

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



2019 FINAL RESULTS

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Operating profit after impairment allowances amounted to HK\$2,249 million, an increase of 14.80% year-on-year.
- Profit before tax was 8.37% higher than 2018 to HK\$2,281 million.
- Profit attributable to equity owners amounted to HK\$1,901 million, an increase of 7.97% over that of last year.
- Cost to income ratio was at 40.66%.
- Return on shareholders' equity of 8.31% (9.47% in 2018) and earnings per share of HK\$1.80 (HK\$2.14 per share in 2018).
- Total assets increased by 11.64% to HK\$212.8 billion.
- Total dividends for the financial year of 2019, including the interim cash dividend of HK\$0.17 per share paid in October 2019, amounted to HK\$0.58 per share (2018 total dividends: HK\$0.58 per share).
- Total dividend payout as a percentage of an adjusted profit attributable to equity owners less the distribution paid on the additional equity instruments will be 32.42%.
- Total capital ratio decreased from 19.01% as at 31 December 2018 to 17.51% as at 31 December 2019. The Tier 1 capital ratio and the Common Equity Tier 1 capital ratio were 14.32% and 12.28% respectively as at 31 December 2019.

The board of directors (the “Board”) of Chong Hing Bank Limited (the “Bank” or “Chong Hing Bank”) is pleased to announce the consolidated results of the Bank and its subsidiaries (the “Group”) for the year ended 31 December 2019, together with the comparative figures for the corresponding year in 2018. The financial information in this announcement is based on the audited consolidated financial statements of the Group and does not constitute the Group’s statutory accounts for the year ended 31 December 2019. The 2019 final results have been reviewed by the Audit Committee of the Bank.

CONTENTS

1	Highlights
2	Contents
4	Chairman’s Statement
6	Chief Executive’s Statement
18	Consolidated Income Statement
19	Consolidated Statement of Comprehensive Income
20	Consolidated Statement of Financial Position
21	Consolidated Statement of Changes in Equity
23	Consolidated Statement of Cash Flows
25	Financial Review
25	General
25	Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)
27	New and revised HKFRSs issued but not yet effective
27	Segment information
33	Net interest income
34	Net fee and commission income
35	Net income from trading and investments
36	Other operating income
37	Operating expenses
38	Net impairment losses on financial assets
38	Taxation
39	Dividends
40	Earnings per share – basic and diluted
40	Cash and short-term funds
41	Derivative financial instruments
43	Investments in securities
45	Transfer of financial assets
46	Advances and other accounts
48	Investment properties
50	Property and equipment

52	Prepaid lease payments for land
53	Financial assets sold under repurchase agreements
53	Deposits from customers
53	Certificates of deposit and debt securities issued
54	Loan capital
55	Share capital
56	Additional equity instruments
57	Deferred taxation
58	Intangible assets
59	Other accounts and accruals
60	Contingent liabilities and commitments
61	Related party transactions
62	Non-adjusting event after the reporting period
62	Other Financial Information
63	Compliance with Corporate Governance Code
63	Compliance with Model Code
63	Final Dividend
63	Closure of Register of Members
64	Purchase, Sale or Redemption of the Bank's Listed Securities
64	Publication of 2019 Final Results and Annual Report

CHAIRMAN'S STATEMENT

In 2019, Chong Hing Bank Limited (the “Bank” or “Chong Hing Bank”) maintained its prudent operations and innovative development amidst the complicated and changeable environment. The Bank continued to enhance its risk control and operating capacity while adhering to its positioning as a cross-border financial services provider and fully boosting the Bank’s digital transformation and accelerating its strategic nationwide operations.

In the “Top 1000 World Banks” listing released by the British magazine “The Banker” in 2019, Chong Hing Bank ranked among the top 400 for the first time, a recognition of the constant improvement in the Bank’s all-round strength.

I am pleased to announce that in 2019 Chong Hing Bank’s core businesses and overall financial position remained strong, with sound asset quality and enhanced profitability of its core businesses. Operating profit after impairment allowances amounted to HK\$2,249 million, an increase of 14.80% compared to the previous year. Profit attributable to equity owners amounted to HK\$1,901 million, an improvement of 7.97% from the previous year, and earnings per share were HK\$1.80. To properly maintain the balance between the sharing of our success and preserving capital for future growth, the Board of Directors of the Bank (the “Board”) has recommended the payment of a final cash dividend of HK\$0.41 per share for the year. The total dividend payout for the year as a percentage of this adjusted profit attributable to equity owners, less distribution paid on the additional equity instruments, will be 32.42% (2018: 39.08%).

The major financial ratios for 2019 are as follows:

- Return on shareholders’ equity: 8.31%
- Average liquidity maintenance ratio: 46.27%
- Total capital ratio as of 31 December 2019: 17.51%
- Tier 1 capital ratio as of 31 December 2019: 14.32%
- Loan to deposit ratio as of 31 December 2019: 69.46%

In view of the slowing economic growth worldwide, the unresolved trade and economic relationship between China and the US, the geopolitical tensions as well as the postponed Brexit date, a shadow loomed over the global economy in 2019. The growth in the Mainland’s Gross Domestic Product (GDP) for the year slowed to 6.1% although the economy maintained an overall stable and positive growth trend. Guangdong Province’s GDP reached RMB10.5 trillion in 2019, becoming the first province in China to exceed RMB10 trillion. The rapid growth of its high-tech industry is expected to drive the development of the Guangdong-Hong Kong-Macao Greater Bay Area (the “Greater Bay Area”) further forward. Despite the economic shocks occurring in 2019, Hong Kong has maintained its status and strengths as an international financial hub. It will achieve stability in its economic recovery and continue to play a unique role by making full use of the advantages of the Greater Bay Area development plan.

In the past year, Chong Hing Bank steadily expanded its Hong Kong market, accelerated the Mainland business and continuously nurtured the unique qualities of the cross-border business. Along with the stable implementation of the development of the Greater Bay Area, the state introduced numerous measures to benefit the region's citizens and enterprises. Actively seizing this opportunity, the Bank focused on cross-border finance, and made good use of resources made available by its controlling shareholder Yuexiu Group and strategic shareholder Guangzhou Metro to launch a number of distinctive cross-border products and services. The Bank also dedicated itself to serving enterprises and residents in the Greater Bay Area and strengthened its financial connectivity, endeavouring to be among the region's leading financial institutions through its competitiveness and outstanding business features.

At the same time, the Bank proactively promoted its nationwide operations, and achieved a breakthrough in its expansion of Mainland outlets. The Chong Hing Bank Shanghai Branch, the Bank's first branch outside Guangdong Province, opened in November 2019. This marked a milestone in the Bank's development of a new network across the Pearl River Delta and Yangtze River Delta regions. It was also a key step forward in its nationwide operations after being a member of Yuexiu Group for six years. The Shanghai Branch will act as a critical strategic support point for the Bank's business expansion in the Yangtze River Delta region and play an essential role in deepening financial cooperation between Guangdong, Hong Kong, Macau and Shanghai.

On the other hand, the Bank continued to step up its digital transformation and improve the service quality and customer experience of digital banking. The trends in Fintech provided a boost for the Bank, which kept itself customer-centric and demand-oriented and launched a series of optimised services for internet banking and mobile banking. These moves were successful in achieving a substantial enhancement of the customer experience of the Bank's digital services. Meanwhile, the Bank has devoted a major effort to rolling out a new core system under which technology professionals are brought together to promote the Bank's digital capabilities and realise close integration of traditional business, Fintech and inclusive finance services.

The year 2020 will bring both challenges and opportunities. Chong Hing Bank has full confidence that it can overcome all difficulties that may arise and grow onwards and upwards. It will achieve this thanks to the steady accumulation of its sound operations and strengthened risk prevention and controls, while at the same time committing itself to transformation and innovation. The Bank is also confident of sustaining its competitive advantage in cross-border operations, being able to fully expand the Mainland market and proactively advance preparations for establishing a Mainland-incorporated bank. Through its well-organised operations in major economically developed regions, the Bank will strive to establish itself as an integrated commercial bank with the Greater Bay Area as the core of its nationwide operations.

Finally, I would like to express my heartfelt gratitude to all Directors and shareholders for their valuable guidance and unwavering support, also to the management team and the entire Bank staff for their dedication, and to our customers and business partners for their loyalty and trust. With the concerted efforts of our colleagues at Chong Hing Bank, we will continue to forge ahead and to exceed and excel.

Zhang Zhaoxing
Chairman

Hong Kong, 27 February 2020

CHIEF EXECUTIVE'S STATEMENT

ECONOMIC ENVIRONMENT

The year 2019 witnessed slowing growth in the global economy mainly due to trade disputes between China and the US and escalated geopolitical tensions. The US economy maintained moderate growth with a year-on-year increase of 2.1% in its third quarter Gross Domestic Product (GDP). The Federal Reserve cut interest rates on federal funds three times in 2019, reversing the interest rate cycle for the US dollar. China and the US officially signed the phase one trade agreement in January 2020 after an 18-month deadlock, thereby making small progress. The European Central Bank adopted quantitative easing in a bid to stimulate the ailing economy, given sluggish economic growth, weakened external demand and shrinking manufacturing over a long period as well as a tiny increase of 1.2% in its annual GDP. The Eurozone also suffered economic uncertainty as the UK withdrew from the European Union in January this year. The UK has yet to agree on trade matters with the European Union.

The economy of Mainland China maintained a stable development trend as a whole, with annual GDP growth of 6.1%, in line with market expectations. Per capita GDP exceeded US\$10,000 for the first time. In view of the complicated and changing external political and economic situation, the Central Economic Work Conference in the Mainland proposed continuing to uphold the "Six Stabilities" (employment, financial, foreign trade, foreign capital, investment, and expectation) to support the structural supply-side reform, driving the economy to high-quality development with innovative technology. The People's Bank of China emphasised making prudent monetary policy flexible and appropriate in order to maintain reasonable and adequate liquidity. At the same time, it encouraged the deepening of market-based reform on interest rates on a continuous basis in order to keep the RMB exchange rate at a reasonable and balanced level consistently. However, the performance of the RMB exchange rate was influenced by the Sino-US trade situation, with the trend falling after a previous rise. The onshore price (CNY) of RMB and offshore price (CNH) of RMB fell by 1.43% and 1.2% respectively during the year. In 2019, Chong Hing Bank continuously maintained a steady and progressive development momentum in the main business areas of the Mainland. Guangzhou continued to record high growth in social investment, with annual GDP growth of 6.8%; Shenzhen constantly optimised its economic structure and improved quality efficiency, with annual GDP growth of 6.7%; Shanghai developed emerging industries to support the steady progress of the economy, with an annual GDP increase of 6%.

Hong Kong's annual GDP fell 1.2% year-on-year in real terms on account of adverse global factors and social events, the first annual decline since 2009. Influenced by the critical external environment and reduced trade activities, exports of goods and services decreased by 4.7% and 10.4% respectively in the year. Private consumption dropped 1.1% year-on-year prompted by a weak growth in internal demand and the economic downturn that undermined consumption. Deteriorating economic conditions caused unemployment to rise to 3.3% in the fourth quarter. With the US interest rate cuts in October, major banks in Hong Kong reduced their prime rates for the first time in 11 years. In the property market, the private residential price index rebounded in November after the government eased the mortgage insurance scheme in October, ending a five-month decline. Hong Kong stocks experienced ups and downs in response to the Sino-US trade negotiations, fluctuating by 5,383 points during the year and closing at 28,189 points on the last trading day of 2019, an accumulated increase of 9.1% for the year.

RESULTS ANNOUNCEMENT AND PROFIT ANALYSIS

The results for the financial year of 2019 of the Bank, on a consolidated basis, are summarised below:

Key Financial Data

		31 December (12 months)		
		2019	2018	
		HK\$'000	HK\$'000	Variance
1.	Operating profit after impairment allowances	2,248,961	1,959,023	+14.80%
2.	Profit attributable to equity owners	1,900,642	1,760,387	+7.97%
3.	Net interest income	3,259,860	2,879,962	+13.19%
4.	Net fee and commission income	336,591	384,494	-12.46%
5.	Net income from trading and investments	241,293	248,155	-2.77%
6.	Other operating income	184,461	173,506	+6.31%
7.	Operating expenses	1,635,363	1,548,840	+5.59%
8.	Net impairment losses on financial assets	137,881	178,254	-22.65%
		As of	As of	
		31 December	31 December	
		2019	2018	
		HK\$'000	HK\$'000	Variance
9.	Loans and advances to customers	118,078,914	101,825,227	+15.96%
10.	Deposits from customers	162,664,648	143,690,294	+13.21%
11.	Investments in securities	57,534,593	46,986,126	+22.45%
12.	Total assets	212,768,034	190,575,638	+11.64%
		31 December (12 months)		Variance
		2019	2018	(Note (3))
13.	Return on shareholders' equity (Note (1))	8.31%	9.47%	-1.16p.p.
14.	Earnings per share (Note (2))	HK\$1.80	HK\$2.14	-15.89%
15.	Net interest margin	1.62%	1.73%	-0.11p.p.
16.	Cost to income ratio	40.66%	42.02%	-1.36p.p.
17.	Average liquidity maintenance ratio	46.27%	44.49%	+1.78p.p.
		As of	As of	
		31 December	31 December	
		2019	2018	Variance
18.	Non-performing loan ratio	0.33%	0.35%	-0.02p.p.
19.	Loan to deposit ratio	69.46%	67.95%	+1.51p.p.
20.	Net assets value per share (excluding additional equity instruments and before the final dividend)	HK\$22.37	HK\$20.80	+7.55%
21.	Total capital ratio	17.51%	19.01%	-1.50p.p.
22.	Tier 1 capital ratio	14.32%	15.19%	-0.87p.p.
23.	Common Equity Tier 1 capital ratio	12.28%	13.44%	-1.16p.p.

Notes:

- (1) Return on shareholders' equity took into consideration the distribution paid on the additional equity instruments relevant for the period.
- (2) Earnings per share were calculated after deducting the distribution paid on the additional equity instruments in the relevant year.
- (3) p.p. means percentage point.

ANALYSIS OF KEY FINANCIAL DATA

In 2019, profit attributable to equity owners of the Bank amounted to HK\$1,901 million, representing an increase of 7.97% compared to 2018. The operating profit after impairment allowances amounted to HK\$2,249 million, an increase of 14.80% from 2018.

The increase in consolidated profit for the year was mainly attributable to the increase in net interest income and effective control over costs as well as sound asset quality. Net interest income was HK\$3,260 million, an increase of 13.19% over the same period last year, which was driven mainly by loan growth.

Net fee and commission income decreased by 12.46% to HK\$337 million mainly due to the gloomy investment market environment, and fewer securities dealings and income from agency services.

Foreign exchange and other treasury customer activities remained stable. Net income from trading and investments recorded a gain of HK\$241 million, which was mainly derived from trading income, foreign currency funding swap activities and foreign currency transactions with customers.

The Bank prudently managed costs and strived for optimised procedures and efficiency gains and at the same time invested in talents and technology systems to support business growth in Hong Kong and the Mainland.

Loans and advances to customers recorded a marked increase of 15.96% to HK\$118.1 billion. Given the rapid increase in loans and advances, the Bank continued to maintain prudent management of credit risk exposure with sound asset quality of loans and advances.

Deposits from customers grew by 13.21% to HK\$162.7 billion. The stable deposit base achieved by the Bank allowed it to balance loan growth, wealth management and cross-border financial business needs.

Total assets increased by 11.64% to HK\$212.8 billion. As at 31 December 2019, 78.66% of the Bank's assets were based in Hong Kong.

Due to the proactive management of its assets as well as the maturity and structure of its liabilities, the Bank's liquidity remained stable. The loan to deposit ratio was at 69.46%, and the average liquidity maintenance ratio was 46.27%.

Total capital ratio was at 17.51%, the Tier 1 capital ratio was at 14.32% and the Common Equity Tier 1 capital ratio was at 12.28%.

Overall, in the face of the adverse business environment in 2019, the Bank's core business lines, financial positions and asset quality are strong, while impaired loan ratio remains low. Capital adequacy ratio and liquidity maintenance ratio are above the relevant statutory requirements.

DIVIDEND

To properly maintain the balance between sharing our success and preserving capital for future growth, the Board has recommended the payment of the final cash dividend of HK\$0.41 per share for the financial year of 2019 (2018 final cash dividend: HK\$0.41 per share). Subject to the approval of shareholders at the forthcoming annual general meeting of the Bank, the final cash dividend will be paid on Tuesday, 2 June 2020 to the shareholders whose names appear on the register of members of the Bank on Tuesday, 26 May 2020. Total dividends for the financial year of 2019, including the interim cash dividend of HK\$0.17 per share paid on Friday, 11 October 2019 (2018 interim cash dividend: HK\$0.17 per share), amounted to HK\$0.58 per share (2018 total dividends: HK\$0.58 per share). The total dividend payout for the year as a percentage of adjusted profit attributable to equity owners less distribution paid on the additional equity instruments will be 32.42% (2018: 39.08%).

SUCCESSFUL ISSUANCE OF US\$400 MILLION ADDITIONAL TIER 1 CAPITAL SECURITIES

Chong Hing Bank successfully issued US\$400 million 5.7% Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the “Securities”) on 15 July 2019, which was completed under the US\$2 billion Medium Term Note and Perpetual Capital Securities Programme of the Bank. The Securities are qualified as Basel III-compliant additional tier 1 capital. The proceeds from the offering enabled the Bank to strengthen its capital base and are being used to support its operations and business development.

The aggregate principal amount of the Securities is US\$400 million. The offering received very positive feedback and drew a total order of US\$2.9 billion, representing a subscription of 7.5 times. Once again, the Bank achieved success on its securities offering in the international capital market, after its issuance of additional tier 1 capital securities in 2014, indicating the capital market’s high recognition of the Bank.

BUSINESS REVIEW

CORPORATE BANKING

Chong Hing Bank endeavoured to provide a full range of banking products and professional services to its corporate customers in Hong Kong and the Mainland, including lending, trade finance, cash management, cross-border business demands and financial markets solutions.

The Bank continued to expand its target customer base, paying special attention to provide diversified and comprehensive financial services to customers in the Guangdong-Hong Kong-Macao Greater Bay Area (the “Greater Bay Area”). With regard to assistance for SMEs, the Bank fully supports the “SME Financing Guarantee Scheme” offered by HKMC Insurance Limited, in addition to our earlier participation in the “SME Loan Guarantee Scheme” of the HKSAR Government. Moreover, the Bank strengthened its internal cross marketing and further offered corporate customers value-added services such as financial management for employees, MPF services and wealth management. This was in a bid to create convenient use of the Bank’s one-stop banking services platform in order to meet customers’ needs for comprehensive financial services.

In 2019, our remarkable performance in the syndication loan business enabled the Bank to gain brand credibility and reputation in the syndication market. For the full year, the Bank transacted 28 syndicated loans and acted as a lead arranger among 8 of them. In addition, the Bank proactively enhanced the quality of the loan asset portfolio and improved relevant returns via secondary market transactions. Moreover, the Bank continued to leverage on its home base strength in Guangdong, Hong Kong and Macau, seizing cross-border business opportunities arising from the Greater Bay Area development. For the year 2019, the Bank successfully executed seven cross-border structured finance transactions to offer professional cross-border financial services to worldwide customers.

Meanwhile, the Bank's non-bank financial institution business made good progress, particularly in servicing asset management, insurance, financing and leasing companies. Adhering to its development strategies in the Greater Bay Area and leveraging the enhanced cooperation with its Mainland branches and sub-branches, the Bank effectively promoted the cross-selling of products to non-bank financial institutions. In the fourth quarter of the year, the Bank resumed the Initial Public Offering (IPO) financing services for stockbrokers, and considerable revenue was generated for the Bank through its participation in a number of IPO financing projects in 2019.

Being an integrated commercial bank offering cross-border expertise and leveraging on its competitive edge in network interaction between Hong Kong and the Mainland, the Bank provided various cross-border financial products and services to accommodate customers' funding requirements in the Greater Bay Area, and effectively managed their interest rate and exchange rate risks through its treasury product portfolio.

PERSONAL BANKING

In this year, the business development of retail banking was impacted by the sluggish global economy and Hong Kong's entry into a technical recession in the third quarter. Under such difficult operating circumstances, the Bank's Personal Banking Division continued to promote a business model characterised by customer-centric all-round wealth management, aiming at providing one-stop banking services to customers in Hong Kong and the Greater Bay Area.

In 2019, the personal banking business continued to record steady growth:

- Total deposits recorded a steady increase this year because of the optimisation of customer segment management in order to introduce preferential interest rate offers considerably, and the promotion of foreign currency exchange and foreign exchange forward contracts. In addition, through the strategy of actively expanding the high-value customer base, the number of wealth management customers increased by 21% year-on-year in 2019, while premium and private banking customers saw a remarkable rise of 470%. The Bank also proactively supported high-end customers in optimising their currency portfolio and by providing them with personalised financial management solutions. The total value of US dollar deposits and investment assets respectively recorded annual growth of approximately 15% and 27%, further strengthening the sound foundation of the Bank's wealth management business. In terms of retail loans, the Bank was committed to encouraging premium financing and policy financing businesses and offering a full range of secured loan products to develop the wealth management business relevant to product financing as well as to increase the Bank's consolidated income.

- The Bank grasped the new opportunities arising from the financial market and vigorously persevered in encouraging the transformation strategy of “Finance + Technology” along with the promotion of different financial management services and the process of optimisation. Since the launch of the Internet Banking and Mobile Banking fund trading services in the fourth quarter of 2018, the number of fund subscription transactions carried out through electronic channels, compared with the total number of fund transactions, leaped from 10% in 2018, to approximately 50% in 2019, and even soared to approximately 76% in the fourth quarter of 2019. For the year, the number of fund transactions and the total value of investment assets also increased by approximately 35% and 27% respectively over 2018.
- For the life insurance business, business development opportunities increased owing to changes in external environmental factors and in the industry’s regulatory system. The Bank strived to satisfy customer needs, enrich agency products of life insurance and carry out policy financing services in order to meet customer demand for a full range of wealth management services.
- The Bank rolled out an incentive scheme in 2019 to drive customers’ credit card spending effectively, thereby easing the unfavourable effect on businesses caused by the economic gloom. The Bank engaged in negotiations and collaborations with third-party companies to realise the two goals of increasing the number of acquired merchants and also revenue. Additionally, the Bank planned to work with e-commerce payment promoters to develop local and global online payment services, diversifying its business.

Looking to the future, personal banking will continuously optimise channels for online transaction to improve the customer experience. Meanwhile to appeal to new customers, it will vigorously spur the wealth management business to provide customers with more efficient and outstanding financial management services.

FINANCIAL MARKETS BUSINESS

The Bank is committed to developing its financial markets business as an essential profit hub and has seen significant growth during the year in areas such as treasury, customer business and product development. The Bank has established its proprietary trading business, and while closely monitoring the risks involved, enhanced its ability to provide quotations and expanded its market share, thereby continuing to increase revenue for the Bank.

With regard to the treasury business, the Bank aims at optimising the balance sheet by effectively applying a variety of financial instruments while complying with established risk appetite, risk limits and ensuring a safe liquidity level. The Bank continued to leverage on its dynamic investment strategy and capture potential treasury business opportunities in order to diversify revenue sources.

In accordance with the strategic set-up of the product and marketing team, the Bank tactically acquires financial talents, enriches its financial products and offers appropriate advice and services catering to the needs of different customer segments, thereby increasing its market competitiveness and fee income.

MAINLAND OPERATIONS

In 2019, the Bank's branches and sub-branches in the Mainland actively handled complex changes arising from the external environment, maintaining steady growth in asset scale along with sound asset quality. As the core business developed healthily, and the product and service system improved constantly, the cross-border business recorded an outstanding performance. The Bank realised major breakthroughs in the network of outlets across the Mainland along with the constant optimisation of internal risk prevention and control and operational processes. Thereby, the Bank effectively consolidated the customer base and substantially improved the overall operating efficiency, maintaining a favourable development trend.

With the aim of realising a comprehensive and balanced business, the Bank benefited the company's deposits by widening customer channels, strengthening loan customer management and developing cross-border business. In terms of loan business, the Bank comprehensively enhanced its business varieties and scale returns by means of diversifying products such as syndicated and M&A loans, and accelerating loan business development. Moreover, it gradually increased loan yields through enhancing customer service capabilities and loan price management. In addition, the Bank effectively increased its revenue from intermediary business by establishing an investment bank team and a system for diversifying products. In the meantime, the Bank stepped up customer expansion by perfecting the evaluation mechanism for relationship managers and the set-up of the customer segment management and service system.

The Mainland institutional business of the Bank maintained a sound development trend during the year. The Guangzhou Branch continuously expanded its institution customers and enhanced customer services, maintaining a satisfactory increase in institution deposits. Being the first partner collaborating with the smart financial service platform of Nanshan District in Shenzhen, the Shenzhen Branch worked closely with the government. The Foshan Sub-branch successfully developed a collaborative relationship with the Foshan Public Resources Trading Platform, rising from zero to breakthrough level.

This year's cross-border business also accomplished rapid growth with constantly enhanced service capabilities. The Bank proactively participated in the development strategy of the Greater Bay Area, launching a series of financial products and services that allowed residents and enterprises from Hong Kong and Macau to live and work in the Greater Bay Area. These measures involved professional, efficient and quality cross-border financial services such as mortgage loans for Hong Kong and Macau residents, and "one-stop access to Shenzhen-Hong Kong commercial services". Furthermore, the settlement amount of the Bank surged more than 90% year-on-year in 2019 due to energetic engagement in cross-border RMB clearing and cross-border settlement.

The Bank made critical breakthroughs in its outlets across the Mainland. The Shanghai Branch, which was approved to prepare for operations in February 2019, officially opened on 26 November 2019 after nine months of preparation. The branch is the first operating outlet set up by the Bank in the Yangtze River Delta region and its opening represented a new milestone for further development of the Bank's Mainland business. Now, Chong Hing Bank has formed a new development pattern covering the Pearl River Delta region and the Yangtze River Delta region. In addition, the Foshan Chancheng Sub-branch of the Bank obtained a financial licence issued by domestic regulators during the year and officially began operations in February 2020, facilitating the Bank's outlet distribution over the Greater Bay Area.

CHONG HING SECURITIES LIMITED

Due to the Sino-US trade friction and Hong Kong's social events, the overall sentiment of local retail securities investment and transactions suffered a setback. Investors tended to be cautious about entering the market. Such market conditions affected the overall turnover and commission income of Chong Hing Securities for the year and they were lower than in the previous year. However, with Chong Hing Securities' synergies with the Bank, the number of online and cross-border customers continuously increased compared to 2018. The forthcoming mobile application launched by Chong Hing Securities, using faster and more convenient investment tools, as well as numerous preferential offer promotions will contribute to higher customer appetite for securities investment, greater customer loyalty, and higher revenue for the Bank.

CHONG HING INSURANCE COMPANY LIMITED

During the year, the highly competitive general insurance business together with the impact of local social events undermined the general insurance market business in Hong Kong. However, Chong Hing Insurance maintained satisfactory growth this year and recorded a gain in its underwriting and profit before taxation.

Chong Hing Insurance will strengthen its synergies with Chong Hing Bank's different channels, riding on the development of the online platform and striving to explore new business opportunities in order to achieve better efficiency and results.

Transformation of Business Development

Fintech

Keeping fully abreast of market trends, the Bank rolled out its fintech products and services and speeded up cross-border fintech development and implementation of regulatory technology in support of the Hong Kong Monetary Authority's promotion of Smart Banking. In addition, the Bank's digital banking transformation teams, responsible for encouraging the digital and infrastructure transformation, were further enhanced. In the past three years, a total of 22 systems relevant to the projects have been launched to support the digitalisation of the banking business and to expand vigorously the banking ecosystem and customer base under different scenarios. The Bank will also collaborate closely with business partners to offer a number of financial service solutions, including:

- Remote opening of a fund account; online personal loans entering the implementation phase.
- Digitalisation of branches, including tablet personal computers that support transactions, card-less ATM withdrawals via QR codes, voice navigation ATMs, a "Faster Payment System" to receive and pay via QR codes, and the new core system becomes available by the end of this year.
- Collaborating with JETCO and implementing the second phase of the Open Application Programming Interface (Open API), by which customers can apply for the Bank's services through a third-party service provider.
- In 2018, the Bank began the blockchain network of the clearing bank to improve the efficiency of anti-money laundering investigations and optimise remittances and customer services. This is conducive to cost reduction and high efficiency of regulatory technology and risk control.

Process Banking

The smooth implementation of 82 process optimisation projects over the past three years enabled the Bank to enhance the customer experience, reduce costs and improve quality. Through the intensified process transformation, the Bank concentrated all transactions by corporate customers in the lower-cost Kowloon Bay Central Exchange for intensive processing so that branches and frontline employees could focus on customers and sales services. For the purposes of efficient control of costs, satisfactory customer experience and low operational risks, the Bank introduced mechanical process automation software when handling the intensification. Moreover, the Bank released new service content for commercial customers to enhance the customer experience of banking services, including “new account opening in five days”, “bank confirmation issuance in three days”, and account opening via making online appointments. The Bank will continue its efforts to make traditional businesses available online by technology applications and create high business efficiency by digital process reengineering.

CORPORATE CULTURE

Through carrying out numerous, diverse and innovative cultural activities in 2019, the Bank comprehensively supported the building up of its corporate culture and reinforced the employees’ recognition of corporate culture concepts and their practices in order to create a cultural atmosphere of “Exceed • Excel”.

- This year 35 corporate culture training activities were organised for approximately 1,400 persons covering Board members, management and employees, inculcating the corporate culture spirit in all levels of the Bank.
- The “Corporate Culture Ambassador Programme” was launched in which ambassadors from all Bank units were selected as mentors in order to promote the corporate culture.
- The “Bright Ideas” sharing platform was established to facilitate staff members to make suggestion for innovation and improvement in terms of the Bank’s competitiveness and sustainable development. Each quarter the best ideas were selected, with many successfully put into practice.
- The introduction of a specially designed platform for supervisors to record staff performance, documenting employees’ work results, appreciating their contribution in a timely manner, and boosting employee morale.
- Introduction of innovative corporate culture training that includes recording real-life work stories from employees and putting them on microfilm to demonstrate the Bank’s spirit of “Dedication”, “Innovation”, “Commitment” and “Teamwork”. A quiz was conducted to raise employees’ awareness of the preferred behaviour under different scenarios with the management personally offering the explanation in line with the Chong Hing culture and promoting the corporate cultural mindset.
- To understand employees’ views on our corporate culture, the Bank worked with a third-party research team to run two questionnaires this year, evaluating employees’ opinions and behavioural changes so as to help Chong Hing Bank formulate corporate cultural strategies for the future.

CORPORATE RESPONSIBILITY

To achieve its corporate mission of “To benefit the Community”, the Bank has committed itself to improving the well-being of the community and is an enthusiastic supporter of charitable causes while simultaneously developing our business. Fulfilling its corporate responsibility, it actively supports and engages in the activities of social welfare organisations, environmental organisations and cultural groups.

ACTIVITIES FOR COMMUNITY, ENVIRONMENT AND ART

- In January, the Bank held a visitors’ day and career orientation sharing session for 50 students of the Baptist Oi Kwan Social Service (the “BOKSS”); participated in a Green Power Hike for a Green Future; and participated in the Hong Kong Jockey Club Charities Trust “Jockey Club Age-friendly City Partnership Scheme”.
- In March, the Bank participated in the “Earth Hour 2019” environmental protection activity and JESSICA RUN 2019.
- In May, the Bank held the “Visiting elders on the Dragon Boat Festival” with the Helping Hand Association; supported the “Education Workshop for Smart Money” launched by the Hong Kong Association of Banks; and engaged in public voluntary teaching called “Big Hands in Small Hands” held by the Yuexiu Group in Yingde, Guangdong.
- In July, the Bank held the “Dreams for the Future” financial sharing session with the BOKSS for the “Children’s Development Fund” of the Labour and Welfare Bureau.
- In September, the Bank organised the “Community Pastoral Leisure Tour”, visiting the Eco-tour 330 in Tuen Mun District with the mentally handicapped from the Fu Hong Society, and with students arranged by the BOKSS, practising living a green life while expressing support for social inclusion; and sponsored the Po Leung Kuk’s charity Cantonese opera special “The Empress Flower” and the “Fine Art Asia & Ink Asia 2019” of Eastern and Western Art.

Through the Bank’s branch network and in its support for numerous charities such as the Yan Oi Tong, Hong Kong Federation of the Blind, Po Leung Kuk and Tung Wah Group of Hospitals, the Bank carried out various community fund-raising activities including selling raffle tickets, collecting donations with flag bags, and setting up donation boxes. In addition, the Bank contributed to public welfare by inserting promotional leaflets of charities in its Bank mailers sent to customers.

ACHIEVEMENTS UNDER CORPORATE RESPONSIBILITY

To fulfil its social responsibilities, the Bank advocates protection of the environment, supports education and culture as well as assists the disadvantaged through diversified public welfare activities. The Bank's involvement in serving society was recognised by various sectors of the community. In 2019, it received the following awards and recognition:

- The “2019 Talent Development Award” and the “Freshman Prize” of “Certified Banker (Stage 1)” professional qualifications presented by the Hong Kong Institute of Bankers.
- The “Employer of Choice Award” won for the third consecutive year and presented by JobMarket.
- The “Platinum Award” won for the fourth consecutive year for compliance with the “Charter on External Lighting” organised by the Environment Bureau of the HKSAR.
- The 10 Years Plus “Caring Company” logo awarded by the Hong Kong Council of Social Service.
- The Certification of CO2 Reduction in Paper Recycling awarded by the Integrated Waste Solutions Group and recognising the Bank's enthusiasm for reducing paper consumption and promoting waste reduction at source.
- The “Third Winner for the Industrial and Commercial Institutions and the Groups in the Charity Lottery Bazaar Competition” title and the “Raffle Tickets Selling Award” presented by the Tung Wah Group of Hospitals.

CORPORATE GOVERNANCE

The Bank fully recognises the importance to the sustainable development of the Bank of compliance with relevant regulations and regulatory requirements and the maintenance of good corporate governance standards. Hence the Bank adopts and implements corresponding measures to ensure compliance with relevant regulations and regulatory requirements in order to maintain high-quality corporate governance.

For details of the Bank's corporate governance practices, please refer to the section entitled “Corporate Governance Report” of the Bank's 2019 Annual Report.

AWARDS

The Bank is committed to providing quality banking services and improving operational efficiency. In 2019, it received the following awards and recognition from professional bodies:

- Selected among the “Top 1000 World Banks” of the British magazine “The Banker” for many years, and ranked among the top 400 for the first time in 2019 (in the 398th place), a further recognition from the international community of the Bank's all-round strength.
- The “Best SME's Partner Award” from the Hong Kong General Chamber of Small and Medium Business for the 11th time, and the “Best SME's Partner Gold Award 2019”.
- The “Straight Through Processing (STP) Award” of the US dollar from the Bank of New York Mellon for the 11th consecutive year.
- Two “Straight Through Processing (STP) Awards” from Citibank, including US dollar wholesale payment services and commercial payment services.

FUTURE DEVELOPMENT

Chong Hing Bank will constantly allocate resources to strengthen risk management, enhance profitability and create value through professionalism, ensuring the smooth implementation of its strategic planning in an orderly manner. The coronavirus outbreak has brought much pressure on the economy in both Mainland China and Hong Kong, and various industries are being affected. The extent of the impact on Hong Kong's financial services sector and on Chong Hing Bank will depend on when the disease is effectively contained. We will closely monitor the development of the outbreak and continue to implement precautionary measures. The Bank is confident that with the decline of the outbreak, Hong Kong's economy will gradually bounce back.

Looking ahead, the Bank will secure its business development in Hong Kong by leveraging on its unique competitive edge. In the meantime, with the continuous enhancement of its strategic efforts to develop the Mainland market, the Bank will further expand its outlet network in core cities in an orderly manner, thus gradually achieving basic coverage of the economically developed regions in the Mainland. In addition to grasping cross-border business opportunities, the Bank will roll out distinctive and differentiated cross-border financial products and services to serve enterprises and residents in the Greater Bay Area alike in response to the Greater Bay Area development plan. The Bank will also further deepen synergies with and actively enhance Mainland businesses by using the substantial resources of the Bank's major shareholder Yuexiu Group and the network of strategic shareholders. Moreover, the Bank will carry forward its digital transformation by setting up a business team to carry out such a transformation in the Mainland. The Bank will continue to explore further cross-border cooperation in the Greater Bay Area and the application of fintech, creating a new competitive edge in digital competition and driving forward the corporate vision of itself as "an integrated commercial bank with cross-border expertise".

APPRECIATION

In light of the rapidly changing global circumstances, the business environment is expected to be ever more complex and challenging. Chong Hing Bank will firmly seize the development opportunities from the development of the Greater Bay Area to maintain robust operations highlighted by its risk-management and customer-centric orientation. It will make full use of its rich financial management experience of over 70 years, its outstanding brands, professional management teams and loyal customer base. Embarking on its new journey, the Bank will keep abreast of all the latest trends in fintech and vigorously seek new developments.

I would like to extend my sincere gratitude to the Board of Directors for their valuable guidance and support in the smooth advancement of the development strategy of the Bank. I would also like to express my appreciation to the management team and all staff for their contributions and dedication in the past year, especially during the recent coronavirus outbreak when we all remain committed to delivering our best and stand together to fight the virus. The Bank will continue to develop steadily and provide even higher quality and more professional financial services for customers and create greater value for shareholders.

Zong Jianxin
Chief Executive

Hong Kong, 27 February 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	Variance %
Interest income	6,492,027	5,102,578	+27.23%
Interest expense	(3,232,167)	(2,222,616)	+45.42%
Net interest income	3,259,860	2,879,962	+13.19%
Fee and commission income	448,854	505,548	-11.21%
Fee and commission expenses	(112,263)	(121,054)	-7.26%
Net fee and commission income	336,591	384,494	-12.46%
Net income from trading and investments	241,293	248,155	-2.77%
Other operating income	184,461	173,506	+6.31%
Operating expenses	(1,635,363)	(1,548,840)	+5.59%
Operating profit before impairment allowances	2,386,842	2,137,277	+11.68%
Net impairment losses on financial assets	(137,881)	(178,254)	-22.65%
Operating profit after impairment allowances	2,248,961	1,959,023	+14.80%
Net losses on disposal of property and equipment	(344)	(341)	+0.88%
Net (losses) gains on fair value adjustments on investment properties	(4,431)	10,250	-143.23%
Other non-operating income	–	116,655	-100.00%
Share of profits of associates	37,191	19,628	+89.48%
Profit before taxation	2,281,377	2,105,215	+8.37%
Taxation	(380,735)	(344,828)	+10.41%
Profit for the year	1,900,642	1,760,387	+7.97%
– Attributable to equity owners of the Bank	1,900,642	1,760,387	+7.97%
Earnings per share – basic and diluted	HK\$1.80	HK\$2.14	-15.89%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	<u>1,900,642</u>	<u>1,760,387</u>
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Surplus on transfer of land and buildings to investment properties	–	5,386
Net gains (losses) on investments in equity instruments measured at fair value through other comprehensive income (“FVOCI”)	4,979	(3,504)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(57,666)	(179,949)
Net gains (losses) on investments in debt instruments measured at FVOCI	527,219	(495,408)
Amount reclassified to profit or loss upon disposal of debt securities measured at FVOCI	(40,899)	(21,460)
Income tax effect relating to disposal of financial assets measured at FVOCI	6,748	3,541
Income tax effect relating to fair value change of financial assets measured at FVOCI	(79,403)	86,332
Share of other comprehensive income of associates	<u>18,233</u>	<u>(22,275)</u>
Other comprehensive income for the year (net of tax)	<u>379,211</u>	<u>(627,337)</u>
Total comprehensive income for the year	<u><u>2,279,853</u></u>	<u><u>1,133,050</u></u>
Total comprehensive income attributable to:		
Equity owners of the Bank	<u><u>2,279,853</u></u>	<u><u>1,133,050</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	Variance %
Assets			
Cash and short-term funds	20,404,505	26,182,402	-22.07%
Placements with banks maturing between one to twelve months	5,525,049	7,945,726	-30.47%
Derivative financial instruments	705,930	896,140	-21.23%
Investments in securities	57,534,593	46,986,126	+22.45%
Advances and other accounts	125,982,796	106,808,471	+17.95%
Interests in associates	377,244	347,320	+8.62%
Investment properties	306,610	311,942	-1.71%
Property and equipment	1,124,251	521,330	+115.65%
Prepaid lease payments for land	–	2,073	-100.00%
Deferred tax assets	28,767	19,907	+44.51%
Intangible assets	778,289	554,201	+40.43%
Total assets	212,768,034	190,575,638	+11.64%
Liabilities			
Deposits and balances of banks	6,949,921	5,615,953	+23.75%
Financial assets sold under repurchase agreements	4,253,852	6,571,696	-35.27%
Deposits from customers	162,664,648	143,690,294	+13.21%
Derivative financial instruments	1,902,951	873,617	+117.82%
Other accounts and accruals	3,172,687	2,118,485	+49.76%
Current tax liabilities	486,528	240,637	+102.18%
Certificates of deposit	3,749,075	2,688,386	+39.45%
Debt securities issued	–	1,707,923	-100.00%
Loan capital	4,579,912	4,507,147	+1.61%
Deferred tax liabilities	145,247	19,171	+657.64%
Total liabilities	187,904,821	168,033,309	+11.83%
Equity attributable to owners of the Bank			
Share capital	9,977,060	9,977,060	–
Additional equity instruments	3,111,315	2,312,030	+34.57%
Reserves	11,774,838	10,253,239	+14.84%
Total equity	24,863,213	22,542,329	+10.30%
Total liabilities and equity	212,768,034	190,575,638	+11.64%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital	Additional equity instruments	Goodwill	Investment revaluation reserve	Land and building revaluation reserve	General reserve	Translation reserve	Regulatory reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	9,977,060	2,312,030	(182)	7,092	179,633	1,388,500	(113,933)	912,000	7,880,129	22,542,329
Profit for the year	-	-	-	-	-	-	-	-	1,900,642	1,900,642
Other comprehensive income	-	-	-	436,877	-	-	(57,666)	-	-	379,211
Total comprehensive income for the year	-	-	-	436,877	-	-	(57,666)	-	1,900,642	2,279,853
Issue of additional equity instruments (Note 1)	-	3,111,315	-	-	-	-	-	-	-	3,111,315
Redemption of additional equity instruments (Note 2)	-	(2,312,030)	-	-	-	-	-	-	(41,174)	(2,353,204)
Shares issued under General Mandate	-	-	-	-	-	-	-	-	-	-
Shares issued under Rights Issue	-	-	-	-	-	-	-	-	-	-
Transaction costs incurred in respect of the shares issued	-	-	-	-	-	-	-	-	-	-
Distribution payment for additional equity instruments	-	(153,015)	-	-	-	-	-	-	-	(153,015)
Transfer from retained profits	-	153,015	-	-	-	-	-	-	(153,015)	-
Unclaimed dividend forfeited	-	-	-	-	-	-	-	-	-	-
Interim dividend paid	-	-	-	-	-	-	-	-	(165,329)	(165,329)
Final dividend paid	-	-	-	-	-	-	-	-	(398,736)	(398,736)
Earmark of retained profits as regulatory reserve	-	-	-	-	-	-	-	127,000	(127,000)	-
At 31 December 2019	<u>9,977,060</u>	<u>3,111,315</u>	<u>(182)</u>	<u>443,969</u>	<u>179,633</u>	<u>1,388,500</u>	<u>(171,599)</u>	<u>1,039,000</u>	<u>8,895,517</u>	<u>24,863,213</u>

Note 1: During the year, the Bank issued US\$400,000,000 (equivalent to HK\$3,123,280,000) undated non-cumulative subordinated Additional Tier 1 capital securities ("AT1"). Direct issuance costs of HK\$11,965,000 are accounted for as a deduction from the equity instrument.

Note 2: During the year, the Bank redeemed US\$300,000,000 (after deduction relevant issuing cost, equivalent to HK\$2,312,030,000) AT1 issued in 2014, the difference of HK\$41,174,000 paid in excess of the carrying amount was charged to retained profits.

	Share capital	Additional equity instruments	Goodwill	Investment revaluation reserve	Land and building revaluation reserve	General reserve	Translation reserve	Regulatory reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	5,435,904	2,312,030	(182)	459,866	174,247	1,388,500	66,016	813,000	6,790,891	17,440,272
Profit for the year	-	-	-	-	-	-	-	-	1,760,387	1,760,387
Other comprehensive income	-	-	-	(452,774)	5,386	-	(179,949)	-	-	(627,337)
Total comprehensive income for the year	-	-	-	(452,774)	5,386	-	(179,949)	-	1,760,387	1,133,050
Issue of additional equity instruments	-	-	-	-	-	-	-	-	-	-
Redemption of additional equity instruments	-	-	-	-	-	-	-	-	-	-
Shares issued under General Mandate	999,997	-	-	-	-	-	-	-	-	999,997
Shares issued under Rights Issue	3,563,574	-	-	-	-	-	-	-	-	3,563,574
Transaction costs incurred in respect of the shares issued	(22,415)	-	-	-	-	-	-	-	-	(22,415)
Distribution payment for additional equity instruments	-	(152,845)	-	-	-	-	-	-	-	(152,845)
Transfer from retained profits	-	152,845	-	-	-	-	-	-	(152,845)	-
Unclaimed dividend forfeited	-	-	-	-	-	-	-	-	500	500
Interim dividend paid	-	-	-	-	-	-	-	-	(165,329)	(165,329)
Final dividend paid	-	-	-	-	-	-	-	-	(254,475)	(254,475)
Earmark of retained profits as regulatory reserve	-	-	-	-	-	-	-	99,000	(99,000)	-
At 31 December 2018	<u>9,977,060</u>	<u>2,312,030</u>	<u>(182)</u>	<u>7,092</u>	<u>179,633</u>	<u>1,388,500</u>	<u>(113,933)</u>	<u>912,000</u>	<u>7,880,129</u>	<u>22,542,329</u>

The retained profits of the Group included retained profits of HK\$169,951,000 (2018: retained profits of HK\$159,752,000) 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 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	2,281,377	2,105,215
Adjustments for:		
Net interest income	(3,259,860)	(2,879,962)
Net impairment losses on financial assets	137,881	178,254
Net losses on disposal of property and equipment	344	341
Net gains on disposal of financial assets measured at FVOCI	(40,899)	(21,460)
Net losses (gains) on fair value adjustments on investment properties	4,431	(10,250)
Share of profits of associates	(37,191)	(19,628)
Net gains on fair value hedge	(2,727)	(1,779)
Dividend received from investments	(12,767)	(8,443)
Depreciation and amortisation	248,048	78,326
Release of prepaid lease payments for land	–	66
Exchange adjustments	(77,875)	(254,907)
Operating cash flows before movements in operating assets and liabilities	(759,238)	(834,227)
(Increase) decrease in operating assets:		
Money at call and short notice with original maturity over three months	192,993	(313,649)
Placements with banks with original maturity over three months	(390,612)	(908,753)
Financial assets at fair value through profit or loss	(24,659)	(115,763)
Advances to customers	(16,268,634)	(15,484,520)
Advances to banks	(502,380)	(227,066)
Other accounts	(2,337,062)	(75,932)
Increase (decrease) in operating liabilities:		
Deposits and balances of banks	1,333,968	2,564,021
Financial assets sold under repurchase agreements	(2,317,844)	(5,431,293)
Deposits from customers	18,974,354	24,931,620
Certificates of deposit	1,060,689	(529,065)
Derivative financial instruments	170,328	(200,733)
Other accounts and accruals	(26,925)	170,203
Cash (used in) generated from operations	(895,022)	3,544,843
Hong Kong profits tax paid	(121)	(425,883)
Overseas tax paid	(89,850)	(59,318)
Interest received	4,937,008	3,735,317
Interest paid	(2,446,967)	(1,606,048)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,505,048	5,188,911

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
INVESTING ACTIVITIES		
Interest received from investments in securities	1,340,810	1,108,862
Dividends received on investments in securities	12,767	8,443
Dividends received from associates	25,500	26,370
Capital investment in an associate	–	(75,000)
Purchase of investments in securities measured at amortised cost	(375,874)	(564,700)
Purchase of investments in securities measured at FVOCI	(76,437,888)	(23,318,951)
Purchase of property and equipment	(82,898)	(55,017)
Purchase of intangible assets	(231,622)	(187,192)
Proceeds from redemption of investments in securities measured at amortised cost	383,506	267,181
Proceeds from sale and redemption of investments in securities measured at FVOCI	67,611,524	17,565,647
Proceeds from disposal of property and equipment	2,757	40,044
NET CASH USED IN INVESTING ACTIVITIES	(7,751,418)	(5,184,313)
FINANCING ACTIVITIES		
Net proceeds from issue of new shares	3,111,315	4,541,156
Redemption of additional equity instruments	(2,353,204)	–
Interest paid on loan capital	(210,804)	(221,697)
Interest paid on debt securities issued	(62,103)	(66,791)
Redemption of debt securities issued	(1,708,650)	–
Payment of lease liabilities	(209,297)	–
Dividends paid to ordinary shareholders	(564,065)	(419,304)
Distribution paid on additional equity instruments	(153,015)	(152,845)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(2,149,823)	3,680,519
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,396,193)	3,685,117
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30,694,891	27,009,774
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22,298,698	30,694,891
Represented by:		
Cash and balances with central bank and banks	5,703,209	5,295,825
Money at call and short notice with original maturity of less than three months	14,580,640	20,572,928
Placements with banks maturing between one to twelve months with original maturity of less than three months	2,014,849	4,826,138
	22,298,698	30,694,891

FINANCIAL REVIEW

for the year ended 31 December 2019

GENERAL

The financial information relating to the years ended 31 December 2019 and 2018 included in this announcement of 2019 final results do not constitute the Group's statutory annual consolidated financial statements for those years but is extracted from those financial statements, which will be delivered to the Registrar of Companies and the HKMA.

Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course.

The auditors expressed an unqualified opinion on those financial statements in their report dated 27 February 2020. The auditor's report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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.

APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The following new standard has been adopted by the Group for the first time for the financial year beginning on 1 January 2019 and is relevant to the Group:

- HKFRS 16, Leases

There are also amendments to standards effective for the accounting period beginning on 1 January 2019 but do not have material financial impact. Therefore, these amendments are not analysed in details.

The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17 Leases ("HKAS 17"). Under this method, comparative information is not restated.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities by the Group on 1 January 2019 was 3.2%.

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	<u>201,269</u>
Discounted using the Group's incremental borrowing rate of at the date of initial application	189,383
Less: short-term leases recognised on a straight-line basis as expense	(20,737)
Less: low-value leases recognised on a straight-line basis as expense	(7)
Lease liabilities recognised as at 1 January 2019	<u>168,639</u>

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The impact on transition is summarised below.

	1 January 2019 HK\$'000
Right-of-use assets presented in property and equipment	181,690
Lease liabilities	168,639
Provision for restoration cost	10,978

PRACTICAL EXPEDIENTS APPLIED

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

The Group as lessee

The Group leases various offices and retail branches. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), the payments to be made under reasonably certain to exercise termination option and less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of equipment.

The Group as lessor

As a lessor, the Group leases out its investment properties as the lessor of operating leases. Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant leases.

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards and interpretations are not yet effective for annual period beginning on 1 January 2019, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

SEGMENT INFORMATION

Operating segments

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:

The corporate and personal banking services provided by the Group are principally lending and trade finance facilities, auto financing, consumer financing, overdraft facilities, mandatory provident fund services, provision of fixed deposits, current and savings accounts, credit cards and personal wealth management services. The Group also provides automated telephone and internet banking services to its customers. Other banking services offered include remittance and money exchange, safe deposit boxes, autopay and direct debit services.

Financial markets activities mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management. Income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts, and from the Bank's cash management activities through foreign currency funding swaps.

Securities dealing activities of the Group include securities trading, stockbroking and futures broking.

Others comprise 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.

(i) Operating segment information for the year ended 31 December 2019 is presented below:

Operating segment revenues and results

	Corporate and personal banking <i>HK\$'000</i>	Financial markets activities <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Interest income from external customers	4,499,541	1,952,754	9,646	30,086	–	6,492,027
Interest expense to external customers	(2,470,492)	(484,891)	–	(276,784)	–	(3,232,167)
Inter-segment interest income (<i>Note</i>)	538,204	–	–	515,907	(1,054,111)	–
Inter-segment interest expense (<i>Note</i>)	–	(1,054,111)	–	–	1,054,111	–
Net interest income	2,567,253	413,752	9,646	269,209	–	3,259,860
Fee and commission income	344,803	1,054	101,235	1,762	–	448,854
Fee and commission expense	(111,905)	(302)	(56)	–	–	(112,263)
Net income from trading and investments	136,518	105,247	(23)	(449)	–	241,293
Other operating income	111,581	–	3,582	69,298	–	184,461
Segment revenue						
Total operating income	3,048,250	519,751	114,384	339,820	–	4,022,205
Comprising:						
– Segment revenue from external customers	2,510,046	1,573,862	114,384	(176,087)		
– Inter-segment transactions	538,204	(1,054,111)	–	515,907		
Operating expenses	(1,382,501)	(111,370)	(87,420)	(54,072)	–	(1,635,363)
Net impairment losses on financial assets	(105,055)	(32,822)	1	(5)	–	(137,881)
Net losses on disposal of property and equipment	–	–	–	(344)	–	(344)
Net (losses) gains on fair value adjustments on investment properties	–	–	–	(4,431)	–	(4,431)
Other non-operating income	–	–	–	–	–	–
Segment profit	1,560,694	375,559	26,965	280,968	–	2,244,186
Unallocated corporate expenses						–
Share of profits of associates						37,191
Profit before taxation						2,281,377

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

Operating segment assets and liabilities as at 31 December 2019

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	127,757,395	81,513,885	372,672	975,513	210,619,465
Interests in associates					377,244
Unallocated corporate assets					1,771,325
					<u>212,768,034</u>
Liabilities					
Segment liabilities	163,673,166	22,019,638	221,858	183,026	186,097,688
Unallocated corporate liabilities					1,807,133
					<u>187,904,821</u>

Other information – amounts included in the measure of segment results and segment assets

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure during the year	43,077	1,955	104	65	269,319	314,520
Depreciation and amortisation	151,483	12,286	11,478	7,802	66,534	249,583
Release of prepaid lease payments for land	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(ii) Operating segment information for the year ended 31 December 2018 is presented below:

Operating segment revenues and results

	Corporate and personal banking <i>HK\$'000</i>	Financial markets activities <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Interest income from external customers	3,509,221	1,524,016	9,064	60,277	–	5,102,578
Interest expense to external customers	(1,674,358)	(257,490)	(29)	(290,739)	–	(2,222,616)
Inter-segment interest income (<i>Note 1</i>)	455,751	–	–	402,507	(858,258)	–
Inter-segment interest expense (<i>Note 1</i>)	–	(858,258)	–	–	858,258	–
Net interest income	2,290,614	408,268	9,035	172,045	–	2,879,962
Fee and commission income	367,245	653	134,916	2,734	–	505,548
Fee and commission expense	(120,610)	(249)	(195)	–	–	(121,054)
Net income from trading and investments	82,727	90,701	(65)	74,792	–	248,155
Other operating income	102,190	–	770	70,546	–	173,506
Segment revenue						
Total operating income	2,722,166	499,373	144,461	320,117	–	3,686,117
Comprising:						
– Segment revenue from external customers	2,266,415	1,357,631	144,461	(82,390)		
– Inter-segment transactions	455,751	(858,258)	–	402,507		
Operating expenses (<i>Note 2</i>)	(1,275,130)	(101,468)	(88,536)	(58,466)	–	(1,523,600)
Net impairment losses on financial assets	(157,991)	(20,263)	–	–	–	(178,254)
Net losses on disposal of property and equipment	–	–	–	(341)	–	(341)
Net (losses) gains on fair value adjustments on investment properties	–	–	–	10,250	–	10,250
Other non-operating income	–	–	–	116,655	–	116,655
Segment profit	<u>1,289,045</u>	<u>377,642</u>	<u>55,925</u>	<u>388,215</u>	<u>–</u>	2,110,827
Unallocated corporate expenses						(25,240)
Share of profits of associates						<u>19,628</u>
Profit before taxation						<u>2,105,215</u>

- Notes:*
- Inter-segment pricing for funding transactions is charged with reference to prevailing market interest rates.
 - The difference between the operating expenses in the consolidated income statement and the operating expenses in the operating segments is the unallocated corporate expenses.

Operating segment assets and liabilities as at 31 December 2018

	Corporate and personal banking <i>HK\$'000</i>	Financial markets activities <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets					
Segment assets	113,015,885	75,302,489	203,010	478,794	189,000,178
Interests in associates					347,320
Unallocated corporate assets					1,228,140
Consolidated total assets					<u>190,575,638</u>
Liabilities					
Segment liabilities	144,569,731	22,438,236	97,536	137,577	167,243,080
Unallocated corporate liabilities					790,229
Consolidated total liabilities					<u>168,033,309</u>

Other information – amounts included in the measure of segment results and segment assets

	Corporate and personal banking <i>HK\$'000</i>	Financial markets activities <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure during the year	31,821	555	134	1,675	208,024	242,209
Depreciation and amortisation	58,377	1,818	1,961	268	20,066	82,490
Release of prepaid lease payments for land	<u>66</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>66</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.

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.

Details of geographical information are set out below:

	2019						
	Total operating income <i>HK\$'000</i>	Profit before taxation <i>HK\$'000</i>	Capital expenditure during the year <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Total contingent liabilities and commitments <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong	3,266,822	1,906,145	283,322	167,367,304	147,671,184	32,637,540	2,370,740
Macau and Mainland China	755,383	375,232	31,198	45,400,730	40,233,637	13,577,910	244,421
Total	4,022,205	2,281,377	314,520	212,768,034	187,904,821	46,215,450	2,615,161
	2018						
	Total operating income <i>HK\$'000</i>	Profit before taxation <i>HK\$'000</i>	Capital expenditure during the year <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Total contingent liabilities and commitments <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong	3,003,143	1,868,619	174,028	160,539,779	141,766,681	37,314,868	1,565,789
Macau and Mainland China	682,974	236,596	68,181	30,035,859	26,266,628	201,269	190,984
Total	3,686,117	2,105,215	242,209	190,575,638	168,033,309	37,516,137	1,756,773

Note: Total operating income consists of net interest income, net fee and commission income, net income from trading and investment 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), intangible assets and deferred tax assets.

NET INTEREST INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income		
Balances and placements with central bank and banks	747,883	661,925
Investments in securities	1,534,455	1,218,849
Loans and advances	4,209,689	3,221,804
	<u>6,492,027</u>	<u>5,102,578</u>
Interest expense		
Deposits and balances of banks	(357,261)	(145,273)
Deposits from customers	(2,352,002)	(1,618,178)
Financial assets sold under repurchase agreements	(156,936)	(117,989)
Certificates of deposit	(90,579)	(56,317)
Debt securities issued	(25,249)	(66,666)
Loan capital in issue	(230,391)	(218,193)
Lease liabilities	(19,749)	–
	<u>(3,232,167)</u>	<u>(2,222,616)</u>
Net interest income	<u>3,259,860</u>	<u>2,879,962</u>
Included within interest income		
Interest income on impaired loans and advances	<u>9,925</u>	<u>9,452</u>

Included within interest income and interest expense are HK\$6,492,027,000 (2018: HK\$5,095,245,000) and HK\$3,232,167,000 (2018: HK\$2,222,616,000) earned and incurred from financial assets and financial liabilities that are not recognised at fair value through profit or loss, respectively.

Included above is interest income from unlisted investments in debt securities of HK\$1,534,455,000 (2018: HK\$1,218,849,000).

NET FEE AND COMMISSION INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fee and commission income		
Securities dealings	103,279	136,791
Loans, overdrafts and guarantees	67,416	72,963
Trade finance	15,582	16,448
Credit card services	125,600	138,773
Agency services	92,231	107,129
Others	44,746	33,444
Total fee and commission income	448,854	505,548
Less: Fee and commission expenses	(112,263)	(121,054)
Net fee and commission income	336,591	384,494
of which:		
Net fee and commission, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not recognised at fair value through profit or loss		
– Fee income	213,192	236,888
– Fee expenses	(103,932)	(117,582)
	109,260	119,306

NET INCOME FROM TRADING AND INVESTMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Foreign exchange gains	176,393	224,337
Net gains on financial instruments at fair value through profit or loss	21,274	579
Net gains (losses) on fair value hedge:		
– Net gains (losses) on hedged items attributable to the hedged risk	1,051,943	(145,497)
– Net (losses) gains on hedging instruments	(1,049,216)	147,276
Net gains on disposal of FVOCI debt securities	40,899	21,460
	<u>241,293</u>	<u>248,155</u>

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

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

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

No amortised cost securities were disposed in both years.

OTHER OPERATING INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividend income		
– Listed investments	6,670	1,994
– Unlisted investments	6,097	6,449
	12,767	8,443
Gross rents from investment properties	8,855	8,653
Less: Outgoings	(452)	(410)
Net rental income	8,403	8,243
Safe deposit box rentals	57,087	57,407
Net insurance income (<i>Note</i>)	20,995	13,297
Other banking services income	79,602	71,868
Others	5,607	14,248
	<u>184,461</u>	<u>173,506</u>

Note: Details of net insurance income are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Gross insurance premium income	39,378	40,240
Reinsurers' share of gross insurance premium income	(11,893)	(11,543)
	27,485	28,697
Decrease (increase) in gross outstanding claims	13,092	(2,964)
Gross claim paid	(15,352)	(21,688)
	(2,260)	(24,652)
(Decrease) increase in recoverable from reinsurance of outstanding claims	(8,488)	4,419
Reinsurance claims recoveries	609	1,849
	(7,879)	6,268
Net insurance commission income	3,649	2,984
Net insurance income	<u>20,995</u>	<u>13,297</u>

OPERATING EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services – current year	7,299	7,070
– Audit services – under provision in prior year	–	250
– Non-audit services	1,100	3,128
Total auditor's remuneration	8,399	10,448
Staff costs (including directors' emoluments)		
– Salaries and other costs	966,910	930,807
– Retirement benefits scheme contributions	51,027	49,944
– Capitalised to intangible assets	(50,424)	(43,450)
Total staff costs	967,513	937,301
Depreciation		
– Property, plant and equipment	71,670	78,929
– Right-of-use assets	173,869	–
– Capitalised to intangible assets	–	(4,164)
– Government grants (Note)	(1,535)	–
	244,004	74,765
Amortisation of intangible assets	4,044	3,561
Release of prepaid lease payments for land	–	66
Premises and equipment expenses, excluding depreciation and release of prepaid lease payments for land		
– Rentals and rates for premises	7,105	166,304
– Expenses relating to short-term leases	23,609	–
– Expenses relating to leases of low-value assets	556	–
– Capitalised to intangible assets	(2,898)	(3,623)
	28,372	162,681
– Others	14,180	36,071
Other operating expenses	370,367	325,516
– Capitalised to intangible assets	(1,516)	(1,569)
	368,851	323,947
	1,635,363	1,548,840

Included in the premises and equipment expenses are minimum lease payments classified as operating lease under HKAS17 of HK\$ nil (2018: HK\$157,829,000).

Note: Government grants were received by the Group from the Government of the People's Republic of China for the office rental in Shenzhen. There are no unfulfilled conditions or contingencies relating to these grants.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loans and advances to customers	96,830	174,601
Investments in securities	34,254	15,222
Loan commitments and financial guarantee	1,953	(20,387)
Short-term funds and placement with banks	4,844	8,818
	<u>137,881</u>	<u>178,254</u>

TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The tax charge comprises:		
Hong Kong Profits Tax		
– Current year	242,310	245,689
– Under (over) provision in prior years	23,216	(24,111)
Overseas taxation		
– Current year	70,713	69,205
– (Over) under provision in prior years	(377)	237
Deferred tax		
– Current year	44,873	15,915
– Under provision in prior years	–	37,893
	<u>380,735</u>	<u>344,828</u>

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit for the year.

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

The tax charge for the year can be reconciled to the Group's profit before taxation per the consolidated income statement as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation	<u>2,281,377</u>	<u>2,105,215</u>
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	376,427	347,360
Tax effect of share of profits of associates	(6,137)	(3,239)
Tax effect of expenses not deductible for tax purpose	41,980	37,601
Tax effect of income not taxable for tax purpose	(45,948)	(36,771)
Under provision in prior years	22,839	14,019
Effect of different tax rates of subsidiaries and branches operating in other jurisdictions	14,426	6,518
Others	<u>(22,852)</u>	<u>(20,660)</u>
Tax charge for the year	<u>380,735</u>	<u>344,828</u>

Included in the "Others" is mainly the tax effect on deductibility of additional tier 1 capital distribution of HK\$153,015,000 (2018: HK\$152,845,000).

DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends recognised as distribution to ordinary shareholders during the year:		
2019 Interim – HK\$0.17 (2018: Interim – HK\$0.17) per share	165,329	165,329
2018 Final – HK\$0.41 (2017: Final – HK\$0.39) per share	<u>398,736</u>	<u>254,475</u>
	<u>564,065</u>	<u>419,804</u>

The final dividend of HK\$0.41 per share, totalling HK\$398,736,000, in respect of the current financial year (2018: HK\$0.41 per share, totalling HK\$398,736,000) has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting of the shareholders.

At the board meeting on 22 August 2019, the Board declared a total amount of interim dividend of HK\$165,329,000 (2018: HK\$165,329,000) at a rate of HK\$0.17 (2018: HK\$0.17) per share. The interim dividend was paid on 3 October 2019.

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\$1,900,642,000 (2018: HK\$1,760,387,000) with deduction of distribution payment for additional equity instruments of HK\$153,015,000 (2018: HK\$152,845,000) on 972,526,000 (2018: 751,457,000) weighted average ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019 Number of shares (<i>thousands</i>)	2018 Number of shares (<i>thousands</i>)
Issued ordinary shares at 1st January	972,526	653,807
Effect of shares issued under General Mandate	–	25,076
Effect of shares issued under Rights Issue	–	72,574
Weighted average number of ordinary shares at 31st December	<u>972,526</u>	<u>751,457</u>

As at 31 December 2019 and 31 December 2018, there was no potential dilutive instrument in issue.

CASH AND SHORT-TERM FUNDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cash and balances with central bank and banks	5,703,209	5,295,825
Money at call and short notice	14,701,296	20,886,577
	<u>20,404,505</u>	<u>26,182,402</u>

Included in the “Cash and balances with central bank and banks” are surplus reserve deposits placed with People’s Bank of China by the Mainland branches of HK\$724,351,000 (2018: HK\$348,578,000).

DERIVATIVE FINANCIAL INSTRUMENTS

	2019			2018		
	Notional amount <i>HK\$'000</i>	Fair value		Notional amount <i>HK\$'000</i>	Fair value	
		Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>		Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Derivatives held for trading						
– Foreign currency forward contracts	186,312,939	606,575	603,091	260,404,113	517,316	535,554
– Foreign currency options	3,264,209	25,849	25,845	344,608	887	887
– Interest rate swaps	43,402,994	42,573	41,694	15,389,236	23,730	25,136
– Futures	358,179	36	26	–	–	–
Derivatives designated as hedging instruments						
– Interest rate swaps	35,920,843	30,897	1,232,295	31,200,783	354,207	312,040
		<u>705,930</u>	<u>1,902,951</u>		<u>896,140</u>	<u>873,617</u>

As at 31 December 2019 and 31 December 2018, all foreign currency forward contracts have settlement dates within three years (2018: two years) from the end of the reporting period.

The remaining maturity of interest rate swaps held for trading is within 9 years (2018: within 10 years).

The credit risk-weighted amounts of derivative exposures calculated based on the Banking (Capital) Rules of the Hong Kong Banking Ordinance are as follows:

	2019			2018		
	Notional amount <i>HK\$'000</i>	Replacement cost <i>HK\$'000</i>	Credit risk- weighted amount <i>HK\$'000</i>	Notional amount <i>HK\$'000</i>	Replacement cost <i>HK\$'000</i>	Credit risk- weighted amount <i>HK\$'000</i>
Exchange rate contracts	189,577,148	632,424	1,043,312	260,748,721	518,203	1,039,483
Interest rate contracts	79,682,016	73,506	127,712	46,590,019	377,937	201,718
		<u>705,930</u>	<u>1,171,024</u>		<u>896,140</u>	<u>1,241,201</u>

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 derivative financial instruments including exchange rate contracts and interest rate contracts have been recognised in the statements of financial position at fair values.

The fair values of the derivative financial instruments do not take into account the effect of any bilateral netting agreements.

Fair value hedge of fixed-rate bonds

The Group designates certain interest rate swaps as fair value hedges of FVOCI debt securities with carrying amount of HK\$31,648,912,000 (2018: HK\$25,761,758,000) as at 31 December 2019. The purpose is to minimise its exposure to fair value changes of its fixed-rate bonds by swapping these fixed-rate bonds from fixed rates to floating rates. The interest rate swaps and the corresponding fixed-rate bonds have the same terms. The management of the Group considers that the interest rate swaps are highly effective hedging instruments. The remaining maturity of these interest rate swaps and debt securities ranged from 2 months to 9 years (2018: 3 months to 10 years).

During the years ended 31 December 2019 and 31 December 2018, the above fair value hedges were effective in hedging the fair value exposures to interest rate movements and as a result, both the gains in fair value of the bonds of HK\$1,145,420,000 (2018: losses of HK\$195,934,000) and losses in fair value of the interest rate swaps of HK\$1,143,778,000 (2018: gains of HK\$197,902,000) were included in the consolidated income statement.

Fair value hedge of subordinated note issued

The Group designates an interest rate swap as fair value hedge of the interest rate movement of the US\$587 million (2018: US\$587 million) subordinated note issued. The purpose is to minimise its exposure to fair value changes of its fixed-rate note by swapping fixed-rate note from fixed rate to floating rate. The interest rate swap and the hedged subordinated note have the same terms and the management of the Group considers that the interest rate swap is a highly effective hedging instrument.

The hedge was effective in hedging the fair value exposure to interest rate movements and as a result, both the decrease in fair value of the note of HK\$93,477,000 (2018: decrease in fair value of HK\$50,438,000) and gains in fair value of the interest rate swap of HK\$94,562,000 (2018: gains of HK\$50,626,000) were included in the consolidated income statement.

INVESTMENTS IN SECURITIES

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at FVOCI <i>HK\$'000</i>	Financial assets at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
2019				
Equity securities:				
Listed in Hong Kong	193	47,074	–	47,267
Listed overseas	–	2,662	–	2,662
	<u>193</u>	<u>49,736</u>	<u>–</u>	<u>49,929</u>
Unlisted	–	39,884	–	39,884
	<u>193</u>	<u>89,620</u>	<u>–</u>	<u>89,813</u>
Debt Securities:				
Certificates of deposits – unlisted	–	597,021	–	597,021
Other debt securities – unlisted	140,494	56,226,632	480,633	56,847,759
	<u>140,494</u>	<u>56,823,653</u>	<u>480,633</u>	<u>57,444,780</u>
Total:				
Listed in Hong Kong	193	47,074	–	47,267
Listed overseas	–	2,662	–	2,662
Unlisted	140,494	56,863,537	480,633	57,484,664
	<u>140,687</u>	<u>56,913,273</u>	<u>480,633</u>	<u>57,534,593</u>
As analysed by issuing entities:				
Central governments and central banks	140,494	20,945,295	459,265	21,545,054
Banks and other financial institutions	–	16,109,168	19,368	16,128,536
Corporate entities	193	19,858,810	2,000	19,861,003
	<u>140,687</u>	<u>56,913,273</u>	<u>480,633</u>	<u>57,534,593</u>

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at FVOCI <i>HK\$'000</i>	Financial assets at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
2018				
Equity securities:				
Listed in Hong Kong	215	41,889	–	42,104
Listed overseas	–	2,735	–	2,735
	215	44,624	–	44,839
Unlisted	–	40,954	–	40,954
	215	85,578	–	85,793
Debt Securities:				
Certificates of deposits – unlisted	–	2,202,155	–	2,202,155
Other debt securities – unlisted	115,813	44,090,823	491,542	44,698,178
	115,813	46,292,978	491,542	46,900,333
Total:				
Listed in Hong Kong	215	41,889	–	42,104
Listed overseas	–	2,735	–	2,735
Unlisted	115,813	46,333,932	491,542	46,941,287
	116,028	46,378,556	491,542	46,986,126
As analysed by issuing entities:				
Central governments and central banks	115,813	15,061,973	470,204	15,647,990
Banks and other financial institutions	–	14,677,763	–	14,677,763
Corporate entities	215	16,638,820	21,338	16,660,373
	116,028	46,378,556	491,542	46,986,126

Investments in equity instruments designated at FVOCI

The Group has designated at FVOCI investments in a portfolio of equity securities as follows:

Type of equity instrument	Instruments held as at 31 December 2019		Instruments disposed during the year ended 31 December 2019		
	Fair value <i>HK\$000</i>	Dividend recognised <i>HK\$000</i>	Fair value on date of disposal <i>HK\$000</i>	Cumulative gains on disposal <i>HK\$000</i>	Dividend recognised <i>HK\$000</i>
– business facilitation	39,607	6,097	–	–	–
– other	50,013	6,670	9,724	113	69
At 31 December 2019	<u>89,620</u>	<u>12,767</u>	<u>9,724</u>	<u>113</u>	<u>69</u>

Type of equity instrument	Instruments held as at 31 December 2018		Instruments disposed during the year ended 31 December 2018		
	Fair value <i>HK\$000</i>	Dividend recognised <i>HK\$000</i>	Fair value on date of disposal <i>HK\$000</i>	Cumulative gains on disposal <i>HK\$000</i>	Dividend recognised <i>HK\$000</i>
– business facilitation	40,676	6,449	–	–	–
– other	44,902	1,665	10,539	414	329
At 31 December 2018	<u>85,578</u>	<u>8,114</u>	<u>10,539</u>	<u>414</u>	<u>329</u>

The Group chose this presentation alternative because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

TRANSFER OF FINANCIAL ASSETS

The following were the Group's debt securities classified as FVOCI as at 31 December 2019 and 31 December 2018 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". 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 measured at fair value in the consolidated statement of financial position.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Financial assets measured at FVOCI		
Carrying amount of transferred assets	4,467,402	7,165,740
Carrying amount of associated liabilities	<u>4,253,852</u>	<u>6,571,696</u>

ADVANCES AND OTHER ACCOUNTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Advances to customers		
Bills receivable	618,617	753,851
Trade bills	2,490,856	2,361,920
Other advances to customers	<u>114,969,441</u>	<u>98,709,456</u>
	118,078,914	101,825,227
Interest receivable	1,052,563	895,015
Impairment allowances		
– Stage 1	(382,053)	(379,031)
– Stage 2	(43,710)	(12,382)
– Stage 3	<u>(193,597)</u>	<u>(154,435)</u>
	118,512,117	102,174,394
Advances to banks	837,275	334,895
Others	<u>6,633,404</u>	<u>4,299,182</u>
	<u>125,982,796</u>	<u>106,808,471</u>

Included in the “Others” is initial and variation margin of HK\$1,885,643,000 (2018: HK\$456,206,000) deposited in banks for certain interest rate swaps, foreign currency forward contracts and repurchase agreements and an amount of approximately HK\$4,055,287,000 (2018: HK\$3,330,321,000) placed as reserve funds with banks in the Mainland by the Mainland branches. Among which, HK\$3,421,728,000 (2018: HK\$2,756,418,000) are the mandatory reserve deposits placed with the People’s Bank of China which are not available for the Group’s daily operation; HK\$633,559,000 (2018: HK\$573,903,000) are the fixed deposits placed with financial institutions in the Mainland in compliance with the requirements of Regulations Governing Foreign Financial Institutions of the Mainland.

The remaining balance of “Others” amounting to HK\$692,474,000 (2018: HK\$512,655,000) 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\$318,653,000 (2018: HK\$194,144,000).

Details of the impaired loans are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Gross impaired loans	397,601	353,230
Less: Impairment allowances under Stage 3	<u>(193,597)</u>	<u>(154,435)</u>
Net impaired loans	<u>204,004</u>	<u>198,795</u>
Gross impaired loans as a percentage of gross advances to customers	<u>0.34%</u>	<u>0.35%</u>
Market value of collateral pledged	<u>256,491</u>	<u>267,720</u>

Details of the non-performing loans are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Gross non-performing loans (<i>Note</i>)	395,458	354,859
Less: Impairment allowances under Stage 3	<u>(193,558)</u>	<u>(154,435)</u>
Net non-performing loans	<u>201,900</u>	<u>200,424</u>
Gross non-performing loans as a percentage of gross advances to customers	<u>0.33%</u>	<u>0.35%</u>
Market value of collateral pledged	<u>241,548</u>	<u>254,310</u>

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

INVESTMENT PROPERTIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	311,942	298,765
Transfer from land and buildings	–	5,400
Net (decrease) increase in fair value recognised in the profit or loss	(4,431)	10,250
Exchange adjustments	(901)	(2,473)
At 31 December	<u>306,610</u>	<u>311,942</u>

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

Investment properties owned by the Group were revalued at 31 December 2019 by adopting the direct comparison approach (2018: direct comparison approach) and with reference to the recent transactions for similar premises by Vigers Appraisal and Consulting Limited (2018: Vigers Appraisal and Consulting Limited), independent professionally qualified valuers. The fair value is mainly arrived at by reference to comparable market transactions for similar properties.

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\$3,430 to HK\$49,000 (2018: HK\$3,520 to HK\$50,280) 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.

In estimating the fair value of the Group's investment properties, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurement. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Bank.

Information about the valuation techniques and inputs in determining the fair value of the Group's investment properties are disclosed above.

Investment properties are classified as Level 3 under fair value hierarchy as at 31 December 2019 and 31 December 2018. There were no transfers into or out of Level 3 during the year.

The carrying amount of investment properties of the Group comprises:

	2019 HK\$'000	2018 HK\$'000
<hr/>		
Leasehold properties		
Held in Hong Kong on long-term lease (over 50 years unexpired)	163,100	167,500
Held in Hong Kong on medium-term lease (10 – 50 years unexpired)	94,300	96,600
Held outside Hong Kong on medium-term lease (10 – 50 years unexpired)	49,210	47,842
	306,610	311,942
	<hr/> <hr/>	<hr/> <hr/>

Leasing arrangements

The Group leases out investment property under operating leases. Lease payments are usually increased after the end of current leases to reflect market rentals. None of the leases includes variable lease payments.

Undiscounted minimum lease payments receivable on leases of properties are as follows:

	2019 HK\$'000
<hr/>	
Within 1 year	8,177
After 1 year but within 2 years	5,022
After 2 years but within 3 years	486
After 3 years but within 4 years	–
After 4 years but within 5 years	–
After 5 years	–
	<hr/>
	13,685
	<hr/> <hr/>

PROPERTY AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Right-of- use assets HK\$'000	Equipment HK\$'000	Total HK\$'000
COST					
At 1 January 2019	345,225	112,493	–	826,902	1,284,620
Impact on initial application of HKFRS16	–	–	181,690	–	181,690
Restated balance at 1 January 2019	345,225	112,493	181,690	826,902	1,466,310
Additions	–	–	588,562	82,898	671,460
Disposals	–	–	–	(12,106)	(12,106)
Transfer to investment properties	–	–	–	–	–
Exchange adjustments	–	(78)	(2)	(3,447)	(3,527)
At 31 December 2019	345,225	112,415	770,250	894,247	2,122,137
ACCUMULATED DEPRECIATION					
At 1 January 2019	91,088	35,848	–	636,354	763,290
Depreciation	7,829	2,763	173,869	61,078	245,539
Eliminated on disposals	–	–	–	(9,005)	(9,005)
Transfer to investment properties	–	–	–	–	–
Exchange adjustments	–	(16)	(1)	(1,921)	(1,938)
At 31 December 2019	98,917	38,595	173,868	686,506	997,886
CARRYING AMOUNTS					
At 31 December 2019	246,308	73,820	596,382	207,741	1,124,251
At 1 January 2019	254,137	76,645	–	190,548	521,330

	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Right-of- use assets <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 January 2018	345,257	113,217	–	825,184	1,283,658
Additions	–	–	–	55,017	55,017
Disposals	–	–	–	(44,047)	(44,047)
Transfer to investment properties	(32)	–	–	–	(32)
Exchange adjustments	–	(724)	–	(9,252)	(9,976)
At 31 December 2018	<u>345,225</u>	<u>112,493</u>	<u>–</u>	<u>826,902</u>	<u>1,284,620</u>
ACCUMULATED DEPRECIATION					
At 1 January 2018	83,279	32,987	–	576,646	692,912
Depreciation	7,827	2,771	–	68,331	78,929
Eliminated on disposals	–	–	–	(3,662)	(3,662)
Transfer to investment properties	(18)	–	–	–	(18)
Exchange adjustments	–	90	–	(4,961)	(4,871)
At 31 December 2018	<u>91,088</u>	<u>35,848</u>	<u>–</u>	<u>636,354</u>	<u>763,290</u>
CARRYING AMOUNTS					
At 31 December 2018	<u>254,137</u>	<u>76,645</u>	<u>–</u>	<u>190,548</u>	<u>521,330</u>
At 1 January 2018	<u>261,978</u>	<u>80,230</u>	<u>–</u>	<u>248,538</u>	<u>590,746</u>

The carrying amounts of leasehold land shown above comprise:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Leasehold land in Hong Kong:		
Held on long-term lease (over 50 years unexpired)	28,292	28,588
Held on medium-term lease (10 – 50 years unexpired)	217,213	224,717
Leasehold land outside Hong Kong:		
Held on medium-term lease (10 – 50 years unexpired)	803	832
	<u>246,308</u>	<u>254,137</u>

The carrying amounts of buildings shown above comprise:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Building		
Held in Hong Kong on long-term lease (over 50 years unexpired)	4,996	5,238
Held in Hong Kong on medium-term lease (10-50 years unexpired)	63,363	65,737
Held outside Hong Kong on medium-term lease (10-50 years unexpired)	5,461	5,670
	<u>73,820</u>	<u>76,645</u>

PREPAID LEASE PAYMENTS FOR LAND

The Group's prepaid lease payments for land comprise:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
COST		
Outside Hong Kong held on:		
Leases of between 10-50 years	–	2,850
Net book value at 1 January	2,073	2,134
Reclassified to right-of-use assets upon adoption of HKFRS 16	(2,073)	–
Release of prepaid operating lease payments	–	(66)
Exchange adjustments	–	5
Net book value at 31 December	<u>–</u>	<u>2,073</u>
Analysed as:		
Current portion	–	66
Non-current portion	–	2,007
Total	<u>–</u>	<u>2,073</u>

FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Analysed by collateral type:		
Debt securities classified as FVOCI	<u>4,253,852</u>	<u>6,571,696</u>

As at 31 December 2019, debt securities which are classified as FVOCI with carrying amount of HK\$4,467,402,000 (2018: HK\$7,165,740,000) were sold under repurchase agreements with other banks. All repurchase agreements are due within 12 months from the end of the reporting period.

DEPOSITS FROM CUSTOMERS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Demand deposits and current accounts	12,162,143	11,605,357
Savings deposits	42,599,569	37,250,772
Time, call and notice deposits	<u>107,902,936</u>	<u>94,834,165</u>
	<u>162,664,648</u>	<u>143,690,294</u>

CERTIFICATES OF DEPOSIT AND DEBT SECURITIES ISSUED

The Group has issued certificates of deposit which are measured at amortised cost with a total carrying amount of HK\$3,749,075,000 as at 31 December 2019 (2018: HK\$2,688,386,000). Certificates of deposit bear contractual interest rates between 2.05% to 3.00% (2018: 2.40% to 3.40%) per annum and will mature within 1 year (2018: 2 years). All certificates of deposit issued are not secured by any collateral.

The Group has issued debt securities which are measured at amortised cost with a total carrying amount of HK\$ nil as at 31 December 2019 (31 December 2018: HK\$1,707,923,000). The debt securities were redeemed at maturity in May 2019.

Analysis of changes in financing cash flows of debt securities issued during the year

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	1,707,923	1,796,069
Changes from financing cash flows:		
Interest paid on debt securities issued	(62,103)	(66,791)
Redemption of debt securities issued	(1,708,650)	–
	(62,830)	1,729,278
Exchange adjustments	–	(90,000)
Other changes		
Interest expense	25,249	66,666
Other non-cash movements (<i>Note</i>)	37,581	1,979
Total other changes	62,830	68,645
At 31 December	–	1,707,923

Note: Included in “Other non-cash movements” mainly represents changes in interest payable.

LOAN CAPITAL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Subordinated notes, at amortised cost with fair value hedge adjustments		
US\$204 million fixed rate subordinated note due 2020 (<i>Notes (a) & (c)</i>)	1,588,843	1,592,297
US\$383 million fixed rate subordinated note due 2027 (<i>Notes (b) & (c)</i>)	2,991,069	2,914,850
	4,579,912	4,507,147

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 “Existing Notes”). 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. Pursuant to the exchange offer by the Bank in 2017, the Bank settled and exchanged US\$20,976,000 of the Existing Notes for new tier 2 subordinated note due 2027 (*Note(b)*). Following the settlement of the exchange offer, US\$204,024,000 in aggregate principal amount of the Existing Notes remains outstanding.

- (b) This represented a subordinated note qualifying as tier 2 capital under Basel III accord with face value of US\$382,903,000 tier 2 subordinated notes issued on 26 July 2017 (the “New Notes”). The New Notes are 10-year non-call 5-year fixed rate notes, with a fixed coupon rate of 3.876% per annum, payable semi-annually for the first five years; the interest rate will be reset on 26 July 2022. This includes US\$22,903,000 of “New Exchange Notes” (being the New Notes issued pursuant to the exchange offer by the Bank to the holders of its US\$225 million 6.000% Subordinated Notes due 2020) and US\$360 million of “New Money Notes”. The New Notes have been listed on the Stock Exchange of Hong Kong under Stock Code of 05249 on 27 July 2017.
- (c) The subordinated notes issued are not secured by any collateral.

Analysis of changes in financing cash flows of loan capital during the year

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	4,507,147	4,541,380
Changes from financing cash flows:		
Interest paid on loan capital	<u>(210,804)</u>	<u>(221,697)</u>
	4,296,343	4,319,683
Exchange adjustments	(26,678)	10,192
Fair value hedge adjustments	93,477	(50,438)
Other changes		
Interest expense	230,391	218,193
Other non-cash movements	<u>(13,621)</u>	<u>9,517</u>
Total other changes	216,770	227,710
At 31 December	<u>4,579,912</u>	<u>4,507,147</u>

SHARE CAPITAL

	2019		2018	
	Number of shares (thousands)	Share capital HK\$'000	Number of shares (thousands)	Share capital HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	972,526	9,977,060	652,500	5,435,904
Shares issued under General Mandate (<i>Note (i)</i>)	–	–	70,126	999,997
Shares issued under Rights Issue (<i>Note (ii)</i>)	–	–	249,900	3,563,574
Transaction costs incurred in respect of the shares issued (<i>Note (iii)</i>)	–	–	–	<u>(22,415)</u>
At 31 December	<u>972,526</u>	<u>9,977,060</u>	<u>972,526</u>	<u>9,977,060</u>

Notes:

(i) Shares issued under General Mandate

During the year ended 31 December 2018, the Bank raised gross proceeds of approximately HK\$999,997,000 pursuant to the subscription agreement entered by the Bank with Guangzhou Metro Investment Finance (HK) Limited (the “Subscriber”) which the Bank has agreed to allot and issue to the Subscriber 70,126,000 subscription shares at the subscription price of HK\$14.26 per subscription share.

(ii) Shares issued under Rights Issue

During the year ended 31 December 2018, the Bank raised gross proceeds of approximately HK\$3,563,574,000 by issuing 249,900,094 rights shares of the Bank to the qualifying shareholders of the Bank at the offer price of HK\$14.26 per rights share of the Bank on the basis of one rights share of the Bank for every two then existing shares of the Bank.

(iii) Transaction costs incurred in respect of the shares issued

The related expenses incurred for the shares issued under General Mandate and Rights issue in 2018 amounted to HK\$22,415,000 and were deducted against the gross proceeds from shares issued.

ADDITIONAL EQUITY INSTRUMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<hr/>		
Additional Tier 1 Capital Securities		
US\$300 million undated non-cumulative subordinated capital securities (Note (a))	–	2,312,030
US\$400 million undated non-cumulative subordinated capital securities (Note (b))	<u>3,111,315</u>	<u>–</u>
	<u>3,111,315</u>	<u>2,312,030</u>

Notes:

- (a) On 25 September 2014, the Bank issued undated non-cumulative subordinated additional tier 1 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.

During the year, a distribution of US\$19,500,000 (2018: US\$19,500,000) (equivalent to HK\$153,015,000 (2018: HK\$152,845,000)) was paid to the securities holders.

The Bank has completed the redemption of the Additional Tier 1 Capital Securities in full on 25 September 2019. Upon completion of the redemption, the Additional Tier 1 Capital Securities have been cancelled.

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

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

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

DEFERRED TAXATION

For the purpose of presentation in the statements 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Deferred tax assets	28,767	19,907
Deferred tax liabilities	<u>(145,247)</u>	<u>(19,171)</u>
	<u><u>(116,480)</u></u>	<u><u>736</u></u>

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

	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowance <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Revaluation of FVOCI securities <i>HK\$'000</i>	Remeasurement of retirement benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	(52,141)	61,454	(18,550)	14,397	(4,424)	736
(Charge) credit to income statement for the year	(67,246)	22,277	96	-	-	(44,873)
Charge to other comprehensive income for the year	-	-	-	(72,655)	-	(72,655)
Exchange adjustments	-	-	312	-	-	312
At 31 December 2019	<u><u>(119,387)</u></u>	<u><u>83,731</u></u>	<u><u>(18,142)</u></u>	<u><u>(58,258)</u></u>	<u><u>(4,424)</u></u>	<u><u>(116,480)</u></u>
At 1 January 2018	140	56,622	(13,156)	(75,476)	(4,424)	(36,294)
(Charge) credit to income statement for the year	(52,281)	4,832	(6,359)	-	-	(53,808)
Charge to other comprehensive income for the year	-	-	-	89,873	-	89,873
Exchange adjustments	-	-	965	-	-	965
At 31 December 2018	<u><u>(52,141)</u></u>	<u><u>61,454</u></u>	<u><u>(18,550)</u></u>	<u><u>14,397</u></u>	<u><u>(4,424)</u></u>	<u><u>736</u></u>

Under the Enterprise Income Tax Law of the People's Republic of China, withholding tax is imposed on profits distributed by the Bank's Mainland branches from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Mainland branches amounting to HK\$965,532,000 (2018: HK\$749,201,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

INTANGIBLE ASSETS

	Club Membership HK\$'000	Goodwill HK\$'000	Software HK\$'000	Internally developed software HK\$'000	Total HK\$'000
COST					
At 1 January 2019	14,090	110,606	12,009	491,926	628,631
Addition	–	–	3,959	–	3,959
Transfer	–	–	–	–	–
Addition through internal development	–	–	–	227,663	227,663
Exchange adjustment	–	–	(1,270)	(111)	(1,381)
At 31 December 2019	<u>14,090</u>	<u>110,606</u>	<u>14,698</u>	<u>719,478</u>	<u>858,872</u>
ACCUMULATED AMORTISATION					
At 1 January 2019	–	–	1,016	2,414	3,430
Charge for the year	–	–	834	3,210	4,044
Exchange adjustment	–	–	79	2,030	2,109
At 31 December 2019	<u>–</u>	<u>–</u>	<u>1,929</u>	<u>7,654</u>	<u>9,583</u>
ACCUMULATED IMPAIRMENT					
At 1 January and 31 December 2019	<u>–</u>	<u>71,000</u>	<u>–</u>	<u>–</u>	<u>71,000</u>
NET BOOK VALUE					
At 31 December 2019	<u>14,090</u>	<u>39,606</u>	<u>12,769</u>	<u>711,824</u>	<u>778,289</u>
COST					
At 1 January 2018	–	110,606	–	330,800	441,406
Addition	9,920	–	12,876	–	22,796
Transfer	4,170	–	–	–	4,170
Addition through internal development	–	–	–	164,396	164,396
Exchange adjustment	–	–	(867)	(3,270)	(4,137)
At 31 December 2018	<u>14,090</u>	<u>110,606</u>	<u>12,009</u>	<u>491,926</u>	<u>628,631</u>
ACCUMULATED AMORTISATION					
At 1 January 2018	–	–	–	–	–
Charge for the year	–	–	1,078	2,483	3,561
Exchange adjustment	–	–	(62)	(69)	(131)
At 31 December 2018	<u>–</u>	<u>–</u>	<u>1,016</u>	<u>2,414</u>	<u>3,430</u>
ACCUMULATED IMPAIRMENT					
At 1 January and 31 December 2018	<u>–</u>	<u>71,000</u>	<u>–</u>	<u>–</u>	<u>71,000</u>
NET BOOK VALUE					
At 31 December 2018	<u>14,090</u>	<u>39,606</u>	<u>10,993</u>	<u>489,512</u>	<u>554,201</u>

The Group acquired 100% of issued share capital of Chong Hing Insurance Company Limited (“CHI”). The amount of goodwill arising as a result of acquisition was HK\$110,606,000.

For the year ended 31 December 2019, the management has reviewed goodwill for impairment testing purpose. The review comprised a comparison of the carrying amount and the fair value less cost to sell, 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 fair value of CHI as at 31 December 2019 was estimated by applying market approach based on a price-to-book ratio of 1 (2018: 1).

The management of the Group determines no impairment loss on the goodwill for the year ended 31 December 2019 (2018: nil).

During the year, there was an addition of HK\$227,663,000 to internally developed software, which is a computer software currently under internal development. Included in the balance as at 31 December 2019, HK\$193,727,000 (2018: HK\$138,889,000) is capitalised from expenditures that directly attributable to the development of the software.

OTHER ACCOUNTS AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accrued interest	1,489,064	946,699
Lease liabilities	528,967	–
Others	1,154,656	1,171,786
	<u>3,172,687</u>	<u>2,118,485</u>

TOTAL CASH OUTFLOW FOR LEASES

Amounts included in the consolidated cash flow statement and consolidated income statement for leases comprise the following:

	2019 <i>HK\$'000</i>
Payment of lease liabilities	209,297
Expenses relating to short-term leases	23,609
Expenses relating to leases of low-value assets	556
	<u>233,462</u>

CONTINGENT LIABILITIES AND COMMITMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contingent liabilities and commitments – contractual amounts		
Direct credit substitutes	469,730	592,606
Trade-related contingencies	6,231,424	4,528,485
Forward asset purchases	54,650	86,125
Undrawn formal standby facilities, credit lines and other commitments		
Which are unconditionally cancellable without prior notice	29,560,421	22,860,607
With an original maturity of one year and under	3,469,420	3,011,346
With an original maturity of over one year	6,427,993	6,235,699
Lease commitments	1,812	201,269
	46,215,450	37,516,137

The credit risk-weighted amount of contingent liabilities and commitments is HK\$4,727,613,000 (2018: HK\$4,441,022,000).

The credit risk-weighted amount is calculated based on “standardised approach”. The risk-weights used in the computation of credit risk-weighted amounts range from 0% to 100% (2018: 0% to 100%) which is assessed in accordance with the Banking (Capital) Rules.

Direct credit substitutes include financial guarantees given by the Group.

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position.

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

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	1,789	91,364
In the second to fifth years, inclusive	23	109,905
	1,812	201,269

Operating lease payments represent short-term and low-value lease payable by the Group for certain of its office properties.

Capital commitments outstanding at the end of the reporting period are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property and equipment	<u>54,650</u>	<u>86,125</u>

RELATED PARTY TRANSACTIONS

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

	Interest, commission and rental income		Interest, rental and other operating expenses	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Ultimate holding company	<u>13</u>	<u>131</u>	<u>23,052</u>	<u>22,561</u>
Intermediate holding company	<u>13,620</u>	<u>13,626</u>	<u>6,674</u>	<u>2,159</u>
Fellow subsidiaries	<u>48,174</u>	<u>35,348</u>	<u>107,185</u>	<u>82,979</u>
Associates	<u>59,856</u>	<u>71,577</u>	<u>29,338</u>	<u>14,876</u>
Key management personnel (<i>Note</i>)	<u>701</u>	<u>1,080</u>	<u>3,212</u>	<u>3,402</u>

During the year, the Group had net trading income with intermediate holding company and fellow subsidiary of HK\$8,293,000 (2018: HK\$42,373,000).

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

	Amounts due from related parties		Amounts due to related parties	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Ultimate holding company	<u>–</u>	<u>–</u>	<u>1,462,124</u>	<u>1,047,143</u>
Intermediate holding company	<u>500,000</u>	<u>798,887</u>	<u>329,086</u>	<u>742,263</u>
Fellow subsidiaries	<u>999,499</u>	<u>1,008,537</u>	<u>5,604,266</u>	<u>2,824,204</u>
Associates	<u>–</u>	<u>–</u>	<u>190,033</u>	<u>234,260</u>
Key management personnel (<i>Note</i>)	<u>43,490</u>	<u>59,118</u>	<u>257,189</u>	<u>238,139</u>

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.

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 31 December 2019, the Group held financial assets at FVOCI issued by fellow subsidiaries of HK\$78,598,000 (31 December 2018: HK\$ nil).

Amounts due from related parties are included in advances and other accounts on the statements of financial position.

Amounts due to related parties are included in deposits from customers on the statements of financial position.

Compensation of key management personnel

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

	2019 HK\$'000	2018 HK\$'000
Short-term benefits	178,092	180,014
Post employment benefits	10,558	10,415
	<u>188,650</u>	<u>190,429</u>

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

As of 31 December 2019, the Group accrued a bonus for the Group's senior management and employees. The accrued bonus was approved by the Remuneration Committee on 21 February 2020. The Group has not completed the allocation of the bonus to individual senior management. The allocation of accrued bonus included under short-term benefits above represents the best estimate of management for the bonus to be distributed to key management personnel as of the date of approval of the financial statements.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The emergence and spread of coronavirus disease in early January 2020 has affected business and economic activity in Mainland China and beyond. The Group will closely monitor the evolving coronavirus situation yet an estimate of its financial effect cannot be made at this stage.

OTHER FINANCIAL INFORMATION

To comply with the Banking (Disclosure) Rules, the Bank has established a "Regulatory Disclosures" section on its website (www.chbank.com) to house the information related to the disclosure requirements as required by the Banking (Disclosure) Rules. The Banking Disclosure Statement, together with the disclosures in the Group's Annual Report, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA. The Banking Disclosure Statement and the Annual Report for the year ended 31 December 2019 will be available on the website of the Bank in March 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank is an authorized institution supervised by the HKMA under the Hong Kong Banking Ordinance. The Bank is committed to maintaining high standards of corporate governance, with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Bank has applied the principles in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and the module on “Corporate Governance of Locally Incorporated Authorized Institutions” under the Supervisory Policy Manual issued by the HKMA to its corporate governance structure and practices.

Throughout the year ended 31 December 2019, the Bank complied with all the applicable code provisions set out in the CG Code, except for deviation from the code provision A.4.1. Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all Non-executive Directors of the Bank are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting (“AGM”) of the Bank in accordance with the Bank’s Articles of Association (the “Articles of Association”).

COMPLIANCE WITH MODEL CODE

The Bank has adopted its own code for securities transactions by Directors on 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”). All the Directors confirmed, following specific enquiry by the Bank, that they have complied with the required standards set out in the Model Code and the Bank’s own code for securities transactions by Directors throughout the year ended 31 December 2019.

FINAL DIVIDEND

The Board will recommend at the forthcoming AGM (“2020 AGM”) of the Bank to be held on Friday, 15 May 2020 the payment of the final cash dividend for 2019 of HK\$0.41 per share (2018: HK\$0.41 per share). This final cash dividend, if approved, will be paid on Tuesday, 2 June 2020 to the shareholders whose names appear on the register of members of the Bank on Tuesday, 26 May 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders who are entitled to attend and vote at the 2020 AGM, the register of members of the Bank will be closed from Monday, 11 May 2020 to Thursday, 14 May 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the 2020 AGM, all transfer documents, together 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, Wanchai, Hong Kong, not later than 4:30 pm on Friday, 8 May 2020.

In addition, for the purpose of ascertaining the shareholders who are qualified to receive the final cash dividend, the register of members of the Bank will be closed from Friday, 22 May 2020 to Tuesday, 26 May 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for receiving the 2019 final cash dividend, all transfer documents, together 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, Wanchai, Hong Kong, not later than 4:30 pm on Thursday, 21 May 2020.

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

The Bank completed the redemption of US\$300,000,000 Undated Non-cumulative Subordinated Additional Tier 1 Capital Securities (Stock Code: 5804, the "Securities") in full on 25 September 2019. The listing of the Securities from the Stock Exchange was withdrawn upon the close of business on 4 October 2019.

Save for the above, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any other of the Bank's listed securities during the year.

PUBLICATION OF 2019 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Bank (www.chbank.com) and Hong Kong Exchanges and Clearing Limited (the "HKEX") (www.hkexnews.hk). The Bank's 2019 Annual Report in both English and Chinese will be available on the websites of the Bank and the HKEX, and the printed copies will be despatched to the shareholders of the Bank, both in March 2020.

By Order of the Board
Chong Hing Bank Limited
Lai Wing Nga
Company Secretary

Hong Kong, 27 February 2020

As at the date of this announcement, the Board comprises:

- *Executive Directors*
Mr Zong Jianxin (Deputy Chairman and Chief Executive) and Mr Lau Wai Man (Deputy Chief Executive);
- *Non-executive Directors*
Mr Zhang Zhaoxing (Chairman), Mr Li Feng, Mr Chow Cheuk Yu Alfred and Ms Chen Jing; and
- *Independent Non-executive Directors*
Mr Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.