable on demand) HK\$'000 | Repayable after 1 month but within 3 months HK\$'000 | Repayable after 3 months but within 1 year HK\$'000 | Repayable after 1 year but within 5 years HK\$'000 | Repayable after 5 years HK\$'000 | Undated HK\$'000 | Total HK\$'000 |
|--|---------------------------------------|--|---|--|---|---|---------------------|--------------------|
| At 30 June 2015 | | | | | | | | |
| Assets | | | | | | | | |
| Cash and short-term funds | 7,379,223 | 8,840,786 | 1,137,380 | 1,041,968 | – | – | – | 18,399,357 |
| Placements with banks | – | – | 2,106,726 | 6,816,904 | – | – | – | 8,923,630 |
| Derivative financial instruments | – | 15,724 | 8,232 | 85,156 | 4,031 | 114,075 | – | 227,218 |
| Financial assets at fair value through profit or loss | – | – | – | – | – | – | 323 | 323 |
| Available-for-sale securities | – | – | 621,977 | 2,093,328 | 4,207,202 | 4,153,241 | 271,275 | 11,347,023 |
| Held-to-maturity securities | – | 933,468 | 878,225 | 3,356,484 | 5,381,016 | 501,968 | – | 11,051,161 |
| Advances to customers | 1,951,997 | 7,816,129 | 11,809,321 | 14,624,254 | 10,837,558 | 15,215,605 | 78,243 | 62,333,107 |
| Other financial assets | 1,872,816 | 215,676 | 174,403 | 202,899 | 7,935 | – | (265,030) | 2,208,699 |
| Total financial assets | 11,204,036 | 17,821,783 | 16,736,264 | 28,220,993 | 20,437,742 | 19,984,889 | 84,811 | 114,490,518 |
| Liabilities | | | | | | | | |
| Deposits and balances of banks | 395,848 | 1,212,521 | 369,276 | 730,947 | – | – | – | 2,708,592 |
| Financial assets sold under repurchase agreements | – | 563,561 | 1,743,679 | 1,484,945 | – | – | – | 3,792,185 |
| Deposits from customers | 37,116,300 | 16,356,525 | 24,096,411 | 14,497,013 | 61,241 | – | – | 92,127,490 |
| Certificates of deposit | – | – | 317,691 | 1,330,888 | – | – | – | 1,648,579 |
| Derivative financial instruments | – | 164,581 | 191,591 | 47,125 | 31,168 | 176,289 | – | 610,754 |
| Loan capital | – | – | – | – | – | 1,812,399 | – | 1,812,399 |
| Other financial liabilities | 804,102 | 70,884 | 287,707 | 468,946 | 18,911 | – | – | 1,650,550 |
| Total financial liabilities | 38,316,250 | 18,368,072 | 27,006,355 | 18,559,864 | 111,320 | 1,988,688 | – | 104,350,549 |
| Net position | | | | | | | | |
| - Total financial assets and liabilities | (27,112,214) | (546,289) | (10,270,091) | 9,661,129 | 20,326,422 | 17,996,201 | 84,811 | 10,139,969 |
| Of which certificates of deposit included in: | | | | | | | | |
| Held-to-maturity securities | – | 63,576 | 100,775 | – | 149,389 | – | – | 313,740 |
| Of which debt securities included in: | | | | | | | | |
| Available-for-sale securities | – | – | 621,977 | 2,093,328 | 4,207,202 | 4,153,241 | – | 11,075,748 |
| Held-to-maturity securities | – | 933,468 | 878,225 | 3,356,484 | 5,381,016 | 501,968 | – | 11,051,161 |
| | – | 933,468 | 1,500,202 | 5,449,812 | 9,588,218 | 4,655,209 | – | 22,126,909 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2015

30. MATURITY PROFILES - continued

| | Repayable on demand HK\$'000 | Repayable within 1 month (except those repayable on demand) HK\$'000 | Repayable after 1 month but within 3 months HK\$'000 | Repayable after 3 months but within 1 year HK\$'000 | Repayable after 1 year but within 5 years HK\$'000 | Repayable after 5 years HK\$'000 | Undated HK\$'000 | Total HK\$'000 |
|--|---------------------------------------|--|---|--|---|---|---------------------|--------------------|
| At 31 December 2014 | | | | | | | | |
| Assets | | | | | | | | |
| Cash and short-term funds | 3,006,159 | 21,436,695 | 797,320 | 792,008 | – | – | – | 26,032,182 |
| Placements with banks | – | – | 3,285,192 | 2,283,241 | – | – | – | 5,568,433 |
| Derivative financial instruments | – | 3,943 | 3,536 | 11,768 | 8,304 | 114,611 | – | 142,162 |
| Financial assets at fair value through profit or loss | – | – | – | – | – | – | 287 | 287 |
| Available-for-sale securities | – | – | – | 823,869 | 3,236,076 | 3,534,094 | 280,881 | 7,874,920 |
| Held-to-maturity securities | – | – | 1,214,236 | 1,369,020 | 5,341,938 | 737,942 | – | 8,663,136 |
| Advances to customers | 1,927,478 | 3,800,058 | 4,387,417 | 18,778,290 | 13,258,707 | 14,678,840 | 94,630 | 56,925,420 |
| Other financial assets | 1,397,257 | 273,131 | 119,426 | 128,422 | 3,760 | – | (262,809) | 1,659,187 |
| Total financial assets | 6,330,894 | 25,513,827 | 9,807,127 | 24,186,618 | 21,848,785 | 19,065,487 | 112,989 | 106,865,727 |
| Liabilities | | | | | | | | |
| Deposits and balances of banks | 11,882 | 1,289,824 | 632,802 | 2,479,353 | – | – | – | 4,413,861 |
| Financial assets sold under repurchase agreements | – | 374,187 | 1,162,136 | 3,412,441 | – | – | – | 4,948,764 |
| Deposits from customers | 39,010,507 | 13,873,193 | 17,120,126 | 12,045,646 | 83,919 | – | – | 82,133,391 |
| Certificates of deposit | – | 99,994 | 109,980 | 1,898,162 | – | – | – | 2,108,136 |
| Derivative financial instruments | – | 24,469 | 73,879 | 167,447 | 22,563 | 126,764 | – | 415,122 |
| Loan capital | – | – | – | – | – | 1,815,563 | – | 1,815,563 |
| Other financial liabilities | 626,515 | 52,543 | 230,540 | 429,863 | 21,152 | – | – | 1,360,613 |
| Total financial liabilities | 39,648,904 | 15,714,210 | 19,329,463 | 20,432,912 | 127,634 | 1,942,327 | – | 97,195,450 |
| Net position | | | | | | | | |
| - Total financial assets and liabilities | (33,318,010) | 9,799,617 | (9,522,336) | 3,753,706 | 21,721,151 | 17,123,160 | 112,989 | 9,670,277 |
| Of which certificates of deposit included in: | | | | | | | | |
| Held-to-maturity securities | – | – | 921,623 | 82,947 | 159,402 | – | – | 1,163,972 |
| Of which debt securities included in: | | | | | | | | |
| Available-for-sale securities | – | – | – | 823,869 | 3,236,076 | 3,534,094 | – | 7,594,039 |
| Held-to-maturity securities | – | – | 1,214,236 | 1,369,020 | 5,341,938 | 737,942 | – | 8,663,136 |
| | – | – | 1,214,236 | 2,192,889 | 8,578,014 | 4,272,036 | – | 16,257,175 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

31. RELATED PARTY TRANSACTIONS

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

| | Interest, commission and rental income | | Interest, rental and other operating expenses | |
|--|---|---------------|--|--------------|
| | Six months ended 30 June | | Six months ended 30 June | |
| | 2015 | 2014 | 2015 | 2014 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Ultimate holding company | <u>22,422</u> | <u>–</u> | <u>3,708</u> | <u>–</u> |
| Fellow subsidiaries | <u>10,256</u> | <u>8,784</u> | <u>19,858</u> | <u>1</u> |
| Associates | <u>16,209</u> | <u>11,627</u> | <u>2,152</u> | <u>1,366</u> |
| Key management personnel (<i>Note</i>) | <u>331</u> | <u>977</u> | <u>1,150</u> | <u>923</u> |
| Former ultimate holding company | <u>N/A</u> | <u>–</u> | <u>N/A</u> | <u>3,201</u> |
| Former fellow subsidiaries | <u>N/A</u> | <u>204</u> | <u>N/A</u> | <u>–</u> |

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

| | Amounts due from related parties | | Amounts due to related parties | |
|--|----------------------------------|------------------|--------------------------------|------------------|
| | 30 June 2015 | 31 December 2014 | 30 June 2015 | 31 December 2014 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Ultimate holding company | <u>759,514</u> | <u>760,304</u> | <u>178,606</u> | <u>3,935,992</u> |
| Fellow subsidiaries | <u>301,124</u> | <u>300,000</u> | <u>398,121</u> | <u>1,625,619</u> |
| Associates | <u>8,669</u> | <u>8,669</u> | <u>81,431</u> | <u>100,238</u> |
| Key management personnel (<i>Note</i>) | <u>26,992</u> | <u>32,559</u> | <u>144,730</u> | <u>156,218</u> |

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

As at 30 June 2015, the Group held available-for-sale debt securities issued by a fellow subsidiary of HK\$231,953,000 (31 December 2014: HK\$227,664,000).

Note: Includes key management personnel, close family members of key management personnel and entities that are controlled or jointly controlled, directly or indirectly, by key management personnel.

Compensation of key management personnel

The remuneration of directors and other members of the key management during the period was as follows:

| | Six months ended 30 June | |
|--------------------------|--------------------------|---------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Short-term benefits | <u>56,505</u> | <u>37,706</u> |
| Post employment benefits | <u>3,398</u> | <u>2,717</u> |
| | <u>59,903</u> | <u>40,423</u> |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

32. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

33. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform with the current period's presentation.

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

1. ADVANCES TO CUSTOMERS - BY INDUSTRY SECTORS

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

| | 30 June 2015 | | | | |
|---|--------------------------------------|--|--|--|-------------------------------------|
| | Gross loans and advances HK\$'000 | Collective impairment allowances HK\$'000 | Individual impairment allowances HK\$'000 | Loans and advances secured by collateral HK\$'000 (Note 1) | Gross impaired advances HK\$'000 |
| Loans for use in Hong Kong | | | | | |
| Industrial, commercial and financial | | | | | |
| - Property development | 1,317,073 | 5,897 | – | 711,068 | – |
| - Property investment | 7,510,022 | 36,028 | – | 7,257,358 | – |
| - Financial concerns | 3,439,822 | 13,065 | – | 1,992,261 | – |
| - Stockbrokers | 2,196,079 | 8,341 | – | 1,480,831 | – |
| - Wholesale and retail trade | 2,276,693 | 29,065 | 6,522 | 1,709,912 | 6,522 |
| - Manufacturing | 3,058,472 | 40,288 | 8,377 | 1,665,936 | 8,377 |
| - Transport and transport equipment | 913,557 | 7,808 | – | 829,126 | – |
| - Recreational activities | 1,217 | – | – | 1,217 | – |
| - Information technology | 97,950 | 1,956 | – | 8,816 | – |
| - Others (Note 2) | 7,577,042 | 49,391 | 43 | 5,634,251 | 43 |
| Individuals | | | | | |
| - Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 489,548 | – | – | 489,548 | – |
| - Loans for the purchase of other residential properties | 7,700,493 | – | – | 7,699,756 | – |
| - Credit card advances | 74,644 | 999 | 720 | – | 761 |
| - Others (Note 3) | 2,142,444 | 3,654 | 892 | 1,688,733 | 892 |
| | 38,795,056 | 196,492 | 16,554 | 31,168,813 | 16,595 |
| Trade finance | 8,837,631 | 4,707 | 10,760 | 425,669 | 10,760 |
| Loans for use outside Hong Kong | 14,700,420 | 35,150 | 788 | 4,310,775 | 2,308 |
| | <u>62,333,107</u> | <u>236,349</u> | <u>28,102</u> | <u>35,905,257</u> | <u>29,663</u> |

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

1. ADVANCES TO CUSTOMERS - BY INDUSTRY SECTORS - continued

| | 31 December 2014 | | | | |
|---|--------------------------------------|--|--|--|-------------------------------------|
| | Gross loans and advances HK\$'000 | Collective impairment allowances HK\$'000 | Individual impairment allowances HK\$'000 | Loans and advances secured by collateral HK\$'000 (Note 1) | Gross impaired advances HK\$'000 |
| Loans for use in Hong Kong | | | | | |
| Industrial, commercial and financial | | | | | |
| - Property development | 1,541,084 | 5,294 | — | 595,971 | — |
| - Property investment | 7,650,471 | 45,176 | — | 7,469,701 | — |
| - Financial concerns | 3,408,253 | 6,782 | 22 | 2,645,985 | 22 |
| - Stockbrokers | 1,461,378 | 9,598 | — | 499,108 | — |
| - Wholesale and retail trade | 2,415,957 | 32,139 | 5,666 | 1,967,117 | 5,666 |
| - Manufacturing | 2,019,708 | 30,565 | 6,119 | 1,171,366 | 6,119 |
| - Transport and transport equipment | 866,154 | 8,936 | — | 740,110 | — |
| - Recreational activities | 1,182 | — | — | 1,182 | — |
| - Information technology | 6,045 | 796 | — | 5,015 | — |
| - Others (Note 2) | 8,397,750 | 55,476 | 2,268 | 5,315,798 | 4,503 |
| Individuals | | | | | |
| - Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 461,551 | — | — | 461,551 | — |
| - Loans for the purchase of other residential properties | 7,362,470 | — | — | 7,361,733 | — |
| - Credit card advances | 101,630 | 106 | 863 | — | 989 |
| - Others (Note 3) | 2,105,175 | 7,422 | 663 | 1,613,943 | 663 |
| | 37,798,808 | 202,290 | 15,601 | 29,848,580 | 17,962 |
| Trade finance | 8,767,283 | 2,301 | 3,555 | 516,394 | 3,555 |
| Loans for use outside Hong Kong | 10,359,329 | 34,396 | 789 | 3,558,586 | 2,308 |
| | <u>56,925,420</u> | <u>238,987</u> | <u>19,945</u> | <u>33,923,560</u> | <u>23,825</u> |

Notes: 1. Loans and advances secured by collateral are determined as the lower of the market value of collateral or outstanding loan principal.

2. Major items included in "Others" are for electricity and gas, hotels, catering, margin lending and other business purposes.

3. Major items mainly included loans to professionals and other individuals for various private purposes.

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

1. ADVANCES TO CUSTOMERS - BY INDUSTRY SECTORS - continued

The Group's advances to customers overdue for over three months as at 30 June 2015 and 31 December 2014, and new impairment allowances and advances written-off during the six months ended 30 June 2015 and 2014 in respect of industry sectors which constitute not less than 10% of gross advances to customers are analysed as follows:

| | 2015 | | |
|--|--|---|--|
| | Advances overdue for over three months as at 30 June HK\$'000 | New impairment allowances during the six months ended 30 June HK\$'000 | Advances written-off during the six months ended 30 June HK\$'000 |
| Loans for use in Hong Kong | | | |
| Industrial, commercial and financial | | | |
| - Property investment | 159,813 | — | — |
| - Others | — | 4,435 | 4,397 |
| Individuals | | | |
| - Loans for the purchase of other residential properties | 419 | 28 | 28 |
| Trade finance | 15,951 | 7,990 | — |
| Loans for use outside Hong Kong | <u>64,189</u> | <u>61</u> | <u>—</u> |
| | | | |
| | 2014 | | |
| | Advances overdue for over three months as at 31 December HK\$'000 | New impairment allowances during the six months ended 30 June HK\$'000 | Advances written-off during the six months ended 30 June HK\$'000 |
| Loans for use in Hong Kong | | | |
| Industrial, commercial and financial | | | |
| - Property investment | 458 | — | — |
| - Others | 4,753 | 286 | 211 |
| Individuals | | | |
| - Loans for the purchase of other residential properties | 419 | — | — |
| Trade finance | 3,555 | 3,379 | — |
| Loans for use outside Hong Kong | <u>27,808</u> | <u>506</u> | <u>—</u> |

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

2. ADVANCES TO CUSTOMERS - BY GEOGRAPHICAL AREAS

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

| 30 June 2015 | | | | | |
|----------------------------|-------------------------------|---|----------------------------------|---|---|
| | Total advances HK\$'000 | Advances overdue for over three months HK\$'000 | Impaired advances HK\$'000 | Individual impairment allowance HK\$'000 | Collective impairment allowance HK\$'000 |
| Hong Kong | 53,306,613 | 271,908 | 27,355 | 27,314 | 201,353 |
| People's Republic of China | 4,490,166 | 2,308 | 2,308 | 788 | 27,935 |
| Macau | 2,139,669 | — | — | — | 7,061 |
| America | 72,366 | — | — | — | — |
| Others | 2,324,293 | — | — | — | — |
| | <u>62,333,107</u> | <u>274,216</u> | <u>29,663</u> | <u>28,102</u> | <u>236,349</u> |

| 31 December 2014 | | | | | |
|----------------------------|-------------------------------|---|----------------------------------|---|---|
| | Total advances HK\$'000 | Advances overdue for over three months HK\$'000 | Impaired advances HK\$'000 | Individual impairment allowance HK\$'000 | Collective impairment allowance HK\$'000 |
| Hong Kong | 50,478,066 | 44,259 | 21,517 | 19,157 | 217,013 |
| People's Republic of China | 3,369,537 | 2,308 | 2,308 | 788 | 4,247 |
| Macau | 1,151,073 | — | — | — | 11,522 |
| America | 653,707 | — | — | — | 6,205 |
| Others | 1,273,037 | — | — | — | — |
| | <u>56,925,420</u> | <u>46,567</u> | <u>23,825</u> | <u>19,945</u> | <u>238,987</u> |

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

3. INTERNATIONAL CLAIMS

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

| At 30 June 2015 | | | | | |
|-------------------------|-------------------|--------------------------------|---|--|-------------------|
| | Banks HK\$'000 | Official sector HK\$'000 | Non-bank private sector | | Total HK\$'000 |
| | | | Non-bank financial institutions HK\$'000 | Non-financial private sector HK\$'000 | |
| Offshore centres | 6,494,844 | 344,752 | 1,938,257 | 16,767,937 | 25,545,790 |
| of which - Hong Kong | 5,486,345 | 344,219 | 1,822,257 | 8,253,310 | 15,906,131 |
| Developing Asia-Pacific | 23,377,167 | 830,059 | 464,000 | 2,186,259 | 26,857,485 |
| of which - China | 20,001,972 | 829,755 | 464,000 | 2,166,341 | 23,462,068 |

| 31 December 2014 * | | | | |
|----------------------------------|---|--|--------------------|-------------------|
| | Banks and other financial institutions HK\$'000 | Public sector entities HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| | | | | |
| Asia Pacific excluding Hong Kong | 34,040,753 | 81,901 | 5,353,837 | 39,476,491 |
| - of which - China | <u>26,736,049</u> | <u>25,210</u> | <u>3,802,399</u> | <u>30,563,658</u> |

* There are changes of reporting basis and the categorisation on the types of counterparties as required by the HKMA in 2015, hence the disclosures reported during the year of 2014 are not directly comparable.

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

4. OVERDUE AND RESCHEDULED ASSETS

| | 30 June 2015 | | 31 December 2014 | |
|--|--|---|--|---|
| | Gross amount of advances HK\$'000 | Percentage to total advances % | Gross amount of advances HK\$'000 | Percentage to total advances % |
| Advances overdue for | | | | |
| - 6 months or less but over 3 months | 214,261 | 0.3 | 1,048 | 0.0 |
| - 1 year or less but over 6 months | 28,003 | 0.0 | 30,705 | 0.1 |
| - Over 1 year | 31,952 | 0.1 | 14,814 | 0.0 |
| Total overdue advances | <u>274,216</u> | <u>0.4</u> | <u>46,567</u> | <u>0.1</u> |
| Rescheduled advances | <u>6,471</u> | <u>0.0</u> | <u>7,615</u> | <u>0.0</u> |
| Individual impairment allowances made in respect of overdue loans and advances | <u>22,538</u> | | <u>14,891</u> | |
| Covered portion of overdue loans and advances | 252,425 | | 32,338 | |
| Uncovered portion of overdue loans and advances | <u>21,791</u> | | <u>14,229</u> | |
| | <u>274,216</u> | | <u>46,567</u> | |
| Market value of collateral held against covered portion of overdue loans and advances | <u>654,477</u> | | <u>157,472</u> | |

There were no advances to banks or other assets which were overdue for over three months as at 30 June 2015 and 31 December 2014, nor were there any rescheduled advances to banks.

Reposessed assets held by the Group as at 30 June 2015 amounted to HK\$30,330,000 (2014: HK\$14,800,000).

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

5. MAINLAND ACTIVITIES EXPOSURES

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

| Type by counterparties | 30 June 2015 | | Total HK\$'000 |
|--|---|--|-------------------|
| | On-balance sheet exposure HK\$'000 | Off-balance sheet exposure HK\$'000 | |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 8,049,888 | 1,098,745 | 9,148,633 |
| 2. Local government, local government-owned entities and their subsidiaries and JVs | 3,190,988 | 271,429 | 3,462,417 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 4,008,368 | 1,128,067 | 5,136,435 |
| 4. Other entities of central government not reported in item 1 above | 956,519 | – | 956,519 |
| 5. Other entities of local government not reported in item 2 above | 811,185 | – | 811,185 |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 7,673,172 | 1,111,963 | 8,785,135 |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 139,193 | 1,500 | 140,693 |
| Total | 24,829,313 | 3,611,704 | 28,441,017 |
| Total assets after provision (Note) | 114,541,702 | | |
| On-balance sheet exposures as percentage of total assets (Note) | 22% | | |

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

5. MAINLAND ACTIVITIES EXPOSURES - continued

| Type by counterparties | 31 December 2014 | | Total HK\$'000 |
|--|---|--|-------------------|
| | On-balance sheet exposure HK\$'000 | Off-balance sheet exposure HK\$'000 | |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 5,395,362 | 476,348 | 5,871,710 |
| 2. Local government, local government-owned entities and their subsidiaries and JVs | 2,588,909 | 903,532 | 3,492,441 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 2,334,987 | 980,545 | 3,315,532 |
| 4. Other entities of central government not reported in item 1 above | 466,727 | — | 466,727 |
| 5. Other entities of local government not reported in item 2 above | 856,869 | 23,214 | 880,083 |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 6,091,801 | 806,731 | 6,898,532 |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 143,678 | 2,596 | 146,274 |
| Total | 17,878,333 | 3,192,966 | 21,071,299 |
| Total assets after provision (Note) | 107,327,636 | | |
| On-balance sheet exposures as percentage of total assets (Note) | 17% | | |

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

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

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

6. CURRENCY RISK

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

| | 30 June 2015 | |
|--------------------------------|----------------|----------------|
| | RMB | Total |
| Equivalent in thousand of HK\$ | | |
| Spot assets | 29,401,687 | 29,401,687 |
| Spot liabilities | (25,390,117) | (25,390,117) |
| Forward purchases | 13,550,197 | 13,550,197 |
| Forward sales | (17,161,135) | (17,161,135) |
| Net long position | <u>400,632</u> | <u>400,632</u> |
| | MOP | RMB |
| Net structural position | <u>48,545</u> | <u>351,377</u> |
| | | Total |
| | | <u>399,922</u> |

| | 31 December 2014 | |
|--------------------------------|------------------|----------------|
| | RMB | Total |
| Equivalent in thousand of HK\$ | | |
| Spot assets | 32,406,789 | 32,406,789 |
| Spot liabilities | (25,970,201) | (25,970,201) |
| Forward purchases | 2,447,685 | 2,447,685 |
| Forward sales | (8,543,416) | (8,543,416) |
| Net long position | <u>340,857</u> | <u>340,857</u> |
| | MOP | RMB |
| Net structural position | <u>48,545</u> | <u>351,377</u> |
| | | Total |
| | | <u>399,922</u> |

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

7. THE CONTRACTUAL AMOUNTS OF EACH OF THE FOLLOWING CLASSES OF CONTINGENT LIABILITIES AND COMMITMENTS OUTSTANDING ARE:

| | 30 June 2015 HK\$'000 | 31 December 2014 HK\$'000 |
|--|--------------------------|------------------------------|
| Contingent liabilities and commitments - contractual amounts | | |
| Direct credit substitutes | 1,250,549 | 1,042,023 |
| Trade-related contingencies | 221,771 | 396,545 |
| Forward asset purchases | 35,302 | 12,542 |
| Undrawn formal standby facilities, credit lines and other commitments | | |
| Which are unconditionally cancellable without prior notice | 7,135,574 | 6,665,955 |
| With an original maturity of one year and under | 8,015,212 | 9,021,621 |
| With an original maturity of over one year | 3,770,366 | 2,583,848 |
| Lease commitments | <u>383,291</u> | <u>338,657</u> |
| | <u>20,812,065</u> | <u>20,061,191</u> |

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

The replacement cost and credit risk-weighted amounts of the contingent liabilities, commitments and derivatives exposures are as follows:

| | 30 June 2015 | | 31 December 2014 | |
|--|---------------------------------|--|---------------------------------|--|
| | Replacement cost HK\$'000 | Credit risk- weighted amount HK\$'000 | Replacement cost HK\$'000 | Credit risk- weighted amount HK\$'000 |
| Contingent liabilities and commitments | – | 4,494,286 | – | 3,494,488 |
| Exchange rate contracts | 109,564 | 169,914 | 19,246 | 72,891 |
| Interest rate contracts | <u>117,654</u> | <u>46,901</u> | <u>122,916</u> | <u>47,878</u> |
| | <u>227,218</u> | <u>4,711,101</u> | <u>142,162</u> | <u>3,615,257</u> |

The above amounts do not take into account the effects of bilateral netting arrangements.

Replacement cost is the cost which would be incurred by the Group if it was required to enter into another contract to replace the existing transaction or existing contract with another counterparty with substantially the same economic consequences for the Group and is calculated by marking-to-market the existing transaction or existing contract. If the resultant value is positive for the Group, the replacement cost shall be the resultant value of the existing transaction or existing contract. If the resultant value is negative for the Group, the replacement cost shall be zero. Replacement cost is a close approximation of the credit risk for these contracts at the end of the reporting period.

The credit risk-weighted amount is the amount which has been calculated in accordance with the Banking (Capital) Rules and the guidelines issued by the HKMA.

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

8. CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY RATIOS

| | 30 June 2015 % | 31 December 2014 % |
|--|-------------------|-----------------------|
| Total capital ratio | 14.14 | 15.94 |
| Tier 1 capital ratio | 11.43 | 12.77 |
| Common Equity Tier 1 (“CET 1”) capital ratio | 8.65 | 9.60 |

Countercyclical Capital Buffer Ratio

There is no information disclosed relating to the Countercyclical capital buffer (“CCyB”) ratio pursuant to section 24B of the Banking (Disclosure) Rules for this period because the applicable JCCyB ratio (a capital buffer level announced by the regulatory authorities for the purpose of implementing the provisions concerning the countercyclical capital buffer under Basel III) for Hong Kong and for jurisdiction outside Hong Kong are at 0% before 1 January 2016.

Capital Conservation Buffer Ratio

Under the Banking (Capital) Rules, the capital conservation buffer ratio for calculating the Bank’s buffer level is 0% for 2015.

| | 30 June 2015 % |
|--|------------------------------------|
| Leverage ratio | 7.92 |
| | Six months ended 30 June 2015 % |
| Average liquidity maintenance ratio for the period | 37.23 |
| | Six months ended 30 June 2014 % |
| Average liquidity ratio for the period | 38.94 |

Capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules under Hong Kong Banking Ordinance for the implementation of the “Basel III” capital accord, which became effective on 1 January 2013. In accordance with the Banking (Capital) Rules, the Bank has adopted the “standardised approach” for the calculation of the risk-weighted assets for credit risk, “standardised (market risk) approach” for the calculation of market risk and “basic indicator approach” for the calculation of operational risk. The capital adequacy ratio is consolidated, under the Banking (Capital) Rules, with reference to the financial information of the Bank, Chong Hing Finance Limited, Right Way Investments Limited, Gallbraith Limited, Chong Hing Information Technology Limited, Card Alliance Company Limited, Top Benefit Enterprise Limited and Hero Marker Limited.

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

Liquidity maintenance ratio (“LMR”) is compiled in accordance with the Banking (Liquidity) Rules under Hong Kong Banking Ordinance, which became effective on 1 January 2015. The LMR is calculated on an unconsolidated basis. The average liquidity maintenance ratio is calculated based on the arithmetic mean of the average value of the LMR of the Bank reported in the liquidity position return of the Bank for each month during the reporting period.

The average liquidity ratio is calculated as the ratio, expressed as a percentage, of the average of each calendar month’s average ratio, as specified in the Fourth Schedule of the Hong Kong Banking Ordinance, with reference to the financial information of the Bank, Chong Hing Finance Limited, Right Way Investments Limited and Gallbraith Limited.

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

9. OTHER FINANCIAL INFORMATION

The Bank has set up a “Regulatory Disclosure” section on its website to house all of information relating to the disclosure of regulatory capital to comply with Banking (Disclosure) Rules. In accordance with section 24 of Banking (Disclosure) Rules, the “Regulatory Disclosure” section includes the following information:

- A detailed breakdown of the Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions to the capital base by using the standard disclosure templates as specified by the HKMA;
- A full reconciliation of the Common Equity Tier 1 capital items, Additional Tier 1 capital items, Tier 2 capital items and regulatory deductions to the capital base and the balance sheet in the published financial statements;
- The full terms and conditions of all capital instruments; and
- The disclosure on leverage ratio pursuant to section 24A of the Banking (Disclosure) Rules.

The above information will be available on the Bank’s website: www.chbank.com/en/regulatory-disclosure/index.shtml in the “Regulatory Disclosure” section in accordance with the Banking (Disclosure) Rules.

10. BASIS OF CONSOLIDATION

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

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

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

| Name of company | Principal activities | Total assets | | Total equity | |
|--|--|--------------------------|------------------------------|--------------------------|------------------------------|
| | | 30 June 2015 HK\$’000 | 31 December 2014 HK\$’000 | 30 June 2015 HK\$’000 | 31 December 2014 HK\$’000 |
| Chong Hing (Nominees) Limited | Provision of nominee services | 100 | 100 | 100 | 100 |
| Chong Hing Securities Limited | Stockbroking | 1,072,443 | 757,185 | 496,708 | 428,659 |
| Chong Hing Commodities and Futures Limited | Investment holding and commodities and futures broking | 67,953 | 65,693 | 64,023 | 61,701 |
| Chong Hing Insurance Company Limited | Insurance underwriting | 356,192 | 323,356 | 216,716 | 198,070 |
| Chong Hing (Management) Limited | Provision of management services | 326 | 379 | 100 | 100 |

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

11. RISK MANAGEMENT

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

The management of assets and liabilities of the Group is conducted under the guidance of the Asset and Liability Management Committee (the “ALCO”). The ALCO holds meetings every two weeks, and more frequent meetings when required, to review and direct the relevant policies, and to monitor the bank-wide positions. The day-to-day management of the liquidity, foreign exchange, interest rate and other market risks, and the compliance with the ALCO and the Risk Management and Compliance Committee (the “RMCC”) policies are monitored by the Finance and Capital Management Division, the Treasury Department, the Market Risk Management Department and the Finance Department with the assistance of various qualitative and quantitative analyses.

In addition to complementing the ALCO in the management of assets and liabilities, the RMCC also oversees the implementation of the policies and procedures established for managing the Group’s operational, legal, and reputation risks and compliance requirements.

(i) Capital management

The Group has adopted a policy of maintaining a strong capital base to support its business growth. The Group’s capital adequacy ratio has remained well above the statutory minimum ratio of 8% for the past five financial years.

(ii) Credit risk

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

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

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

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group has laid down liquidity policy which is reviewed regularly by the Board. This policy requires the Group to maintain a conservative level of liquid funds on a daily basis to ensure the availability of adequate liquid funds to meet all obligations, and the compliance with the statutory liquidity ratio requirement. The liquidity position is monitored through statutory liquidity ratio, loan-to-deposit ratio, maturity profile of assets and liabilities, and inter-bank transactions undertaken by the Group.

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

11. RISK MANAGEMENT - continued

(iv) Market risk

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

Market risk arising from the trading book is considered immaterial, as the Group does not maintain significant positions of financial instruments leading to foreign exchange, interest rate, commodity and equity exposures. Structural foreign exchange exposure is explained further under (v) foreign exchange risk.

(v) Foreign exchange risk

The Group does not have any significant foreign exchange risk as foreign exchange dealing is moderate. Structural foreign exchange exposure arising from investments in branches outside Hong Kong and subsidiaries is accounted for in the reserves account. Day-to-day foreign exchange management is performed by the Treasury Department within approved limits.

The Group takes on exposure to effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. Off-balance sheet notional position represents the contractual amounts of foreign currencies bought and sold under foreign exchange contracts.

(vi) Interest rate risk

Interest rate risk is referred to the risk to the Bank's financial condition resulting from adverse movements in interest rates. This consists of repricing risk, basis risk, options risk and yield curve risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The Group does not carry any interest rate positions on its trading book. Certain interest rate contracts entered into to manage the Group's own risk are classified as trading securities. Interest rate risk arises primarily from the timing differences in the re-pricing of, and the different bases of pricing interest-bearing assets, liabilities and commitments, and from positions of non-interest bearing balances. Interest rate risk is monitored by regular sensitivity analyses of the net re-pricing gap and of different scenarios of pricing bases of assets and liabilities grouped with reference to their next contractual repricing date or maturity date.

SUPPLEMENTARY INFORMATION

for the six months ended 30 June 2015

11. RISK MANAGEMENT - continued

(vii) Operational and legal risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, frauds, or inadequate internal controls and procedures.

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

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

(viii) Reputation risk

Reputation risk is the risk to earnings or capital arising from negative public opinion.

Reputation risk is managed by ensuring proper and adequate communications and public relation efforts to foster the reputation of the Group. A risk management mechanism guided by the senior management including executive directors and senior managers has been established to manage the media exposure, handle customers' and other relevant parties' complaints and suggestions, and to ensure that new business activities and agents acting on the Group's behalf do not jeopardise its reputation.

INTERIM DIVIDEND

The Board has declared that the interim cash dividend for 2015 of HK\$0.21 per share, payable on Wednesday, 16 September 2015 to shareholders whose names appear in the Register of Members of the Bank on Monday, 7 September 2015 (2014 interim cash dividend: HK\$0.19 per share paid on 26 September 2014).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Bank will be closed on Monday, 7 September 2015 that no transfer of shares can be registered. In order to qualify for the 2015 interim cash dividend, all transfer documents, along with the relevant share certificates, must be lodged for registration with the Bank's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Friday, 4 September 2015.

PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

Neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any of the Bank's listed securities for the six months ended 30 June 2015.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2015, the Bank has complied with the Code Provisions set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except:

Under the Bank's Articles of Association, one-third (or, if the quotient resulting from the division of the number of directors by three is not a whole number, the number nearest one-third) of the directors for the time being, who have been longest in office since their last election, shall be subject to retirement by rotation and re-election at each annual general meeting of the shareholders. As between persons who became directors on the same day, those to retire shall (unless they otherwise agree between themselves) be determined by drawing lots. And as to those persons additionally appointed as directors or appointed as directors to fill casual vacancies by the board of directors, they shall hold office only until the next following annual general meeting of the shareholders and shall then be eligible for re-election (but not to be taken into account in determining the directors or the number of directors who are to retire by rotation) at that annual general meeting of the shareholders. The directors consider such practices to be appropriate alternatives to those recommended under Code Provisions A.4.1 and A.4.2.

Furthermore, the Bank has adopted a code for securities transactions by directors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Bank, all of the directors confirmed that they had complied with the required standards set out in both the Model Code and the Bank's own code for securities transactions by directors throughout the six months ended 30 June 2015.

PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE BANK

The Bank's Interim Report 2015, containing the relevant information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be published on the websites of The Stock Exchange of Hong Kong Limited and the Bank in due course.

CHAIRMAN'S STATEMENT

The first half of 2015 had seen the major economies in the world recovering at different paces. Against this background, I am pleased to announce that Chong Hing Bank had recorded satisfactory results for the period. The Bank's core business lines and overall financial health were strong, asset quality remained sound and profitability was enhanced. The Bank's operating profit after impairment allowances was HK\$604 million and showed an improvement of 34% from the corresponding period in previous year. Profit attributable to equity owners amounted to HK\$726 million and showed an improvement of 87% compared with the same period in 2014 after excluding the net gains on disposal of Chong Hing Bank Centre in 2014, translating into earnings of HK\$1.50 per share. Total assets increased by 7% in the first half of 2015 to HK\$115,821 million and net asset value per share (excluding additional equity instruments and before the payment of the interim cash dividend for 2015) was HK\$20.65. The board of directors (the "Board") has recommended payment of the interim cash dividend of HK\$0.21 per share for the six months ended 30 June 2015 and the Board has considered that it is prudent to preserve the Bank's capital and excluded the net gains (net of tax) from disposal of and fair value adjustments on assets held for sale, available-for-sale securities and investment properties when the dividend level was considered. The earnings excluding these net gains would be HK\$1.04 per share and the payout ratio is 20.19%.

The major financial ratios for the first half of 2015 are as follows and the return on shareholders' equity is calculated after taken into consideration the coupon of the additional equity instruments relevant for the period:

- Return on shareholders' equity: 14.89% (annualised)
- Average liquidity maintenance ratio: 37.23%
- Total capital ratio: 14.14% as of 30 June 2015
- Tier 1 capital ratio: 11.43% as of 30 June 2015
- Loan to deposit ratio: 59.55% as of 30 June 2015

The speed at which China's financial markets are opening up is increasing as the country pursues ever greater integration with the world's financial markets. This will bring opportunities to Hong Kong which has a well-developed and mature financial market.

At the same time, the Central Government launched a series of important national policies which will enable Hong Kong to play a larger role in the investment and financing sectors, thereby consolidating Hong Kong's position as a financial centre. Since its launch in November 2014, the Shanghai-Hong Kong Stock Connect has operated smoothly with the southbound investment in Hong Kong-listed stocks setting a new record for single-day transactions by volume in April 2015. The "Mutual Recognition of Funds" was officially launched on 1 July 2015, a policy encouraging qualified Mainland and Hong Kong funds to be established on either side of the border and greatly simplifying that process. This will open up new areas of asset management in the Mainland and Hong Kong, strengthening financial ties on both sides. "Shenzhen-Hong Kong Connect", another mechanism promoting interconnectedness, is expected to be launched in 2015. These three financial industry drivers will bring fresh momentum to the Hong Kong economy in the second half of the year. The Bank will capture opportunities to introduce more investment services and products that meet the needs of customers for excellent results.

Moreover, national policies continue to support Hong Kong's role as the biggest offshore Renminbi centre. 2015 is the seventh consecutive year that China's Ministry of Finance has issued sovereign bonds totalling RMB28 billion in Hong Kong, fully demonstrating the Central Government's commitment to developing Hong Kong into an offshore Renminbi business centre. To promote sustained nationwide development, China launched the "One Belt, One Road", a far-reaching policy for building regional economic cooperation. The Asian Infrastructure Investment Bank was also established to finance this initiative. These moves will encourage greater economic integration among the Asian countries along the "One Belt, One Road", further internationalise the Renminbi and create new opportunities in corporate financing for the banking industry. Cooperation and integration between Mainland and Hong Kong will continue. With the establishment of the Guangdong free trade zone, an important cross-border Renminbi business platform will be established. This measure is aimed at encouraging trade cooperation between Guangdong and Hong Kong, promoting its investment and financing; and ushering Hong Kong into a new era of cross-border Renminbi business development.

In recent years, Yue Xiu Group has pursued opportunities arising from increasing financial cooperation between Guangdong and Hong Kong, and has sought to be a pioneer and promoter in this arena. Banking is considered to be of strategic importance for its future development. Since becoming a member of Yue Xiu Group, Chong Hing Bank has a vision of becoming a competitive financial institution based in Hong Kong with service coverage radiating to Guangzhou and other parts of the Mainland, as well as the Asia-Pacific region. Following on from its sub-branch that was opened in Guangzhou in 2014, Foshan Sub-branch was opened in January 2015 with operations at the two sub-branches rapidly expanding. Looking ahead, the Bank will continue to develop its Mainland business and pursue opportunities created by the Guangdong free trade zone. Beginning with Guangzhou, the Bank will seek to steadily expand its service network. At the same time, the Bank will strive to enhance its cross-border integrated financial service capabilities. Through introducing more diversified Renminbi-denominated investment products, it will strengthen its cross-border trade financing and Renminbi loan business and expand its Renminbi deposit base to help building a well-organised cross-border Renminbi business centre.

The second half of 2015 will bring various challenges but opportunities for development will also abound. This year marks the 30th anniversary of Yue Xiu Group. Chong Hing Bank will continue to pursue development opportunities arising from the increasing integration between the Mainland and Hong Kong in line with the core values of Yue Xiu Group "Excellence without Limits", while always seeking to achieve better returns for shareholders.

On behalf of the board of directors of the Bank, I would like to express my sincerest appreciation to my fellow directors for their dedication in discharging their duties and the guidance they provided across many areas to assist Chong Hing Bank. At the same time, I would like to thank the management and our staff members for their tireless efforts and contribution in their respective positions to these remarkable results and such an outstanding performance. I would also like to take this opportunity to express my gratitude to our shareholders, customers and business partners for their longstanding support and trust.

MANAGING DIRECTOR'S STATEMENT

Global Economy

The global economy experienced modest recovery in the first half of 2015. Central banks around the world continued with the monetary easing policies, providing abundant liquidity for financial markets and stimulating economic growth. The economy in the United States gradually moves out from the 2008 financial crisis, and the economy continued to improve in the first half of the year. The Federal Reserve Board indicated that the timing of any rate hike would be determined by performance data and other external economic factors. Market in general expects a small increase in interest rate in the second half of the year. With the introduction of quantitative easing measures, the Eurozone improved and the weak Euro boosted corporate earnings. At its rate-fixing meeting in July, the European Central Bank agreed to maintain a deposit rate of -0.2% and upwardly adjusted its inflation forecast. The Greek debt crisis fuelled tensions in the market with potential debt default and exit from the Euro. This was resolved on 13 July when the Europe Stability Mechanism agreed to provide a new bailout for Greece. In Japan, the economy showed further recovery and the Japanese Central Bank continued to implement easing measures to achieve its target inflation rate of 2%.

Against the backdrop of downside pressure on China's real economy, the Central Government continued an easing monetary policy. The People's Bank of China ("PBoC") twice reduced interest rates and lowered the reserve requirement ratio ("RRR") during the period from February to May. On 27 June, PBoC announced, for the first time within seven years, a further reduction of 25 basis points in the deposit and loan interest rates for financial institutions and a directional cut of 50 basis points in the RRR, aimed at further reducing enterprise financing costs and stimulating development in the real economy, thereby promoting structural adjustments. The stock market was very active in the second quarter. The Shanghai Composite Index soared from a low of around 2,000 points at the end of 2014 to over 5,100 points by early-mid June 2015, but both the Shanghai and Shenzhen stock markets tumbled in the middle of June. The stock market remained volatile in the third quarter.

The unstable external environment negatively impacted the growth in Hong Kong's exports. This, coupled with weakened tourist spendings as well as lower domestic spendings, led to a slower growth in Hong Kong's economy in the first half. Gross domestic product in the first quarter grew by 2.1% in real terms compared with that of the same period last year. The labour market remained steady with low unemployment rate at 3.2% throughout the second quarter. During the first half of the year, Hong Kong's property and stock markets both boomed. Even though the Hong Kong Government launched the seventh round of regulatory measures to tighten property mortgages in February, the surge in price of small and medium-size properties continued, and the number of registered first-hand property deals exceeded 8,300, setting a new record high in the same period in eight years. The Hong Kong stock market was very active in the second quarter with trading volumes breaking the HK\$200 billion level on several consecutive days. The Hang Seng Index recorded a half-year increase of 2,600 points, rising by 11.2% in the first half of the year. However, turmoil on the Mainland stock market and the Greece debt crisis negatively affected Hong Kong stock market which once fell by over 2,100 points on 8 July. This was the largest one-day decline since November 2008. Market continues to be volatile in the third quarter.

Results Announcement and Profit Analysis

The results for the six months ended 30 June 2015 of the Bank, on an unaudited and consolidated basis, are summarised below:

| Key Financial Data | Six months ended 30 June | | |
|--|---|-------------------------------------|---------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) | Variance % |
| 1. Operating profit after impairment allowances | 604,238 | 452,058 | +33.66 |
| 2. Profit attributable to equity owners (<i>Note 1</i>) | 725,967 | 387,726 | +87.24 |
| 3. Return on shareholders' equity (<i>Notes 1 & 2</i>) | 14.89% (annualised) | 9.85% (annualised) | +51.17 |
| 4. Earnings per share (<i>Notes 1 & 2</i>) | HK\$1.50 | HK\$0.89 | +68.54 |
| 5. Net interest income | 845,499 | 619,324 | +36.52 |
| 6. Net interest margin | 1.51% | 1.52% | -0.66 |
| 7. Net fee and commission income | 185,173 | 99,762 | +85.61 |
| 8. Net trading income | 42,104 | 36,898 | +14.11 |
| 9. Other operating income | 68,740 | 67,277 | +2.17 |
| 10. Operating expenses | 526,114 | 415,415 | +26.65 |
| 11. Net (charge) reversal of impairment allowances on loans and advances | (11,164) | 44,212 | -125.25 |
| 12. Cost-to-income ratio | 46.09% | 50.46% | -8.66 |
| 13. Average liquidity maintenance ratio | 37.23% | 38.94% (average liquidity ratio) | -4.39 |
| | As of 30 June 2015 HK\$'000 (Unaudited) | As of 31 December 2014 HK\$'000 | Variance % |
| 14. Total loans and advances to customers | 62,333,107 | 56,925,420 | +9.50 |
| 15. Impaired loan ratio | 0.05% | 0.04% | +25.00 |
| 16. Provision coverage of impaired loans and advances | 891.52% | 1,086.76% | -17.97 |
| 17. Rescheduled loan ratio | 0.01% | 0.01% | - |
| 18. Total customer deposits | 92,127,490 | 82,133,391 | +12.17 |
| 19. Loan-to-deposit ratio | 59.55% | 60.27% | -1.19 |
| 20. Total assets | 115,821,108 | 108,045,762 | +7.20 |
| 21. Net asset value per share (excluding additional equity instruments and before the interim or final dividend) | HK\$20.65 | HK\$19.48 | +6.01 |
| 22. Total capital ratio | 14.14% | 15.94% | -11.29 |
| 23. Tier 1 capital ratio | 11.43% | 12.77% | -10.49 |
| 24. Common Equity Tier 1 capital ratio | 8.65% | 9.60% | -9.90 |

Notes: 1. As the results for the six months ended 30 June 2014 included net gains on disposal of Chong Hing Bank Centre, wherever appropriate figures excluding these net gains of HK\$1,949,582,000 (net of tax) in the six months ended 30 June 2014 are shown to reflect the performance of the core business lines.

2. Return on shareholders' equity and earnings per share took into consideration the coupon of the additional equity instruments relevant for the period.

Analysis of Key Financial Data

For the first half of 2015, on an unaudited, consolidated basis, operating profit after impairment allowances amounted to HK\$604 million and showed an improvement of 34% from the corresponding period in previous year. Net interest income at HK\$845 million was 37% higher than same period last year as net interest margin at 1.51% was similar to 1.52% for the corresponding period in previous year and total assets grew by 33% year on year with advances to customers increasing by 28% and investments in securities increasing by 90%. Compare to the second half of 2014, net interest margin dropped by 13 basis points as competition for Renminbi customer deposits in Hong Kong drove up interest expenses and interest rates were reduced in the Mainland.

Net fee and commission income rose 86% to HK\$185 million mainly because of the significant increase in commission income arising from securities dealings. Net trading income improved by 14% to HK\$42 million due to strong growth in foreign exchange income.

On the other fronts, operating expenses rose by 27% from same period last year partly due to the lease payment for Chong Hing Bank Centre, which was sold on 19 February 2014. Staff costs increased by 38% from same period last year as the Bank is building the foundation for future growth. Net impairment allowances on loans and advances were HK\$11 million in the first half of 2015, as compared to a net reversal of HK\$44 million in the same period last year.

After a review of the asset portfolio, certain assets which were not considered essential to the core business lines had been sold or reclassified as assets held for sale. As a result, there were net gains on disposal of assets held for sale of HK\$52 million, net gains on disposal of available-for-sale securities of HK\$66 million and net gains on disposal of and fair value adjustments on investment properties of HK\$101 million recorded in the six months ended 30 June 2015.

Profit attributable to equity owners amounted to HK\$726 million an increase of 87% over that for the same period last year after excluding the net gains on disposal of Chong Hing Bank Centre in 2014, translating into annualised return on shareholders' equity of 14.89% and earnings of HK\$1.50 per share (*Note 2*).

As of 30 June 2015, compared with the figures as of 31 December 2014, total loans and advances to customers increased by 10% to HK\$62,333 million, and some of such growth was attributable to growth in loans to stockbrokers in Hong Kong, companies listed in Hong Kong and China state-owned enterprises. With careful management on the exposure to credit risk, asset quality of loans and advances continued to be good with impaired loan ratio at 0.05%, provision coverage of impaired loans and advances at 891.52%, and rescheduled loan ratio at 0.01%. Total overdue advances had increased but remained at only 0.4% of total advances and were well covered by collateral. Total customer deposits increased by 12% to HK\$92,127 million. As deposit growth exceeded loan growth, loan-to-deposit ratio improved from 60.27% in December 2014 to 59.55% in June 2015. Total investments in securities increased by 35% mainly in debt securities issued by banks in order to manage liquidity and surplus funds from customer deposits. Total assets increased by 7% in the six month period to HK\$115,821 million.

Total capital ratio decreased by 11% from 15.94% in December 2014 to 14.14% in June 2015 after the growth in total assets, the Tier 1 capital ratio was at 11.43% and the Common Equity Tier 1 capital ratio was at 8.65%.

Overall, the Bank's core business lines and financial health are strong and sound, asset quality good, impaired loan ratio low, provision coverage high, and capital adequacy ratio and liquidity maintenance ratio well above the relevant statutory requirements.

Interim Dividend

The board has considered that it is prudent to preserve the Bank's capital so as to better satisfy the new requirements under "Basel III". As such, the board has declared that the interim cash dividend of HK\$0.21 per share for the six months ended 30 June 2015 be payable on Wednesday, 16 September 2015 to shareholders whose names appear in the Register of Members of the Bank on Monday, 7 September 2015 (2014 interim cash dividend: HK\$0.19 per share paid on 26 September 2014).

Business Review

Loan and Deposit Business

To meet the increasing cross-border financial needs of our customers, the Bank continued to build up its Renminbi deposit base, with Renminbi deposit balance at the end of the half year significantly higher than that at the end of 2014. Many new quality customers were acquired during this period.

On the retail loan business front, the Bank recorded a steady increase in residential mortgage loan balance in the first half of the year as compared to the same period last year. With increased marketing and promotional activities for retail credit products, the Bank successfully acquired new business.

In respect of corporate loan business, the Bank provided financing for enterprises in Hong Kong and the Mainland by offering them diversified banking products and services. The Bank had expanded its client base and had coordinated strategic interest rate adjustments. In the first half of 2015, the Bank registered healthy growth in the corporate loan book which recorded increases in both volume and interest income. Non-interest income also improved compared with that of the same period last year. The Bank remains committed to the medium-sized customers. Besides supporting the Hong Kong Government's Loan Guarantee Scheme for small and medium-sized enterprises ("SME"), the Bank also actively participated in the "SME Financing Guarantee Scheme" of the Hong Kong Mortgage Corporation Limited.

The Bank will continue to allocate resources to expand its customer base and strengthen its cross-border trade and capital expenditure financing business, and to support local enterprises to develop their businesses in China. Through maintaining a prudent lending approach and actively acquiring quality local customers, the Bank endeavours to generate higher returns for its shareholders.

Card Business

For the first half of 2015, the Bank's credit card business issued a similar number of credit cards compared with that of the same period last year, but recorded a modest decline in spending amount and accounts receivable compared with those in the same period last year. In terms of merchant-billed turnover, its Visa and Master card business continued to show a slight year-on-year increase in turnover despite a downturn in the overall retail market. High-end retailers were especially affected by the fall in the number of Mainland tourists. Turnover for UnionPay cards also recorded a small year-on-year decrease. However, the net gain on the overall merchant-billed turnover attained a growth of nearly 10%.

The Bank will continue to develop its credit card and merchant acquiring businesses to maintain its positive and strong growth.

Wealth Management Business

On the investment business front, the value of funds sold and commission incomes achieved a significant growth. In the first half of 2015, the Bank enlisted more fund companies as business partners. It also continued to expand its structured investment product mix, thereby offering customers more choices in building up their investment portfolios. The Bank's investment business has immense growth potential and the Bank will actively expand its retail investment and private banking businesses to further enhance market competitiveness.

Asset Management Business

The Bank has formulated the business of Renminbi Qualified Foreign Institutional Investor (“RQFII”) in 2013 and a total of RMB1.3 billion investment quota has been granted. To respond to the market dynamics, RQFII was the first launch of the Bank’s asset management business with subsequent development and launching of relevant products going forward. Furthermore, without limiting itself to any single market, the Bank will focus its asset management business on non-conventional asset management innovation by enhancing structural features to satisfy the financial management needs of various customers.

Mainland Operations

The Bank’s Guangzhou Sub-branch and Foshan Sub-branch, which were opened in October 2014 and January 2015 respectively, have enjoyed rapid business growth. Subject to regulatory approval, the Bank intends to further expand its network in the Mainland, particularly in Guangdong Province, and to acquire more quality customers.

The Bank will develop its cross-border trade financing and Renminbi loan business. In addition to the newly-established cross-border business department, the Mainland branches will introduce a number of new products in 2015 to cater to the needs of domestic customers.

Treasury and Financial Markets Activities

The Bank mainly engaged in treasury activities including money market operations, foreign exchange services, debt securities investments as well as the overall liquidity and balance sheet management. All these activities were carried out under prudent risk management. In view of the changing macroeconomic environment, the Bank has been closely monitoring market volatility to manage its liquidity and enhance the return on assets. The certificate of deposit programme and repurchase agreements will continue to be used to manage the Bank’s liabilities.

On the Renminbi business front, the Bank will continue to offer a comprehensive range of Renminbi treasury products and services, covering both personal and corporate banking businesses.

The Bank also actively allocates resources to expand its product capabilities and sales channels with a view to improving income from intermediary businesses.

Securities Business

In the first quarter of 2015, the Hong Kong stock market was stable but quiet. In the second quarter, boosted by improving investor sentiment in the Mainland A-share market, the local stock market recorded significant increases in daily turnover. Chong Hing Securities Limited, a wholly-owned subsidiary of the Bank, recorded sales and commission income increase by 115% and 101% respectively, and 75% more new accounts were opened in the first half of the year compared with those in the same period last year. Looking ahead to the second half of the year, as driven by the implementation of the “Shanghai-Hong Kong Stock Connect” and the coming launch of the “Shenzhen-Hong Kong Stock Connect” by the Hong Kong Stock Exchange, the forecast is that the Hong Kong stock market will remain active, albeit with volatility.

Insurance Business

Chong Hing Insurance Company Limited (“Chong Hing Insurance”), a wholly-owned subsidiary of the Bank, recorded a substantial growth in profit before tax in the first half of 2015 compared with that of the same period last year. Moving forward, Chong Hing Insurance will continue to use the bank assurance model to develop new business and leverage on the Bank’s strong business network to realise its potential. It will also seek further growth by expanding its range and cover of products and services.

Corporate Responsibility

The Bank is committed to offering customers with a comprehensive range of high-quality banking services, continuously upgrading the range of its products and services, and enhancing its branches to provide better and more convenient banking services. On 11 July 2015, the Bank's self-service banking centre in Tuen Mun's Siu Hong Station on the West Rail Line was officially opened, and it is the Bank's first service outlet located in a railway station. In addition to the Hong Kong Main Branch, the Bank currently has 47 local branches.

The Bank is committed to treat its staff members fairly and a bonus system was introduced to reward for performance. Further initiatives to improve staff benefits will continue to be considered and introduced.

In recognition of its active participation in and support towards activities of charity organisations, the Bank was awarded the "Caring Company" logo by the Hong Kong Council of Social Service for the eighth year in 2015.

Awards

With a mission to work with the SMEs to achieve mutual growth, the Bank is committed to providing SMEs with diversified banking services. This support has been widely recognised by the industry, as the Bank received the "Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business for the seventh time.

The Bank also received the "Straight Through Processing (STP) Award" from the Bank of New York Mellon for the seventh consecutive year. This award recognised the Bank's outstanding performance in payment formatting and a high STP rate of over 95% in fully-automated USD payment processing without manual intervention.

The Bank recorded a substantial increase in merchant-billed turnover for UnionPay cards in 2014 and won the 2014 "Outstanding Acquiring Growth Award" from the Hong Kong Branch of UnionPay International in early 2015.

Corporate Governance

Compliance with the relevant statutory and regulatory requirements and maintaining good corporate governance standards are imperative to the effective and efficient operation of the Bank. The Bank has, therefore, deployed considerable resources, as well as adopted and implemented relevant measures, to ensure that the relevant statutory and regulatory requirements are complied with and that a high standard of corporate governance practices is maintained.

Cooperation with Yue Xiu Group

During the first half of 2015, Guangdong provincial and municipal authorities made three official visits to Hong Kong. Their itinerary included visits to the Bank's headquarters to study the operational and development strategies of Yue Xiu Group and Chong Hing Bank. The government officials paid tribute to the Bank's business and its record of stable, rapid growth. They also expressed their support for the continued expansion of the Bank's Mainland operations.

On 26 March, the Bank participated in the "Financial Industry Sub-Forum of Annual China Guangzhou International Investment Meeting" sponsored by the Guangzhou Municipal Party Committee and Municipal Government, and organised by the Yue Xiu Group and Yue Xiu Financial Holdings. I was one of the keynote speakers and spoke on "Ideas and Measures on Hong Kong-Guangdong Financial Cooperation".

From 26 to 28 June, Yue Xiu Financial Holdings had a major presence at "The 4th China (Guangzhou) International Finance Expo" (the "Expo") held in Guangzhou. For the second time, the Bank participated in the Expo. At the booth, information relating to the Bank's cross-border operations, Yue Xiu's investment and financing platform services as well as Stock Connect Northbound trading services was made freely available. The Bank made use of this opportunity to interact with peers, corporate and individual customers so as to gather valuable market insights.

Moving forward, the Bank, fully supported by the Yue Xiu Group, will focus on improving its cross-border integrated financial service capabilities. It will provide more customised banking services by establishing cross-border Renminbi business centres for corporate customers, and wealth management centres for high-net-worth clientele across the Pearl River Delta, all aiming at better serve our customers and help them realise their future goals and dreams.

Appreciation

Despite an increasingly complex business environment in 2015, the Bank continued to provide a full range of high-quality services to our customers. The Bank continued to grow under a prudent risk management framework. I am grateful to the board of directors for their wise leadership. On behalf of the board of directors, I wish to express my heartfelt gratitude to all our staff members for their concerted efforts to develop the Bank's business and to provide customers with high-quality services. Last but not the least, I would like to thank our shareholders, customers and business partners for their continued support and trust in the Bank.

REVIEW OF INTERIM FINANCIAL INFORMATION

The financial information in this results announcement is extracted from the interim financial information for the six months ended 30 June 2015. This interim financial information is unaudited, but has been reviewed by Messrs 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 Hong Kong Institute of Certified Public Accountants, and the Bank’s Audit Committee.

By Order of the Board

Zhang Zhaoxing

Chairman

17 August 2015

As of the date of this announcement:

- *the three Executive Directors of the Bank are Mrs Leung Ko May Yee Margaret (Deputy Chairman and Managing Director), Mr Lau Wai Man (Chief Executive Officer) and Mr Liu Tit Shing Don (Deputy Chief Executive Officer);*
- *the five Non-executive Directors are Mr Zhang Zhaoxing (Chairman), Mr Zhu Chunxiu, Mr Wang Shuhui, Mr Li Feng and Mr Chow Cheuk Yu Alfred; and*
- *the five Independent Non-executive Directors are Mr Chiranakhorn Wanchai, Mr Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.*