

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Hong Kong Exchanges and Clearing Limited (“HKEX”), The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) take no responsibility for the contents of this document, 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 document.

Non-collateralised Structured Products

Base Listing Document relating to Structured Products to be issued by



The Bank of East Asia, Limited

(incorporated with limited liability in Hong Kong)

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving information with regard to us and our standard warrants (“**Warrants**”), inline warrants (“**Inline Warrants**”), callable bull/bear contracts (“**CBBCs**”) and other structured products (together, the “**Structured Products**”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Structured Products are complex products. You should exercise caution in relation to them. The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

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IMPORTANT INFORMATION

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or an invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

You must read this document (including any addendum to this document to be issued from time to time) together with the relevant launch announcement and supplemental listing document (including any addendum to such launch announcement and supplemental listing document to be issued from time to time) (together, “**Listing Documents**”) before investing in the Structured Products. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

No. Our obligations under the Structured Products are neither guaranteed by any third party, nor collateralised with any of our assets or other collateral. When you purchase our Structured Products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Structured Products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Are we regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are a licensed bank regulated by, among others, the Hong Kong Monetary Authority.

Are we rated by any credit rating agencies?

Our credit ratings as of 9 April 2020 are:

<i>Rating Agency</i>	<i>Rating</i>
Moody’s Investors Service, Inc. (“ Moody’s ”)	A3 (stable outlook)
S&P Global Ratings (“ S&P ”)	A- (stable outlook)

The credit ratings are only an assessment by the rating agencies of our overall financial capacity to pay its debts.

A3 is among the top three major credit rating categories and is the seventh highest investment-grade ranking of the ten investment-grade ratings (including 1, 2 and 3 sub-grades) assigned by Moody’s. A- is among the top three major credit rating categories and is the seventh highest investment-grade ranking of the ten investment-grade ratings (including + or – sub-grades) assigned by S&P. Please refer to the brief guide in Appendix 5 to this document to what such credit ratings mean.

You may visit the following website for updated information of our credit ratings:

http://www.hkbea.com/hk/ci/investor_comm/credit_ratings/index.htm

Rating agencies usually receive a fee from companies that they rate.

When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- (a) a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- (b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- (c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of 9 April 2020 are for reference only. Any downgrading of our ratings could result in a reduction in the value of the Structured Products;
- (d) a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- (e) a credit rating may be downgraded if our credit quality declines.

The Structured Products are not rated.

Our credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to our ratings from time to time.

Are we subject to any litigation?

Save as disclosed in this document, we and our subsidiaries have no litigation or claims of material importance pending or threatened against us or them.

Authorisation for the issue of the Structured Products

Our management, pursuant to the approval by our Marketing Strategic Group and Senior Management Meeting, authorised the issue of the Structured Products on 19 January 2010, 29 September 2011 and 27 November 2019.

Has our financial position changed since last financial year-end?

Save as disclosed in Appendix 6, there has been no material adverse change in our financial or trading position since 31 December 2019.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any Hong Kong tax?

No tax is payable in Hong Kong by way of withholding or otherwise in respect of:

- (a) dividends of any company which has issued the underlying shares;
- (b) distributions of any trust which has issued the underlying units; or

- (c) any capital gains arising on the sale of the underlying assets or Structured Products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

Placing and sale

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at our office at 10 Des Voeux Road Central, Hong Kong:

- (a) our annual report for the year ended 31 December 2019;
- (b) the consent letter of the auditor, KPMG (“**Auditor**”);
- (c) this document and any addendum to this document;
- (d) the launch announcement and supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange; and
- (e) the instrument executed by us by way of deed poll dated 22 July 2010 (“**Instrument**”) as defined in General Condition 1 (see Appendix 1).

Please refer to the base listing document dated 11 April 2019 for our annual report for the year ended 31 December 2018 and the auditor's report on such annual report.

Requests for photocopies of the above documents will be subject to a reasonable fee which reflects the cost of making such copies.

The Listing Documents are also available on:

- (a) in respect of warrants, the website of the Stock Exchange at
<http://www.hkex.com.hk/eng/dwrc/search/listsearch.asp>;
and
- (b) in respect of CBBCs, the website of the Stock Exchange at
<http://www.hkex.com.hk/eng/cbbc/search/listsearch.asp>.

各上市文件亦可於下列網站瀏覽：

- (a) 就權證而言，聯交所的網站
http://www.hkex.com.hk/chi/dwrc/search/listsearch_c.asp;
及
- (b) 就牛熊證而言，聯交所的網站
http://www.hkex.com.hk/chi/cbbc/search/listsearch_c.asp。

Has the Auditor consented to the inclusion of its report to the Listing Documents?

Our Auditor has given and has not withdrawn its written consent to the inclusion of its report dated 19 February 2020 in this document and/or the references to its name in the Listing Documents, in the form and context in which they are included. Its report was not prepared for incorporation into this document.

The Auditor does not hold our shares or shares in our subsidiaries, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Authorised representatives

Lau Ching Ching and Law Chun Tak, Alson, both of 10 Des Voeux Road Central, Hong Kong, are our authorised representatives.

How can you get further information about us?

You may visit www.hkbea.com/warrants to obtain further information about us.

You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

This document has not been reviewed by the Securities and Futures Commission. You are advised to exercise caution in relation to the offer of the Structured Products.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions set out in Appendix 1 and the Product Conditions applicable to the relevant series of Structured Products set out in Appendix 2, Appendix 3 and Appendix 4 (together, the "Conditions").

OVERVIEW OF WARRANTS

What is a Warrant?

A Warrant is a type of derivative warrants.

A derivative warrant linked to a share, a unit, an index or other asset (“**Underlying Assets**”, each an “**Underlying Asset**”) is an instrument which gives the holder an investment exposure to the Underlying Asset by reference to a pre-set price or level called the Exercise Price or Strike Level on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Warrants are European style warrants. This means they will be automatically exercised on the Expiry Date, entitling the holder to a potential cash amount called the “**Cash Settlement Amount**” (if positive) according to the Conditions in the Listing Documents.

You will receive the Cash Settlement Amount (if any) less any Exercise Expenses upon expiry. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you upon expiry and you will lose all of your investment in the Structured Products.

How do our Warrants work?

The potential payoff upon expiry of the Warrants is calculated by us by reference to the difference between:

- (a) for Warrants linked to a share or unit, the Exercise Price and the Average Price; and
- (b) for Warrants over index, the Strike Level and the Closing Level.

Call Warrant

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Average Price or Closing Level is greater than the Exercise Price or Strike Level (as the case may be). The more the Average Price or Closing Level exceeds the Exercise Price or Strike Level (as the case may be), the higher the payoff upon expiry. If the Average Price or Closing Level is at or below the Exercise Price or Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put Warrant

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Average Price or Closing Level is below the Exercise Price or Strike Level (as the case may be). The more the Average Price or Closing Level is below the Exercise Price or Strike Level (as the case may be), the higher the payoff upon expiry. If the Exercise Price or Strike Level is at or below the Average Price or Closing Level (as the case may be), an investor in the put Warrant will lose all of his investment.

What are the factors determining the price of a Warrant?

The price of a warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of a warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price or Strike Level of the warrants;
- (b) the value and volatility of the price or the level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset);
- (c) the time remaining to expiry: generally, the longer the remaining life of the warrant, the greater its value;
- (d) interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

- (e) the liquidity of the Underlying Asset or the futures contracts relating to the underlying index;
- (f) the supply and demand for the warrant;
- (g) our related transaction cost; and
- (h) our creditworthiness.

What is your maximum loss?

Your maximum loss in Warrants will be limited to your entire investment amount plus any transaction cost.

How can you get information about the warrants after issue?

You may visit the Stock Exchange website at http://www.hkex.com.hk/products/securities/derivative-warrants?sc_lang=en to obtain further information on our Warrants or any notice given by us or the Stock Exchange in relation to our Warrants.

OVERVIEW OF INLINE WARRANTS

What is an Inline Warrant?

An Inline Warrant is a type of derivative warrants.

A derivative warrant linked to an Underlying Asset is an instrument which derives its value from the Underlying Asset. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Inline Warrants are European Style warrants. This means they can only be exercised on the Expiry Date.

An Inline Warrant will, upon exercise on the Expiry Date, entitle you to a cash amount called the “Cash Settlement Amount” (net of any Exercise Expenses) (if positive) according to the applicable Conditions.

You will receive the Cash Settlement Amount less any Exercise Expenses upon settlement at expiry. As of the date of this document, no Exercise Expenses are payable for cash settled warrants (including our Inline Warrants).

How do our Inline Warrants work?

Our Inline Warrants carry exotic features and their terms and pricing may be more complicated than the Warrants. Our Inline Warrants provide a pre-fixed potential payoff at either a **capped amount or a floor amount** at expiry.

You will either:

- (i) receive a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry if the Average Price (for an Inline Warrant linked to a share) or Closing Level (for an Inline Warrant linked to an index) is at or below the Upper Strike Price or Upper Strike Level (as the case may be) and at or above the Lower Strike Price or Lower Strike Level (as the case may be); or

- (ii) receive a fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment if the Average Price (for an Inline Warrant linked to a share) or Closing Level (for an Inline Warrant linked to an index) is above the Upper Strike Price or Upper Strike Level (as the case may be) or below the Lower Strike Price or Lower Strike Level (as the case may be). You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying our Inline Warrants.

Where can you find the Product Conditions applicable to our Inline Warrants?

You should review the Product Conditions applicable to each type of the Inline Warrants before your investment.

The Product Conditions applicable to each type of our Inline Warrants are set out in Parts A to B of Appendix 3 (as may be supplemented by any addendum and/or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of an Inline Warrant?

The price of an Inline Warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of an Inline Warrant, its price will be influenced by one or more of the following factors, including:

- (a) the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) applicable to that Inline Warrants: generally, the wider the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) of the Inline Warrants, the greater its value;

- (b) the value or level of the Underlying Asset: generally, the closer the price or level of the Underlying Asset towards the mid-way of the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant, the greater the value of the Inline Warrants; conversely, the farther away the price or level of the Underlying Asset from the mid-way of the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant, the lower the value of the Inline Warrants;
- (c) the volatility of the price or level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset over time): generally, if an Inline Warrant is “out-of-the-range” (ie. the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive)), the higher the volatility, the greater the value of the Inline Warrants; conversely, if an Inline Warrant is “in-the-range” (ie. the price or level of the Underlying Asset falls within the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive)), the higher the volatility, the lower the value of the Inline Warrants;
- (d) the expected probability of the Average Price or Closing Level falling within the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) at expiry;
- (e) the time remaining to expiry: generally, if an Inline Warrant is out-of-the-range, the longer the remaining life of the Inline Warrant, the greater its value; conversely, if an Inline Warrant is in-the-range, the shorter the remaining life of the Inline Warrant, the greater its value;
- (f) the interim interest rates;
- (g) the expected dividend payments or other distributions (if any) on the Underlying Asset or on any components comprising the underlying index;
- (h) the liquidity of the Underlying Asset or of the futures contracts relating to the underlying index;
- (i) the supply and demand for the Inline Warrant;
- (j) our related transaction costs; and
- (k) our creditworthiness.

What is your maximum loss?

If we become insolvent or default on our obligations under our Inline Warrants, the maximum loss in the Inline Warrants will be your entire investment amount plus any transaction costs.

Otherwise, if the Average Price or Closing Level (as the case may be) is above the Upper Strike Price or Upper Strike Level (as the case may be) or below the Lower Strike Price or Lower Strike Level (as the case may be) at expiry, the maximum loss in the Inline Warrants will be your entire investment amount less the Minimum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased plus any transaction costs.

What is your maximum profit?

The potential maximum profit in our Inline Warrants will be capped at the Maximum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased less your entire investment amount and transaction costs.

You should note that your profit or loss in the Inline Warrants will be affected by the amount invested by you and transaction costs.

How can you get information about the Inline Warrants after issue?

You may visit the HKEX's website at https://www.hkex.com.hk/Products/Securities/Inline-Warrants?sc_lang=en or our website at <http://www.beawarrants.com.hk/> to obtain further information on Inline Warrants or any notice given by us or the Stock Exchange in relation to our Inline Warrants.

OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of Structured Products that track the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets as prescribed by the Stock Exchange from time to time, including:

- (a) shares listed on the Stock Exchange;
- (b) unit trusts listed on the Stock Exchange;
- (c) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or
- (d) overseas securities, indices, currencies, commodities (such as oil, gold and platinum) or commodity futures.

A list of eligible Underlying Assets for CBBCs is available on the website of the Stock Exchange at https://www.hkex.com.hk/Products/Securities/Callable-Bull-Bear-Contracts/CBBC-Eligible-Underlying-Assets/Eligible-Single-Hong-Kong-Stocks-for-CBBC-Issuance-in-Current-Quarter?sc_lang=en

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset. Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

CBBCs have a mandatory call feature (the “**Mandatory Call Event**”) and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See “What is the mandatory call feature of CBBCs?” below for further information.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs. See “Category R CBBCs vs Category N CBBCs” below for further information.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any) on the Settlement Date. The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level. See “Category R CBBCs vs Category N CBBCs” below.

What is the mandatory call features of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price/Spot Level of the Underlying Asset is:

- (a) at or below the Call Price/Call Level (in the case of a bull CBBC); or
- (b) at or above the Call Price/Call Level (in the case of a bear CBBC),

at any time during the Observation Period.

The Observation Period starts from and includes the Observation Commencement Date of the relevant CBBCs and ends on and includes the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and

(b) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session,

will be invalid and will be cancelled, and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of CBBCs over single equities listed on the Stock Exchange or CBBCs over single unit trusts, the Stock Exchange's automatic order matching and execution system time at which the Spot Price is at or below the Call Price (in the case of a bull CBBC) or is at or above the Call Price (in the case of a bear CBBC); or
- (b) in respect of CBBCs over index, the time the relevant Spot Level is published by the Index Compiler at which the Spot Level is at or below the Call Level (in the case of a bull CBBC) or is at or above the Call Level (in the case of a bear CBBC),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The launch announcement and supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

“**Category R CBBCs**” refer to CBBCs for which the Call Price/Call Level is different from their Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of a series of bull CBBCs, the difference between the Minimum Trade Price/Minimum Index Level of the Underlying Asset and the Strike Price/Strike Level; and

(b) in respect of a series of bear CBBCs, the difference between the Strike Price/Strike Level and the Maximum Trade Price/Maximum Index Level of the Underlying Asset.

“**Category N CBBCs**” refer to CBBCs for which the Call Price/Call Level is equal to their Strike Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

You must read the applicable Conditions and the relevant launch announcement and supplemental listing document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the Minimum Trade Price/Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or
- (b) in the case of a series of bear CBBCs, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

How is the funding cost calculated?

The issue price of a series of CBBCs represents the difference between the initial reference spot price/spot level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/Strike Level, plus the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant launch announcement and supplemental listing document and will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate, the expected life of the CBBCs, expected notional dividends or distributions in respect of the Underlying Asset and the margin financing provided by us.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant launch announcement and supplemental listing document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of us and/or our affiliates to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

Where can you find the Product Conditions applicable to our CBBCs?

You should review the Product Conditions applicable to each type of the CBBCs before your investment.

The Product Conditions applicable to each type of our CBBCs are set out in Parts A, B and C of Appendix 4 (as may be supplemented by any addendum or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of a series of CBBCs?

The price of a series of CBBCs tend to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one unit of the Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price/Strike Level and the Call Price/Call Level;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;
- (d) the time remaining to expiry;

(e) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

(f) the supply and demand for the CBBCs;

(g) the probable range of the Cash Settlement Amounts;

(h) the liquidity of the Underlying Asset or futures contracts relating to the underlying index;

(i) our related transaction cost; and

(j) our creditworthiness.

What is your maximum loss in CBBCs?

Your maximum loss in CBBCs will be limited to your entire investment amount plus any transaction cost.

How can you get information about the CBBCs after issue?

You may visit the Stock Exchange website at http://www.hkex.com.hk/Products/Securities/Callable-Bull-Bear-Contracts?sc_lang=en to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to our CBBCs.

INFORMATION ABOUT US

Place of incorporation

The Bank of East Asia, Limited (“BEA”) is incorporated in Hong Kong with limited liability.

Profile and activities

Incorporated in Hong Kong in 1918, BEA is a leading Hong Kong-based financial services group listed on the Stock Exchange with total consolidated assets of HK\$865.2 billion (US\$111.1 billion) as of 31 December 2019.

BEA provides comprehensive corporate banking, personal banking, wealth management, and investment services to its customers throughout Greater China and beyond.

BEA operates one of the largest branch networks in Hong Kong, with full-service branches, SupremeGold Centres for high net-worth customers, and innovative, extended hour i-Financial Centres conveniently located throughout the city. In Mainland China, BEA’s wholly-owned subsidiary, The Bank of East Asia (China) Limited operates one of the most extensive networks of any foreign bank, with outlets in more than 40 cities nationwide. Overseas, BEA maintains an active presence in Southeast Asia, the United Kingdom, and the United States. Worldwide, BEA serves customers through nearly 200 outlets and offers rewarding and challenging career opportunities to approximately 10,000 employees.

The BEA Group’s subsidiaries further broaden BEA’s product offering to meet the increasingly diverse and sophisticated needs of a burgeoning customer base. BEA’s wholly-owned subsidiaries, BEA Life Limited and Blue Cross (Asia-Pacific) Insurance Limited, serve as underwriters of life insurance and general insurance products, respectively.

The BEA Group strives to be a positive, enabling force in the communities it serves and is committed to long-term sustainable development. The BEA Group integrates social, environmental, ethical, employee, and customer concerns into its business and operations with the aim of aligning the interests of its stakeholders and the society at large.

For more information on BEA, please visit your nearest BEA branch or visit BEA’s homepage at www.hkbea.com.

Management of BEA

The Board of Directors is the most senior body within BEA with ultimate responsibility for the strategy and management of the company and for the supervision of its executive management.

The following table sets out the 16 members of the Board of Directors as of 31 January 2020:

Board of Directors	Title
Dr. the Hon. Sir David LI Kwok-po	Executive Chairman
Professor Arthur LI Kwok-cheung	Non-executive Director (Deputy Chairman)
Dr. Allan WONG Chi-yun	Independent Non-executive Director (Deputy Chairman)
Mr. Aubrey LI Kwok-sing	Non-executive Director
Mr. Winston LO Yau-lai	Non-executive Director
Mr. Stephen Charles LI Kwok-sze	Non-executive Director
Dr. Isidro FAINÉ CASAS	Non-executive Director
Mr. Adrian David LI Man-kiu	Co-Chief Executive
Mr. Brian David LI Man-bun	Co-Chief Executive
Dr. Daryl NG Win-kong	Non-executive Director
Mr. Masayuki OKU	Non-executive Director
Dr. the Hon. Rita FAN HSU Lai-tai	Independent Non-executive Director
Mr. Meocre LI Kwok-wing	Independent Non-executive Director
Dr. the Hon. Henry TANG Ying-yen	Independent Non-executive Director
Dr. Delman LEE	Independent Non-executive Director
Mr. William Junior Guilherme DOO	Independent Non-executive Director

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant launch announcement and supplemental listing document.

General risks relating to us

Non-collateralised Structured Products

The Structured Products are not secured on any of our assets or any collateral. Each series of Structured Products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations and with our unsecured and unsubordinated debt. At any given time, the number of our Structured Products outstanding may be substantial.

Credit risk

If you purchase our Structured Products, you are relying upon our creditworthiness and have no rights under these products against:

- (a) any company which issues the underlying shares;
- (b) the trustee or the manager of the underlying trust; or
- (c) any index compiler of the underlying index.

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of your investment in any Structured Product.

If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Any downgrading of our ratings could result in a reduction in the value of the Structured Products.

Hong Kong resolution regime

The Financial Institutions (Resolution) Ordinance (“**FIRO**”) was enacted by the Legislative Council of Hong Kong in June 2016. The FIRO (except Part 8, section 192 and Division 10 of Part 15 thereof) came into operation on 7 July 2017.

The FIRO provides a regime for the orderly resolution of financial institutions with a view to avoiding or mitigating the risks otherwise posted by their non-viability to the stability and effective working of the financial system of Hong Kong, including the continued performance of critical financial functions. The FIRO seeks to provide the relevant resolution authorities with a range of powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, it is envisaged that subject to certain safe guards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution, including but not limited to powers to write off, or convert into equity, all or a part of the liabilities of the failing financial institution.

As an authorised institution incorporated in Hong Kong, we are subject to and bound by the FIRO. The exercise of any resolution power by the relevant resolution authority under the FIRO in respect of us may have a material adverse effect on the value of the Structured Products, and as a result, you may not be able to recover all or any amount due under the Structured Products.

No deposit liability or debt obligation

We are obliged to deliver to you the Cash Settlement Amount under the General Conditions and the relevant Product Conditions of each series of Structured Product upon expiry. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Structured Product.

Conflicts of interest

We and our subsidiaries (the “**Group**”) engages in financial activities for our own account or the account of others. The Group, in connection with our other business activities, may possess or acquire material information about the Underlying Assets to which a Structured Product is linked. Such activities may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities and exercise of creditor rights. The Group:

- (a) has no obligation to disclose such information about the Underlying Assets or such activities. The Group and our officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;
- (b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the price or level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;
- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider; and/or
- (d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products.

General risks in relation to Structured Products

You may lose all your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest, time value, market and/or political risks. Structured Products may expire worthless.

Options, warrants and equity linked instruments are priced primarily on the basis of the price or level of the Underlying Asset, the volatility of the Underlying Asset’s price or level and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

“European Style” Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product upon expiration means that, in order to recover and realise a return on your investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price or level of the Underlying Asset specified in the relevant launch announcement and supplemental listing document.

Changes in the price or level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price or level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment (or, in the case of Inline Warrants, a substantial part of your investment) if the price or level of the relevant Underlying Asset does not move in the anticipated direction.

The value of the Structured Products may be disproportionate or opposite to the movement in price or level of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Asset. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the price or level of the Underlying Assets increases, the value of the Warrant or CBBC decreases. In the case of Inline Warrants, generally, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant, the closer the price/level of the Underlying Asset towards the mid-way of the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level, the greater the value of the Inline Warrants; conversely, the farther the price/level of the Underlying Asset from the mid-way of the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level, the lower the value of the Inline Warrants.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset specified in the relevant launch announcement and supplemental listing document, you should recognise the complexities of utilizing Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price or level of the Underlying Asset. Due to fluctuations in supply and demand for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products and at what price such series of Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have, or will appoint, a liquidity provider for the purposes of making a market for each series of Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Value of the Structured Products in the secondary market may be sensitive to movements in interest rates. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a "time value" of the Structured Products. The "time value" of the Structured Products will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future prices or levels of the Underlying Assets. The value of a Warrant or CBBC is likely to decrease over time. The value of an Inline Warrant is likely to decrease over time when the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive), ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant. Therefore, the Structured Products should not be viewed as products for long term investments.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities may change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See “Do you need to pay any Hong Kong tax?” in the section headed “Important Information” on page 2 for further information.

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions applicable to the Structured Products or the Instrument which, in our opinion is:

- (a) not materially prejudicial to the interests of the holder of the Structured Products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable:

- (a) for us to perform our obligations under the Structured Products in whole or in part as a result of (i) the adoption of or any change in any relevant law or regulation or (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation, (each of (i) and (ii), a “**Change in Law Event**”); or

- (b) for us or our affiliates to maintain our hedging arrangements with respect to the Structured Product due to a Change in Law Event,

we may terminate early such Structured Products. If we terminate early the Structured Products, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in commercially reasonable manner to be the fair market value notwithstanding the illegality or impracticability less the cost to us of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Exchange rate risk

There may be an exchange rate risk in the case of cash settled Structured Products where the Cash Settlement Amount will be converted from a foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to any:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the underlying shares or units would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in Structured Products may involve valuation risk with regards to the Underlying Asset to which the particular series of Structured Products relate. The price or level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors, speculation and, where the Underlying Asset is an index, changes in the formula for or the method of calculating the index.

You must be experienced with dealings in these types of Structured Products and must understand the risks associated with dealings in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may, in our sole and absolute discretion, adjust, among other things, the Entitlement, the Exercise Price, the Strike Level, the Upper Strike Price, the Lower Strike Price or any other terms (including without limitation the closing price or the closing level of the Underlying Asset) of any series of Structured Product. However, we are not required to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Product and the return upon the expiry of the Structured Product may be affected.

In the case of Structured Products which relate to an index, the level of the index may be published by the index compiler at a time when one or more shares comprising the index are not trading. If this occurs on the Valuation Date but such occurrence does not constitute a Market Disruption Event under the Conditions, then the value of such share(s) may not be included in the level of the index. In addition, certain events relating to the index (including a material change in the formula

or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

Prior to the Expiry Date, if trading or dealing in the Underlying Assets is suspended on the Stock Exchange, trading or dealing in the relevant series of Structured Product will be suspended for a similar period. The value of the Warrants and CBBCs will decrease over time, while the value of an Inline Warrant is likely to decrease over time when the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive), ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of Structured Products, there may be a time lag between the date on which the Structured Products expire and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such Structured Products arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

The applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.

You should note that in the event of a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Product Conditions.

Risks relating to Structured Products over trusts

General risks

In the case of Structured Products which relate to units of a trust:

- (a) we and our affiliates do not have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interests of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and
- (b) we have no role in the relevant trust. The manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of the manager's actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units of an exchange traded fund (“ETF”), you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;

- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (“**Synthetic ETF**”), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and

- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

Risk specific to ETF investing through RQFII and/or China Connect

Where the Underlying Asset comprises units of an ETF (“**China ETF**”) issued and traded outside Mainland China with direct investment in the Mainland China’s securities markets through the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) regime and the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (collectively, “**China Connect**”). You should note that, amongst others:

- (a) the novelty and untested nature of China Connect make China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII and China Connect prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to their implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of China ETFs and the trading price of the relevant units;
- (b) a China ETF primarily invests in securities traded in the Mainland China’s securities markets and is subject to concentration risk. Investment in the Mainland China’s securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;
- (c) investment by a China ETF in the mainland Chinese securities market under the RQFII regime is currently subject to its manager’s RQFII quota allocated to such China ETF. In addition, trading of securities invested by the China ETF under China Connect will be subject to a daily quota which does not belong to such China ETF and is utilised on a first-come-first-serve basis. In the event

that the RQFII quota allocated to such China ETF and/or the daily quota under China Connect are reached, the manager may need to suspend creation of further units of such China ETF, and therefore may affect the liquidity in unit trading of such China ETF. In such event, the trading price of a unit of such China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. Although the State Administration of Foreign Exchange has announced that the quota restrictions under the RQFII (and Qualified Foreign Institutional Investor) regimes will be removed, the detailed implementation rules and official effective date of the quota removal are not yet available; and

- (d) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to China ETF investing in the Mainland China through RQFII and/or China Connect. Although such China ETF may have made a tax provision in respect of potential tax liability, the provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of the Structured Products.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Please read the offering documents of the relevant China ETF to understand its key features and risks.

Where the Underlying Asset comprises the units of an ETF which adopts the dual counters model for trading its units on the Stock Exchange in Renminbi (“**RMB**”) and Hong Kong dollars (“**HKD**”) separately, the novelty and relatively untested nature of the Stock Exchange’s dual counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded units or the RMB-traded units. If the Underlying Asset is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the Structured Products. Similarly, if the Underlying Asset is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the Structured Products;
- (b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the Underlying Asset in HKD or RMB (as the case may be) may adversely affect the price of the Structured Products.

Where the Underlying Asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Risks Relating to Inline Warrants

The Inline Warrants are exotic warrants and are not comparable to the Warrants

The Inline Warrants are exotic warrants with different terms and risk and return profile compared to standard call or put Warrants listed on the Stock Exchange and are not comparable to the Warrants. The Inline Warrants carry exotic features and their terms and pricing may be more complicated than the Warrants. The Inline Warrants may behave quite differently from the Warrants and other exotic warrants in its response to the price levels/levels or movements in the price/level of the Underlying Asset. The pricing structure of the Inline Warrants requires investors to assess accurately the value of the Inline Warrants in relation to the expected probability of the Average Price/Closing Level falling within the range between the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level (both inclusive). The Inline Warrants are highly complicated and risky financial instruments and may be difficult for investors to properly value and/or to use as a hedging tool. You should carefully review and understand the Conditions, including the exotic features, before deciding to invest in the Inline Warrants. In particular, you should note that the Inline Warrants provide a pre-fixed potential payoff at either **a capped amount or a floor amount** at expiry. If the Average Price/Closing Level falls outside the range between the Lower Strike Price/Lower Strike Level and the Upper Strike Price/Upper Strike Level (both inclusive), you will receive a lower fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment. You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying the Inline Warrants. Do not invest in the Inline Warrants unless you fully understand them and are willing to assume the risks associated with them.

Maximum potential payoff is fixed and capped

If the Average Price/Closing Level stays within the range between the Lower Strike Price/Lower Strike Level and the Upper Strike Price/Upper Strike Level (both inclusive), we will only pay you a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry. This is the maximum potential payoff under the Inline Warrants.

Non-recognition of trades executed at the price above HK\$1

You should note that any trades of Inline Warrants which are executed at the price above HK\$1 will be cancelled and will not be recognised by the Stock Exchange. The Stock Exchange and its recognised exchange controller, HKEX, will not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with such non-recognition of trades, including without limitation, any delay, failure, mistake or error in such non-recognition of trades.

We and our affiliates shall not have any responsibility for any losses suffered as a result of such non-recognition of trades in any circumstances.

Prohibition on the sale of certain binary options in European retail markets

There have been regulatory concerns over the sale of certain binary options to retail investors across the European Union in recent years. Such binary options are typically traded over-the-counter with bespoke structures and are very short-term, making them extremely speculative in nature. Until recently, the European Securities and Markets Authority (“ESMA”) implemented a temporary ban on the marketing, distribution or sale of

binary options to retail customers in the European Union except for securitised binary options. The temporary ban expired and was lifted by ESMA on 1 July 2019 based on the fact that most national competent authorities within the European Union had taken permanent national product intervention measures relating to binary options that are at least as stringent as ESMA's measure. For example, the Financial Conduct Authority ("FCA") in the United Kingdom (a then European Union member) imposed a permanent ban effective from 2 April 2019 on the marketing, distribution or sale of all binary options (including securitised binary options) to retail customers in the United Kingdom while the Federal Financial Supervisory Authority ("BaFin") in Germany and the Autorite des Marches Financiers ("AMF") of France had also permanently banned the marketing, distribution or sale of binary options (other than securitised binary options) to retail customers.

The Inline Warrants are a form of securitised binary options. Unlike the binary options in the European retail markets as described above, the Inline Warrants listed on the Stock Exchange have a more standardised structure and relatively longer period to expiry (with a minimum duration of 6 months before expiry).

Irrespective of the differences between the Inline Warrants listed on the Stock Exchange and the binary options in Europe, you should nevertheless note the approach taken by the European regulators over binary options. The Inline Warrants are complex products. You should fully understand the structure and terms and conditions of the Inline Warrants and are willing to assume the risks associated with them before investing in the Inline Warrants.

Risk relating to CBBCs

Correlation between the price of a CBBC and the price/level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price/level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate to the change in the price/level of the Underlying Asset.

Mandatory Call Event is irrevocable except in limited circumstances

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Price/Call Level and other parameters), and such event is reported by the Stock Exchange to us and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
- (b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the relevant index compiler), and such event is reported by us to the Stock Exchange and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached between the Stock Exchange and us no later than such time as prescribed in the relevant launch announcement and supplemental listing document. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Non-recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading ("**Trading Suspension**") or the non-recognition of trades after a Mandatory Call Event ("**Non-Recognition of Post MCE Trades**"), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event, notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Residual Value will not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a Category R CBBC following the occurrence of a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBC has been called. You must however be aware that there may be delay in the announcements of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price/level of the Underlying Asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset whether for risk reduction purposes or otherwise. In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price/level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or our affiliates are likely to

modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we and/or our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

The trading and/or hedging activities of us or our affiliates related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price/level of the Underlying Asset, leading to a Mandatory Call Event as a result of such unwinding activities.

In respect of Category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a Mandatory Call Event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Risks relating to the legal form of the Structured Products

Each series of Structured Products will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

Structured Product issued in global registered form held on your behalf within a clearing system effectively means evidence of your title and efficiency of ultimate delivery of the Cash Settlement Amount will be subject to the CCASS Rules. Amongst the risks, you should note that:

- (a) you will not receive any definitive certificates where the Structured Product is to remain in the name of HKSCC Nominees Limited for its entire life;
- (b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will have to rely solely upon your broker/custodians and the statements you receive from such party as evidence of your interests in the investment;
- (d) notices or announcements will be published on the HKEX website and/or released by HKSCC to its participants via CCASS. You will need to check the HKEX website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and
- (e) following the Expiry Date and the determination by us of the Cash Settlement Amount (if any), our obligations to you will be duly fulfilled by payment of the Cash Settlement Amount (if any) to HKSCC Nominees Limited as the “holder” of the Structured Products in accordance with the Conditions. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount to the respective CCASS participants in accordance with the CCASS Rules.

Payments made by us to certain holders with respect to the Structured Products may be subject to United States federal withholding tax under the United States Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“**FATCA**”) generally imposes a 30 per cent. United States federal withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and “dividend equivalent” payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends (“**Withholdable Payments**”), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the U.S. Treasury to collect and provide to the U.S. Treasury substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 per cent. on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption.

In addition, under FATCA, “passthru payments” made by a foreign financial institution to “recalcitrant holders” or non-compliant foreign financial institutions are subject to a 30 per cent. United States federal withholding tax. A “recalcitrant holder” generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to U.S. Treasury regulations, a passthru payment is any Withholdable Payment and any “foreign passthru payment”, which has yet to be defined.

If we determine that withholding is appropriate with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld. See “United States Taxation — The Foreign Account Tax Compliance Act.”

**Effect of the combination of risk factors
unpredictable**

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurances can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

UNITED STATES TAXATION

The Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“**FATCA**”) (Sections 1471 through 1474 of the U.S. Internal Revenue Code) generally imposes a 30 per cent. United States federal withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and “dividend equivalent” payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends (“**Withholdable Payments**”), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the U.S. Treasury to collect and provide to the U.S. Treasury substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 per cent. on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

In addition, under FATCA, “passthru payments” made by a foreign financial institution to “recalcitrant holders” or non-compliant foreign financial institutions are subject to a 30 per cent. United States federal withholding tax. A “recalcitrant holder” generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to U.S. Treasury regulations, a passthru payment is any Withholdable Payment and any “foreign passthru payment”, which has yet to be defined.

Under the current United States Treasury regulations and related guidance, the 30 per cent. United States federal withholding tax on “recalcitrant holders” or non-compliant foreign financial institutions generally may be imposed on “foreign passthru payments” made by us with respect to the Structured Products after the later of (i) 31 December 2018 or (ii) the date of publication in the U.S. Federal Register of final regulations defining the term “foreign passthru payment.” However, payments made with respect to the Structured Products that are not U.S. Source Payments will not be subject to FATCA withholding tax if the Structured Products are issued on or before (and are not materially modified after) the Grandfather Date; for these purposes, the “**Grandfather Date**” is the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register.

Recently issued proposed regulations would eliminate FATCA withholding tax on “gross proceeds” and delay the withholding on “foreign passthru payment” until the date that is two years after the date of publication in the Federal Register of final regulations defining the term “foreign passthru payment” (“**Withholding Effective Date**”) Taxpayers generally may rely on the proposed regulations until the final regulations are issued. No such final regulations have been issued.

We will neither offer nor issue any Structured Products providing for payments that are U.S. Source Payments. Additionally, any Structured Products we offer or issue either will be issued on or before (and not be materially modified after) the Grandfather Date or will not provide for any payments on or after the Withholding Effective Date. Therefore, on the basis of the current regulations and the Proposed Regulations and other official guidance and the above analysis, payments made with respect to the Structured Products will not be subject to FATCA withholding tax.

Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Holders are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Structured Products.

The above summary only applies to you if you are a Non-U.S. Holder. You are a Non-U.S. Holder unless you are: (1) an individual citizen or resident of the United States; (2) a corporation that is formed or organized under the laws of the United States, any state thereof or the District of Columbia (or is taxable as a corporation so formed or organized); (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust that is subject to the jurisdiction of a U.S. court and for which one or more “United States persons” (as defined in the U.S. Internal Revenue Code) control all of the substantial decisions, or has otherwise made an appropriate election under the U.S. tax regulations. If you are a Non-U.S. Holder treated as a partnership for United States federal income tax purposes, FATCA withholding tax may apply to you and your beneficial owners depending on your and your beneficial owners’ activities and status and you should consult your own tax adviser regarding any FATCA withholding tax consideration arising from your purchase of the Structured Products.

APPENDIX 1
GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2, Appendix 3 and Appendix 4 to this Base Listing Document and the supplemental terms and conditions contained in the Launch Announcement and Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions and the relevant Product Conditions together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.

1. Definitions

“**Base Listing Document**” means the base listing document relating to Structured Products dated 14 April 2020 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**CCASS**” means the Central Clearing and Settlement System established and operated by the HKSCC;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**CCASS Settlement Day**” has the meaning ascribed to the term “Settlement Day” in the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time, subject to such modification and amendment prescribed by HKSCC from time to time.

“**Conditions**” means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

“**Designated Bank Account**” means the relevant bank account designated by each Holder;

“**Exercise Expenses**” means, in respect of each series of Structured Products, any charges or expenses (including any taxes or duties) which are incurred in respect of the exercise of a Board Lot of Structured Products;

“**Expiry Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means these general terms and conditions. These General Conditions apply to each series of Structured Products;

“**Global Certificate**” means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;

“**HKSCC**” means Hong Kong Securities Clearing Company Limited;

“**Holder**” means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as the holder of the Structured Products, and such person shall be treated by the Issuer as the absolute owner and holder of the Structured Products;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document in respect of each series of Structured Products;

“**Instrument**” means an instrument dated 22 July 2010 (as amended, supplemented or replaced from time to time) executed by the Issuer by way of deed poll pursuant to which the Issuer creates and grants to the Holders certain rights in relation to the Structured Products;

“**Issuer**” means The Bank of East Asia, Limited;

“**Launch Announcement and Supplemental Listing Document**” means the launch announcement and supplemental listing document relating to a particular series of Structured Products.

“**Listing Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document and on which dealing of the Structured Products on the Stock Exchange commences;

“**Nominee**” means HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS);

“**Product Conditions**” means, in respect of each series of Structured Products, the product specific terms and conditions that apply to that particular series of Structured Products;

“**Register**” means, in respect of each series of Structured Products, the register of the Holders of such series of Structured Products kept by the Issuer outside Hong Kong;

“**Settlement Currency**” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Disruption Event**” means an event which is beyond the control of the Issuer and as a result of which, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date;

“**Share**” means the share specified as such in the relevant Launch Announcement and Supplemental

Listing Document in respect of each series of Structured Products;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Structured Products**” means standard warrants (“**Warrants**”), inline warrants (“**Inline Warrants**”), callable bull/bear contracts (“**CBBCs**”) or such other structured products to be issued by the Issuer from time to time. References to “**Structured Products**” are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, any further structured products issued pursuant to General Condition 8; and

Other capitalised terms will, unless otherwise defined, have the meanings given to them in the Base Listing Document, the relevant Product Conditions, the relevant Launch Announcement and Supplemental Listing Document and/or the Global Certificate.

2. Form, Status, Transfer and Additional Costs and Expenses

2.1 Form

The Structured Products are issued in registered form subject to and with the benefit of the Instrument. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Issuer.

The Structured Products are represented by a Global Certificate. No definitive certificate will be issued. The Structured Products can only be exercised by the Nominee.

2.2 Status of the Issuer's obligations

The settlement obligation of the Issuer in respect of the Structured Products represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Structured Products represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of Structured Products deposit liabilities of the Issuer or a debt obligation of any kind.

2.3 Transfer of Structured Products

Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

2.4 Additional Costs and Expenses

Holders shall be responsible for additional costs and expenses in connection with any exercise of the Structured Products including the Exercise Expenses which amount shall, subject to the General Condition 3.2 and to the extent necessary, be payable to the Issuer and collected from the Holders.

3. Rights and Exercise Expenses relating to the Structured Products

3.1 Entitlement of Holders

Every Board Lot initially entitles the Holders, upon due exercise or early expiration (as the case may be) and upon compliance with these General Conditions and the applicable Product Conditions, the rights to receive payment of the Cash Settlement Amount, if any.

3.2 Holders responsible for Exercise Expenses

Upon exercise or early expiration of a particular series of Structured Products, the Holders of such series will be required to pay a sum equal to all the expenses resulting from the exercise or early expiration of such Structured Products. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with the applicable Product Conditions.

4. Purchase

The Issuer or any of its subsidiaries may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

5. Global Certificate

A Global Certificate representing the Structured Products will be deposited with CCASS in the name of the Nominee. No definitive certificate will be issued.

6. Meetings of Holders and Modification

6.1 Meetings of Holders

The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 Modification

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in the opinion of the Issuer, is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holders or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with General Condition 7.

7. Notices

All notices to the Holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. The Issuer shall not be required to despatch copies of the notice to the Holders.

8. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

9. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

10. Governing Law

The Structured Products and the Instrument are governed by and construed in accordance with the laws of Hong Kong. The Issuer and each Holder (by its purchase of the Structured Products) submit for all purposes in connection with the Structured Products and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

11. Language

A Chinese translation of these Conditions will be made available for collection during normal office hours from the Issuer at 10 Des Voeux Road Central, Hong Kong. In the event of any inconsistency between the Chinese translation and the English version of these Conditions, the English version of these Conditions prevails.

12. Prescription

Claims against the Issuer for payment of any amount in respect of the relevant Structured Products will become void unless made within ten years of the Expiry Date or the end of the MCE Valuation Period (as the case may be) and thereafter, any sums payable in respect of such Structured Products shall be forfeited and shall revert to the Issuer.

13. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Structured Products in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),
- (each of (i) and (ii), a “**Change in Law Event**”); or

- (b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Structured Products due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Products held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.

APPENDIX 2
PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants.

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PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES	36
PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX	44
PART C — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE UNIT TRUSTS	49

PART A
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Company**” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single equities;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the **“Last Valuation Date”**) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date.

The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

Adjustments may be made by the Issuer to the number of Shares to which the Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or

surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 *Cash Distribution*

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as

contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5. Delisting

5.1 Adjustments following delisting

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

PART B
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Closing Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Divisor**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Compiler**” means the index compiler specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Index Business Day” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Currency Amount” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” means the index stock exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” means the currency specified in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of Warrants over index;

“**Second Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“**Strike Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Successor Index Compiler**” means a successor to the Index Compiler acceptable to the Issuer; and

“**Valuation Date**” means the date specified in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 *Record in the Register*

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 *Cash Settlement*

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. **Adjustments to the Index**

3.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a Successor Index Compiler; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts or commodities and other routine events), or

- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of the published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts or commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

PART C
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE UNIT TRUSTS

These Product Conditions will, together with the General Conditions and supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” shall be the arithmetic mean of the closing prices of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the

Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Market Disruption Event**” means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:

(i) the Units; or

- (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single unit trusts;

“**Settlement Date**” means the third CCASS Settlement Day after later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“**Trust**” means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Unit**” means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“**Valuation Date**” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

Adjustments may be made by the Issuer to the number of Units to which the Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Right

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Units held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to, or may, sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, the unexercised Warrants will lapse and shall cease to be valid on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, the unexercised Warrants will lapse and shall cease to be valid on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences;
- (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;
- (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or
- (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. **Delisting**

5.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution

of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustment binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

APPENDIX 3
PRODUCT CONDITIONS OF INLINE WARRANTS

The following pages set out the Product Conditions in respect of different types of Inline Warrants.

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PART A
PRODUCT CONDITIONS OF CASH SETTLED INLINE WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Inline Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Inline Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

- (a) if the Average Price is at or below the Upper Strike Price and at or above the Lower Strike Price:

$$\text{Cash Settlement Amount per Board Lot} = \text{Maximum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

or

- (b) if the Average Price is above the Upper Strike Price or below the Lower Strike Price:

$$\text{Cash Settlement Amount per Board Lot} = \text{Minimum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

“**Company**” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Inline Warrants Holder**” means, in respect of each series of Inline Warrants, each person who is for the time being shown in the Register as the holder of the Inline Warrants, and such person shall be treated by the Issuer as the absolute owner and holder of the Inline Warrants;

“**Lower Strike Price**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Minimum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled Inline Warrants over single equities;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Product Conditions;

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Upper Strike Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Inline Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Inline Warrants

2.1 Exercise of Inline Warrants in Board Lots

The Inline Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Inline Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Inline Warrants Holders). The Inline Warrants Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Inline Warrants Holders the Cash Settlement Amount (net of any Exercise Expenses).

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Inline Warrants Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Inline Warrants Holders as soon as practicable after determination thereof and shall be paid by the Inline Warrants Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Inline Warrants on the Expiry Date of the Inline Warrants in accordance with the Product Conditions, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Inline Warrants which are the subject of the automatic exercise or the number of relevant Inline Warrants, and thereby cancel the relevant Inline Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Inline Warrants in accordance with the Product Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

Adjustments may be made by the Issuer to the number of Shares to which the Inline Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

Adjusted Upper Strike Price = Existing Upper Strike Price ÷ Adjustment Component

Adjusted Lower Strike Price = Existing Lower Strike Price ÷ Adjustment Component

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

Provided that no adjustment will be made if the Adjustment Component is equal to or less than 1.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Upper Strike Price and Lower Strike Price (which shall be rounded to the nearest 0.001) shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

Adjusted Upper Strike Price = Existing Upper Strike Price ÷ Adjustment Component

Adjusted Lower Strike Price = Existing Lower Strike Price ÷ Adjustment Component

Where:

Adjustment Component = 1 + N

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue.

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Inline Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the interests of the Inline Warrants Holders generally are not materially prejudiced as a consequence of such Restructuring Event (without considering the individual circumstances of any Inline Warrants Holder or the tax or other consequences that may result in any particular jurisdiction).

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Upper Strike Price = Existing Upper Strike Price ÷ Adjustment Component

Adjusted Lower Strike Price = Existing Lower Strike Price ÷ Adjustment Component

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

S: The closing price of the Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Product Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Inline Warrants as appropriate where any event (including the events as contemplated in the applicable Product Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Product Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Inline Warrants Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Inline Warrants Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Inline Warrants will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised Inline Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5. Delisting

5.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Inline Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Inline Warrants Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Inline Warrants Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the

consent of the Inline Warrants Holders, make such adjustments to the entitlements of the Inline Warrants Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Inline Warrants Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Inline Warrants Holders in accordance with General Condition 7 as soon as practicable after they are determined.

PART B
PRODUCT CONDITIONS OF CASH SETTLED INLINE WARRANTS OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Inline Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Inline Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

- (a) if the Closing Level is at or below the Upper Strike Level and at or above the Lower Strike Level:

$$\text{Cash Settlement Amount per Board Lot} = \text{Maximum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

or

- (b) if the Closing Level is above the Upper Strike Level or below the Lower Strike Level:

$$\text{Cash Settlement Amount per Board Lot} = \text{Minimum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

“**Closing Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Compiler**” means the index compiler specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Business Day**” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Exchange” means the index stock exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Inline Warrants Holder” means, in respect of each series of Inline Warrants, each person who is for the time being shown in the Register as the holder of the Inline Warrants, and such person shall be treated by the Issuer as the absolute owner and holder of the Inline Warrants;

“Interim Currency” means the currency specified in the relevant Launch Announcement and Supplemental Listing Document;

“Lower Strike Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of Inline Warrants over index;

“**Maximum Payoff Amount per Inline Warrant**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Minimum Payoff Amount per Inline Warrant**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Second Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Product Conditions;

“**Upper Strike Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Successor Index Compiler**” means a successor to the Index Compiler acceptable to the Issuer; and

“**Valuation Date**” means the date specified in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Trading in Inline Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Inline Warrants

2.1 Exercise of Inline Warrants in Board Lots

The Inline Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Inline Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Inline Warrants Holders). The Inline Warrants Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Inline Warrants Holders the Cash Settlement Amount (net of any Exercise Expenses).

2.3 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Inline Warrants Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Inline Warrants Holders as soon as practicable after determination thereof and shall be paid by the Inline Warrants Holders to the Issuer immediately upon demand.

2.4 *Record in the Register*

Upon automatic exercise of the Inline Warrants on the Expiry Date of the Inline Warrants in accordance with the Product Conditions, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Inline Warrants Holder from the Register in respect of the number of relevant Inline Warrants which are the subject of the automatic exercise, and thereby cancel the relevant Inline Warrants and the Global Certificate.

2.5 *Cash Settlement*

Upon the automatic exercise of Inline Warrants in accordance with the Product Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Inline Warrants Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Inline Warrants Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Inline Warrants Holder for any interest in respect of the amount due or any loss or damage that such Inline Warrants Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments to the Index

3.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a Successor Index Compiler; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts or commodities and other routine events), or
- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of the published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

3.3 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Product Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Inline Warrants as appropriate where any event (including the events as contemplated in the applicable Product Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Product Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Inline Warrants Holders generally (without considering the circumstances of any individual Inline Warrants Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Inline Warrants Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

APPENDIX 4
PRODUCT CONDITIONS OF CBBCS

The following pages set out the Product Conditions in respect of different types of CBBCs.

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PART A — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES	72
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PART A
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

- (ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Company**” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during a Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be

extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“Minimum Trade Price” means the lowest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single equities;

“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

- (b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“Strike Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“Valuation Date” means the Trading Day immediately preceding the Expiry Date provided if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 *Cancellation*

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 *Cash Settlement*

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

2.9 *Liability of Issuer*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such

Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

5. Delisting

5.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

PART B
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

- (ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is different from the Strike Level;

“**Closing Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Divisor**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Business Day**” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“**Index Compiler**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Currency Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Exchange**” means the index exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Interim Currency**” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Mandatory Call Event**” occurs if the Spot Level is:

- (a) in the case of a series of bull CBBCs, at or below the Call Level; or
- (b) in the case of a series of bear CBBCs, at or above the Call Level,

at any time during an Index Business Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence, on any Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contract are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
- (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Maximum Index Level**” means the highest Spot Level during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

- (b) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Index Level**” means the lowest Spot Level during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Price Source**”, if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over index;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

- (a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

- (b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“**Second Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“**Spot Level**” means:

- (a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or
- (b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

“**Strike Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“**Valuation Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that, if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

- (ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

2.9 *Liability of Issuer*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 *Trading*

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. **Adjustments**

3.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or

- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holder. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

PART C
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER
SINGLE UNIT TRUSTS

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during any Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Units; or
 - (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be

extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day, shall each be considered as one trading session only;

“Minimum Trade Price” means the lowest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single unit trusts;

“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(b) in the case of a series of bear CBBs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBs per Entitlement}}$$

“**Settlement Date**” means the third CCASS Settlement Day after: (a) the end of the MCE Valuation Period; or (b) the later of: (i) the Expiry Date; and (ii) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“**Strike Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“**Trust**” means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Unit**” means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided that if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Unit on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 *Cash Settlement*

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

2.9 *Liability of Issuer*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 *Trading*

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Unit held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (i) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences;
- (ii) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;
- (iii) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or
- (iv) the Trust ceases to be authorised as an authorised collective investment scheme under the

Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. **Delisting**

5.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that

other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustments binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

APPENDIX 5 BRIEF GUIDE TO CREDIT RATINGS

Information set out in this Appendix 5 is based on, extracted or reproduced from the website of S&P at <https://www.spglobal.com/ratings/en/> and the website of Moody's at <https://www.moody's.com>. Information appearing on those websites does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this Appendix 5 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this Appendix 5 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by S&P and Moody's on what each of their investment-grade ratings means.

S&P long-term issuer credit ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat susceptible to adverse economic conditions and changes in circumstances.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments, but is more subject to adverse economic conditions.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Please refer to <https://www.spglobal.com/ratings/en/about/understanding-ratings> for further details.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to <https://www.moody.com/Pages/amr002002.aspx> for further details.

Rating Outlooks

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P). A rating outlook issued by S&P or Moody's will usually indicate whether the potential direction is likely to be "positive", "negative", "stable" or "developing". Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

APPENDIX 6
AUDITOR'S REPORT AND OUR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

This information in this Appendix 6 has been extracted from our Annual Report for the year ended 31 December 2019. References to page numbers on the following pages are to the page numbers of such Annual Report.

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF THE BANK OF EAST ASIA, LIMITED

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of The Bank of East Asia, Limited ("the Bank") and its subsidiaries (together "the Group") set out on pages 164 to 358, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

獨立核數師報告



致東亞銀行有限公司成員 (於香港註冊成立的有限公司)

意見

本核數師(以下簡稱「我們」)已審計列載於第164至第358頁的東亞銀行有限公司(以下簡稱「貴銀行」)及其附屬公司(以下統稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一九年十二月三十一日的綜合財務狀況表和截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已根據香港會計師公會頒布的《香港財務報告準則》真實而中肯地反映了貴集團於二零一九年十二月三十一日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港《公司條例》妥為擬備。

意見的基礎

我們已根據香港會計師公會頒布的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒布的《專業會計師道德守則》(以下簡稱「守則」)，我們獨立於貴集團，並已履行守則中的其他專業道德責任。我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment allowances of loans and advances to customers

Refer to notes 2(h)(vii), 29(a), 45(a)(x) to the consolidated financial statements

Key audit matter

The Group's advances to customers as at 31 December 2019 amounted to HK\$509,105 million, with total expected credit losses ("ECL") amounting to HK\$3,769 million as at 31 December 2019. Hong Kong and China Operations contributed to 57% and 26% of the Group's advances to customers, and 16% and 80% of the Group's total ECL respectively.

Impairment allowances of loans and advances to customers across the banking industry continues to be an area of concern and elevated focus due to the uncertain local and global economic outlook, including the adverse impact from China – United States trade disputes and the recent social unrest in Hong Kong.

The Group experienced significant credit losses from China Operations during the year. Impairment allowances may be materially misstated if the exposures with a significant increase in credit risk are not properly identified and classified in the appropriate stages. The assessment of the recoverable amount of collateral is particularly challenging in Mainland China as the extent of judgement exercised by management in the process of determining the strategy of recovery and assessing the collateral value of these exposures is higher. As a result, the impairment allowances of loans and advances to customers in this particular part of business is subject to a higher inherent risk of material misstatements.

How the matter was addressed in our audit

Our audit procedures to assess the Group's impairment allowances on loans and advances to customers measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls on financial reporting over the change of financial instrument standards, approval, recording and monitoring of loans measured at amortised cost, the credit grading process, the ECL model development, approval, monitoring, governance process, and the measurement of provisions for impairment allowances;
- involving specialists in assessing the reliability of the ECL model used by management in determining impairment allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

客戶貸款及墊款的減值準備

請參閱綜合財務報表附註2(h)(vii)、29(a)和45(a)(x)

關鍵審計事項

於二零一九年十二月三十一日，貴集團的客戶墊款達到港幣5,091.05億元，預期信貸損失於二零一九年十二月三十一日總額為港幣37.69億元。香港與中國內地的業務分別佔 貴集團客戶墊款的57%和26%，以及佔 貴集團預期信貸損失總額的16%和80%。

由於本地及全球經濟前景不明朗，包括中美貿易糾紛帶來的不利影響，以及香港最近出現的社會動蕩因素，銀行業界的客戶貸款及墊款的減值準備繼續成為主要關注事項。

貴集團於年內在中國業務經歷重大信貸損失。倘貸款的信貸風險顯著增加未被恰當地識別及分類，可能導致預期信貸損失存在重大錯誤陳述。由於管理層在釐定收回策略及評估抵押品價值的過程中涉及較多的判斷，評估在中國內地的抵押物的可收回金額時特別具有難度。因此，有關此部份業務的客戶貸款及墊款減值準備存在較高重大錯誤陳述的內含風險。

審計對策

與評估 貴集團以攤銷成本計量的客戶貸款及墊款的減值準備相關的審計程序包括以下各項：

- 瞭解並評估與以下項目有關的關鍵財務報告內部控制的設計、實施及操作成效：金融工具準則的變更，以攤銷成本計量的貸款的審批、記錄和監管，信貸評級流程、預期信貸損失模型的制定、審批、監管和管治程序，以及減值準備的撥備計量；
- 使用專家評估管理層在釐定減值準備時所用的預期信貸損失模型的可靠性，包括評估預期信貸損失模型所用的關鍵參數及假設是否恰當，這包括所識別的損失階段、違約概率、違約損失率、違約風險承擔和貼現率，就前瞻性資訊所作的調整以及管理層所作的其他調整；

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment allowances of loans and advances to customers

Refer to notes 2(h)(vii), 29(a), 45(a)(x) to the consolidated financial statements

Key audit matter

The Group has continued to apply its expected credit loss model to assess impairment allowances of loans and advances to customers measured at amortised cost. Loan exposures that are not already credit-impaired are classified as stage 1 on origination and a 12-month ECL provision is recognised. Loan exposures will remain in stage 1 until they are repaid, unless they experience a significant increase in credit risk (stage 2) or they become credit-impaired (stage 3), for which a lifetime ECL provision is recognised. The details of the Group's accounting policies and credit risk management are set out in note 2(h)(vii) and 45(a) to the consolidated financial statements.

ECL may be materially misstated if the exposures with a significant increase in credit risk are not properly identified, leading to inaccurate recognition of ECL.

The determination of impairment allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the impairment allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model, by comparing individual loan information on a sample basis with the underlying agreements and other related documentation to assess the accuracy of the loan information in the expected credit loss model. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with publicly available sources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing it to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;
- for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. We involved our information technology specialists in assessing the information systems controls critical to the credit grading process, such as the compilation of the overdue reports for advances to customers. We also assessed the design, implementation and operating effectiveness of relevant automated application controls within these systems, as well as the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- in respect of identifying exposures with a significant increase in credit risk, evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples for which we checked loan overdue information, made enquiries of the credit managers about the borrowers' business operations, checked borrowers' financial information and researched market information about borrowers' businesses. Our sample of loans and advanced to customers selected for credit review, including in China Operations, focused on accounts with high risk characteristics, including industry, features of loan arrangements, collateral types and credit quality of the accounts;

客戶貸款及墊款的減值準備

請參閱綜合財務報表附註2(h)(vii)、29(a)和45(a)(x)

關鍵審計事項

貴集團繼續使用其預期信貸損失模型來評估以攤銷成本計量的客戶貸款及墊款的減值準備。尚未成為不良信貸的貸款於發放時被劃歸為第一階段，並按照相當於12個月的預期信貸損失的金額確認撥備。在貸款償還前，貸款會保留於第一階段，除非其信貸風險有顯著增加(第二階段)或已成為不良信貸(第三階段)。對於被歸類為第二階段和第三階段的貸款，應按照相當於合約期內之預期信貸損失的金額確認撥備。貴集團的會計政策和信貸風險管理的詳情載於綜合財務報表附註2(h)(vii)和45(a)。

倘貸款的信貸風險顯著增加卻未被恰當地識別，可能導致預期信貸損失存在重大錯誤陳述及不準確確認。

採用預期信貸損失模型釐定減值準備時須考慮若干關鍵參數及假設，包括所識別的損失階段，所估計的違約概率、違約損失率、違約風險承擔和貼現率，就前瞻性資訊所作的調整以及其他調整因素。在選取該等參數及應用上述假設時亦須管理層作出判斷。

當中，減值準備的釐定在很大程度上取決於外部宏觀環境及貴集團的內部信貸風險管理策略。預期信貸損失乃源自於對歷史損失、內部及外部信貸評級及其他調整因素的估計。個人貸款的預期信貸損失乃源自於管理層考慮了歷史逾期數據、個人貸款的以往損失經驗以及其他調整因素而作出的估計。

審計對策

- 通過在抽樣基礎上對比個別貸款資訊與相關協議及其他相關文檔，評估預期信貸損失模型中的貸款資訊是否準確，以此評估預期信貸損失模型中的關鍵參數所用的數據是否完整及準確。對於源自外部數據的關鍵參數，我們採用抽樣方式將該等數據與公開可獲取的數據進行比較，以檢查該等數據的準確性；
- 對於涉及判斷的關鍵參數，從外部來源獲得證據並將其與貴集團的內部記錄(包括以往損失經驗和抵押品的類型)進行比較，以對輸入參數進行審慎評估。在這個過程中，我們就管理層對估計及輸入參數的修訂提出質詢，並考慮判斷的一致性。我們將模型中所運用的經濟因素與市場資訊進行對比，以評估這些數據是否與市場及經濟發展相符；
- 對於預期信貸損失模型中所用的、源自系統生成的內部數據的關鍵參數，在抽樣基礎上將輸入數據與原始檔進行對比以評估輸入參數的準確性。我們使用本所的資訊技術專家來評估對信貸評級流程有重要影響的資訊系統控制，包括客戶墊款逾期報告的編制。我們還評估這些系統內的相關自動化應用程式控制，以及對這些相關系統的主要內部控制(包括對系統登入的控制以及對數據和變更管理的控制)在設計、實施和操作上的成效；
- 在識別信貸風險已顯著增加的貸款方面，採用抽樣的方式檢查貸款逾期資訊，就借款人的業務運營詢問信貸經理，檢查借款人的財務信息並查考有關借款人業務的市場資訊，以評價管理層對於貸款的信貸風險自初始確認以來是否已，或尚未有，顯著增加以及貸款是否已成為不良信貸的評估是否恰當。我們抽查的樣本，包括中國業務的樣本，關注於具有高風險條件的貸款，高風險條件包括行業、貸款安排、抵押品類型及信貸質量；

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment allowances of loans and advances to customers

Refer to notes 2(h)(vii), 29(a), 45(a)(x) to the consolidated financial statements

Key audit matter

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the macroeconomic factors, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of impairment allowances as at the end of the reporting period.

We identified the impairment allowances of loans and advances to customers measured at amortised cost as a key audit matter because of the complexity of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- for selected samples of loans and advances to customers that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Bank's recovery plans and evaluated other credit enhancements that are integral to the contract terms;
- in respect of assessing the accuracy of ECL calculation, calculating the amount of credit loss allowance for 12-month and life-time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and advances to customers where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively and comparing to the results from the Bank;
- assessing the appropriateness of material manual adjustments and overlays on ECL model outputs;
- in respect of evaluating the accounting treatments of disposal of impaired loans during the year, inspecting the loan disposal agreements and documents, enquiring of management and assessing whether the transactions are recognised appropriately; and
- evaluating whether the presentation and disclosures on impairment allowances of loans and advances to customers measured at amortised cost meet the requirements in HKAS 32 Financial Instruments: Presentation and HKFRS 7 Financial Instruments: Disclosures.

客戶貸款及墊款的減值準備

請參閱綜合財務報表附註2(h)(vii)、29(a)和45(a)(x)

關鍵審計事項

管理層在釐定違約損失率的金額時亦會根據多項因素作出判斷。這些因素包括收回墊款的方式、借款人的財務狀況、抵押品的可收回金額、宏觀經濟因素、索賠受償順序及其他債權人是否存在及其合作意向等。在評估持作抵押品的物業的價值時，管理層會參考合資格第三方評估師出具的估值報告，並考慮各種因素的影響，包括物業的市場價格、位置及用途。抵押品的法律效力、變現時間和方法亦會影響抵押品的可收回金額，並從而影響報告期末的減值準備金額。

由於以攤銷成本計量的客戶貸款及墊款的減值準備所涉及的複雜性、管理層判斷以及內含的不確定性，同時由於其對貴集團財務業績和資本的重大影響，我們將其認定為一項關鍵審計事項。

審計對策

- 對於已抽選的不良信貸的客戶貸款及墊款樣本，根據持作抵押品的物業的位置及用途以及鄰近物業的價格，將持作抵押品的物業的價值與市場價格進行比較，以評價管理層對該類物業價值的評估。我們還評價了抵押品的變現時間和方法以及現金流預測，對貴集團回收方案的可行性提出了質詢，並對合同條款中的其他信貸提升進行了評價；
- 在評估預期信貸損失計算的準確性方面，抽選信貸風險自初始確認以來尚未顯著增加或已顯著增加的客戶貸款及墊款樣本，同時根據上述參數及假設並使用預期信貸損失模型，分別計算該等樣本按照12個月內的信貸損失和合約期內的信貸損失計量的信貸損失準備金額，並將該計算結果與貴銀行的結果進行比較；
- 評估重大的手動調整以及預期信貸損失模型輸出值的調整是否恰當；
- 評估年內減值貸款處置的會計處理，檢查相關協議和文件，向管理層詢問並評估該等交易是否恰當地確認；及
- 評價以攤銷成本計量的客戶貸款及墊款的減值準備的列報與披露是否滿足《香港會計準則》第32號「金融工具：列報」以及《香港財務報告準則》第7號「金融工具：披露」的要求。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Assessment of the fair value of financial instruments

Refer to notes 2(h)(iii), 27, 28, 30, 46(a), 47(b)(ii) to the consolidated financial statements

Key audit matter

Financial instruments carried at fair value account for a significant portion of the Group's assets. As at 31 December 2019 the fair value of these financial instruments was HK\$163,636 million of which HK\$35,599 million, HK\$126,704 million and HK\$1,333 million was classified as level 1, 2 and 3 financial instruments respectively.

The valuation of the Group's financial instruments, which are stated at their fair values, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement.

In addition, the Group has developed its own models to value certain level 2 and 3 financial instruments, which involves significant management judgement.

We identified the assessment of the fair value of financial instruments as a key audit matter because of the complexity and significant management judgement required in the valuation of some financial instruments and because of the lower transparency of inputs used in the valuation techniques for certain financial instruments which increases the risk of potential error.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and model validation for financial instruments. For the key underlying systems used for the processing of transactions in relation to financial instruments we involved specialists to assess the design, implementation and operating effectiveness of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- evaluating the fair values of financial instruments with quoted price by comparing the fair values applied by the Group with publicly available market data on a sample basis;
- involving our internal valuation specialists to perform independent valuations of level 2 and level 3 financial instruments on a sample basis and comparing these valuations with the Group's valuations. Our internal valuation specialists performed independent valuations by developing models, obtaining inputs independently and verifying the inputs, evaluating the methodology adopted by management for the valuation of these financial instruments and assessing the inputs and assumptions used in the valuations;
- assessing the appropriate application of Credit Value and Debit Value Adjustments ("CVA/DVA") that form an integral part of fair values; inquiring of management about any changes in the CVA/DVA methodology and assessing the inputs applied; and
- assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

評估金融工具的公平價值

請參閱綜合財務報表附註2(h)(iii)、27、28、30、46(a)和47(b)(ii)

關鍵審計事項

以公平價值列賬的金融工具是 貴集團持有的重要資產之一。 貴集團於二零一九年十二月三十一日持有此類金融工具的公平價值金額為港幣1,636.36億元，其中在公平價值分級內第一級、第二級和第三級的金融工具公平價值分別為港幣355.99億元、港幣1,267.04億元及港幣13.33億元。

貴集團以公平價值列賬的金融工具的估值以市場數據和估值模型為基礎，其中估值模型通常需要大量的參數輸入。大部分參數源自於高流動性市場中可獲取的數據。當可觀察的數據無法從高流動性市場獲取時，即公平價值屬於第三級的情形下，管理層便需提供估算，這當中會涉及管理層的重大判斷。

此外， 貴集團已對特定的第二級及第三級金融工具開發了自有估值模型，這也會涉及管理層的重大判斷。

由於金融工具公平價值的評估涉及一定複雜性，而部分金融工具亦涉及管理層的重大判斷，以及部分金融工具使用的參數的透明度較低而增加潛在錯誤風險，我們因此將金融工具公平價值的評估識別為關鍵審計事項。

審計對策

與評估金融工具公平價值相關的審計程序包括以下各項：

- 評估與金融工具估值、獨立價格驗證及模型驗證相關的內部控制的設計、實施和操作上的成效。利用本所專家，評估處理金融工具相關交易的主要系統內自動化控制於設計、實施和操作上的成效。我們還評估了這些相關系統的關鍵內部控制(包括對系統登入的控制以及對數據和變更管理的控制)在設計、實施和操作上的成效；
- 採用抽樣的方式，通過比較 貴集團採用的公平價值與公開可獲取的市場數據，評估具有市場報價的金融工具的公平價值；
- 採用抽樣的方式，由本所內部估值專家對公平價值屬於第二級和第三級的金融工具進行獨立估值，並將我們的估值結果與 貴集團的估值結果進行比較。我們的程序包括制定估值模型、獨立獲取及驗證參數、評估管理層所採用的金融工具估值法，以及評估估值時所使用的參數和假設；
- 在評估對構成公平價值組成部分的信用估值調整和債務價值調整的運用是否適當時，詢問管理層計算信用估值調整和債務價值調整的方法曾否發生變化，並評估參數運用的恰當性；及
- 評估綜合財務報表中與金融工具相關的披露是否符合有關會計準則的要求，恰當反映了 貴集團的金融工具估值風險。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

綜合財務報表及其核數師報告以外的資訊

董事需對其他資訊負責。其他資訊包括刊載於年報內的全部資訊，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他資訊，我們亦不對該等其他資訊發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他資訊，在此過程中，考慮其他資訊是否與綜合財務報表或我們在審計過程中所瞭解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。

基於我們已執行的工作，如果我們認為其他資訊存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事就綜合財務報表須承擔的責任

董事須負責根據香港會計師公會頒布的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

審計委員會協助董事履行監督 貴集團的財務報告過程的責任。

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們是按照香港《公司條例》第405條的規定，僅向整體成員報告。除此以外，我們的報告不可用作其他用途。我們概不就本報告的內容，對任何其他人士負責或承擔法律責任。

合理保證是高水準的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 瞭解與審計相關的內部控制，以設計適當的審計程序，但目的並非對 貴集團內部控制的有效性發表意見。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Donowho, Simon Christopher.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 February 2020

獨立核數師報告(續)

- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致 貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就 貴集團內實體或業務活動的財務資訊獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審計委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審計委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

從與審計委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是鄧諾豪(Donowho, Simon Christopher)。

畢馬威會計師事務所

執業會計師

香港中環

遮打道十號

太子大廈八樓

二零二零年二月十九日

CONSOLIDATED INCOME STATEMENT

綜合收益表

For the year ended 31st December, 2019 截至2019年12月31日止年度

		Notes 附註	2019 HK\$ Mn 港幣百萬元	2018 HK\$ Mn 港幣百萬元
Interest income	利息收入	5	28,509	25,598
Interest income calculated using the effective interest method	按有效利率方法計算的利息收入		28,077	25,058
Other interest income	其他利息收入		432	540
Interest expense	利息支出	6	(14,009)	(12,639)
Net interest income	淨利息收入		14,500	12,959
Fee and commission income	服務費及佣金收入	7	3,887	3,813
Fee and commission expense	服務費及佣金支出		(946)	(1,160)
Net fee and commission income	服務費及佣金收入淨額		2,941	2,653
Net trading profit	交易溢利淨額	8	807	994
Net result from other financial instruments at FVTPL	通過損益以反映公平價值其他金融工具的淨表現	9	213	(286)
Net hedging profit	對沖溢利淨額	10	12	43
Net insurance profit	保險業務淨溢利	11(a)	826	295
Other operating income	其他經營收入	12	385	414
Non-interest income	非利息收入		5,184	4,113
Operating income	經營收入		19,684	17,072
Operating expenses	經營支出	13	(9,891)	(8,563)
Operating profit before impairment losses	未扣除減值損失之經營溢利		9,793	8,509
Impairment losses on financial instruments	金融工具減值損失	14	(7,253)	(1,188)
Impairment losses on intangible assets	無形資產減值損失	33(b)	-	(5)
Impairment losses on associate	聯營公司減值損失	32	-	(397)
Impairment losses	減值損失		(7,253)	(1,590)
Operating profit after impairment losses	已扣除減值損失後之經營溢利		2,540	6,919
Net loss on sale of investments measured at amortised cost	出售按攤銷成本計量投資之淨虧損		(1)	-
Net profit on sale of financial assets measured at FVOCI	出售通過全面收益以反映公平價值金融資產之淨溢利	15	72	62
Net profit on sale of assets held for sale	出售持有作出售資產之淨溢利	16	18	56
Net (loss)/profit on disposal of subsidiaries/associates	出售附屬/聯營公司之淨(虧損)/溢利		(7)	1
Net loss on disposal of fixed assets	出售固定資產之淨虧損	17	(13)	(9)
Valuation (losses)/gains on investment properties	重估投資物業(虧損)/盈利	34	(33)	465
Share of profits less losses of associates and joint ventures	應佔聯營公司及合資企業溢利減虧損	32	622	566
Profit for the year before taxation	年度內除稅前溢利		3,198	8,060
Income tax	所得稅	18	138	(1,506)
Profit for the year	年度內溢利		3,336	6,554

CONSOLIDATED INCOME STATEMENT (CONTINUED)

綜合收益表(續)

For the year ended 31st December, 2019 截至2019年12月31日止年度

		Notes 附註	2019 HK\$ Mn 港幣百萬元	2018 HK\$ Mn 港幣百萬元
Attributable to:	可歸屬於：			
Owners of the parent	本集團股東	43(k)	3,260	6,509
Non-controlling interests	非控股權益	44	76	45
Profit for the year	年度內溢利		3,336	6,554
			HK\$ 港幣元	HK\$ 港幣元
Earnings per share	每股盈利			
Basic	基本	21	0.89	2.07
Diluted	攤薄	21	0.89	2.07

The notes on pages 173 to 358 form part of these financial statements. Details of dividends payable to equity shareholders of the Bank attributable to the profit for the year are set out in Note 20.

第173至358頁之附註屬本財務報表之一部分。有關屬年度內溢利並應付予本行股東之股息詳情已詳載於附註20。

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

For the year ended 31st December, 2019 截至2019年12月31日止年度

		Notes 附註	2019 HK\$ Mn 港幣百萬元	2018 HK\$ Mn 港幣百萬元
Net profit	淨溢利		3,336	6,554
Other comprehensive income for the year:	年度內其他全面收益：			
Items that will not be reclassified to income statement:	不可轉回收益表的項目：			
Premises:	行址：			
– unrealised surplus on revaluation of premises	– 重估行址所產生的未實現盈餘	43(b)	99	8
– deferred taxes	– 遞延稅項	43(b)	2	(13)
Fair value reserve (equity instruments):	公平價值儲備(股份工具)：			
– net change in fair value	– 公平價值變動	43(g)	382	296
– deferred taxes	– 遞延稅項	43(g)	(1)	(5)
Liability credit reserve:	負債信貸儲備：			
– net change in fair value attributable to Group's own credit risk	– 因集團自身信貸風險而引致的公平價值變動	36,43(i)	(4)	3
Items that may be reclassified subsequently to income statement:	以後可能轉回收益表的項目：			
Fair value reserve (debt instruments):	公平價值儲備(債務工具)：			
– net change in fair value	– 公平價值變動	43(g)	1,709	(932)
– amount transferred to income statement on disposal	– 於出售時轉入收益表的金額	43(g)	(285)	(52)
– on amortisation	– 攤銷	43(g)	(7)	(4)
– deferred taxes	– 遞延稅項	43(g)	(131)	69
Hedging reserve (cash flow hedges):	對沖儲備(現金流對沖)：			
– effective portion of changes in fair value of hedging instruments	– 對沖工具公平價值變動的有效部分	43(h)	(5)	(1)
– fair value change transferred (to)/from income statement	– (轉入)/轉自收益表的公平價值變動	43(h)	(9)	5
Share of changes in equity of associates and joint ventures	應佔聯營公司及合資企業權益的變動	43(j)	102	(42)
Exchange differences arising from translation of accounts/disposal of overseas branches, subsidiaries, associates and joint ventures	從海外分行、附屬公司、聯營公司及合資企業的賬項折算/出售所產生的匯兌差額		(222)	(1,908)
Other comprehensive income	其他全面收益		1,630	(2,576)
Total comprehensive income	全面收益總額		4,966	3,978
Total comprehensive income attributable to:	全面收益總額可歸屬於：			
Owners of the parent	本集團股東		4,909	3,928
Non-controlling interests	非控股權益		57	50
			4,966	3,978

The notes on pages 173 to 358 form part of these financial statements.

第173至358頁之附註屬本財務報表之一部分。

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

As at 31st December, 2019 2019年12月31日

	Notes 附註	2019 HK\$ Mn 港幣百萬元	2018 HK\$ Mn 港幣百萬元
ASSETS	資產		
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存 25	51,525	48,106
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款 26	62,280	60,373
Trade bills	貿易票據 27	12,081	14,646
Trading assets	交易用途資產 28	1,273	3,483
Derivative assets	衍生工具資產 47(b)(ii)	5,693	10,211
Loans and advances to customers	客戶貸款及墊款 29	505,336	498,284
Investment securities	投資證券 30	163,514	144,729
Investments in associates and joint ventures	聯營公司及合資企業投資 32	9,970	9,129
Fixed assets	固定資產 34	14,328	13,165
– Investment properties	– 投資物業	5,333	5,249
– Other properties and equipment	– 其他物業及設備	7,907	7,916
– Right-of-use assets	– 使用權資產	1,088	–
Goodwill and intangible assets	商譽及無形資產 33	1,926	1,940
Deferred tax assets	遞延稅項資產 37(b)	1,563	481
Other assets	其他資產 35	35,709	34,904
Total Assets	資產總額	865,198	839,451
EQUITY AND LIABILITIES	股東權益及負債		
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	27,915	27,490
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值 36	3,182	1,335
– At amortised cost	– 攤銷成本	24,733	26,155
Deposits from customers	客戶存款	573,527	574,114
Derivative liabilities	衍生工具負債 47(b)(ii)	7,654	9,496
Certificates of deposit issued	已發行存款證	74,059	58,490
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值 36	27,401	9,462
– At amortised cost	– 攤銷成本	46,658	49,028
Current taxation	本期稅項 37(a)	2,103	1,437
Debt securities issued	已發行債務證券	3,181	564
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值 36	–	407
– At amortised cost	– 攤銷成本	3,181	157
Deferred tax liabilities	遞延稅項負債 37(b)	584	483
Other liabilities	其他負債 38	56,299	51,444
Loan capital – at amortised cost	借貸資本 – 攤銷成本 39	10,238	12,358
Total Liabilities	負債總額	755,560	735,876
Share capital	股本 41	41,379	39,925
Reserves	儲備 43	53,928	51,901
Total equity attributable to owners of the parent	歸屬於本集團股東權益總額	95,307	91,826
Additional equity instruments	額外股本工具 42	13,963	8,894
Non-controlling interests	非控股權益 44	368	2,855
Total Equity	股東權益總額	109,638	103,575
Total Equity and Liabilities	股東權益及負債總額	865,198	839,451

Approved and authorised for issue by the Board on 19th February, 2020.

董事會於2020年2月19日核准及授權發布。

Executive Chairman
Co-Chief ExecutivesDavid LI Kwok-po
Adrian David LI Man-kiu
Brian David LI Man-bun
Meocre LI Kwok-wing行政主席
聯席行政總裁李國寶
李民橋
李民斌
李國榮

Director

董事

The notes on pages 173 to 358 form part of these financial statements.

第173至358頁之附註屬本財務報表之一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

For the year ended 31st December, 2019 截至2019年12月31日止年度

		Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Capital reserve – staff share options issued	Fair value reserve	Hedging reserve	Liability credit reserve	Other reserves ³	Retained profits	Additional equity instruments	Non-controlling interests	Total equity	
		股本	一般儲備	行址重估儲備	資本儲備	匯兌重估儲備	資本儲備 – 已發行職員認股權	公平價值儲備	對沖儲備	負債信貸儲備	其他儲備 ³	留存溢利	總額	額外股本工具	非控股權益	權益總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
At 1st January, 2019	於2019年1月1日	39,925	14,054	1,752	933	(1,426)	158	664	15	(3)	4,963	30,791	91,826	8,894	2,855	103,575
Changes in equity	權益變動															
Profit for the year	年度內溢利	-	-	-	-	-	-	-	-	-	-	3,260	3,260	-	76	3,336
Other comprehensive income	其他全面收益	-	-	101	-	(203)	-	1,667	(14)	(4)	102	-	1,649	-	(19)	1,630
Total comprehensive income	全面收益總額	-	-	101	-	(203)	-	1,667	(14)	(4)	102	3,260	4,909	-	57	4,966
Issue of additional equity instruments ¹	發行額外股本工具 ¹	-	-	-	-	-	-	-	-	-	-	-	-	5,069	-	5,069
Shares issued in lieu of dividend (Note 41)	以股代息發行的股份 (附註41)	1,454	-	-	-	-	-	-	-	-	-	-	1,454	-	-	1,454
Equity settled share-based transaction (Note 43 ⁱⁱ)	以股份為基礎作支付之交易 (附註43 ⁱⁱ)	-	-	-	-	-	23	-	-	-	-	-	23	-	-	23
Transfer	轉賬	-	(403)	(5)	157	-	(18)	-	-	-	282	(13)	-	-	-	-
Distribution/Dividends declared or approved during the year	年度內的分派及已宣布或核准派發股息	-	-	-	-	-	-	-	-	-	-	(2,905)	(2,905)	-	(52)	(2,957)
Change of ownership in subsidiaries (Note 44)	附屬公司之擁有權變動 (附註44)	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Redemption of Hybrid Tier 1 capital instruments ²	贖回混合一級資本工具 ²	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,495)	(2,495)
At 31st December, 2019	於2019年12月31日	41,379	13,651	1,848	1,090	(1,629)	163	2,331	1	(7)	5,347	31,133	95,307	13,963	368	109,638

1. During the year, the Bank issued HK\$5,083 million (USD650 million) undated non-cumulative subordinated Additional Tier 1 capital securities ("AT1"). Direct issuance costs of HK\$14 million are accounted for as a deduction from the equity instruments.

2. During the year, the Bank redeemed the remaining HK\$2,495 million (USD318 million) Hybrid Tier 1 capital instruments which were classified as non-controlling interests in the consolidated financial statements.

3. Other reserves include statutory reserve and other reserves.

The notes on pages 173 to 358 form part of these financial statements.

1. 在2019年，本行發行港幣50.83億元（6.5億美元）無到期日非累積後償額外一級股本工具（「額外股本工具」）。直接發行成本港幣1,400萬元經已入賬，並已從股本工具中扣除。

2. 在2019年，本行贖回在綜合財務報表中分類為非控股權益之混合一級資本工具港幣24.95億元（3.18億美元）的餘額。

3. 其他儲備包括法定儲備及其他儲備。

第173至358頁之附註屬本財務報表之一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) 綜合權益變動表 (續)

For the year ended 31st December, 2018 截至2018年12月31日止年度

		Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Capital reserve – staff share options issued	Fair value reserve	Hedging reserve	Liability credit reserve	Other reserves ¹	Retained profits	Additional equity instruments	Non-controlling interests	Total equity	
		股本	一般儲備	行址重估儲備	資本儲備	匯兌重估儲備	資本儲備 – 僱員認股權	公平價值儲備	對沖儲備	負債信貸儲備	其他儲備 ¹	留存溢利	總額	額外股本工具	非控股權益	權益總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
At 1st January, 2018	於2018年1月1日	37,527	14,060	1,757	230	487	135	1,454	11	-	4,931	28,890	89,482	8,894	2,838	101,214
Impact of adopting HKFRS 9 at 1st January, 2018	於2018年1月1日因採納《香港財務報告準則》第9號之影響	-	-	-	-	-	-	(162)	-	(6)	-	(32)	(200)	-	-	(200)
Restated balance at 1st January, 2018	於2018年1月1日已重報後的結餘	37,527	14,060	1,757	230	487	135	1,292	11	(6)	4,931	28,858	89,282	8,894	2,838	101,014
Changes in equity	權益變動															
Profit for the year	年度內溢利	-	-	-	-	-	-	-	-	-	-	6,509	6,509	-	45	6,554
Other comprehensive income	其他全面收益	-	-	(5)	-	(1,913)	-	(628)	4	3	(42)	-	(2,581)	-	5	(2,576)
Total comprehensive income	全面收益總額	-	-	(5)	-	(1,913)	-	(628)	4	3	(42)	6,509	3,928	-	50	3,978
Shares issued in lieu of dividend (Note 41)	以股代息發行的股份(附註41)	2,313	-	-	-	-	-	-	-	-	-	-	2,313	-	-	2,313
Shares issued under Staff Share Option Schemes (Note 41)	根據僱員認股計劃發行的股份(附註41)	73	-	-	-	-	-	-	-	-	-	-	73	-	-	73
Equity settled share-based transaction (Note 43(f))	以股份為基礎作支付之交易(附註43(f))	-	-	-	-	-	35	-	-	-	-	-	35	-	-	35
Transfer	轉賬	12	(6)	-	703	-	(12)	-	-	-	74	(771)	-	-	-	-
Distribution/Dividends declared or approved during the year	年度內的分派及已宣布或核准派發股息	-	-	-	-	-	-	-	-	-	-	(3,805)	(3,805)	-	(53)	(3,858)
Change of ownership in subsidiaries (Note 44)	附屬公司之擁有權變動(附註44)	-	-	-	-	-	-	-	-	-	-	-	-	-	55	55
Decrease in non-controlling interests arising from capital reduction of a subsidiary (Note 44)	一附屬公司減本而導致非控股權益減少(附註44)	-	-	-	-	-	-	-	-	-	-	-	-	-	(35)	(35)
At 31st December, 2018	於2018年12月31日	39,925	14,054	1,752	933	(1,426)	158	664	15	(3)	4,963	30,791	91,826	8,894	2,855	103,575

1. Other reserves include statutory reserve and other reserves.

1. 其他儲備包括法定儲備及其他儲備。

The notes on pages 173 to 358 form part of these financial statements.

第173至358頁之附註屬本財務報表之一部分。

CONSOLIDATED CASH FLOW STATEMENT

綜合現金流量表

For the year ended 31st December, 2019 截至2019年12月31日止年度

		2019		2018	
		HK\$ Mn 港幣百萬元		Restated 重報 HK\$ Mn 港幣百萬元	
	Notes 附註				
OPERATING ACTIVITIES	經營業務活動				
Profit for the year before taxation	年度內除稅前溢利		3,198		8,060
Adjustments for:	調整：				
Charge for impairment losses on financial instruments	金融工具減值損失支銷		7,253		1,188
Charge for impairment losses on intangible assets	無形資產減值損失支銷	33(b)	-		5
Charge for impairment losses on associate	聯營公司減值損失支銷		-		397
Share of profits less losses of associates and joint ventures	應佔聯營公司及合資企業溢利減虧損		(622)		(566)
Net loss on sale of investments measured at amortised cost	出售按攤銷成本計量投資之淨虧損		1		-
Net profit on sale of financial assets measured at FVOCI	出售通過全面收益以反映公平價值金融資產之淨溢利		(72)		(62)
Net loss/(profit) on disposal of subsidiaries and associates	出售附屬公司及聯營公司之淨虧損/(溢利)		7		(1)
Net profit on sale of assets held for sale	出售持有作出售資產之淨溢利		(18)		(56)
Net loss on disposal of fixed assets	出售固定資產之淨虧損		13		9
Interest expense on debt securities and loan capital issued	已發行債務證券及借貸資本利息支出		784		631
Interest expense on lease liabilities	租賃負債利息支出		41		-
Depreciation on bank premises, furniture, fixtures and equipment	行址、傢俬、裝修及設備折舊	34	530		473
Depreciation on right-of-use assets	使用權資產折舊	34	397		-
Dividend income from equity securities measured at FVOCI	通過全面收益以反映公平價值股份證券股息收入	12	(12)		(23)
Amortisation of intangible assets	無形資產攤銷	13	14		14
Amortisation of premium/discount on debt securities and loan capital issued	已發行債務證券及借貸資本溢價/折扣攤銷		15		18
Revaluation losses/(gains) on debt securities and loan capital issued	重估已發行債務證券及借貸資本虧損/(盈利)		157		(102)
Valuation losses/(gains) on investment properties	重估投資物業虧損/(盈利)	34	33		(465)
Equity settled share-based payment expenses	以股份為基礎作支付費用	13,43(f)	23		35
			11,742		9,555

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

綜合現金流量表(續)

For the year ended 31st December, 2019 截至2019年12月31日止年度

		2019		2018	
				Restated 重報	
Notes 附註		HK\$ Mn 港幣百萬元		HK\$ Mn 港幣百萬元	
(Increase)/decrease in operating assets:					
經營資產(增)/減額:					
Cash and balances with banks with original maturity beyond three months	原本期限為3個月以上的現金及其他銀行存款的結存	4,786		8,361	
Placements with and advances to banks and other financial institutions with original maturity beyond three months	原本期限為3個月以上的銀行及其他金融機構存款及墊款	(12,438)		(2,888)	
Trade bills	貿易票據	2,569		(710)	
Trading assets	交易用途資產	2,096		2,933	
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	1,184		1,495	
Derivative assets	衍生工具資產	4,518		1,124	
Loans and advances to customers	客戶貸款及墊款	(14,302)		(28,705)	
Debt investment securities measured at amortised cost	按攤銷成本計量債務投資證券	794		(1,336)	
Debt investment securities measured at FVOCI	按通過全面收益以反映公平價值計量債務投資證券	(11,277)		(12,661)	
Debt investment securities mandatorily measured at FVTPL	強制按通過損益以反映公平價值計量債務投資證券	2,070		(1,953)	
Other assets	其他資產	(1,918)		(1,725)	
Increase/(decrease) in operating liabilities:					
經營負債增/(減)額:					
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	425		509	
Deposits from customers	客戶存款	(587)		2,430	
Certificate of deposit issued	已發行存款證	15,569		22,013	
Trading liabilities	交易用途負債	-		(11)	
Derivative liabilities	衍生工具負債	(1,842)		(2,581)	
Other liabilities	其他負債	4,057		5,955	
Exchange adjustments	匯兌調整	484		2,023	
NET CASH INFLOW FROM OPERATIONS	經營活動現金流入淨額	7,930		3,828	
Income tax paid	已付所得稅				
Hong Kong profits tax paid	已付香港利得稅	(24)		(625)	
Outside Hong Kong profits tax paid	已付海外利得稅	(335)		(568)	
NET CASH GENERATED FROM OPERATING ACTIVITIES	源自經營業務活動之現金淨額	7,571		2,635	

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

綜合現金流量表(續)

For the year ended 31st December, 2019 截至2019年12月31日止年度

			2019	2018
		Notes 附註	HK\$ Mn 港幣百萬元	Restated 重報 HK\$ Mn 港幣百萬元
INVESTING ACTIVITIES	投資活動			
Dividends received from associates and joint ventures	收取聯營公司及合資企業股息		1	49
Dividends received from non-trading equity securities	收取非交易用途股份證券股息		12	23
Purchase of non-trading equity securities	購入非交易用途股份證券		(4,259)	(2,428)
Proceeds from sale of non-trading equity securities	出售非交易用途股份證券所得款項		5,622	2,550
Purchase of fixed assets	購入固定資產		(1,010)	(657)
Purchase of investment properties	購入投資物業		-	(7)
Proceeds from disposal of other properties and equipment	出售其他物業及設備所得款項		17	28
Proceeds from sale of assets held for sale	出售持有作出售資產所得款項		1,016	137
Proceeds from disposal of associate	出售聯營公司所得款項		-	11
Additional investments in associates	增加聯營公司投資		(151)	(304)
Decrease in non-controlling interests arising from capital reduction of a subsidiary	一附屬公司減本而導致非控股權益減少		-	(35)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	源自/(用於)投資活動之現金淨額		1,248	(633)
FINANCING ACTIVITIES	融資活動			
Ordinary dividends paid	支付普通股股息		(823)	(832)
Distribution to Hybrid/Additional Tier 1 issue holders	派發予混合/額外一級資本工具持有人	20(c),43(k)	(680)	(713)
Issue of ordinary share capital	發行普通股股本	41	-	73
Issue of additional equity instruments	發行額外股本工具		5,083	-
Issue of debt securities	發行債務證券		3,024	114
Issue of loan capital	發行借貸資本		1,675	-
Payment of lease liabilities	支付租賃負債		(391)	-
Redemption of Hybrid Tier 1 issued	贖回已發行混合一級資本工具		(2,495)	-
Redemption of debt securities issued	贖回已發行債務證券		(408)	(565)
Redemption of loan capital	贖回已發行借貸資本		(3,913)	-
Interest paid on debt securities issued	支付已發行債務證券利息		(15)	(16)
Interest paid on loan capital	支付借貸資本利息		(653)	(617)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	源自/(用於)融資活動之現金淨額		404	(2,556)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	現金及等同現金項目淨增/(減)額		9,223	(554)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	於1月1日之現金及等同現金項目	48(a)	86,020	89,980
Effect of foreign exchange rate changes	匯率變動的影響		(605)	(3,406)
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	於12月31日之現金及等同現金項目	48(a)	94,638	86,020
Cash flows from operating activities included:	源自經營業務活動的現金流量包括:			
Interest received	利息收入		28,941	24,710
Interest paid	利息支出		13,703	12,547
Dividend received	股息收入		48	73

The notes on pages 173 to 358 form part of these financial statements.

第173至358頁之附註屬本財務報表之一部分。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

1. PRINCIPAL ACTIVITIES 主要業務

The Bank and its subsidiaries (the "Group") are engaged in the provision of banking and related financial services.

本行及其附屬公司（「本集團」）的主要業務為提供銀行及有關的金融服務。

2. SIGNIFICANT ACCOUNTING POLICIES 主要會計政策

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable HKFRS, which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The financial statements for the year ended 31st December, 2019 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is historical cost except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as trading, designated or mandatorily measured at fair value through profit or loss and measured at fair value through other comprehensive income (Note 2(h)(ii));
- derivative financial instruments (Notes 2(l) and 2(k)); and
- investment properties (Note 2(o)(ii)).

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) 符合指引聲明

本財務報表乃按照香港會計師公會頒布所有適用的《香港財務報告準則》，其整體已包括個別適用的《香港財務報告準則》、《香港會計準則》及詮釋，以及香港一般採用的會計原則及《公司條例》的要求。本財務報表亦符合聯交所《上市規則》有關的披露規定。本集團採納的主要會計政策簡列如下。

香港會計師公會已頒布數項新增及經修訂的《香港財務報告準則》，並於本年度本集團的會計期首次生效或可被提早採納。附註3提供因首次應用該等準則而引致會計政策變動的資料，而該等資料只包括與本集團有關而須反映在本期及去年會計期的財務報表。

(b) 財務報表編製基準

截至2019年12月31日止年度的財務報表包括本集團及其應佔聯營公司及合資企業之權益。

除以下資產及負債是以公平價值列賬外，本財務報表是以原值成本作為計量基準。有關詳情載列於下列會計政策：

- 分類作交易用途、指定或強制通過損益以反映公平價值及通過全面收益以反映公平價值的金融工具（附註2(h)(ii)）；
- 衍生金融工具（附註2(l)及2(k)）；及
- 投資物業（附註2(o)(ii)）。

按《香港財務報告準則》之要求，在編製財務報表時，管理層須作判斷、估計及假設從而影響政策實施及資產和負債、及收入與支出之呈報金額。有關估計及假設乃按在既定情況下可合理地相信，根據過往之經驗及其他因素，作出判斷那些未能從其他來源確定的資產及負債的賬面值。實際結果可能與此等估計存在差異。

有關估計及假設須持續作檢討。若修訂只影響該修訂期，會計估計的修訂於該修訂期內確認；或如該修訂影響本期及未來會計期，則於修訂期及未來會計期內確認。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

Details of judgements made by management in the application of HKFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 54.

(c) Basis of Consolidation

These consolidated financial statements cover the consolidated position of the Bank and all subsidiaries unless otherwise stated and the Group's interest in associates and joint ventures. For information required to be reported in accordance with the Banking (Disclosures) Rules, the basis of consolidation is set out in the Note 1 in the Unaudited Supplementary Financial Information.

(i) Subsidiaries and Non-controlling interests

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to 31st December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the net profit and total comprehensive income for the year between non-controlling interests and equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

在附註54內，管理層已解釋實施對財務報表有重大影響的《香港財務報告準則》所作的詳細判斷及不明朗估計的主要來源。

(c) 綜合基準

除另外陳述外，本綜合財務報表包括本行及其所有附屬公司及本集團所佔聯營公司及合資企業之權益的綜合狀況。根據《銀行業(披露)規則》所要求匯報的資料，所採納的綜合基準已在未經審核補充財務資料附註1列載。

(i) 附屬公司及非控股權益

本綜合財務報表包括本行及其所有附屬公司截至各相關年度之12月31日止的財務報表。附屬公司為本集團所控制之實體。本集團基於對有關實體之權利、參與度及權力並可運用此等條件以影響其所得回報，則視為本集團對該實體擁有控制權。在評估是否有控制權時，本集團只考慮實質的權力(由本集團及其他人士所擁有)。

附屬公司之投資由控制權生效日起至控制權失效日止在綜合財務報表內計算。在編製綜合財務報表時，集團之間的結餘，交易及現金流及任何因集團之間交易所產生的未實現溢利均被抵銷。跟未實現盈利相同，因集團之間交易所產生的未實現虧損亦同樣被抵銷，但只局限於未有減值證據。

非控股權益指無論是直接或間接並不歸屬於本行之附屬公司的權益部分，及本集團並未與該等權益持有者達成附加協議，致令本集團整體上對該等權益產生符合金融負債定義的法定義務。就每一業務合併而言，本集團可選擇按公平價值或非控股權益按比例應佔該附屬公司的可辨識淨資產以計量非控股權益。

非控股權益在綜合財務狀況表內的股東權益中列示，但與可歸屬於本集團股東權益分開。非控股權益佔本集團之業績，在綜合收益表內以分配年度溢利之形式列示，而在綜合全面收益表則以分配年度全面收益總額予非控股權益與及可歸屬於本集團股東權益之形式列示。

本集團將不導致喪失控股權之附屬公司權益的變動按權益交易方式入賬，即只調整在綜合權益內之控股及非控股權益的金額以反映其相關權益的變動，但不調整商譽及確認盈虧。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate and joint venture (Note 2(c)(ii)), and is offset against the gain or loss on the loss of control of that subsidiary.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less any impairment losses, if any (Note 2(r)).

(ii) Associates and joint ventures

The consolidated financial statements include the attributable share of the results and reserves of associates and joint ventures based on financial statements prepared at dates not earlier than three months prior to 31st December each year.

An associate is a company in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

Investment in associates and joint ventures are accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (Note 2(ad)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate or joint venture's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(q) and 2(r)). Any acquisition-date excess of fair values of the investees' net identifiable assets over the cost of investment, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in an associate or a joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For these purposes, the Group's interest in the associate or the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

當本集團喪失對一附屬公司之控股權，將按出售該附屬公司之所有權益入賬，而所產生的盈虧確認為損益。任何在喪失控股權日仍保留該前度附屬公司之權益按公平價值確認，而此金額被視為初始確認一金融資產(附註2(h))的公平價值，或(如適用)按成本初始確認一聯營公司及合資企業投資(附註2(c)(ii))，及當喪失對該附屬公司控股權時與盈虧沖銷。

在本行的財務狀況表中，附屬公司投資是以成本減除任何減值損失(附註2(r))列賬。

(ii) 聯營公司及合資企業

本綜合財務報表包括根據截至每年的12月31日止之前不超過三個月的財務報表所編製應佔聯營公司及合資企業的業績及儲備。

聯營公司是指本集團或本行可對其管理發揮重大影響力，包括參予其財務及經營政策的決策，但並不控制或共同控制其管理層。

合資企業是指本集團或本行與其他合約方共同擁有該合資企業之控制權，及對淨資產擁有權的安排。

除分類為持有作出售資產(或包括在分類為持有作出售資產的出售組別內)(附註2(ad))外，聯營公司及合資企業投資是以權益會計法在綜合財務報表內入賬。根據權益會計法，投資的入賬方法是先以成本另調整本集團於購入後應佔該聯營公司及合資企業的可辨識淨資產所超出成本之任何金額。往後，需調整在收購後本集團應佔被投資方淨資產之變動及在(附註2(q)和2(r))所載有關投資的減值損失。任何於收購日應佔被投資方可辨識淨資產的公平價值超出投資成本，本集團應佔被投資方收購後和已除稅的業績及年度內的任何減值損失均在綜合收益表內確認，而本集團應佔被投資方收購後和已除稅之其他全面收益項目則在綜合全面收益表內確認。

除本集團對該聯營公司及合資企業所作具法律或推定義務或替該被投資方償付的承擔外，當本集團應佔該聯營公司及合資企業的虧損超出本集團之應佔權益時，超出的虧損將不被確認，而本集團應佔該被投資方之權益將被減值至零。因此，本集團應佔該聯營公司及合資企業權益即按權益會計法計算投資賬面值，及實質上構成本集團應佔該聯營公司及合資企業淨資產的長期權益。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except when unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(h)).

The Bank accounts for the results of associates and joint ventures to the extent of dividends received. Investments in associates and joint ventures are stated in the Bank's statement of financial position at cost less any impairment losses (Note 2(r)).

An associate or a joint venture is considered material if it is material to either income statement or statement of financial position of the Group in two consecutive years.

(d) Translation of Foreign Currencies

Foreign currencies transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences relating to investments at fair value through profit or loss (FVTPL) and derivative financial instruments are included in gains less losses from trading securities or financial instruments at fair value through profit or loss. All other exchange differences relating to monetary items are presented as gains less losses from dealing in foreign currencies in the income statement. Differences arising on translation of equity investments which an election has been made to present subsequent changes in fair value in other comprehensive income are recognised in other comprehensive income and accumulated separately in equity.

本集團與聯營公司及合資企業交易而產生之未實現溢利及虧損，按本集團應佔該被投資方之權益為限作沖銷。若有證據顯示未實現虧損屬資產轉讓的減值損失，則須立即於損益賬內確認。

當本集團喪失對一聯營公司及合資企業之重大影響力及合資企業之共同控制權，將按出售該被投資方之所有權益入賬，而所產生的盈虧確認為損益。任何在喪失重大影響力或共同控股權日仍保留該前度被投資方之權益按公平價值確認，而此金額被視為初始確認一金融資產(附註2(h))的公平價值。

本行按照已收取股息計算應佔聯營公司及合資企業之業績。在本行的財務狀況表中，聯營公司及合資企業投資是以成本減除任何減值損失(附註2(r))列賬。

若連續兩年對於本集團的收益表或財務狀況表有重大影響，該聯營公司及合資企業會被視為重大。

(d) 外幣換算

年度內的外幣交易按交易日的匯率折算為港幣。以外幣為單位的貨幣性資產及負債按報告期結束日的匯率折算為港幣。匯兌盈虧則計入收益表內。

以原值成本列賬但以外幣為單位的非貨幣性資產及負債按交易日的匯率折算為港幣。以外幣為單位及按公平價值列賬的非貨幣性資產及負債按釐定其公平價值日的匯率折算。

有關通過損益以反映公平價值投資及衍生金融工具的匯兌差額分別包括於交易用途證券淨盈虧或指定通過損益以反映公平價值投資淨盈虧。其他有關貨幣性資產及負債的匯兌差額則於收益表之外幣買賣溢利項下列示。因折算已選擇將往後公平價值變動在其他全面收益列示的股份證券所產生的差額則於其他全面收益內確認，並在股東權益內分開累計。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1st January, 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1st January, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(e) Interest

Effective interest rate

Interest income and expense for all interest-bearing financial instruments are recognised in the income statement on an accruals basis using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For financial assets that were purchased or originated credit-impaired on initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses (i.e. no expected credit loss provision is required at initial recognition).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

海外業務之業績按交易日相約的匯率折算為港幣。資產負債表項目，財務狀況表的項目中，包括於2005年1月1日或以後因收購海外業務而在綜合時所產生的商譽，按報告期結束日的匯率折算為港幣。產生的匯兌差額直接在其他全面收益內確認，並在股東權益之匯兌儲備內分開累計。因於2005年1月1日以前收購海外業務而在綜合時所產生的商譽按收購海外業務日的匯率折算。

當確認出售海外業務的損益時，因該海外業務產生的累計匯兌差額由股東權益計入收益表。

(e) 利息

有效利率

所有帶息金融工具的利息收入及支出均按有效利率方法於收益表內以應計基準確認。

有效利率是可準確將金融工具在預計年內產生之未來現金支出或收入折算為該金融資產的賬面值或該金融負債的攤銷成本的利率。

在計算除信貸不良資產外的金融工具的有效利率時，本集團計及金融工具的所有合約條款，但不計及預期信貸損失，以估計未來現金流。就初始確認時已購買或發起的信貸不良金融資產，使用估計未來現金流(包括預期信貸損失)計算信貸調整有效利率(即在初始確認時無需作出預期信貸損失撥備)。

有效利率的計算包括構成有效利率組成部分的交易成本及費用以及基點支出或收入。交易成本包括金融資產或金融負債的收購或發行直接應佔的增加成本。

攤銷成本及賬面值總額

金融資產或金融負債的「攤銷成本」是金融資產或金融負債於初始確認時計量的金額減本金還款額，加減使用有效利率方法計算的初始確認金額與到期金額之任何差額而計算的累計攤銷，而就金融資產而言，經任何預期信貸損失準備作調整。

「金融資產的賬面值總額」是金融資產就任何預期信貸損失準備作調整前的攤銷成本。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, please refer to Note 2(h)(vii).

(f) Fee and Commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate calculation (Note 2(e)).

Other fee and commission income is recognised in the income statement when the corresponding service is provided. Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If it is uncertain that a loan commitment will result in draw-down of a loan, then the related loan commitment fee is recognised as revenue on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed when the services are received.

(g) Other Revenue Recognition

Other revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

- (i) Net income from financial instruments at fair value through profit or loss and net trading income
- Net income from financial instruments designated as at FVTPL, net income from non-trading financial assets mandatorily measured at FVTPL and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with foreign exchange differences and dividend income attributable to these financial instruments. Coupon interest from these financial assets and financial liabilities measured at FVTPL is accrued and presented as interest income or interest expense.

計算利息收入及支出

在計算利息收入及支出時，有效利率應用於資產的賬面值總額(當資產並非信貸不良時)或負債的攤銷成本。

然而，就初始確認後成為信貸不良的金融資產而言，透過將有效利率應用於該金融資產的攤銷成本而計算利息收入。若資產不再屬信貸不良，則恢復使用總額基準計算利息收入。

就初始確認時已購買或發起的信貸不良金融資產而言，透過將經信貸調整的有效利率應用於該資產的攤銷成本計算利息收入。即使該資產的信貸風險有所改善，亦不恢復使用總額基準計算利息收入。

有關金融資產屬信貸不良時的資料見附註2(h)(vii)。

(f) 服務費及佣金

有效利率的計算(附註2(e))包括金融資產及金融負債中構成有效利率組成部分的服務費及佣金收入及支出。

其他服務費及佣金收入在有關服務提供時確認在收益表內。因本集團開展或購入金融資產而產生之開立或承擔服務費收入/支出須遞延及確認為有效利率之調整。如不確定會否借出貸款，該相關承擔服務費按承擔期限以直線法列作收入。

其他服務費及佣金支出主要是交易及服務費，並在獲得服務時支銷。

(g) 其他收入確認

其他收入按已收或應收價款的公平價值釐定。假設經濟利益有可能流向本集團及收入和支出(如適用)屬可靠計量的，在收益表內確認收入的方法如下：

- (i) 通過損益以反映公平價值金融工具的淨收入及淨交易收入
- 指定通過損益以反映公平價值金融工具的淨收入，強制通過損益以反映公平價值之非交易用途金融資產及淨交易收入包括所有金融資產及金融負債之公平價值變動產生的盈虧(減除應計利息)，以及應歸屬於該等金融工具的匯兌差額及股息收入。由該等通過損益以反映公平價值金融資產及金融負債產生的應計票面利息列作利息收入或利息支出。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ii) Finance income from finance leases

Finance income implicit in finance leases is recognised as interest income over the period of the lease so as to produce an approximately constant periodic rate of return of the outstanding net investment in the leases for each accounting period.

(iii) Rental income from operating leases

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(iv) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established unconditionally. Dividend income from listed investments is recognised when the share price of the investment is quoted ex-dividend.

(h) Financial Instruments

(i) Initial recognition

The Group initially recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of investment securities classified as measured at FVTPL, fair value through other comprehensive income (FVOCI) financial assets and financial liabilities at FVTPL or debts issued are recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Any gains and losses of the financial assets or financial liabilities measured at fair value arising from changes in fair value are recorded from the date of initial recognition.

Accrued contractual interests from financial assets and liabilities are presented as accrued interest receivables and payables separately in the financial statements.

(ii) 融資租賃收入

融資租賃隱含財務收入按租賃年期確認為利息收入，以令每個會計年度期間剩餘的淨租賃投資回報大致相同。

(iii) 經營租賃租金收入

除非有更具有代表性的基準衡量從租賃資產獲取利益的模式，其經營租賃之租金收入按該租期所涵蓋的年期以等額分期確認為其他經營收入。經營租賃協議所涉及的激勵措施均在收益表中確認為租賃淨收款總額的組成部分。或有租金以賺取該收入的會計期間列作收入。

(iv) 股息收入

非上市投資股息收入在股東收取權被無條件確立時才予以確認。上市投資股息收入則在該投資的股價除息時才被確認。

(h) 金融工具

(i) 初始確認

當本集團成為金融工具合約其中一方時初始確認金融資產和金融負債。以正常方式購買或出售分類為按通過損益以反映公平價值、通過其他全面收益以反映公平價值計量的投資證券、通過損益以反映公平價值的金融資產及金融負債或已發行債務俱按交易日會計法確認。其他金融資產和金融負債則按結算日會計法確認。

金融工具於初始期按公平價值計量，而公平價值大致與交易價相同。如金融資產或金融負債不屬於通過損益以反映公平價值，則包括直接歸屬於購入之金融資產或發行金融負債的交易成本。通過損益以反映公平價值的金融資產或金融負債的交易成本立即作費用支銷。

自初始確認日期起，按公平價值計量的金融資產或金融負債因公平價值變動而產生的任何盈利及虧損均予以記錄。

金融資產及負債的應計合約利息在財務報表中作為應計應收及應付利息分開列示。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(ii) Classification

Financial assets and liabilities*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income – (Note 2(n)). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

(ii) 分類

金融資產及金融負債*金融資產*

於初始確認時，金融資產分類為：按攤銷成本、通過其他全面收益以反映公平價值或通過損益以反映公平價值計量。

一項金融資產按攤銷成本計量，其必須符合以下條件及未有指定為通過損益以反映公平價值：

- 該資產是在一個以持有該資產以收取合約現金流為目的之商業模式中持有；及
- 該金融資產的合約條款於指定日期產生符合本金及按本金結餘的利息支付特徵的現金流。

一項債務工具按通過其他全面收益以反映公平價值計量，其必須符合以下條件及未有指定為通過損益以反映公平價值：

- 該資產是在一個以收取合約現金流及出售金融資產為目的之商業模式中持有；及
- 該金融資產的合約條款於指定日期產生符合本金及按本金結餘的利息支付特徵的現金流。

非交易用途之股份投資初始確認時，本集團可作出不可撤回的選擇，將其後續公平價值變化確認於其他全面收益 – (附註(2(n)))。該選擇是按投資逐項作出。

所有其他金融資產均分類為按通過損益以反映公平價值計量。

此外，於初始確認時，在可消除或明顯減少會計錯配的情況下，本集團可不可撤回地指定在其他情況下符合按攤銷成本或通過其他全面收益以反映公平價值條件的金融資產為通過損益以反映公平價值計量。

商業模式評估

本集團評估在組合層面持有資產的商業模式之目標，因為這最能反映業務管理的方法及向管理層提供資料的方式。所考慮的資料包括：

- 組合的既定政策和目標以及該等政策的實際操作。尤其是，管理層的策略專注於賺取合約利息收入、維持特定的利率曲線、將金融資產的期限與為該等資產提供資金的負債或通過出售資產變現現金流的期限相配；

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodic reset of interest rates).

- 如何評估組合的表現並向本集團的管理層報告；
- 影響商業模式(及該商業模式下持有的金融資產)表現的風險以及如何管理該等風險；
- 業務管理人員如何得到補償—例如，補償是否根據所管理資產的公平價值或所收取的合約現金流釐定；及
- 過往期間的出售頻率、銷量和出售時點，出售原因以及其對未來出售活動的預期。然而，銷售活動的資料並非孤立考慮，而是作為關於本集團如何實現既定的金融資產管理目標及如何實現現金流的整體評估的一部分。

持作交易用途或管理或按公平值基準評估其表現的金融資產乃按通過損益以反映公平價值計量，因其既非持作收取合約現金流之用，亦非持作收取合約現金流及出售金融資產之用。

評估合約現金流是否純粹為支付本金及利息

就此項評估而言，「本金」的定義是金融資產在初始確認時的公平價值。「利息」的定義是貨幣的時間價值以及與特定時段內未償還本金有關的信用風險以及其他基本貸款風險和成本(例如流動性風險和管理費用)及利潤率的代價。

在評估合約現金流是否純粹為支付本金及利息時，本集團考慮工具的合約條款。這包括評估金融資產是否包含可能改變合約現金流的時點或金額，致使其不符合該項條件。在評估時，本集團考慮：

- 將會改變現金流金額及時點的或有事件；
- 槓桿特徵；
- 提前還款和延期條款；
- 限制本集團要求取得指定資產(例如無追索權資產安排)的現金流的條款；及
- 修正金錢時間值代價的特徵(例如定期調整利率)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. When (and only when) the Group changes its business model for managing financial assets, it reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest will not be restated.

If a financial asset is reclassified out of the amortised cost measurement category and into the FVTPL or FVOCI measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss (if reclassification as FVTPL measurement category) or is recognised in other comprehensive income (if reclassification as FVOCI measurement category).

If a financial asset is reclassified out of the FVOCI measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

If a financial asset is reclassified out of the FVOCI measurement category and into the FVTPL measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

If a financial asset is reclassified out of the FVTPL measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If an entity reclassifies a financial asset out of the FVTPL measurement category and into the FVOCI measurement category, the financial asset continues to be measured at fair value and subsequent changes in fair value will be recognised in other comprehensive income.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

重新分類

除於本集團改變管理金融資產的商業模式後期間外，金融資產在初始確認後不會作出重新分類。當(並且僅當)本集團更改其管理金融資產的商業模式時，所有受影響的金融資產會根據新商業模式重新分類。重新分類應由「重分類日」前瞻性地應用。「重分類日」定義為「因商業模式變化而重新分類金融資產後的第一個報告期首天」。因此，任何之前確認的收益、虧損或利息不會重報。

如金融資產從按攤銷成本重新分類為通過損益以反映公平價值計量或通過其他全面收益以反映公平價值，則其公平價值會在重分類日計量。金融資產的先前攤銷成本與公平價值之間的差額產生的任何收益或損失會在收益表內確認(如重新分類為通過損益以反映公平價值計量)或在其他全面收益內中確認(如果重新分類為通過其他全面收益以反映公平價值)。

如金融資產從通過其他全面收益以反映公平價值重新分類為按攤銷成本，則金融資產會在重分類日按其公平價值重新分類。然而，先前於其他全面收益確認的累計收益或虧損將從權益中扣除，並於重分類日按金融資產的公平價值調整。因此，金融資產在重分類日進行計量，就好像它一直以攤餘成本計量一樣。

如金融資產從通過其他全面收益以反映公平價值重新分類為通過損益以反映公平價值計量，則該金融資產會繼續以公平價值計量。先前於其他全面收益確認的累計收益或虧損於重分類日重新分類由權益轉入收益表作為重分類調整。

如金融資產從通過損益以反映公平價值計量重新分類為按攤銷成本，則其在重分類日的公平價值作為新的總賬面值。

如金融資產從通過損益以反映公平價值計量重新分類為通過其他全面收益以反映公平價值，則該金融資產會繼續以公平價值計量，而其後的公平價值變動會在其他全面收益中確認。

金融負債

本集團將其金融負債(財務擔保及貸款承擔除外)分類為按攤銷成本或按通過損益以反映公平價值計量類別。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Group may, at initial recognition, irrevocably designate a financial liability as at FVTPL in either of the following circumstances:

- a group of liabilities or a group of financial assets and liabilities is managed and its performance is evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset, together with substantially all the risks and rewards of ownership, have been transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement. Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in the income statement on derecognition of such securities, as explained in (Note 2(n)).

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Group uses the weighted average or first-in first-out method, where appropriate, to determine realised gains and losses to be recognised in the income statement on derecognition.

在以下任一情況下，在初始確認時，本集團或會將金融負債以不可撤銷形式指定為按通過損益以反映公平價值計量：

- 該負債組別或金融資產及負債是按公平價值作內部管理、評估及呈報；或
- 該指定可抵銷或明顯減少因計量資產及負債或按不同基準確認盈利和虧損時可能產生計量或確認的不一致。

(iii) 計量公平價值之原則

金融工具的公平價值是於報告期結束日根據其市場報價但未減除將來的估計出售成本。

如沒有公眾知悉的最後交易價格或在認可交易所的市場報價，或從經紀／交易員獲得屬於非交易所買賣的金融工具報價，又或該市場並不活躍，此工具的公平價值按估值模式估值，而該估值模式可根據實際市場交易提供可靠的估計價格。

當採用現金流折讓價格模式，估計將來現金流按管理層的最佳估計及採用的貼現率是在報告期結束日適用於相同條款工具的市場利率。當採用其他價格模式時，參數是在報告期結束日的市場價格資料。

(iv) 終止確認

當從金融資產獲得現金流的法定權利屆滿或已將重大風險及回報擁有權同時轉移後，本集團終止確認金融資產。

於終止確認金融資產時，資產賬面值（或終止確認部分資產的賬面值）與(i)已收代價（包括任何所得新資產減任何新負債）及(ii)已於其他全面收益確認的任何累計收益或虧損會於收益表內確認。指定為通過其他全面收益以反映公平價值的股份投資證券在其他全面收益中確認的任何累計收益／虧損均不會在終止確認時在收益表中確認（附註2(n)）。

當合約的義務已被履行、取消或期滿，本集團終止確認金融負債。

本集團採用加權平均法或先進先出法（如適用）以釐定在終止確認時須在收益表確認的已實現盈利和虧損。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(v) Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (Note 2(h)(iv)) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the income statement. If such a modification is carried out because of financial difficulties of the borrower (Note 2(h)(vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the income statement.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vii) Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract assets.

No impairment loss is recognised on equity investments.

(v) 修改金融資產及金融負債

若金融資產的條款被修改，本集團會評估經修訂資產的現金流量是否重大不同。如現金流量有重大不同，則原金融資產的現金流量的法定權利被視為已過期。在此情況下，原金融資產會被終止確認(附註2(h)(iv))，並按公平價值確認為新金融資產。

如果按攤銷成本計量的已修訂資產之現金流量並無重大差異，則該修訂不會終止確認該金融資產。在這種情況下，本集團會重新計算金融資產的總賬面值，並將調整總賬面值所產生的金額在收益表內確認為修訂損益。如果由於借款人的財務困難而進行此類修改(附註2(h)(vii))，則將損益與減值損失一併列報。在其他情況下，應列示為利息收入。

當合約條款被修改及已修訂之金融負債的現金流量有重大不同，本集團會終止確認其金融負債。在這種情況下，基於修改後的條款之新金融負債會按公平價值確認。已終止的金融負債與已修改條款的新金融負債的賬面值差額會在收益表內確認。

(vi) 抵銷

只有具法定權利抵銷確認金額及計劃以淨額結算，或同時變賣資產以清償負債，金融資產和金融負債互相抵銷，並在財務狀況表內以淨額列示。

(vii) 減值

本集團就以下非通過損益以反映公平價值計量的金融工具的預期信貸損失確認減值準備：

- 屬債務工具的金融資產；
- 租賃應收賬款；
- 已發出的財務擔保合約；
- 已發出的貸款承擔；及
- 合約資產。

無需為股份投資計算減值。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Group measures loss allowances for 12-month or lifetime ECL using a 3-stage approach as follows:

本集團使用3階段法計量12個月或合約期內之預期信貸損失的減值準備如下：

Stage 階段	Description 描述	Impairment Loss Allowance Measurement 減值損失準備計量
1	Performing 履行中	12-month ECL 12個月內之預期信貸損失
2	Performing but with credit risk increased significantly at reporting date since its initial recognition 履行中但於報告日，信貸風險自初始確認以來已顯著增加	Lifetime ECL 合約期內之預期信貸損失
3	Non-performing 不良	Lifetime ECL 合約期內之預期信貸損失

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

12個月內之預期信貸損失指金融工具在報告日後之12個月內，所有潛在違約事件所導致的信貸損失。

The Group adopts the criteria of stage allocation as follows:

本集團採納階段分配的準則如下：

HKMA's 5-Grade Asset classification 金管局的5級資產類別	Stage Allocation 階段分配
Pass 合格	1
Special Mention 需要關注	2
Substandard 次級	2
Doubtful 呆滯	3
Loss 虧損	3

The criteria of "significant increase of credit risk" has taken into consideration of two key factors:

「信貸風險顯著增加」的準則已計及兩個關鍵因素：

- The exposure has a significant deterioration of internal or external rating as compared with the rating at the time when the exposure was originated; and
- The rating of the exposure falls out of the "Low-Credit Risk Threshold" that is equivalent to the globally understood definition of "investment grade".

- 風險的內部或外部評級與風險產生之時的評級相比顯著轉差；及
- 風險的評級不再屬於相當於普遍理解的「投資級別」定義的「低信貸風險界限」。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses under different economic scenarios. They are measured as:

$$\text{Exposure at Default} \times \text{Probability of Default} \times \text{Loss Given Default}$$

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision on the liabilities side; and
- debt instruments measured at FVOCI: no loss allowance is presented in the statement of financial position because the carrying amount of these assets is their fair value, inclusive of any ECL. However, the loss allowance is recognised in the fair value reserve and disclosed separately.

計量預期信貸損失

預期信貸損失是在不同經濟情景中一個信貸損失的概率在加權後的估算值，以如下方法計量：

$$\text{違約風險承擔} \times \text{違約概率} \times \text{違約損失率}$$

信貸不良金融資產

於各報告日，本集團評估按攤銷成本列賬的金融資產及按通過其他全面收益以反映公平價值列賬的債務金融資產是否為信貸不良。當發生一宗或多宗對金融資產的估計未來現金流造成不利影響的事件，則該金融資產屬「信貸不良」。

金融資產出現信貸減值的證據包括但不限於以下可觀察數據：

- 借款人或發行人出現重大財政困難；
- 違反合約，如拖欠或逾期事件；
- 本集團根據其他情況下不會考慮的條款重組貸款或墊款；
- 借款人很可能會破產或進行其他財務重組；或
- 因財政困難而導致某擔保失去活躍市場。

因借款人的財政狀況惡化而重訂條款的貸款，除有證據證明無法收取合約現金流的風險已顯著減低且並無其他減值跡象外，通常被視為信貸不良。此外，逾期90日或以上的貸款被視為已減值。

在財務狀況表中列示預期信貸損失的準備

預期信貸損失的損失準備在財務狀況表中按以下方式列示：

- 按攤銷成本計量的金融資產：從資產的賬面值總額中扣除；
- 貸款承擔及財務擔保合約：一般作為負債方面的撥備；及
- 按通過其他全面收益以反映公平價值計量的債務工具：在財務狀況表中並不列示損失準備，因該等資產的賬面值為其公平價值，包括任何預期信貸損失。然而，損失準備在公平價值儲備內確認並單獨披露。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(i) Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities which are acquired or incurred principally for the purpose of selling or repurchasing them in the near term, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading assets and liabilities are initially recognised and subsequently measured at FVTPL.

(j) Contract Assets and Liabilities

When revenue is recognised by transferring goods or services to a customer before the consideration is received or before payment is due, the Group presents the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is recognised in statement of financial position when there is a right to consideration that is conditional on factors other than the passage of time. The contract asset is transferred to receivables when the right to consideration becomes unconditional. Impairment of a contract asset is measured on the same basis as a financial asset as (Note 2(h)(vii)) above. The Group presents the contract assets in "other accounts" of other assets in the statement of financial position.

A contract liability is recognised when a customer pays non-refundable consideration before the Group transfers a good or service to the customer or when the Group has a right to an amount of non-refundable consideration that is unconditional when the payment is made or the payment is due (whichever is earlier). The Group presents the contract liabilities in "other accounts" of other liabilities in the statement of financial position.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Group may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

撤銷

若貸款及債務證券無實際可收回的前景，則予撤銷(部分或全部)。當本集團判斷借款人並無資產或收入來源可產生足夠的現金流以償還應撤銷的金額時，一般會如此處理。然而，已撤銷的金融資產仍可能受到執行活動的影響，以遵守本集團收回應收金額的程序。

(i) 交易用途資產及負債

作交易用途的資產和負債包括主要是作短期出售或購入的金融資產和金融負債，或屬於組合一部分並共同管理的可辨識金融工具，及有證據顯示近期有短期出售以賺取利潤的模式。交易資產和負債於初始確認，及其後以公平價值計量且其變動計入當期損益。

(j) 合約資產及負債

若本集團透過向客戶轉讓貨品或服務履約並於客戶支付代價或款項到期前確認收入，則本集團應將該合約列示為合約資產，惟任何列示為應收賬款的金額除外。若獲取代價的權利以除時間流逝以外的因素為條件，則合約資產於財務狀況表中確認。當獲取代價的權利成為無條件時，合約資產將轉至應收賬款。合約資產減值與金融資產(附註2(h)(vii))的計算相同。本集團呈列合約資產於財務狀況表中其他資產內的其他賬項。

當客戶在本集團向客戶轉讓貨品或服務履約前已支付不可退還的代價，或當本集團已獲取代價或款項到期時(以較早者為準)擁有收取不可退還代價的權利，則確認為合約負債。本集團的合約負債呈列在財務狀況表內的「其他負債」項下的「其他賬項」。

視乎實際情況，若本集團在訂立合約時預期實體向客戶轉讓已承諾的貨品或服務之時起至客戶支付該貨品或服務款項時止的期間為一年或以內，則本集團毋須就重大融資組成部分的影響而調整已承諾的代價金額。若本集團原本會確認的資產攤銷期為一年或以內，則本集團可於產生時將獲得合約的增加成本確認為支出。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(k) Hedging

Hedge accounting recognises the offsetting effects on income statement of changes in the fair values of the hedging instrument and the hedged item. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues prospectively hedge accounting when (i) the hedging instrument expires or is sold, terminated or exercised; (ii) the hedge no longer meets the criteria for hedge accounting; or (iii) the Group revokes the designation.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of a committed future transaction, the effective part of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in the income statement.

If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the income statement immediately.

(k) 對沖

對沖會計法是確認因用作對沖工具與被對沖項目因公平價值變動而在收益表內產生之相互抵銷損益的影響。於衍生工具開始列作對沖工具及在對沖期間，本集團會評估及記錄用作對沖交易的金融工具是否有效地對沖相關項目的公平價值變動或現金流之風險。當 (i) 該用作對沖工具到期或已出售、終止或行使；(ii) 該對沖交易不再符合對沖會計法的要求；或 (iii) 本集團取消對沖指定，本集團會停止繼續採用對沖會計法。

(i) 現金流量對沖

當衍生金融工具被指定對沖已確認資產或負債的不既定現金流量，或是甚有可能發生的預計交易，或已承諾未來交易之外匯風險，其重新計量衍生金融工具至公平價值有效對沖部分盈利或虧損會在其他全面收益內確認，並在股東權益中的對沖儲備內分開累計。而無效對沖部份的盈利或虧損則立即在收益表內確認。

如因對沖預計交易而其後須確認為非金融資產或非金融負債，其相關之盈虧由股東權益重新分類並包括在該非金融資產或負債的初始成本或其他賬面值內。如因對沖一項預計交易而其後須確認為金融資產或金融負債，其相關之盈虧由股東權益轉入收益表並計入相同期間或當購入資產或引起負債而影響該期間之收益表(如當確認為利息收入或支出)。

就現金流量對沖而言，除以上兩段政策已涵蓋外，其相關之盈虧由股東權益重新分類並包括在相同期間或受對沖預計交易所影響期間的收益表。當用作對沖工具已到期或出售，終止或行使，或當本集團取消指定對沖關係但對沖預計交易預期仍會發生，截至此期間所累計的盈利或虧損仍保留在股東權益內，直至交易發生時按以上的政策確認。如預計對沖交易不會發生，在股東權益內的累計盈利或虧損會立即由股東權益轉入收益表。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ii) Fair value hedges

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in the income statement.

The hedging instrument is measured at fair value, with fair value changes recognised in the income statement. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of hedging instrument attributable to the risk being hedged. This adjustment is recognised in the income statement to offset the effect of the gain or loss on the hedging instrument.

When a hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Group revokes designation of the hedge relationship, any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the income statement as part of the recalculated effective interest rate of the item over its remaining life.

(iii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For fair value hedge relationships, the Group utilises the cumulative dollar offset method or regression analysis as effectiveness testing methodologies. For cash flow hedge relationship, the Group utilises the change in variable cash flow method or the cumulative dollar offset method using the hypothetical derivative approach.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.

(ii) 公平價值對沖

公平價值對沖用作抵銷已確認資產或負債因公平價值變動產生須在收益表內入賬的盈利和虧損的風險。

對沖工具按公平價值列賬，而公平價值的變動在收益表內入賬。被對沖項目的賬面值按對沖工具所對沖之風險的價格變動予以調整。此調整在收益表內入賬以抵銷對沖工具產生的盈利和虧損。

當用作對沖工具到期或已出售，終止或行使，或當對沖不再符合對沖會計法的要求，或本集團取消對沖指定關係，所有截至此期間內按有效利率方式調整的被對沖項目，會按該項目餘下年期當作重新計算有效利率在收益表內攤銷。

(iii) 對沖效用測試

為符合對沖會計法，本集團必須進行兩種測試：在開始對沖時進行「預計效用」測試，顯示預期成效極高；在對沖期內持續進行「追溯效用」測試，證明實際有效。

有關各對沖關係之文件載有如何評估對沖效用。本集團採納之對沖效用評估方法，是按照既定風險管理策略而實施。

對於公平價值對沖關係，本集團採用累計價值抵銷法或回歸分析作為效用測試之方法。對於現金流量對沖關係，本集團會測試現金流量的變動或對沖組合的規模是否充足，或以模擬衍生工具方式，運用累計價值抵銷法測試。

就預計效用而言，對沖工具必須被預期為在劃定對沖期間內，能高度有效地抵銷對沖風險之公平價值或現金流量之變動。就實際效用而言，公平價值或現金流量之變動抵銷額在80%至125%範圍才被視為有效。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(l) Derivatives

Derivatives are recognised initially and are subsequently remeasured, at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative, this includes embedded derivatives which are bifurcated from the host contract, when they meet the definition of a derivative on a standalone basis.

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of HKFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(m) Loans and Advances

Loans and advances mainly comprise placements with and advances to banks and other financial institutions, trade bills and loans and advances to customers:

- loans and advances measured at amortised cost (Note 2(h)(ii)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL (Note 2(h)(ii)); these are measured at fair value with changes recognised immediately in the income statement;
- loans and advances measured at FVOCI (Note 2(h)(ii)); and
- finance lease receivables (Note 2(s)).

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

(l) 衍生工具

衍生工具初始確認及其後按公平價值重新計量。當衍生工具的公平價值為正數時，衍生工具分類為資產；當公平價值為負數時，衍生工具則分類為負債，這包括在獨立基礎上符合衍生工具定義但從主合同分拆的嵌入式衍生工具。

衍生工具可能嵌入另一合同(主合同)。在下列情況下，本集團會分開計算主合同及嵌入的衍生工具：

- 該主合同並非在《香港財務報告準則》第9號所覆蓋的資產；
- 該主合同不是通過損益以反映公平價值計量；
- 嵌入衍生工具的條款如果包含在單獨的合同中，符合衍生工具的定義；及
- 該嵌入衍生工具的經濟特性及風險與主合同並非緊密關連的。

分離的嵌入式衍生工具按公平價值計量，公平價值的所有變動均在收益內確認，除非他們構成合資格現金流量或淨投資對沖關係的一部分。

(m) 貸款及墊款

貸款和墊款主要包括在銀行及其他金融機構的存款及墊款、貿易票據和客戶貸款及墊款：

- 按攤銷成本計量的貸款和墊款(附註2(h)(ii))：初始以公平價值加上直接相關的交易成本計量，其後以有效利率法按攤銷成本計量；
- 強制性通過損益以反映公平價值計量的貸款及墊款(附註2(h)(ii))：以公平價值計量，其變動立即在收益表內確認；
- 通過其他全面收益以反映公平價值的貸款及墊款(附註2(h)(ii))；及
- 融資租賃應收款項(附註2(s))。

當本集團購買金融資產並同時訂立協議以未來日期的固定價格(反向回購或股票借入)轉售資產(或實質上相似的資產)時，該安排將作為貸款及墊款入賬，相關資產不會在本集團財務報表中確認。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(n) Investment Securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (Note 2(h)(ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (Note 2(h)(ii)); these are measured at fair value with changes recognised immediately in the income statement;
- debt securities measured at FVOCI (Note 2(h)(ii)); and
- equity investment securities designated as at FVOCI (Note 2(h)(ii)).

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in the income statement in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to the income statement and no impairment is recognised in the income statement. Dividends are recognised in the income statement unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

(n) 投資證券

財務狀況表中的「投資證券」包括：

- 以攤銷成本計量的債務投資證券(附註2(h)(ii))：這些初始按公平價值加上直接相關交易成本計量，其後以有效利率法按攤餘成本計量；
- 債務和股權投資證券強制性通過損益以反映公平價值計量或指定為通過損益以反映公平價值計量(附註2(h)(ii))，其公平價值變動立即在收益表中確認；
- 通過其他全面收益以反映公平價值的債務證券(附註2(h)(ii))；及
- 指定為通過其他全面收益以反映公平價值的股權投資證券(附註2(h)(ii))。

就通過其他全面收益以反映公平價值的債務證券而言，收益及虧損於其他全面收益確認，惟以下各項會於收益表內確認，與按攤銷成本計量的金融資產相同：

- 以有效利率法計算的利息收入；
- 預期信用損失和轉回；及
- 外匯收益和損失。

當通過其他全面收益以反映公平價值的債務證券被終止確認時，以前在其他全面收益中確認的累計收益或虧損將從權益重新分類至收益表內。

本集團選擇在其他全面收益中列示非持作買賣的股份工具投資之公平價值變動。該選擇是按個別工具於初始確認時進行，並不可撤銷的。

此類股份工具的收益和損失不會重新分類至收益表，亦不會在收益表中確認減值。股息在收益表內確認，但若該等股息明確顯示為收回部分投資成本者，會在其他全面收益中確認。其他全面收益中確認的累計收益和損失會轉入出售投資的未分配利潤。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(o) Properties

- (i) Bank premises are stated in the statement of financial position at cost or at Directors' valuation as of 1989, by reference to an independent professional valuation, less accumulated depreciation and accumulated impairment loss (Note 2(r)).

When a deficit arises on revaluation, it will be charged to the income statement, to the extent that it exceeds the amount held in the bank premises revaluation reserve in respect of that same asset immediately prior to the revaluation; and when a surplus arises on revaluation, it will be credited to the income statement, to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80AA of HKAS 16 "Property, Plant and Equipment" issued by the HKICPA, with the effect that bank premises have not been revalued to fair value at the end of the reporting period.

- (ii) Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Investment properties are valued semi-annually by external independent valuation companies, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued. No allowance has been made in the valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in (Note 2(g)(iii)).

When a bank property is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the bank property immediately prior to transfer and its fair value is recognised as a revaluation of bank premises as described in (Note 2(o)(i)).

If an investment property becomes owner-occupied, it is reclassified as bank premises and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

A property interest under a lease was classified and accounted for as an investment property when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under a lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in (Note 2(s)).

- (iii) Profit or loss on disposal of bank premises and investment properties is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the income statement upon disposal. Any surplus that is included in the bank premises revaluation reserve related to the bank premises disposed is transferred to the general reserve.

(o) 物業

- (i) 行址是按成本或於1989年董事參照獨立專業評估作出的估值，減除累計折舊及減值損失(附註2(r))後於財務狀況表中列賬。

當重估出現虧損時，於收益表支銷的金額，只限於超過以往因重估相同行址而存入行址重估儲備的結餘；當重估出現盈餘時，存入收益表內的金額不可超過以往因重估相同行址曾於收益表支銷的重估虧損。

在編製此等財務報表時，由於可採用香港會計師公會頒布的《香港會計準則》第16號「物業、廠房及設備」第80AA段所載的過渡條款，故行址並未在報告期結束日重估至公平價值。

- (ii) 投資物業是持有用作賺取租金收益或資本增值或二者皆是的物業。投資物業按公平價值列賬。投資物業由外來獨立估價公司每半年作估值，該公司擁有適當認可專業資格及對估物業的所在地和類別有近期經驗。估值並未計算任何抵押、按揭、欠款、及在出售時可能產生的任何費用或稅項。

因公平價值變動而產生的損益在收益表內入賬。投資物業租金收入按附註2(g)(iii)所載計算。

如附註2(o)(i)所載，當一項物業因其用途改變而須轉作投資物業時，該物業於轉賬日前的賬面值與公平價值之差額視作行址重估。

如一投資物業轉為自用，該物業須重新分類為行址。於重新分類日的公平價值視作日後會計用途的成本值。

本集團以租賃方式持有用作租金收入或資本增值或二者皆是的物業權益分類為投資物業。此等以租賃方式持有的物業權益按公平價值列賬。租金支出按附註2(s)所載入賬。

- (iii) 出售行址及投資物業的損益是以出售所得款項淨額與資產賬面值的差價計算，並在出售時於收益表內入賬。任何有關之重估行址盈餘於出售時從行址重估儲備撥入一般儲備內。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(p) Amortisation and Depreciation

(i) Bank premises

Freehold land is not amortised. Leasehold land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease. Leasehold land is amortised on a straight line basis over the remaining term of the lease. Buildings are depreciated on a straight line basis at rates calculated to write off the cost or valuation of each building over its estimated useful life of 50 years or the remaining lease period of the land on which it is situated, whichever is the shorter.

Investment properties are not depreciated.

(ii) Other fixed assets

Other fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses, which is calculated on a straight line basis to write off the assets over their estimated useful lives from 4 to 20 years.

(q) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(r)).

On disposal of a cash-generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit and loss on disposal.

Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

(p) 攤銷及折舊

(i) 行址

永久業權之土地不予攤銷。用作經營租賃的租賃土地，而其公平價值是不能夠與租賃於初始時已存在之建築物的公平價值分開計量，則當作持有融資租賃入賬。租賃土地以直線法按租賃剩餘年期攤銷。建築物的成本或估值以直線法按其預計使用年限50年或其座落土地剩餘租賃期兩者中的較短期限計算折舊。

投資物業是不予折舊。

(ii) 其他固定資產

其他固定資產是按成本減累計折舊及減值損失於財務狀況表中列賬。該等資產是以直線法按照由4年至20年的預計使用年期計算折舊。

(q) 商譽

商譽指

- (i) 對價轉讓的公平價值、任何被購入者的非控股權益金額及以往本集團曾經持有該被購入者的股東權益公平價值的總和；超出
- (ii) 本集團在收購日計量應佔該被購入者之可辨識資產及負債的公平價值淨額。

當(ii)是大於(i)時，此超出金額立即在損益賬確認為一項議價收購的盈利。

商譽按成本減除累計減值損失列賬。因商業合併而產生的商譽被分配予每一現金生產單位，或一組合之現金生產單位，而預計該現金生產單位是可從商業合併中獲得協同效應，以及須每年接受減值測試(附註2(r))。

當出售單一現金生產單位時，計算出售溢利包括任何可歸屬購入商譽的金額。

由內部產生之商譽及品牌的開支按在發生期間內確認為支出。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(r) Impairment of Non-Financial Assets

Internal and external sources of information are reviewed at each end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- right-of-use assets;
- investments in subsidiaries, and associates and joint ventures;
- goodwill; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, if measurable, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(r) 非金融資產減值

在報告期結束日，須檢討對內及對外資料來源以辨識以下資產是否有減值徵兆或，除商譽外，以往已確認之減值損失是否仍然存在或可能已經減少：

- 物業及設備(以重估金額列賬的物業除外)；
- 使用權資產；
- 附屬及聯營公司投資及合資企業；
- 商譽；及
- 無形資產。

如任何該等徵兆存在，須估計該資產的可收回金額。此外，商譽須每年估計可收回金額以確定是否有減值徵兆。

可收回金額之計算

可收回金額是公平價值減出售成本及使用價值二者中之較高者。在評估使用價值時，會採下一項當時市場評估的時間值及相對於該資產的風險的稅前折扣率將估計未來現金流量折實為現在價值。當某資產未能大部分地獨立於其他資產產生現金流量，其可收回金額取決於可獨立地產生現金流量的最小資產組合(即單一現金生產單位)。

減值損失之確認

當資產的賬面值或其所屬的現金生產單位超過可收回金額時，須於收益表內確認減值損失。有關確認現金生產單位減值損失時，首先減低分配予現金生產單位(或其單位群組)之賬面值，其後再按比例減低在該單位(或其單位群組)其他資產的賬面值，但該資產的賬面值不可低過其個別公平價值減出售成本(如可計量的話)或使用值(如可確定的話)。

減值損失之轉回

除商譽外的有關資產，如在用來釐定可收回金額的估計發生有利的變化，則減值損失會被轉回。商譽的減值損失不可轉回。

減值損失轉回只局限於該資產的賬面值，猶如該等減值損失從未在往年被確認。

減值損失轉回在該被確認的年度計入收益表內。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(s) Leases

Policy applicable from 1st January, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to directing how and for what purpose the asset is used. In case where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1st January, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Where applicable, the cost of right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently at cost less any accumulated depreciation and impairment losses (Note 2(r)), and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is initially measured at cost, and subsequently at fair value, in accordance with the accounting policy set out in (Note 2(o)(ii)).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(s) 租賃

由2019年1月1日起適用的政策

本集團於訂立合約時會評估有關合約是否屬於租賃或包含租賃。倘某項合約為換取代價而給予在某段時間內對可識別資產使用的控制權，則該合約屬於租賃或包含租賃。為評估合約會否給予對可識別資產使用的控制權，本集團會評估：

- 該合約是否涉及使用可識別資產；
- 本集團是否有權於整段使用期間從使用資產獲得絕大部分的經濟利益；及
- 本集團是否有權指示使用資產。當本集團擁有與指示如何及為何使用資產最為相關的決策權時，本集團便擁有此項權利。倘本集團需要預先決定如何及為何使用資產，本集團便可在出現以下其中一種情況時有權指示使用資產：
 - 本集團有權經營該資產；或
 - 本集團以預先決定將會如何及為何使用資產的方式設計資產。

此項政策適用於2019年1月1日或之後訂立或改變的合約。

本集團會在訂立或重新評估包含租賃部分的合約時，根據各租賃部分的相對單獨價格，將合約代價分配予各該等部分。

(a) 作為承租人

本集團於租賃生效日期確認使用權資產及租賃負債。使用權資產初步按成本計量，其包括租賃負債的初始金額加上任何於生效日期或之前已付之租賃款項，及任何已付之初始直接成本。如適用，使用權資產的成本亦包括拆卸及移除相關資產或還原相關資產或其所在的估計成本之折讓現值，並減去任何已收之租賃激勵款項。

使用權資產其後按成本減任何累計折舊及減值損失計量(附註2(r))，並對租賃的若干重新計量作出調整。倘使用權資產符合投資物業的定義，根據附註2(o)(ii)本集團之會計政策，該使用權初始按成本計量，其後按公平價值計量。

租賃負債初始按照生效日期尚未支付的租賃款項之現值計量，並採用租約隱含的利率或(倘該利率無法輕易釐定)本集團的增量借款率。本集團一般以其增量借款利率用作貼現率。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. Lease payment included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method (Note 6 and Note 38). It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes its assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group presents right-of-use assets that do not meet the definition of investment property in "fixed assets" (Note 34) and lease liabilities in "other liabilities" (Note 38) in the statement of financial position. For the information of projected cash outflow for lease liabilities and for leases committed but not yet commenced, please refer to Note 45(d) and Note 47(d).

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less ("short-term leases") and leases of underlying assets with an appropriate value of HK\$0.04 million or less ("low-value assets"). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term (Note 13).

租賃負債其後因租賃負債的利息成本而增加，並因所付租賃款項而減少。計量租賃負債時計入的租賃項包括以下項目：

- 固定款項，包括實質固定款項；
- 基於指數或利率而定且初步採用截至生效日期的指數或利率計量的可變租賃款項；
- 根據剩餘價值擔保預計應付的款項；及
- 本集團所合理肯定行使的購買選擇權行使價、可選續租年期的租賃款項（倘本集團合理肯定行使延長選擇權）以及提早終止租賃的罰款（除非本集團合理肯定不會提早終止租賃）。

租賃負債採用有效利率方法按攤銷成本計量（附註6及附註38）。當未來租賃款項因指數或利率變動而有所改變，根據剩餘價值擔保預計應付的款項之估計出現變動，改變有關會否合理肯定行使購買或延長選擇權或是否合理肯定不會行使終止選擇權的評估時，租賃負債會重新計量。

當租賃負債重新計量時，相應調整會在使用權資產之賬面值上調整，或要是使用權資產的賬面值已減至零時，該金額則記入損益賬內。

本集團運用判斷以釐定作為承租人若干包括續租權之租約的租期。本集團是否合理肯定行使該等選擇權的評估會影響租期，而租期則會對租賃負債及使用權資產的確認金額產生重大影響。

本集團呈列並不符合投資物業定義之使用權資產於「固定資產」（附註34）中及將租賃負債列於財務狀況表內的「其他負債」（附註38）。有關租賃負債及已承諾但未生效租賃的預測現金流出資料，請參閱附註45(d)和附註47(d)。

短期租賃及低價值資產租賃

本集團已選擇不就若干12個月或以下之租賃（「短期租賃」）及相關資產價值約港4萬元或以下之租賃（「低價值資產租賃」）確認使用權資產及租賃負債。本集團將此等租賃相關的租賃款項按租期以直線法確認為支出（附註13）。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註 (續)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applied HKFRS 15 to allocate the consideration in the contract.

The amounts due from lessees in respect of finance leases are recorded in the statement of financial position as advances to customers at the amounts of net investment which represent the total rentals receivable under finance leases less unearned income. Revenue arising from finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in Notes 2(g)(ii) and 2(e).

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease period as part of 'other operating income', as set out in Note 2(g)(iii).

The accounting policies applicable to the Group as a lessor in the comparative period were not different from HKFRS 16.

Policy applicable before 1st January, 2019

Leases of assets under which the lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and rewards of ownership are classified as operating leases.

(i) Assets held under finance leases

The amounts due from lessees in respect of finance leases are recorded in the statement of financial position as advances to customers at the amounts of net investment which represent the total rentals receivable under finance leases less unearned income. Revenue arising from finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in (Note 2(e)).

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the leased assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in (Note 2(p)) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in (Note 2(r)). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in (Note 2(g)(iii)).

(b) 作為出租人

當本集團作為出租人時，其會於租賃生效時釐定各項租賃屬融資租賃或經營租賃。

為劃分各項租賃，本集團會整體評估租賃會否轉移了相關資產擁有權所附帶的絕大部分風險及回報。如屬上述情況，該租賃便為融資租賃；反之則為經營租賃。作為評估的一部分，本集團會考慮若干指標，例如租賃是否佔資產經濟壽命的大部分。

倘某項安排包括租賃及非租賃部分，本集團便按照《香港財務報告準則》第15號分配合約代價。

有關融資租賃的應收承租人款項按淨投資金額（等於融資租賃項下應收租金總額減去未實現收入）以顧客墊款載計入財務狀況表。融資租賃所產生的收益已根據附註2(g)(ii)及2(e)所載的本集團收入確認政策獲確認。

本集團於租賃期內按直線基準確認經營租賃項下已收租賃款項為收入，以作為附註2(g)(iii)所載「其他經營收入」的一部分。

於比較期間適用於本集團作為出租人之會計政策與《香港財務報告準則》第16號並無不同。

2019年1月1日以前適用的政策

由承租人承擔相關資產擁有權絕大部分的相關風險及回報的資產租賃列為融資租賃。而出租人並未轉移相關資產擁有權的所有風險及回報的資產租賃列為經營租賃。

(i) 以融資租賃購入的資產

當本行為融資出租人時，按融資租賃而租出資產的投資淨額，即應收租金總額減去賺取收入，在財務狀況表列作客戶貸款。來自融資租賃的收入會根據本行的收入確認政策附註2(e)所載計算。

(ii) 用作經營租賃的資產

除該資產已分類為投資物業，當本集團以經營租賃方式租出資產，該資產根據其性質包括在財務狀況表內，及按附註2(p)所載（如適用者）本集團的折舊會計政策計算折舊。減值損失是根據會計政策附註2(r)所載計算。來自經營租賃的收入是根據本行的收入確認政策附註2(g)(iii)所載計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(t) Repossession of Assets

In the recovery of impaired loans and advances, the Group may take possession of the collateral assets through court proceedings or voluntary delivery of possession by the borrowers. In accordance with the Group's accounting policy set out in (Note 2(h)(vii)), impairment allowances for impaired loans and advances are maintained after taking into account the net realisable value of the collateral assets, usually resulting in a partial write-off of the loans and advances against impairment allowances. Repossessed assets are reported as assets held for sale under other assets if it is highly probable that the future economic benefits will flow to the Group, their carrying amount will be recovered through a sale transaction rather than through continuing use and the assets are available for sale in their present condition. Related loans and advances are then written off.

Repossessed assets are recorded at the lower of the amount of the related loans and advances and fair value less costs to sell at the date of exchange. They are not depreciated or amortised.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the income statement.

(u) Income Tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

(iii) 經營租賃費用

當本集團使用經營租賃資產，除非有其他更具代表性的基準以衡量從該等經營租賃資產獲得利益的模式，其租賃付款按該租賃期所涵蓋的會計年期以等額分期記入收益表。經營租賃協議所涉及的激勵措施均在收益表中確認為租賃淨付款的組成部分。或有租金在其產生的會計期內在收益表支銷。

(t) 收回資產

在收回減值貸款時，本集團會通過法庭程序或借款人自願交出擁有權收回抵押品資產。根據本集團附註2(h)(vii)所載的會計政策，計算減值貸款之減值準備已顧及抵押品資產之可變現淨值，通常引致須在減值準備內撇銷部分貸款。如大有可能本集團享有未來經濟收益，其賬面值須透過變賣而不是持續使用該資產，及該資產可在現況下出售，收回資產在其他資產的持有作出售資產項下列賬。有關貸款及墊款隨後撇銷。

收回資產按有關貸款的金額或於轉換日已減除出售成本後之公平價值，按兩者之較低者入賬。收回資產毋須計算折舊或攤銷。

在初始期分類及後期再計量所引致的減值損失於收益表確認。

(u) 所得稅

(i) 本年度所得稅包括本期及遞延稅項資產和負債的變動。除該稅款與其他全面收益或股東權益有關而須在其他全面收益或股東權益確認的金額外，本期稅項及遞延稅項資產和負債的變動計入收益表內。

(ii) 本期稅項為年度應課稅收入按報告期結束日已生效或基本上已生效的稅率計算的預計應付稅項，並已包括以往年度的應付稅項的任何調整。

(iii) 遞延稅項資產及負債是因納稅基礎計算的資產及負債與其賬面值之間的差異而分別產生的可扣稅及應課稅的暫時性差異。遞延稅項資產也包括未使用的稅損及稅項抵免。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing deductible temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in (Note 2(o)(ii)), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

除了若干有限的例外情況外，所有遞延稅項負債及未來可能有應課稅溢利予以抵銷的遞延稅項資產均予確認。未來有應課稅溢利可支持由可扣稅之暫時性差異引致遞延稅項資產之確認，包括現存之應課稅暫時性差異的轉回，但該等差異須屬於同一稅務機關及應課稅實體，以及預計在同期內該可扣稅之暫時性差異轉回或在若干期限內由該遞延稅項資產產生的稅損可以收回或留存。相同標準應用在判斷現時可扣稅暫時性差異能否支持由未使用的稅損或稅免產生的遞延稅項資產確認，即如果是屬於同一稅務機關及應課稅實體，以及預計在某期間內因該稅損或稅免可使用而轉回時，會計入該等差異。

在有限例外情況下，不確認遞延稅項資產及負債的暫時性差異包括不可扣稅的商譽、初始時已確認不影響會計及應課稅溢利的資產或負債（須不是商業合併的一部分）、及有關投資附屬公司的暫時性差異，就應課稅差異而言，當本集團可控制該差異轉回的時間而該差異在可見將來不會轉回；而就可扣稅差異而言，除非該差異在可見將來可以轉回。

當投資物業根據附註2(o)(ii)所載按公平價值列賬，除該物業是需折舊的及以一商業模式持有，而其目的是要透過時間使用而並非出售該物業以獲取隱含於該物業之重大經濟利益，確認遞延稅項的金額按該物業於結算日假設以賬面值出售的稅率計算。在其他情況下，確認遞延稅項的金額是根據預期變現或償還該資產及負債的賬面值的方式，按在報告日已生效或基本上已生效的稅率計算。遞延稅項資產及負債不作折讓。

於每報告期結束日，本行須重新檢視有關的遞延稅項資產的賬面金額，對預期不再有足夠的應課稅溢利以實現相關稅務利益予以扣減。可轉回之金額不可超過預期將來出現足夠可供扣減的應課稅溢利。

由派發股息引起的額外所得稅在有關股息的支付責任獲確立時確認。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Insurance Reserves and Provisions for Outstanding Claims

Insurance reserves, except those attributable to long term business, represent the proportion of retained premiums written in the year relating to the period of risk from 1st January in the following year to the subsequent date of expiry of policies which is carried forward as a provision for unearned premiums and calculated on a daily basis.

The insurance reserve for long term business is ascertained by actuarial valuation based on the Group's estimates of future deaths, investment returns and administration expenses at each valuation date.

Full provision is made for the estimated cost of claims notified but not settled at the end of the reporting period and for the estimated cost of claims incurred but not reported by that date, after deducting the amounts due from reinsurers. Provision has also been made for the estimated cost of servicing claims notified but not settled at the end of the reporting period and to meet expenses on claims incurred but not reported at the end of the reporting period.

These reserves and provisions are classified as other accounts and provisions.

The Group's operating income from its insurance business is presented as net insurance revenue in the consolidated income statement. The Group follows the relevant accounting policies for the recognition of such operating income. Details of net insurance revenue are set out in Note 11.

(iv) 本期稅項與遞延稅項結餘及其變動之金額會分別列示而不會相互抵銷。本行或本集團只有在有合法權利對本期稅項資產及負債抵銷及符合以下附帶條件的情況下，才對本期及遞延稅項資產及負債作出抵銷：

- 就本期稅項資產及負債而言，本行或本集團計劃支付淨額或同時間收回資產及償還負債；或
- 有關的遞延稅項資產及負債屬同一稅務機關對以下機構徵收所得稅而產生：
 - 同一個應課稅實體；或
 - 不同的應課稅實體，並預計在未來期間會償還或收回重大遞延稅項負債或資產，該實體計劃以淨額形式變現本期稅項資產及償還本期稅項負債，或同時變現及償還。

(v) 保險基金及未付索償準備

不包括長期業務部分，保險基金指年度內收取但已作保留的保金部分，而有關的風險是屬於下年度1月1日至保單到期日為止，該保留保金視作未賺取保費準備並按每日計算。

長期業務的保險基金是根據本集團之估計未來死亡率、投資回報及於每一估值日之行政費用並按精算估值。

本集團已就在報告期結束日只已通知但未償付以及已發生但未匯報的索償，經扣除了分保人欠款，作出了充足的準備。此外，已就在報告期結束日已通知但未償付的索償及已發生但未匯報索償而引致的估計費用作出了充足的準備。

此等基金及準備分類為其他賬項及準備。

本集團將由保險業務生的經營收入在綜合收益表中以保險業務淨收入列示。本集團根據有關會計政策確認該經營收入。詳情請參閱附註11保險業務淨收入。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(w) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Bank has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Financial Guarantees and Loan Commitments

“Financial guarantees” are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. “Loan commitments” are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance (Note 2(h)(vii)).

For other loan commitments, the Group recognises impairment loss allowance (Note 2(h)(vii)).

Liabilities arising from financial guarantees and loan commitments are included within other liabilities.

(y) Employee Benefits

(i) Salaries, bonuses and leave benefits

Employee entitlements to salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

(ii) Performance-related bonus plan

Liabilities for performance-related bonus plan, which are due wholly within twelve months after the end of the reporting period, are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(w) 準備及或然負債

當負債的限期或金額不確定，但有可能因過去事項構成法律或推定義務而須付出經濟利益以償責任，並能對此作可靠估計，此負債便確認為準備。當金額的時間值屬重大的，準備金額須按估計清償負債支出的現值列賬。

倘可能不需要付出經濟利益，或不能對金額作可靠估計，除非付出的機會是極微，則此項責任會視作或然負債披露。如潛在義務的存在須視乎會否發生一項或多項未來事件才獲確定，除非付出經濟利益的機會是極微，此潛在義務亦視作或然負債披露。

(x) 財務擔保和貸款承諾

「財務擔保」是指要求本集團支付特定款項以償還持有人因其特定債務人在債務工具條款到期時未能支付而產生的損失的合同。「貸款承諾」是在預定的條款和條件下提供信貸的承諾。

已發行的財務擔保或以低於市場利率的貸款承諾初始按公平價值計量，初始公平價值在擔保或承諾期內攤銷。往後，該擔保及承諾按該攤銷金額及損失準備(附註2(h)(vii))，二者之較高者，計量。

對於其他貸款承諾，本集團確認減值損失準備(附註2(h)(vii))。

財務擔保和貸款承諾產生的負債包含在其他負債中。

(y) 僱員福利

(i) 薪酬、花紅及假期福利

僱員應享有的薪酬、年終花紅、有薪年假、旅行假期及其他同種類之非金錢性質福利於確立時確認。至報告期結束日已撥備因僱員提供服務所享有之年假的估計負債。

僱員應享有的病假及分娩假於發生時確認。

(ii) 表現獎勵花紅計劃

因僱員提供服務而本集團有現存法律或推定義務於報告期結束日後12個月內須全數支付表現獎勵花紅計劃的負債，對此並能作可靠估計，便須予以確認為負債。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(iii) Retirement benefits

Retirement benefits are provided to eligible staff of the Group. Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Exempted ORSO Scheme ("MPFEOS") or the Mandatory Provident Fund Scheme ("MPFS"). Both are defined contribution schemes. The employer's monthly contributions to both schemes are at a maximum of 10% of each employee's monthly salary.

The pension schemes covering all the Group's PRC and overseas employees are defined contribution schemes at various funding rates, and are in accordance with local practices and regulations.

The cost of all these schemes is charged to the income statement for the period concerned and the assets of all these schemes are held separately from those of the Group. Under the MPFEOS, the employer's contribution is not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Under the MPFS, the employer's contribution is reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(iv) Share based payments

The option exercise price is equal to the higher of:

- (i) the closing price of the Bank's shares in the Stock Exchange's daily quotation sheet on the date of grant of the relevant options; and
- (ii) an amount equivalent to the average closing price of the Bank's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant options.

When the options are exercised, equity is increased by the amount of the proceeds received. The fair value of share options granted to employees is recognised as an expense in the income statement with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the trinomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to those share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the income statement for the year of the review unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Bank's shares.

(iii) 退休福利

本集團為其合資格的員工提供退休福利。香港員工可獲得強積金豁免的職業退休計劃或強制性公積金計劃的保障。此兩個計劃同時是定額供款計劃。僱主對兩項計劃的每月供款，上限是每位僱員月薪的10%。

本集團為所有國內及海外員工而設的退休計劃是定額供款計劃，供款率按當地慣例及規定而制定。

上述所有計劃的成本在相關期間的收益表內支銷，而所有此類計劃的資產均與本集團的資產分開處理。在強積金豁免的退休保障計劃中，僱主的供款不會因某些僱員於未完全享有僱主的供款前離開計劃被沒收的供款而減少。而強制性公積金計劃方面，僱主的供款則會因某些僱員於未完全享有僱主的供款前離開計劃被沒收的供款而減少。

(iv) 以股份為基礎作支付

認股權的行使價為以下之較高者：

- (i) 於授出認股權當日日本行股份在聯交所日報表的收市價；及
- (ii) 相等於緊接授出有關認股權當日之前五個營業日，本行股份在聯交所日報表的平均收市價。

當認股權被行使時，所得款項計入股東權益。授予僱員之認股權的公平價值於收益表內確認為支出，而在股東權益賬內的資本儲備作相應的增加。公平價值乃採用三項式期權定價模式，按認股權授予日計算，並顧及授予認股權的條款。當僱員須符合歸屬期條件才可無條件享有該等認股權，估計公平價值總額在歸屬期內攤分入賬，並已考慮認股權歸屬的或然率。

估計可歸屬認股權的數目須在歸屬期內作出檢討。除非原本支出符合資產確認之要求，任何已在往年確認的累積公平價值之所需調整須在檢討期內的收益表支銷或回撥，並在資本儲備作相應調整。在歸屬日，除非因未能符合歸屬條件引致權利喪失純粹與本行股份的市價有關，確認為支出之金額按歸屬認股權的實際數目作調整（並在資本儲備作相應調整）。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The equity amount is recognised in capital reserve until either the option is exercised and new shares allotted (when it is transferred to share capital) or the option expires (when it is released directly to retained profits). For Grantees who do not meet the applicable vesting conditions, the unvested options are forfeited, either in whole or in part. Forfeited share options are cancelled.

屬股東權益金額確認為資本儲備內，直至當認股權被行使及分配新股時(轉入股本)，或當認股權之有效期屆滿時(轉入留存溢利)。對於未能符合適用的歸屬條件的承授人，其未歸屬的認股權會全部或部分被撤銷。被撤銷的認股權會被註銷。

(z) Related Parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) 關聯人士

在編製本財務報表時，與本集團關聯人士是指：

- (i) 個人或該個人之近親家庭成員，如該個人在以下情況下視為與本集團有關聯：
 - (a) 可控制或共同控制本集團；
 - (b) 對本集團有重大影響力；或
 - (c) 是本集團或本集團之母公司的主要管理人員之成員。
- (ii) 在以下任何情況下，一實體會視為與本集團有關聯：
 - (a) 該實體及本集團皆是同一集團成員(即每一間母公司、附屬公司及同系附屬公司與其他有關聯)。
 - (b) 一實體是另一實體的聯營公司或合營公司(或該聯營公司或合營公司與該另一實體均屬同一集團)。
 - (c) 兩個實體是同一第三者的合營公司。
 - (d) 一實體是一第三者的合營公司而另一實體則是該第三者的聯營公司。
 - (e) 該實體是提供福利予本集團或與本集團有關聯之實體的僱員離職後之福利計劃。
 - (f) 該實體受在(i)項中所辨識的個人所控制或共同控制。
 - (g) 在(i)(a)項中所辨識的個人而該個人對該實體有重大影響力，或該個人是該實體(或是該實體的母公司)的主要管理人員之成員。
 - (h) 該實體或是其集團中一部分之任何成員，而提供主要管理人員服務予本集團或本集團之母公司。

個人的近親家庭成員指可影響，或受該個人影響，他們與該實體交易的家庭成員。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(aa) Segment Reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(ab) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including cash, balances with banks and other financial institutions, treasury bills, other eligible bills and certificates of deposit that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(ac) Deposits, Debt Securities Issued and Capital Instruments

Deposits, debt securities issued and capital instruments are the Group's sources of funding.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Subsequent to initial recognition deposits, debt securities issued and subordinated liabilities are measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

For those capital instruments classified as equity instruments, they are not redeemable by holders and bear an entitlement to coupons at the Bank's sole discretion. Accordingly, they are presented within equity. Distributions thereon are recognised in equity.

(aa) 分部報告

經營分部，及在財務報表列報的每一分部項目金額，是從財務資料中辨識出來的，並定期地提供予本集團的最高行政管理層作為資源分配，以及評核本集團各項業務和區域所在地的表現。

除非分部有相同經濟特性及在產品和服務之性質、生產程序之性質、客戶類別和等級、用作銷售產品和提供服務之方法、及監管環境之性質是相同的，個別重大的營運分部不會在財務報表內合計。如它們擁有以上大部份的標準，並非個別重大的營運分部可能會被合計。

(ab) 現金及等同現金項目

就編製現金流量表而言，現金及等同現金項目包括由購入日起少於3個月到期日的結餘，包括現金、銀行及其他金融機構結餘、國庫債券、及其他受較低風險影響價值及隨時可轉換成預知金額的合格票據及存款證。

(ac) 存款、已發行債務證券及資本工具

存款、已發行債務證券及資本工具是本集團籌募資金的來源。

本集團按工具合約條款的實質分類資本工具為金融負債或股本工具。

在初始確認後，除本集團指定為通過損益的負債外，存款、已發行債務證券及後償負債按有效利率方式計算攤銷成本。

就分類為股本工具的資本工具，該等工具是不可贖回及視乎本行決定是否享有利息。因此，該等工具在股東權益內列賬。相關分派於股東權益內確認。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ad) Assets Held for Sale

Non-current assets and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (a) their carrying amounts will be recovered principally through sale; (b) they are available for sale in their present condition; and (c) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the asset (or assets and liabilities in the disposal group) are measured in accordance with applicable HKFRSs. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities that are not within the scope of the measurement requirements of HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with applicable HKFRSs before the fair value less costs to sell of the disposal group is determined.

Income earned and expenses incurred on assets and liabilities of disposal groups held for sale continue to be recognised in the appropriate line items in the income statement until the transaction is complete.

(ae) Interim Financial Reporting and Impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the year (Note 2(h)(vii) and Note 2(r)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(ad) 持有作出售資產

當 (a) 其賬面值將主要需通過出售才可收回；(b) 它們可以在現況下可供出售；(c) 出售的機會率是非常高的，非流動資產及出售組別（包括出售組別的資產和負債）按其賬面值及公平價值減出售成本，兩者之較低者，分類為持有作出售資產。

在被初始分類為持有作出售之前，資產的賬面值（或出售組別的資產和負債）按適用的《香港財務報告準則》計算。而往後在重新計算出售組別時，在未決定出售組別的公平價值減成本前，非在《香港財務報告準則》第5號「持有作出售資產的非流動資產及結束營運」所覆蓋的計算要求的資產和負債之賬面值，按適用的《香港財務報告準則》計算。

出售組別的資產和負債之已賺取收入和已發生支出仍繼續在收益表內之有關項目中確認，直至交易完成。

(ae) 中期財務報告及減值

根據聯交所《上市規則》，本集團須按《香港會計準則》第34號「中期財務報告」編制有關年度首6個月的中期財務報告。於中期期末，本集團採用等同年末的減值測試、確認、及轉回標準（附註2(h)(vii)至附註2(r)）。

已確認於中期期間的減值損失，均不能在較後期間轉回。就算假如該減值只在與該中期期間有關之年底作評估而該減值損失是不會發生、或損失之金額會較小，在此情況下亦不可轉回。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

3. CHANGES IN ACCOUNTING POLICIES 會計政策之變動

The Group has initially adopted HKFRS 16 *Leases* from 1st January, 2019. A number of other new standards are effective 1st January, 2019 but they do not have a material effect on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HKFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

(2) As a lessee

The Group leases many assets, including properties and equipments.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases that have a lease term of 12 months or less (“short-term leases”), and leases of underlying assets with an approximate value of HK\$0.04 million or less (“low-value assets”). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

本集團自2019年1月1日起初始採用《香港財務報告準則》第16號「租賃」。若干其他新準則已於2019年1月1日起生效，但並不會對本集團財務報表產生重大影響。本集團並未採納任何於本會計期尚未生效的新準則或詮釋。

《香港財務報告準則》第16號取代了《香港會計準則》第17號「租賃」，及其相關詮釋香港《國際財務報告準則詮釋委員會詮釋》第4號「決定一項安排是否包含租賃」，及香港《常務解釋委員會發布之解釋公告》第15號「經營租賃－激勵措施」及第27號「評估涉及租賃法律形式為租賃之交易的實質」。《香港財務報告準則》第16號為承租人引入單一及計入資產負債表的會計處理模式。因此，本集團（作為承租人）已確認有權使用相關資產之使用權資產以及有義務支付租賃款項之租賃負債。出租人會計處理模式仍與以往會計政策類似。

本集團採用經改良追溯模式應用《香港財務報告準則》第16號，故2018年呈報的比較資料尚未重報，即根據《香港會計準則》第17號及相關詮釋按照以往列報資料列示。會計政策的變動細節於下文披露。

(1) 租賃的定義

本集團以往在訂立合約時釐定某項安排是否屬於租賃或包含租賃是根據香港《國際財務報告準則詮釋委員會詮釋》第4號「決定一項安排是否包含租賃」。本集團現根據《香港財務報告準則》第16號的租賃定義釐定某項合約為是否屬於或包含租賃。在《香港財務報告準則》第16號下，倘某項合約為換取代價而給予在某段時間內對可識別資產使用的控制權，則該合約屬於租賃或包含租賃。

(2) 作為承租人

本集團承租許多資產，包括物業及設備。

本集團（作為承租人）先前透過評估租賃是否轉讓擁有權的絕大部分風險及回報將租賃分類為融資租賃及經營租賃。根據《香港財務報告準則》第16號下，本集團對大部分租賃確認使用權資產及租賃負債，並載於資產負債表內。

然而，本集團已選擇不就若干12個月或以下之租賃（「短期租賃」）及相關資產價值約港幣4萬元或以下之租賃（「低價值資產租賃」）確認使用權資產及租賃負債。本集團將此等租賃相關的租賃款項按租期以直線法確認為支出。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Group presented right-of-use assets in 'fixed assets', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

本集團的使用權資產在「固定資產」項下呈列，與本集團所擁有具相同性質的相關資產並列在相同項目。使用權資產的賬面值如下。

	Right-of-use assets 使用權資產				
	Bank Premises 行址		Furniture, fixtures and equipment 傢俬、裝修及設備		Total 總計
	HK\$ Mn 港幣百萬元	港幣百萬元	HK\$ Mn 港幣百萬元	港幣百萬元	
Balance at 1st January	於1月1日的結餘	1,099	9	1,108	
Balance at 31st December	於12月31日的結餘	1,069	19	1,088	

The Group presented lease liabilities in 'other liabilities' in the statement of financial position.

本集團將租賃負債列於財務狀況表內的「其他負債」。

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1st January, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

於過渡時，在《香港會計準則》第17號下分為經營租賃的租賃，其租賃負債按餘下租賃款項根據本集團於2019年1月1日的增量借款利率折算為現值計量。使用權資產則按租賃負債的等值金額計量並調整任何預付或應計租賃款項的金額。本集團應用此方法於所有租賃。

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

本集團將《香港財務報告準則》第16號於以往在《香港會計準則》第17號下分類為經營租賃的租賃時，採用以下務實權宜方法。

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains an option to extend or terminate the lease.

- 應用豁免不就租期少於12個月的租賃確認使用權資產及負債。
- 於初始應用日期計量使用權資產時，豁除初始直接成本。
- 若合約包含延長或終止租賃的選擇權，則採用事後確認方法釐定租期。

(3) As a lessor

The Group leases out its investment properties as the lessor of operating leases.

(3) 作為出租人

本集團以經營租賃之出租人租出投資物業。

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

適用於本集團作為出租人的會計政策與《香港會計準則》第17號項下的相關政策大致維持不變。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED) 會計政策之變動(續)

(4) Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, with adjustment of prepaid and accrued lease payments. The impact on transition is summarised below.

(4) 過渡影響

於過渡至《香港財務報告準則》第16號時，本集團確認額外使用權資產及額外租賃負債，並調整其預付及應計租賃款項。過渡影響摘要如下：

		Carrying amount at 31st December, 2018 於2018年 12月31日之賬面值 HK\$ Mn 港幣百萬元	Capitalisation of operating lease contracts 經營租賃 合約資本化 HK\$ Mn 港幣百萬元	Carrying amount at 1st January, 2019 於2019年 1月1日之賬面值 HK\$ Mn 港幣百萬元
Fixed assets	固定資產			
– Right-of-use assets	– 使用權資產	–	1,108	1,108
Other assets	其他資產			
– Other accounts	– 其他賬項	9,294	(20)	9,274
Total Assets	總資產	839,451	1,088	840,539
Other liabilities	其他負債			
– Lease liabilities	– 租賃負債	–	1,094	1,094
– Other accounts	– 其他賬項	26,300	(6)	26,294
Total Liabilities	總負債	735,876	1,088	736,964

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1st January, 2019. The weighted-average incremental borrowing rate applied is 3.65%.

當計量分為經營租賃的租賃計量租賃負債時，本集團採用2019年1月1日的增量借款利率折算租賃款項。所採用的加權平均增量借款利率為3.65%。

		1st January, 2019 2019年1月1日 HK\$ Mn 港幣百萬元
Operating lease commitment at 31st December, 2018	於2018年12月31日之經營租賃承擔	1,085
Less: Commitments relating to leases not yet commenced	減：尚未生效的租賃承擔	(85)
Less: Commitments relating to leases exempt from capitalisation:	減：可豁免資本化的經營租賃承擔：	
– Leases with less than 12 months of lease term at transition	– 於過渡期少於12個月租賃期之租賃	(58)
– Leases of low-value assets	– 低價值資產租賃	(2)
Add: Extension options or termination options reasonably certain to be exercised	加：合理肯定會被行使的延長選擇權或終止選擇權	321
		1,261
Less: Total future interest expenses	減：未來利息支出總額	(167)
Lease liabilities recognised at 1st January, 2019	於2019年1月1日確認的租賃負債	1,094

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

4. BANK-LEVEL STATEMENT OF FINANCIAL POSITION 銀行層面之財務狀況表

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
ASSETS	資產		
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	21,712	16,072
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款	50,958	49,204
Trade bills	貿易票據	1,845	6,696
Trading assets	交易用途資產	1,183	1,376
Derivative assets	衍生工具資產	1,139	1,862
Loans and advances to customers	客戶貸款及墊款	376,536	349,943
Investment securities	投資證券	115,519	97,365
Amounts due from subsidiaries	附屬公司欠款	10,952	12,882
Investments in subsidiaries	附屬公司投資	20,698	18,466
Investments in associates and joint ventures	聯營公司及合資企業投資	4,872	4,756
Fixed assets	固定資產	10,450	9,589
– Investment properties	– 投資物業	5,267	5,179
– Other properties and equipment	– 其他物業及設備	4,387	4,410
– Right-of-use assets	– 使用權資產	796	–
Goodwill and intangible assets	商譽及無形資產	1,460	1,460
Deferred tax assets	遞延稅項資產	107	98
Other assets	其他資產	10,158	8,573
Total Assets	資產總額	627,589	578,342
EQUITY AND LIABILITIES	股東權益及負債		
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	21,334	19,091
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	3,182	1,335
– At amortised cost	– 攤銷成本	18,152	17,756
Deposits from customers	客戶存款	426,564	403,200
Derivative liabilities	衍生工具負債	3,695	1,839
Certificates of deposit issued	已發行存款證	57,464	43,786
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	27,401	9,462
– At amortised cost	– 攤銷成本	30,063	34,324
Amounts due to subsidiaries	欠附屬公司款項	4,117	2,642
Current taxation	本期稅項	2,065	1,371
Debt securities issued	已發行債務證券	389	564
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	–	407
– At amortised cost	– 攤銷成本	389	157
Deferred tax liabilities	遞延稅項負債	425	297
Other liabilities	其他負債	8,164	6,932
Loan capital	借貸資本	8,563	14,936
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	–	2,578
– At amortised cost	– 攤銷成本	8,563	12,358
Total Liabilities	負債總額	532,780	494,658
Share capital	股本	41,379	39,925
Reserves	儲備	39,467	34,865
Total equity attributable to owners of the Bank	歸屬於本行股東權益總額	80,846	74,790
Additional equity instruments	額外股本工具	13,963	8,894
		94,809	83,684
Total Equity and Liabilities	股東權益及負債總額	627,589	578,342

Approved and authorised for issue by the Board on 19th February, 2020.

Executive Chairman
Co-Chief Executives

Director

David LI Kwok-po
Adrian David LI Man-kiu
Brian David LI Man-bun
Meocre LI Kwok-wing

董事會於2020年2月19日核准及授權發布。

行政主席
聯席行政總裁

董事

李國寶
李民橋
李民斌
李國榮

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

5. INTEREST INCOME 利息收入

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Loans, deposits with banks and financial institutions, and trade bills	貸款、在銀行和其他金融機構的存款、及貿易票據	23,975	21,472
Investment securities	投資證券		
– measured at amortised cost or FVOCI	–按攤銷成本或通過其他全面收益以反映公平價值	4,113	3,609
– designated at FVTPL	–指定為通過損益以反映公平價值	107	109
– mandatory at FVTPL	–強制按通過損益以反映公平價值	245	269
Trading assets	交易用途資產	69	139
		28,509	25,598

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for, or individually managed in conjunction with, interest bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets.

The above included HK\$28,077 million (2018: HK\$25,058 million) interest income, before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

就已對沖利率風險的交易而言，作為帶息金融資產的合格對沖工具或可個別地與帶息金融資產共同管理的利率合約所產生的定期支出及收入首先抵銷，淨額與其相關金融資產產生的利息收入合併。

在不包括對沖影響前，來自非按公平價值確認損益的金融資產之利息收入為港幣280.77億元(2018年：港幣250.58億元)。

6. INTEREST EXPENSE 利息支出

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Customer deposits, deposits of banks and other financial institutions	客戶存款、銀行及其他金融機構的存款		
– at amortised cost	–攤銷成本	11,485	10,725
– designated at FVTPL	–指定為通過損益以反映公平價值	65	22
Certificates of deposit and debt securities issued	已發行存款證及債務證券		
– at amortised cost	–攤銷成本	1,254	955
– designated at FVTPL	–指定為通過損益以反映公平價值	447	275
Subordinated notes carried at amortised cost	按攤銷成本列賬的後償票據	704	634
Lease liabilities	租賃負債	41	–
Other borrowings	其他借款	13	28
		14,009	12,639

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for, or individually managed in conjunction with, interest bearing financial liabilities are first netted together and then combined with the interest expense from the corresponding financial liabilities.

The above included HK\$13,457 million (2018: HK\$12,336 million) interest expense, before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

就已對沖利率風險的交易而言，作為帶息金融負債的合格對沖工具或可個別地與帶息金融負債共同管理的利率合約所產生的定期支出及收入首先抵銷，淨額與其相關金融負債產生的利息支出合併。

在不包括對沖影響前，來自非按公平價值確認損益的金融負債之利息支出為港幣134.57億元(2018年：港幣123.36億元)。

7. FEE AND COMMISSION INCOME 服務費及佣金收入

Fee and commission income is disaggregated by services:

服務費及佣金收入分類如下：

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Credit cards	信用卡	1,221		1,125	
Loans, overdrafts and guarantees	貸款、透支及擔保	752		746	
Other retail banking services	其他零售銀行服務	374		343	
Trust and other fiduciary activities	信託及其他代理業務	338		310	
Trade finance	貿易融資	325		342	
Securities and brokerage	證券及經紀	198		279	
Investment products	投資產品	114		122	
Sale of third party insurance policies	銷售第三者的保單	90		44	
Financial consultancy	財務諮詢	26		66	
Others	其他	449		436	
Total fee and commission income	服務費及佣金收入總額	3,887		3,813	
of which:	其中：				
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not measured at FVTPL	由非持作交易用途或指定為通過損益以反映公平價值列賬之金融資產或負債所產生之淨服務費收入(不包括用作計算有效利率之金額)	2,956		2,678	
Fee income	服務費收入	3,887		3,813	
Fee expenses	服務費支出	(931)		(1,135)	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

8. NET TRADING PROFIT 交易溢利淨額

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Profit on dealing in foreign currencies and funding swaps	外幣買賣及外匯掉期溢利	399	624
Profit/(Loss) on trading securities	交易用途證券溢利/(虧損)	184	(44)
Net gain on derivatives	衍生工具淨盈利	194	365
Loss on other dealing activities	其他交易業務虧損	(6)	(1)
Dividend income from trading equity securities	交易用途股份證券的股息收入	36	50
		807	994

9. NET RESULT FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL
通過損益以反映公平價值其他金融工具的淨表現

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net loss from financial instruments designated at FVTPL	指定為通過損益以反映公平價值金融工具的淨虧損	(28)	(45)
Net gain/(loss) from financial instruments mandatorily measured at FVTPL (other than those included in net trading profit)	強制按通過損益以反映公平價值計量金融工具的淨盈利/(虧損)(除已包括在交易溢利淨額內)	241	(241)
		213	(286)

10. NET HEDGING PROFIT 對沖溢利淨額

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Fair value hedges	公平價值對沖		
– Net gain on hedged items attributable to the hedged risk	– 可歸屬於被對沖項目之對沖風險產生的淨盈利	1,594	224
– Net loss on hedging instruments	– 用作對沖工具的淨虧損	(1,582)	(181)
		12	43

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the years 2019 and 2018 (see Note 47(b)(iii)(b)).

於2019年及2018年，因現金流對沖所產生並已在本集團收益表內確認之無效部分是不重大的(詳見附註47(b)(iii)(b))。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

11. NET INSURANCE PROFIT 保險業務淨溢利

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(a) Net insurance profit	(a) 保險業務淨溢利		
Net interest income	淨利息收入	650	530
Net trading (loss)/profit	交易(虧損)/溢利淨額	(101)	10
Net gain/(loss) from other financial instruments mandatory at FVTPL	來自強制按通過損益以反映公平價值金融工具的淨盈利/(虧損)	588	(372)
Net insurance premium (b)	淨保費(b)	6,058	4,890
Other operating income	其他收入	1	-
		7,196	5,058
Net insurance claims and expenses (c)	保險索償及支出淨額(c)	(6,608)	(4,781)
		588	277
Operating expenses	經營支出	(3)	(2)
Impairment loss on financial instruments	金融資產減值損失	(23)	(7)
Net profit on sale of debt investment securities measured at FVOCI	出售通過其他全面收益以反映公平價值債務投資證券的淨溢利	264	27
		826	295
(b) Net insurance premium	(b) 淨保費		
Gross insurance premium income (Note)	保費收入總額(註)	6,123	4,954
Reinsurers' share of gross insurance premium income	保費收入總額之分保份額	(65)	(64)
		6,058	4,890
(c) Net insurance claims and expenses	(c) 保險索償及支出淨額		
Claims, benefits and surrenders paid	已付索償、利益及退保	2,915	2,869
Movement in provisions	準備金變動	3,554	1,796
		6,469	4,665
Reinsurers' share of claim, benefits and surrenders paid	已付索償、利益及退保之分保份額	(322)	(376)
Reinsurers' share of movement in provisions	準備金變動之分保份額	306	327
		(16)	(49)
		6,453	4,616
Net insurance commission expenses	保險佣金支出淨額	155	165
		6,608	4,781

Note: Gross insurance premium income represents gross premiums received and receivable in respect of long-term business and general insurance business, net of discounts and returns.

註：保費收入總額指由長期業務及一般保險業務產生的已收取和應收取之保費總額，並已扣除折扣及回報。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

12. OTHER OPERATING INCOME 其他經營收入

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Dividend income from equity securities measured at FVOCI	按通過其他全面收益以反映公平價值計量的股份證券股息收入	12	23
Rental from safe deposit boxes	保險箱租金收入	119	110
Rental income on properties (Note 34(iii))	物業租金收入(附註34(iii))	175	178
Others	其他	79	103
		385	414

13. OPERATING EXPENSES 經營支出

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Contributions to defined contribution plan*	定額供款公積金供款*		
– Hong Kong	– 香港	175	147
– Outside Hong Kong	– 香港以外	227	239
Equity settled share-based payment expenses (Note 43(f))	以股份為基礎作支付的費用(附註43(f))	23	35
Salaries and other staff costs	薪金及其他員工成本	4,799	4,654
Total staff costs	員工成本總額	5,224	5,075
Premises and equipment expenses excluding depreciation	不包括折舊的物業及設備支出		
– Rental	– 租金	–	517
– Expenses relating to short-term leases	– 有關短期租賃支出	69	–
– Expenses relating to low value assets	– 有關低價值資產租賃支出	1	–
– Variable lease payments not included in the measurement of lease liabilities	– 不包括計量租賃負債的可變租賃款項	4	–
– Maintenance, repairs and others	– 保養、維修及其他	548	588
Total premises and equipment expenses excluding depreciation	不包括折舊的物業及設備支出總額	622	1,105
Depreciation on (Note 34)	折舊(附註34)		
– Bank premises, furniture, fixtures and equipment	– 行址、傢俬、裝修及設備	530	473
– Right-of-use assets	– 使用權資產折舊	397	–
		927	473
Amortisation of intangible assets (Note 33(b))	無形資產攤銷(附註33(b))	14	14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Other operating expenses	其他經營支出		
– Internet platform charges	– 互聯網平台費用	913	183
– Legal and professional fees	– 法律及專業服務費	492	410
– Communications, stationery and printing	– 通訊、文具及印刷	268	268
– Advertising expenses	– 廣告費	255	251
– Card related expenses	– 有關信用卡支出	174	127
– Stamp duty, withholding taxes and value added taxes	– 印花稅、預提稅及增值稅	117	118
– Insurance expenses	– 保險費	114	82
– Business promotions and business travel	– 業務推廣及商務旅遊	105	127
– Audit fee	– 核數師酬金	19	18
– Others	– 其他	647	312
Total other operating expenses	其他經營支出總額	3,104	1,896
Total operating expenses**	經營支出總額**	9,891	8,563

* Forfeited contributions totalling HK\$19 million (2018: HK\$23 million) were utilised to reduce the Group's contribution during the year. There were no forfeited contributions available for reducing future contributions at the year end (2018: Nil).

* 年度內沒收之供款共港幣1,900萬元(2018年:港幣2,300萬元)已被用作減少本集團的供款。於年末並無任何被沒收而可用作減低將來之供款(2018年:無)。

** Included in operating expenses are direct operating expenses of HK\$5 million (2018: HK\$8 million) in respect of investment properties which generated rental income during the year.

** 年度內經營支出中包括由有租金收益的投資物業產生的直接經營支出，金額為港幣500萬元(2018年:港幣800萬元)。

14. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS 金融工具減值損失

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Loans and advances to customers	客戶貸款及墊款	7,250	1,159
Others	其他	3	29
		7,253	1,188

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

15. NET PROFIT ON SALE OF FINANCIAL ASSETS MEASURED AT FVOCI
出售通過全面收益以反映公平價值金融資產之淨溢利

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Net profit on sale of debt securities	出售債務證券之淨溢利				
– Net revaluation gain transferred from reserves (Note 43(g))	– 由儲備轉撥的重估盈利淨額 (附註43(g))		285		52
– (Loss)/Profit arising in current year	– 年度內產生的(虧損)/溢利		(213)		10
			72		62

16. NET PROFIT ON SALE OF ASSETS HELD FOR SALE 出售持有作出售資產之淨溢利

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Net profit on sale of properties	出售物業之淨溢利		108		56
Net loss on sale of disposal groups	出售出售組別之淨虧損		(90)		–
			18		56

17. NET LOSS ON DISPOSAL OF FIXED ASSETS 出售固定資產之淨虧損

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Net loss on disposal of bank premises, furniture, fixtures and equipment	出售行址、傢俬、裝修及設備之 淨虧損		(13)		(9)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

18. INCOME TAX 所得稅

(a) Taxation in the consolidated income statement represents:

(a) 綜合收益表內的稅項為：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Current tax – Hong Kong	本期稅項－香港		
Tax for the year	本年度稅項	1,024	829
(Over)/Under-provision in respect of prior years	往年度撥備(過剩)/不足	(145)	48
		879	877
Current tax – outside Hong Kong	本期稅項－香港以外		
Tax for the year	本年度稅項	284	618
Over-provision in respect of prior years	往年度撥備過剩	(138)	(4)
		146	614
Deferred tax	遞延稅項		
Origination and reversal of temporary differences (Note 37(b))	暫時性差異的源生及轉回 (附註37(b))	(1,163)	15
		(138)	1,506

The provision for Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year.

香港利得稅稅款是以年度預計應課稅溢利按稅率16.5%(2018年:16.5%)計算。

Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

海外分行及附屬公司的稅款亦按其經營所在國家現行稅率計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

18. INCOME TAX (CONTINUED) 所得稅(續)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

(b) 稅項支出與會計溢利按適用稅率計算稅項的對賬：

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Profit before tax	除稅前溢利	3,198		8,060	
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	根據相關國家適用之利得稅稅率按除稅前溢利計算的名義稅款	47		1,407	
Tax effect of non-deductible expenses	不可扣減支出的稅項影響	329		407	
Tax effect of non-taxable revenue	毋須課稅收入的稅項影響	(304)		(330)	
Tax effect of tax losses not recognised	未確認的稅損的稅項影響	2		1	
Recognition of deferred tax assets on prior year tax losses	往年度稅損確認為遞延稅項資產	(1)		(4)	
(Write back of over-provision)/Under-provision in respect of prior years	(過剩的回撥)/往年度撥備不足	(283)		44	
Others	其他	72		(19)	
Actual tax (write back credited)/expense charged to income statement	於收益表(回撥)/支銷的實際稅項	(138)		1,506	

19. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT 可歸屬於本集團股東溢利

The consolidated profit attributable to owners of the parent includes a profit of HK\$5,904 million (2018: HK\$5,299 million) which has been dealt with in the financial statements of the Bank.

可歸屬於本集團股東綜合溢利包括已計入本行財務報表內的溢利港幣59.04億元(2018年：港幣52.99億元)。

Reconciliation of the above amount to the Bank's profit for the year

本行年度內溢利與上述金額之對賬

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Amount of consolidated profit attributable to equity holders dealt with in the Bank's financial statements	已計入本行財務報表之可歸屬於本集團股東綜合溢利	5,904		5,299	
Final dividends from subsidiaries and associates attributable to the profits of the previous financial year and general reserves, approved and paid during the year	來自往年度附屬公司及聯營公司溢利及一般儲備之末期股息，並在年度內核准及派發	216		338	
Bank's profit for the year	本行年度內溢利	6,120		5,637	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

20. DISTRIBUTION/DIVIDENDS 分派／股息

(a) Dividends attributable to the year

(a) 應屬本年度股息

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Interim dividend declared and paid of HK\$0.11 per share on 2,897 million shares (2018: HK\$0.51 per share on 2,808 million shares) (Note 43(k))	已宣布派發及支付中期股息予28.97億股每股港幣0.11元(2018年: 28.08億股每股港幣0.51元)(附註43(k))		319		1,432
Second interim dividend paid in respect of the previous financial year on shares issued under the share option schemes subsequent to the end of the reporting period and before the close of the Register of Members of the Bank, of HK\$0.32 per share (2018: HK\$0.60 per share)	已支付在報告期結束日後及本行股票過戶登記截止日前根據認股計劃發行股份屬上年度每股港幣0.32元的第二次中期股息(2018年: 每股港幣0.60元)		-		1
Second interim dividend of HK\$0.35 per share on 2,906 million shares (2018: HK\$0.32 per share on 2,846 million shares)	第二次中期股息予29.06億股每股港幣0.35元(2018年: 28.46億股每股港幣0.32元)		1,017		910
Special dividend of HK\$0.35 per share on 2,846 million shares	特別股息予28.46億股每股港幣0.35元		-		996
			1,336		3,339

The total dividend attributable to the year is HK\$0.46 per share (2018: HK\$1.18 per share). The second interim dividend has not been recognised as a liability at the end of the reporting period.

應屬本年度股息為每股港幣0.46元(2018年: 每股港幣1.18元)。於報告期結束日該第二次中期股息並未確認為負債。

(b) Dividends attributable to the previous financial year, approved and paid during the year

(b) 於年度核准及支付屬上年度股息

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.32 per share on 2,846 million shares (2018: HK\$0.60 per share on 2,765 million shares) (Note 43(k))	年度內核准及支付予28.46億股每股港幣0.32元(2018年: 27.65億股每股港幣0.60元)的上年度第二次中期股息(附註43(k))		910		1,659
Special dividend of HK\$0.35 per share on 2,846 million shares (Note 43(k))	特別股息予28.46億股每股港幣0.35元(附註43(k))		996		-
			1,906		1,659

(c) Distribution to holders of Hybrid/Additional Tier 1 capital instruments

(c) 派發予混合／額外一級資本工具持有人

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Interest paid or payable on the Hybrid Tier 1 capital instruments (Note 43(k))	已付或應付予混合一級資本工具持有人的利息(附註43(k))		179		212
Amount paid on the Additional Tier 1 capital instruments (Note 43(k))	已付予額外一級資本工具的款項(附註43(k))		501		501
			680		713

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

21. EARNINGS PER SHARE 每股盈利

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to owners of the parent of HK\$2,580 million (2018: HK\$5,796 million) after the distribution of HK\$680 million (2018: HK\$713 million) to Hybrid/Additional Tier 1 issue holders, and on the weighted average of 2,885 million (2018: 2,805 million) ordinary shares outstanding during the year, calculated as follows:

Weighted average number of ordinary shares

		2019 Number of shares 股份數目 Mn 百萬	2018 Number of shares 股份數目 Mn 百萬
Issued ordinary shares at 1st January	於1月1日的已發行普通股	2,846	2,765
Effect of share options exercised and shares issued in lieu of dividends	已行使認股權及以股代息發行新股的影響	39	40
Weighted average number of ordinary shares at 31st December	於12月31日普通股份的加權平均數	2,885	2,805

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit for the year attributable to owners of the parent of HK\$2,580 million (2018: HK\$5,796 million) after the distribution of HK\$680 million (2018: HK\$713 million) to Hybrid/Additional Tier 1 issue holders, and on 2,885 million (2018: 2,805 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

Weighted average number of ordinary shares (diluted)

		2019 Number of shares 股份數目 Mn 百萬	2018 Number of shares 股份數目 Mn 百萬
Weighted average number of ordinary shares at 31st December	於12月31日普通股份的加權平均數	2,885	2,805
Effect of deemed issue of ordinary shares under the Bank's share option schemes for nil consideration	假設按認股權計劃發行但不計價款的普通股份之影響	-	-
Weighted average number of ordinary shares (diluted) at 31st December	於12月31日普通股份的加權平均數(攤薄)	2,885	2,805

(a) 每股基本盈利

每股基本盈利乃按照已扣減派發予混合／額外一級資本工具持有人港幣6.80億元(2018年：港幣7.13億元)後之年度內綜合溢利可歸屬於本集團股東溢利為港幣25.80億元(2018年：港幣57.96億元)及年度內已發行普通股份的加權平均數28.85億股(2018年：28.05億股)計算。

普通股份的加權平均數

(b) 每股攤薄盈利

每股攤薄盈利乃按照已扣減派發予混合／額外一級資本工具持有人港幣6.80億元(2018年：港幣7.13億元)後之年度內綜合溢利可歸屬於本集團股東溢利為港幣25.80億元(2018年：港幣57.96億元)及就年度內所有具備潛在攤薄影響的普通股作出調整得出的普通股份的加權平均數28.85億股(2018年：28.05億股)計算。

普通股份的加權平均數(攤薄)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

22. DIRECTORS' REMUNERATION 董事酬金

Directors' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

根據《公司條例》第383(1)條及《公司(披露董事利益資料)規則》第2部之規定披露董事酬金如下:

		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share options	Retirement scheme contributions	2019 Total
		袍金	薪金、津貼及實物收益	酌情花紅	認股權	退休計劃供款	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Executive Chairman	執行主席						
Dr. the Hon. Sir David LI Kwok-po ⁽¹⁾	李國寶爵士	0.6	11.6	5.5	7.4	1.1	26.2
Co-Chief Executives	聯席行政總裁						
Mr. Adrian David LI Man-kiu ⁽²⁾	李民橋先生	0.4	6.0	3.1	2.4	0.5	12.4
Mr. Brian David LI Man-bun ⁽²⁾	李民斌先生	0.4	6.0	2.1	1.8	0.5	10.8
Non-executive Directors	非執行董事						
Prof. Arthur LI Kwok-cheung	李國章教授	0.5	-	-	-	-	0.5
Mr. Aubrey LI Kwok-sing	李國星先生	0.5	-	-	-	-	0.5
Mr. Winston LO Yau-lai	羅友禮先生	0.4	-	-	-	-	0.4
Mr. Stephen Charles LI Kwok-sze	李國仕先生	0.4	-	-	-	-	0.4
Dr. Isidro FAINÉ CASAS	范禮賢博士	0.5	-	-	-	-	0.5
Dr. Peter LEE Ka-kit	李家傑博士	0.3	-	-	-	-	0.3
Dr. Daryl NG Win-kong	黃永光博士	0.5	-	-	-	-	0.5
Mr. Masayuki OKU	奧正之先生	0.5	-	-	-	-	0.5
Independent Non-executive Directors	獨立非執行董事						
Dr. Allan WONG Chi-yun	黃子欣博士	0.9	-	-	-	-	0.9
Dr. the Hon. Rita FAN HSU Lai-tai	范徐麗泰博士	0.6	-	-	-	-	0.6
Mr. Meocre LI Kwok-wing	李國榮先生	1.1	-	-	-	-	1.1
Dr. the Hon. Henry TANG Ying-yen	唐英年博士	1.1	-	-	-	-	1.1
The Hon. CHAN Kin-por	陳健波議員	0.3	-	-	-	-	0.3
Dr. Delman LEE	李國本博士	0.7	-	-	-	-	0.7
Mr. William Junior Guilherme DOO	杜家駒先生	0.3	-	-	-	-	0.3
		10.0	23.6	10.7	11.6	2.1	58.0

(1) Re-designated from Chairman and Chief Executive to Executive Chairman on 1st July, 2019.

(1) 於2019年7月1日由主席兼行政總裁調任為執行主席。

(2) Re-designated from Executive Directors and Deputy Chief Executives to Co-Chief Executives on 1st July, 2019.

(2) 於2019年7月1日由執行董事兼副行政總裁任命為聯席行政總裁。

Note: The share options were granted to Executive Directors under the Bank's Staff Share Option Schemes. The values of share options represented the fair values of the share options granted in 2019 and prior years amortised over the respective vesting periods without actual cash payment. The details of these benefits in kind are disclosed under the paragraph "Information on Share Options" in the Report of the Directors and Note 40.

附註：執行董事是根據本行的僱員認股計劃獲授予認股權。認股權金額是指該等認股權於2019年及往年授予並在歸屬期內攤銷的公平價值，而並非是屬於現金支付。有關此等實物收益的詳情列載於董事會報告書的「認股權資料」及附註40內。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

22. DIRECTORS' REMUNERATION (CONTINUED) 董事酬金(續)

		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share options (Note)	Retirement scheme contributions	2018 Total
		袍金	薪金、津貼及實物收益	酌情花紅	認股權	退休計劃供款	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Chairman and Chief Executive	主席兼行政總裁						
Dr. the Hon. Sir David Li Kwok-po	李國寶爵士	0.6	11.3	22.7	10.7	1.0	46.3
Executive Directors and Deputy Chief Executives	執行董事兼副行政總裁						
Mr. Adrian David Li Man-kiu	李民橋先生	0.4	4.1	4.9	3.5	0.4	13.3
Mr. Brian David Li Man-bun	李民斌先生	0.4	4.1	4.9	3.5	0.4	13.3
Non-executive Directors	非執行董事						
Prof. Arthur Li Kwok-cheung	李國章教授	0.5	-	-	-	-	0.5
Mr. Aubrey Li Kwok-sing	李國星先生	0.5	-	-	-	-	0.5
Mr. Winston LO Yau-lai	羅友禮先生	0.4	-	-	-	-	0.4
Mr. Stephen Charles Li Kwok-sze	李國仕先生	0.4	-	-	-	-	0.4
Dr. Isidro FAINÉ CASAS	范禮賢博士	0.5	-	-	-	-	0.5
Dr. Peter LEE Ka-kit	李家傑博士	0.5	-	-	-	-	0.5
Dr. Daryl NG Win-kong	黃永光博士	0.5	-	-	-	-	0.5
Mr. Masayuki OKU	奧正之先生	0.5	-	-	-	-	0.5
Independent Non-executive Directors	獨立非執行董事						
Dr. Allan WONG Chi-yun	黃子欣博士	0.9	-	-	-	-	0.9
Dr. the Hon. Rita FAN HSU Lai-tai	范徐麗泰博士	0.5	-	-	-	-	0.5
Mr. Meocre Li Kwok-wing	李國榮先生	1.1	-	-	-	-	1.1
Dr. the Hon. Henry TANG Ying-yen	唐英年博士	0.9	-	-	-	-	0.9
The Hon. CHAN Kin-por	陳健波議員	0.8	-	-	-	-	0.8
Dr. Delman LEE	李國本博士	0.7	-	-	-	-	0.7
		10.1	19.5	32.5	17.7	1.8	81.6

Note: The share options were granted to Executive Directors under the Bank's Staff Share Option Schemes. The values of share options represented the fair values of the share options granted in 2018 and prior years amortised over the respective vesting periods without actual cash payment. The details of these benefits in kind are disclosed under the paragraph "Information on Share Options" in the Report of the Directors and Note 40.

附註：執行董事是根據本行的僱員認股計劃獲授予認股權。認股權金額是指該等認股權於2018年及往年授予並在歸屬期內攤銷的公平價值，而並非是屬於現金支付。有關此等實物收益的詳情列載於董事會報告書的「認股權資料」及附註40內。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

23. FIVE TOP-PAID EMPLOYEES 5名薪酬最高的僱員

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Salaries and other emoluments	薪金及其他酬金	34	30
Performance-related bonuses	表現獎勵花紅	15	42
Share options	認股權	16	25
Pension contributions	退休金供款	3	2
		68	99

The remuneration of the five top-paid employees is within the following bands:

5名薪酬最高的僱員的金額範圍如下：

	2019	2018
	Number of Employees 僱員人數	Number of Employees 僱員人數
HK\$ 港幣元		
9,000,001 – 9,500,000	2	–
10,500,001 – 11,000,000	1	–
12,000,001 – 12,500,000	1	–
13,000,001 – 13,500,000	–	4
26,000,001 – 26,500,000	1	–
46,000,001 – 46,500,000	–	1

Included in the emoluments of the five top-paid employees were the emoluments of 3 (2018: 3) Directors and 2 (2018: 2) senior management members. Their director's emoluments have been included in Note 22 above.

5名薪酬最高的僱員中包括3位(2018年: 3位)董事及2位(2018年: 2位)高層管理人員。他們的董事酬金已包括於上述附註22內。

24. SEGMENT REPORTING 分部報告

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's Senior Management for the purposes of resource allocation and performance assessment, the Group has presented the following seven reportable segments.

本集團按分處管理其業務，而分處則由業務及地區混合組成。分部資料的列報與內部匯報予本集團的高層管理人員作為資源分配及表現評核的方式是一致的。本集團列報以下七個可匯報分部。

(a) Business segments

The Group has identified the following seven reportable segments.

(a) 營業分部

本集團已辨識以下七個可匯報分部。

Personal banking includes branch operations, personal internet banking, consumer finance, property loans and credit card business to individual customers in Hong Kong.

個人銀行包括在香港之分行營運、個人電子網絡銀行、消費貸款、按揭貸款及信用卡業務。

Corporate banking includes corporate lending and loan syndication, asset based lending, commercial lending, securities lending and trade financing activities with correspondent banks and corporates in Hong Kong.

企業銀行包括在香港之企業借貸及銀團貸款、資產融資、商業貸款、證券業務貸款及與在香港之全球同業間的銀行代理行及企業的金融貿易業務。

Treasury markets include treasury operations and securities dealing in Hong Kong.

財資市場包括在香港之財資運作及證券買賣。

Wealth management includes private banking business and related assets in Hong Kong.

財富管理包括提供予在香港之私人銀行業務及相關資產。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

24. SEGMENT REPORTING (CONTINUED) 分部報告(續)

(a) Business segments (continued)

Other Hong Kong operations mainly include insurance business, trust business, securities & futures broking, corporate financial advisory, other subsidiaries in Hong Kong and supporting units of Hong Kong operations.

Mainland China operations mainly include the back office unit for Mainland China operations in Hong Kong, all subsidiaries and associates operated in Mainland China, except those subsidiaries carrying out data processing and other back office operations in Mainland China.

Overseas operations include the back office unit for overseas banking operations in Hong Kong, Macau Branch, Taiwan Branch and all branches, subsidiaries and associates operated in overseas.

For the purposes of assessing segment performance and allocating resources between segments, the Group's Senior Management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of interests in associates and assets held for sale. Segment liabilities include deposits, financial liabilities and other liabilities attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

(a) 營業分部(續)

其他香港業務主要包括在香港之保險業務、信託業務、證券及期貨經紀、企業財務諮詢，其他香港的附屬公司及香港業務之後勤單位。

內地業務主要包括在香港支援內地業務之後勤單位、所有在內地經營的附屬公司及聯營公司，但不包括在內地經營資料處理及其他後勤支援之附屬公司。

國際業務包括在香港支援國際銀行業務之後勤單位、所有在海外經營的分行包括澳門分行及台灣分行、附屬公司及聯營公司。

在評估分部表現及分配分部間的資源時，集團的高層管理人員根據以下基準監控可歸屬於每一可匯報分部之業績、資產及負債：

除聯營公司之權益及持有作出售資產外，分部資產包括所有資產。分部負債包括存款、金融負債及可歸屬於個別分部的其他負債。

收入與支出按有關分部所產生的利息及服務費用和佣金收入，及由有關分部引致的支出或可歸屬於有關分部產生之折舊或攤銷來分配予可匯報分部。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2019									
		Hong Kong operations 香港業務									
		Personal banking	Corporate banking	Treasury markets	Wealth management	Others	Total	Mainland China operations	Overseas operations	Inter- segment elimination	Total
		個人銀行 HK\$ Mn 港幣百萬元	企業銀行 HK\$ Mn 港幣百萬元	財資市場 HK\$ Mn 港幣百萬元	財富管理 HK\$ Mn 港幣百萬元	其他 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元	內地業務 HK\$ Mn 港幣百萬元	國際業務 HK\$ Mn 港幣百萬元	分部間之 交易抵銷 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元
Net interest income	淨利息收入	3,531	2,313	219	407	1,581	8,051	4,958	1,466	25	14,500
Non-interest income/(expense)	非利息收入/(支出)	1,053	474	339	370	1,979	4,215	1,088	296	(415)	5,184
Operating income	經營收入	4,584	2,787	558	777	3,560	12,266	6,046	1,762	(390)	19,684
Operating expenses	經營支出	(1,722)	(322)	(155)	(222)	(2,835)	(5,256)	(4,328)	(697)	390	(9,891)
Operating profit before impairment losses	未扣除減值損失之 經營溢利	2,862	2,465	403	555	725	7,010	1,718	1,065	-	9,793
(Charge for)/Write back of impairment losses on financial instruments	金融工具的減值損失 (支銷)/回撥	(200)	(117)	5	(3)	(3)	(318)	(6,994)	59	-	(7,253)
Operating profit/(loss) after impairment losses	已扣除減值損失後之 經營溢利/(虧損)	2,662	2,348	408	552	722	6,692	(5,276)	1,124	-	2,540
Profit/(Loss) on sale of fixed assets, financial assets measured at FVOCI and investments measured at amortised cost	出售固定資產、按通過 其他全面收益以反映 公平價值計量金融資產 及按攤銷成本計量投資 之溢利/(虧損)	(8)	(1)	(3)	-	25	13	46	(1)	-	58
Profit/(Loss) on sale of assets held for sale	出售持有作出售資產之 溢利/(虧損)	-	-	-	-	105	105	(72)	(15)	-	18
Loss on disposal of subsidiaries/associates	出售附屬/聯營公司之 淨虧損	-	-	-	-	-	-	-	(7)	-	(7)
Valuation losses on investment properties	重估投資物業虧損	-	-	-	-	(33)	(33)	-	-	-	(33)
Share of profits less losses of associates and joint ventures	應佔聯營公司及合資企業 溢利減虧損	-	-	-	-	12	12	123	487	-	622
Profit/(Loss) before taxation	除稅前溢利/(虧損)	2,654	2,347	405	552	831	6,789	(5,179)	1,588	-	3,198
Depreciation for the year	年度內折舊	(314)	(4)	(5)	(3)	(233)	(559)	(302)	(66)	-	(927)
Segment assets	分部資產	117,815	160,856	199,827	28,342	40,863	547,703	241,082	113,978	(47,574)	855,189
Investments in associates and joint ventures	聯營公司及合資企業投資	-	-	-	-	79	79	3,741	6,150	-	9,970
Other assets – Assets held for sale	其他資產 — 持有作出售資產	-	-	-	-	5	5	34	-	-	39
Total assets	資產總額	117,815	160,856	199,827	28,342	40,947	547,787	244,857	120,128	(47,574)	865,198
Segment liabilities	分部負債	336,944	27,574	68,813	22,709	26,654	482,694	213,666	105,872	(46,672)	755,560
Other liabilities – Liabilities held for sale	其他負債 — 持有作出售負債	-	-	-	-	-	-	-	-	-	-
Total liabilities	負債總額	336,944	27,574	68,813	22,709	26,654	482,694	213,666	105,872	(46,672)	755,560
Capital expenditure incurred during the year	年度內資本開支	392	5	12	3	246	658	310	42	-	1,010

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

24. SEGMENT REPORTING (CONTINUED) 分部報告(續)

(a) Business segments (continued)

(a) 營業分部(續)

		2018 (Restated ^{重報})										
		Hong Kong operations 香港業務						Total	Mainland China operations	Overseas operations	Inter- segment elimination 分部間之 交易抵銷	Total
		Personal banking	Corporate banking	Treasury markets	Wealth management	Others						
個人銀行 HK\$ Mn 港幣百萬元	企業銀行 HK\$ Mn 港幣百萬元	財資市場 HK\$ Mn 港幣百萬元	財富管理 HK\$ Mn 港幣百萬元	其他 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元	內地業務 HK\$ Mn 港幣百萬元	國際業務 HK\$ Mn 港幣百萬元	交易抵銷 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元			
Net interest income	淨利息收入	3,258	2,225	368	439	1,236	7,526	3,835	1,593	5	12,959	
Non-interest income/(expense)	非利息收入/(支出)	856	475	(42)	349	1,390	3,028	1,149	281	(345)	4,113	
Operating income	經營收入	4,114	2,700	326	788	2,626	10,554	4,984	1,874	(340)	17,072	
Operating expenses	經營支出	(1,586)	(240)	(149)	(209)	(2,585)	(4,769)	(3,452)	(682)	340	(8,563)	
Operating profit before impairment losses	未扣除減值損失之經營溢利	2,528	2,460	177	579	41	5,785	1,532	1,192	-	8,509	
(Charge for)/Write back of impairment losses on financial instruments	金融工具的減值損失(支銷)/回撥	(149)	(131)	(42)	7	3	(312)	(1,042)	166	-	(1,188)	
Impairment losses on intangible assets	無形資產減值損失	-	-	-	-	-	-	(5)	-	-	(5)	
Impairment losses on associate	聯營公司減值損失	-	-	-	-	-	-	-	(397)	-	(397)	
Operating profit after impairment losses	已扣除減值損失後之經營溢利	2,379	2,329	135	586	44	5,473	485	961	-	6,919	
Profit/(Loss) on sale of fixed assets, financial assets measured at FVOCI	出售固定資產、按通過其他全面收益以反映公平價值計量金融資產之溢利/(虧損)	(8)	-	51	-	5	48	4	1	-	53	
Profit/(Loss) on sale of assets held for sale	出售持有作出售資產之溢利/(虧損)	-	-	-	-	48	48	(2)	10	-	56	
Profit/(Loss) on disposal of subsidiaries/associates	出售附屬/聯營公司之淨溢利/(虧損)	-	-	-	-	-	-	2	(1)	-	1	
Valuation gains on investment properties	重估投資物業盈利	-	-	-	-	465	465	-	-	-	465	
Share of profits less losses of associates and joint ventures	應佔聯營公司及合資企業溢利減虧損	-	-	-	-	(1)	(1)	118	449	-	566	
Profit before taxation	除稅前溢利	2,371	2,329	186	586	561	6,033	607	1,420	-	8,060	
Depreciation for the year	年度內折舊	(66)	(1)	(5)	(2)	(165)	(239)	(204)	(30)	-	(473)	
Segment assets	分部資產	103,770	156,348	177,169	24,170	38,202	499,659	269,739	108,272	(48,036)	829,634	
Investments in associates and joint ventures	聯營公司及合資企業投資	-	-	-	-	52	52	3,637	5,440	-	9,129	
Other assets - Assets held for sale	其他資產 - 持有作出售資產	-	-	-	-	276	276	49	363	-	688	
Total assets	資產總額	103,770	156,348	177,169	24,170	38,530	499,987	273,425	114,075	(48,036)	839,451	
Segment liabilities	分部負債	323,333	14,136	59,743	23,378	20,402	440,992	240,872	101,181	(47,176)	735,869	
Other liabilities - Liabilities held for sale	其他負債 - 持有作出售負債	-	-	-	-	7	7	-	-	-	7	
Total liabilities	負債總額	323,333	14,136	59,743	23,378	20,409	440,999	240,872	101,181	(47,176)	735,876	
Capital expenditure incurred during the year	年度內資本開支	157	-	8	-	355	520	125	19	-	664	

Note: Due to the change of ownership of some customer deposits and the revision of internal fund transfer pricing methodology, some internal charges and segment grouping, certain 2018 comparative figures have been restated to conform to current year's presentation.

註：鑒於部份客戶存款的負責單位有所變更，以及內部資金轉移定價方法和部份內部費用及分部分類有所修訂，2018年的比較數字經已重報以符合本年度的呈報方式。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) Geographical segments

The information concerning geographical analysis has been classified by the location of the principal operations of the entities and branches of the Bank responsible for reporting the results or booking the assets or, by the location where the subsidiaries or business units with special risks associated with operations originate.

(b) 地區分部

按地區分部之資料是根據負責報告業績或將資產入賬之實體或本行之分行的主要業務所在地點，或按與附屬公司或業務單位之營運有特殊風險關連的所在地點予以劃分。

		2019					
		Hong Kong	Mainland China	Other Asian Countries and Regions	Others	Inter- segment elimination	Total
		香港	內地	其他亞洲 國家及地區	其他	分部間之 交易抵銷	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Operating income	經營收入	11,744	6,446	675	1,209	(390)	19,684
Profit/(loss) before taxation	除稅前溢利/(虧損)	6,080	(4,631)	756	993	-	3,198
Total assets	資產總額	568,276	224,446	51,562	68,488	(47,574)	865,198
Total liabilities	負債總額	482,727	213,664	43,230	62,611	(46,672)	755,560
Contingent liabilities and commitments	或然負債及承擔	78,286	105,360	7,898	8,970	-	200,514
Capital expenditure during the year	年度內資本開支	659	309	29	13	-	1,010

		2018 (Restated 重報)					
		Hong Kong	Mainland China	Other Asian Countries and Regions	Others	Inter- segment elimination	Total
		香港	內地	其他亞洲 國家及地區	其他	分部間之 交易抵銷	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Operating income	經營收入	10,145	5,296	783	1,188	(340)	17,072
Profit before taxation	除稅前溢利	5,122	993	876	1,069	-	8,060
Total assets	資產總額	498,436	272,606	50,092	66,353	(48,036)	839,451
Total liabilities	負債總額	440,989	240,882	42,285	58,896	(47,176)	735,876
Contingent liabilities and commitments	或然負債及承擔	73,927	104,219	7,063	11,010	-	196,219
Capital expenditure during the year	年度內資本開支	520	132	8	4	-	664

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

25. CASH AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Note 48(a))
現金及在銀行和其他金融機構的結存(附註48(a))

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash in hand	現金	1,228	1,284
Balances with central banks	在中央銀行的結存	35,252	36,854
Balances with banks and other financial institutions	在銀行和其他金融機構的結存	15,054	9,973
		51,534	48,111
Less: Impairment allowances (Note 45(a)(x))	減: 減值準備(附註45(a)(x))	(9)	(5)
– Stage 1	– 第一階段	(9)	(5)
– Stage 2	– 第二階段	–	–
– Stage 3	– 第三階段	–	–
		51,525	48,106

26. PLACEMENTS WITH AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS
(Note 48(a))
在銀行及其他金融機構的存款及墊款(附註48(a))

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款		
Maturing	到期期限		
– within one month	– 1個月內	46,796	43,962
– after one month but within one year	– 1個月至1年內	15,333	16,343
– after one year	– 1年後	156	78
		62,285	60,383
Less: Impairment allowances (Note 45(a)(x))	減: 減值準備(附註45(a)(x))	(5)	(10)
– Stage 1	– 第一階段	(5)	(10)
– Stage 2	– 第二階段	–	–
– Stage 3	– 第三階段	–	–
		62,280	60,373
Of which:	其中:		
Placements with and advances to central banks	在中央銀行的存款及墊款	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

27. TRADE BILLS 貿易票據

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Measured at amortised cost	按攤銷成本計量	620	2,886
Less: Impairment allowances (Note 45(a)(x))	減: 減值準備(附註45(a)(x))	-	(4)
- Stage 1	- 第一階段	-	(3)
- Stage 2	- 第二階段	-	-
- Stage 3	- 第三階段	-	(1)
		620	2,882
Measured at FVOCI	通過其他全面收益以反映公平價值	11,461	11,764
		12,081	14,646

28. TRADING ASSETS 交易用途資產

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Treasury bills (including Exchange Fund Bills) (Note 48(a))	國庫債券(包括外匯基金票據) (附註48(a))	34	270
Debt securities (Note 48(a))	債務證券(附註48(a))	56	1,861
Equity securities	股份證券	1,183	1,352
		1,273	3,483

29. LOANS AND ADVANCES TO CUSTOMERS 客戶貸款及墊款

(a) Loans and advances to customers

(a) 客戶貸款及墊款

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Loans and advances to customers at amortised cost	按攤銷成本計量的客戶貸款及墊款	509,105	500,631
Less: Impairment allowances (Note 45(a)(x))	減: 減值準備(附註45(a)(x))	(3,769)	(2,347)
- Stage 1	- 第一階段	(501)	(431)
- Stage 2	- 第二階段	(516)	(855)
- Stage 3	- 第三階段	(2,752)	(1,061)
		505,336	498,284

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

29. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED) 客戶貸款及墊款(續)

(b) Loans and advances to customers – by industry sectors

The analysis of gross advances to customers and the percentage of secured advances by industry sector is based on the categories and definitions used by the HKMA.

(b) 客戶貸款及墊款 – 按行業分類

按行業分類的客戶墊款總額及有抵押墊款的百分比是按照金管局所採用的類別和定義。

		2019		2018	
		Gross advances 墊款總額 HK\$ Mn 港幣百萬元	% of gross advances covered by collateral 有抵押墊款的百分比 % 百分率	Gross advances 墊款總額 HK\$ Mn 港幣百萬元	% of gross advances covered by collateral 有抵押墊款的百分比 % 百分率
Loans for use in Hong Kong	在香港使用的貸款				
Industrial, commercial and financial	工商金融				
– Property development	– 物業發展	25,242	59.07	26,427	59.34
– Property investment	– 物業投資	49,772	89.75	40,218	90.48
– Financial concerns	– 金融企業	15,322	63.71	14,944	69.20
– Stockbrokers	– 股票經紀	1,694	70.22	1,928	67.61
– Wholesale and retail trade	– 批發與零售業	7,156	53.63	6,839	53.30
– Manufacturing	– 製造業	3,510	50.49	1,903	51.42
– Transport and transport equipment	– 運輸與運輸設備	4,736	64.85	5,111	64.32
– Recreational activities	– 娛樂活動	99	71.92	35	91.59
– Information technology	– 資訊科技	655	2.19	668	3.38
– Others	– 其他	26,228	73.02	20,196	72.96
– Sub-total	– 小計	134,414	73.24	118,269	73.07
Individuals	個人				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	– 購買「居者有其屋計劃」、「私人參建居屋計劃」及「租者置其屋計劃」樓宇的貸款	1,124	100.00	1,048	100.00
– Loans for the purchase of other residential properties	– 購買其他住宅物業的貸款	61,111	100.00	55,292	100.00
– Credit card advances	– 信用卡墊款	4,696	0.00	4,496	0.00
– Others	– 其他	45,968	88.85	39,909	88.91
– Sub-total	– 小計	112,899	91.30	100,745	91.14
Total loans for use in Hong Kong	在香港使用的貸款總額	247,313	81.49	219,014	81.38
Trade finance	貿易融資	3,686	53.24	3,733	56.18
Loans for use outside Hong Kong*	在香港以外使用的貸款*	258,106	41.29	277,884	46.84
Total advances to customers	客戶墊款總額	509,105	60.90	500,631	62.02

* Loans for use outside Hong Kong include the following loans for use in Mainland China.

* 在香港以外使用的貸款包括以下在內地使用的貸款。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2019		2018 (Restated 重報)	
		Gross advances 墊款總額 HK\$ Mn 港幣百萬元	% of gross advances covered by collateral 有抵押墊款 的百分比 % 百分率	Gross advances 墊款總額 HK\$ Mn 港幣百萬元	% of gross advances covered by collateral 有抵押墊款 的百分比 % 百分率
Loans for use in PRC	在內地使用的貸款				
Industrial, commercial and financial	工商金融				
– Property development	– 物業發展	41,117	34.72	45,304	49.98
– Property investment	– 物業投資	16,957	90.50	24,020	95.23
– Financial concerns	– 金融企業	32,658	3.43	30,924	5.70
– Wholesale and retail trade	– 批發與零售業	7,771	46.21	9,057	55.60
– Manufacturing	– 製造業	5,556	13.30	6,673	26.08
– Transport and transport equipment	– 運輸與運輸設備	2,315	73.20	2,911	82.36
– Recreational activities	– 娛樂活動	560	2.89	1,074	78.64
– Information technology	– 資訊科技	1,326	0.90	3,685	0.60
– Others	– 其他	16,341	27.53	19,063	33.89
– Sub-total	– 小計	124,601	33.14	142,711	44.69
Individuals	個人				
– Loans for the purchase of other residential properties	– 購買其他住宅物業的貸款	13,360	99.97	13,879	99.97
– Credit card advances	– 信用卡墊款	8,631	0.00	9,405	0.00
– Others	– 其他	17,838	1.48	17,093	2.19
– Sub-total	– 小計	39,829	34.20	40,377	35.29
Total loans for use in PRC	在內地使用的貸款總額	164,430	33.40	183,088	42.62

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

29. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED) 客戶貸款及墊款(續)

(b) Loans and advances to customers – by industry sectors (continued)

Individually impaired loans, as well as relevant information, in respect of industry sectors which constitute 10% or more of total advances to customers are as follows:

(b) 客戶貸款及墊款—按行業分類(續)

以下按行業分類並佔客戶墊款總額百分之十或以上的墊款中已個別減值的貸款、以及相關資料如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(i) Property development	(i) 物業發展		
a. Individually impaired loans	a. 已個別減值的貸款	1,329	749
b. Specific provisions	b. 特殊準備	257	–
c. Collective provisions	c. 整體準備	139	249
d. New provision charged to income statement	d. 於收益表支銷的準備	1,745	188
e. Written off	e. 撇銷	2,058	50
(ii) Property investment	(ii) 物業投資		
a. Individually impaired loans	a. 已個別減值的貸款	1,076	150
b. Specific provisions	b. 特殊準備	301	94
c. Collective provisions	c. 整體準備	289	314
d. New provision charged to income statement	d. 於收益表支銷的準備	1,327	310
e. Written off	e. 撇銷	1,657	264
(iii) Loans for purchase of residential properties	(iii) 購買其他住宅物業的貸款		
a. Individually impaired loans	a. 已個別減值的貸款	264	278
b. Specific provisions	b. 特殊準備	19	8
c. Collective provisions	c. 整體準備	71	201
d. New provision charged to income statement	d. 於收益表支銷的準備	68	158
e. Written off	e. 撇銷	6	8
(iv) Financial concerns	(iv) 金融企業		
a. Individually impaired loans	a. 已個別減值的貸款	48	–
b. Specific provisions	b. 特殊準備	–	–
c. Collective provisions	c. 整體準備	101	103
d. New provision charged to income statement	d. 於收益表支銷的準備	58	41
e. Written off	e. 撇銷	–	–

The specific provisions represent lifetime expected credit loss provisions for credited impaired exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired exposures.

特殊準備指減值信貸風險在合約期內內的預期信貸損失準備及整體準備指非減值信貸風險在12個月及合約期內內的預期信貸損失準備。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(c) Loans and advances to customers – by geographical areas

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 24 which is prepared in a manner consistent with the way in which information is reported internally to the Group's Senior Management. The specific provisions represent lifetime expected credit loss provisions for credit impaired exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired exposures.

(c) 客戶貸款及墊款 – 按區域分類

根據《銀行業(披露)規則》，客戶墊款總額按國家或區域的分類，是根據交易對手的所在地，並已顧及轉移風險因素。一般而言，有關墊款的債權獲得並非交易對手所在地的國家的一方擔保，或該債權的履行對象是某銀行的海外分行，而該銀行的總辦事處並非設於交易對手的所在地，風險便確認為由一個國家轉移到另一個國家。一方的所在地由其居住地決定，而該居住地是該締約方註冊或登記的法律所規定的經濟領土。此要求與附註24分部報告的分配不同，後者的編製方法與內部匯報資料予集團高層管理人員的方法是一致的。特殊準備指減值信貸風險在合約期內的預期信貸損失準備及整體準備指非減值信貸風險12個月及合約期內的預期信貸損失準備。

		2019				
		Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
		客戶墊款總額	逾期3個月以上的客戶墊款	減值客戶墊款	特殊準備	整體準備
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Hong Kong	香港	252,488	391	716	176	396
Mainland China	內地	186,380	1,603	4,997	2,508	533
Other Asian Countries and Regions	其他亞洲國家及地區	30,255	110	156	68	62
Others	其他	39,982	-	320	-	26
Total	總額	509,105	2,104	6,189	2,752	1,017
% of total advances to customers	佔客戶墊款總額的百分比			1.22%		
Market value of collateral held against impaired advances to customers	減值客戶墊款抵押品市值			4,958		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

29. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED) 客戶貸款及墊款(續)

(c) Loans and advances to customers – by geographical areas (continued) (c) 客戶貸款及墊款 – 按區域分類(續)

		2018				
		Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
		客戶墊款總額	逾期3個月以上的客戶墊款	減值客戶墊款	特殊準備	整體準備
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Hong Kong	香港	225,656	367	559	224	260
Mainland China	內地	203,377	2,405	2,515	776	871
Other Asian Countries and Regions	其他亞洲國家及地區	27,634	121	396	61	117
Others	其他	43,964	–	21	–	38
Total	總額	500,631	2,893	3,491	1,061	1,286
% of total advances to customers	佔客戶墊款總額的百分比			0.70%		
Market value of collateral held against impaired advances to customers	減值客戶墊款抵押品市值			2,414		

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis. The above information by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk.

Collateral includes any tangible security that carries a fair market value and is readily marketable. This includes (but is not limited to) cash and deposits, stocks and bonds, mortgages over properties and charges over other fixed assets such as plant and equipment. Where collateral values are greater than gross loans and advances to customers, only the amount of collateral up to the gross loans and advances is included.

減值貸款及墊款是個別出現客觀減值證據而須個別評估的貸款。以上按國家或區域分類的資料，是根據交易對手的所在地並已顧及轉移風險因素。

抵押品包括任何具公平價值及可隨時出售的有形抵押品。這些抵押品包括(但不限於)現金及存款、股票及債券、物業按揭及其他固定資產如器材及設備之押記。倘抵押品價值高於客戶貸款及墊款總額，則只計入最高達貸款及墊款總額的抵押品金額。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(d) Loans and advances to customers – net investment in finance leases

Loans and advances to customers include net investment in equipment leased under finance leases. The total minimum lease payments receivable under finance leases and their present values at the year end are as follows:

(d) 客戶貸款及墊款－融資租賃的淨投資額

客戶貸款及墊款包括以融資租賃形式租出的設備。根據融資租賃應收的最低租賃付款總額，及其現值如下：

		2019			2018		
		Present value of the minimum lease payments	Interest income relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest income relating to future periods	Total minimum lease payments
		最低租賃付款現值	相關未來利息收入	最低租賃付款總額	最低租賃付款現值	相關未來利息收入	最低租賃付款總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Amounts receivable:	應收賬款：						
Within one year	1年以內	224	70	294	250	73	323
After one year but within two years	1年以後至2年內	196	63	259	207	65	272
After two year but within three years	2年以後至3年內	176	58	234	183	59	242
After three year but within four years	3年以後至4年內	162	53	215	159	55	214
After four years but within five years	4年以後至5年內	159	50	209	150	50	200
After five years	5年以後	2,142	378	2,520	2,109	397	2,506
		3,059	672	3,731	3,058	699	3,757
Less: Impairment allowances	減：減值準備	(8)			(11)		
Net investment in finance leases	融資租賃的淨投資額	3,051			3,047		

The net investment in finance leases is carried on the statement of financial position as loans and advances to customers. No accrual is made for the interest income relating to future periods.

融資租賃的淨投資額被視作客戶貸款及墊款在財務狀況表中列賬，未來期間的利息收入並無計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

30. INVESTMENT SECURITIES 投資證券

		2019				Total 總額 HK\$ Mn 港幣百萬元
		Mandatorily measured at FVTPL 強制按通過 損益以反映 公平價值計量 HK\$ Mn 港幣百萬元	Designated at FVTPL 指定為通過 損益以反映 公平價值 HK\$ Mn 港幣百萬元	Measured at FVOCI 按通過 其他全面 收益以反映 公平價值計量 HK\$ Mn 港幣百萬元	Measured at amortised cost 按攤銷成本 計量 HK\$ Mn 港幣百萬元	
Treasury bills (including Exchange Fund Bills) (Note 48(a))	國庫債券(包括外匯基金票據)(附註48(a))	-	-	35,719	3,008	38,727
Certificates of deposits held (Note 48(a))	持有存款證(附註48(a))	-	-	1,141	1,604	2,745
Debt securities (Note 48(a))	債務證券(附註48(a))	8,095	446	96,268	13,693	118,502
Equity securities	股份證券	1,972	-	1,055	-	3,027
Investment funds	投資基金	513	-	-	-	513
		10,580	446	134,183	18,305	163,514

		2018				Total 總額 HK\$ Mn 港幣百萬元
		Mandatorily measured at FVTPL 強制按通過 損益以反映 公平價值計量 HK\$ Mn 港幣百萬元	Designated at FVTPL 指定為通過 損益以反映 公平價值 HK\$ Mn 港幣百萬元	Measured at FVOCI 按通過 其他全面 收益以反映 公平價值計量 HK\$ Mn 港幣百萬元	Measured at amortised cost 按攤銷成本 計量 HK\$ Mn 港幣百萬元	
Treasury bills (including Exchange Fund Bills) (Note 48(a))	國庫債券(包括外匯基金票據)(附註48(a))	-	-	26,594	1,915	28,509
Certificates of deposits held (Note 48(a))	持有存款證(附註48(a))	-	-	1,191	1,109	2,300
Debt securities (Note 48(a))	債務證券(附註48(a))	10,663	1,630	81,574	15,997	109,864
Equity securities	股份證券	2,513	-	688	-	3,201
Investment funds	投資基金	855	-	-	-	855
		14,031	1,630	110,047	19,021	144,729

Debt securities were designated as at FVTPL on initial recognition when the Group held derivatives for managing specific risk of the debt securities, and the designation therefore eliminated or significantly reduced an accounting mismatch that would otherwise arise.

當本集團持有衍生工具以管理債務證券的特定風險時，該等證券會被指定為通過損益以反映公平價值，而該指定可消除或明顯減少會計錯配的情況。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

Equity securities designated at FVOCI

指定為通過全面收益以反映公平價值的股份證券

	2019		2018	
	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	公平價值	股息收入	公平價值	股息收入
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Equity investments held for long-term strategic purposes	1,055	12	688	23

As at 31st December, 2019, equity securities designated at FVOCI amounting to HK\$1,055 million (2018: HK\$688 million) were held for long term strategic purpose, of which HK\$853 million (2018: HK\$481 million) was attributable to the fair value of the Bank's investment in China UnionPay Co., Ltd. None of these strategic investments was disposed of during 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

於2019年12月31日，持有作長期策略用途之指定為通過全面收益以反映公平價值的股份證券金額為港幣10.55億元(2018年：港幣6.88億元)，其中港幣8.53億元(2018年：港幣4.81億元)為本行於中國銀聯股份有限公司之投資的公平價值。在2019及2018年度內沒有出售該等策略投資，亦沒有將該等投資的累計盈利及虧損於股東權益內轉賬。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

31. INVESTMENTS IN SUBSIDIARIES 附屬公司投資

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary.

Details of these companies are as follows:

以下摘要只包括對本集團的業績、資產或負債有重大影響的附屬公司。此等股份屬普通股股份。

此等公司的詳情如下：

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
Ample Delight Limited 承悅有限公司	Hong Kong 香港	HK\$港幣 450,000,000 元		100%	Investment holding 投資控股
Bank of East Asia (Trustees) Limited 東亞銀行(信託)有限公司	Hong Kong 香港	HK\$港幣 150,000,000 元	100%		Trustee service 信託服務
BEA Life Limited 東亞人壽保險有限公司	Hong Kong 香港	HK\$港幣 500,000,000 元	100%		Life insurance 人壽保險
BEA Union Investment Management Limited 東亞聯豐投資管理有限公司	Hong Kong 香港	HK\$港幣 374,580,000 元	51%		Asset management 資產管理
BEA Union Investment Management (Shenzhen) Limited 東亞聯豐投資管理(深圳)有限公司	PRC 中華人民共和國	US\$2,000,000 美元		51%	Asset management/ Investment management 資產管理/投資管理
Blue Care JV (BVI) Holdings Limited	BVI 英屬處女群島	HK\$港幣 16,000,000 元		80%	Investment holding 投資控股
Blue Cross (Asia-Pacific) Insurance Limited 藍十字(亞太)保險有限公司	Hong Kong 香港	HK\$港幣 625,000,000 元	100%		Insurance 保險

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
Central Town Limited 滙中興業有限公司	Hong Kong 香港	HK\$ 港幣 2 元	100%		Property investment 物業投資
Corona Light Limited	BVI 英屬處女群島	HK\$ 港幣 929,752,849 元		100%	Investment holding 投資控股
Credit Gain Finance Company Limited 領達財務有限公司	Hong Kong 香港	HK\$ 港幣 640,000,000 元	100%		Money lenders 放債人
Crystal Gleaming Limited	BVI 英屬處女群島	HK\$ 港幣 929,752,849 元	100%		Investment holding 投資控股
Dragon Jade Holdings Company Limited 卓領控股有限公司	Hong Kong 香港	HK\$ 港幣 1,127,510,000 元	100%		Investment holding 投資控股
East Asia Digital Information Services (Guangdong) Limited (Note 1) 東亞數據信息服務(廣東)有限公司 (附註1)	PRC 中華人民共和國	US\$3,000,000 美元		100%	Servicing 服務
East Asia Facility Management Limited 東亞設施管理有限公司	Hong Kong 香港	HK\$ 港幣 10,000 元		100%	Facility management 設施管理
*East Asia Holding Company, Inc.	U.S.A. 美國	US\$5 美元	100%		Bank holding company 銀行控股公司
East Asia Indonesian Holdings Limited	Seychelles 塞舌爾	US\$100,000 美元		100%	Investment holding 投資控股
East Asia International Trustees Limited	BVI 英屬處女群島	US\$1,301,000 美元		100%	Trustees service 信託服務

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

31. INVESTMENTS IN SUBSIDIARIES (CONTINUED) 附屬公司投資(續)

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
East Asia Securities Company Limited 東亞證券有限公司	Hong Kong 香港	HK\$港幣25,000,000元	100%		Securities broking 證券買賣
Skyray Holdings Limited	BVI 英屬處女群島	HK\$港幣450,000,000元	100%		Investment holding 投資控股
Speedfull Limited	BVI 英屬處女群島	HK\$港幣450,000,000元		100%	Investment holding 投資控股
The Bank of East Asia (China) Limited (Note 1) 東亞銀行(中國)有限公司(附註1)	PRC 中華人民共和國	CNY人民幣14,160,000,000元	100%		Banking and related financial services 銀行及有關的金融服務

* Companies audited by auditors other than KPMG are with net assets and total income constituting approximately 0.6% and less than 0.1% respectively of the related consolidated totals.

Note:

1. Represents a wholly foreign owned enterprise registered under the PRC laws.

* 非由畢馬威會計師事務所審核的公司，其財務報表之資產淨額及收入總額分別佔相關綜合總額的0.6%及低於0.1%。

附註：

1. 指根據中華人民共和國法例註冊由外資全資擁有之企業。

32. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES 聯營公司及合資企業投資

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Share of net assets	應佔淨資產	9,579	8,743
Goodwill	商譽	788	783
		10,367	9,526
Less: Impairment allowances	減：減值準備	(397)	(397)
		9,970	9,129

Loans to associates amounting to HK\$156 million (2018: HK\$78 million) are included under placements with and advances to banks and other financial institutions.

已包括在在銀行及其他金融機構的存款及墊款的聯營公司貸款為港幣1.56億元(2018年：港幣7,800萬元)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The following list contains only the particulars of principal associates and joint ventures. None are considered individually material to the Group:

以下列載只包括本集團的主要聯營公司及合資企業，而它們個別地對本集團沒有重大影響：

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	% of ordinary shares 普通股 held by		Nature of business 業務性質
		The Bank 銀行 所佔權益	The Group 集團 所佔權益	
Associates 聯營公司				
Listed 上市				
AFFIN Bank Berhad	Malaysia 馬來西亞	23.56%		Banking and related financial business 銀行及有關的金融業務
Unlisted 非上市				
Brilliance-BEA Auto Finance Co., Ltd. 華農東亞汽車金融有限公司	PRC 中華人民共和國		22.5%	Auto finance and other related financial businesses 汽車貸款及其他有關金融業務
Dolford Property Holdings Limited	BVI 英屬處女群島		30%	Investment holding 投資控股
East Asia Qianhai Securities Company Limited 東亞前海證券有限責任公司	PRC 中華人民共和國	49%		Securities business 證券業務
Guotong Trust Co., Ltd 國通信託有限責任公司	PRC 中華人民共和國	19.99%		Trust and other financial businesses 信託及其他金融業務
Industrial and Commercial Bank of China (Canada) 中國工商銀行(加拿大)有限公司	Canada 加拿大	20%		Banking services 銀行服務
Industrial and Commercial Bank of China (USA) N.A. 中國工商銀行(美國)	U.S.A. 美國		20%	Banking services 銀行服務
Million Fortune Development (Shenzhen) Co., Ltd. 寰裕置業(深圳)有限公司	PRC 中華人民共和國		25%	Property development 物業發展
Platinum Holdings Company Limited	Cayman Islands 英屬處女群島	30%		Investment holding 投資控股
PRASAC Microfinance Institution Limited	Cambodia 柬埔寨	21%		Financial services 金融服務

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

32. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

聯營公司及合資企業投資(續)

The fair value of the Group's investment in AFFIN Bank Berhad ("AFFIN") based on the quoted market price had been persistently below the carrying amount for a period of time. As a result, the Group performed an impairment test on the investment using a value-in-use ("VIU") methodology and this demonstrated that the recoverable amount of the investment was higher than the carrying value at 31st December, 2019 and no further impairment charge was recognized in 2019 (2018: impairment charge of HK\$397 million). The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management. Discount rate of 10.27% (2018: 10%) which is based on a Capital Asset Pricing Model calculation for AFFIN is used in the VIU calculation.

本集團投資予AFFIN Bank Berhad (「AFFIN」)按市場報價的公允價值持續低於賬面值一段時間。因此，本集團對此項投資以採用使用價值計算方法進行減值測試，測試顯示此項投資的可收回金額高於2019年12月31日之賬面值，因此毋須在2019年年度再確認減值損失(2018年：減損失港幣3.97億元)。使用價值計算方法採用的折現現金流預測數值，是本集團以AFFIN的最新財務業績預測為依據。在價值計算方法中使用基於AFFIN的資本資產定價模型計算的10.27%(2018年：10%)的折現率。

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Aggregate information of associates and joint ventures that are not individually material	個別不重大聯營公司及合資企業之總和資料				
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	個別不重大聯營公司及合資企業在綜合財務報表之總和賬面值		9,970		9,129
Aggregate amounts of the Group's share of those associates and joint ventures	本集團佔該等聯營公司及合資企業之總和金額				
Profit from continuing operations	源自持續營運溢利		622		566
Post-tax profit or loss from discontinued operations	源自已停止營運之除稅後溢利或虧損		-		-
Other comprehensive income	其他全面收益		64		(352)
Total comprehensive income	全面收益總額		686		214
Reconciliation of carrying amounts to the Group's total interest in the associates and joint ventures	賬面值與本集團於聯營公司及合資企業的權益對賬				
Carrying amount of material associates and joint ventures	重大聯營公司及合資企業之賬面值		-		-
Carrying amount of individually immaterial associates and joint ventures	個別不重大聯營公司及合資企業之賬面值		9,970		9,129
Interest in associates and joint ventures in the consolidated financial statements	在綜合財務報表中聯營公司及合資企業權益		9,970		9,129

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

33. GOODWILL AND INTANGIBLE ASSETS 商譽及無形資產

Goodwill and intangible assets include goodwill arising on business combinations and acquired intangible assets. Acquired intangible assets are amortised over their estimated economic useful life.

商譽及無形資產包括因業務合併產生的商譽及購入無形資產。購入無形資產按其估計經濟使用期攤銷。

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Goodwill	商譽	1,474	1,474
Acquired intangible assets	購入無形資產	452	466
		1,926	1,940

(a) Goodwill

(a) 商譽

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January and 31st December	於1月1日及12月31日	1,474	1,474

Impairment tests for cash-generating units containing goodwill

包含商譽的現金生產單位之減值測試

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segments as follows:

本集團按業務分部分配商譽予可辨識的現金生產單位如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Personal banking	個人銀行	849	849
Corporate banking	企業銀行	453	453
Treasury markets	財資市場	158	158
Others	其他	14	14
		1,474	1,474

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

現金生產單位的可收回金額則根據使用價值計算。計算方法按照管理層已核准的5年財務預算的現金流作估計。超過5年期間的現金流按下述的估計利率作推斷。增長率不可超過該現金生產單位所經營業務的長期平均增長率。

The discount rate used for value-in-use calculations is 7.1% (2018: 7.9%) and the long-term growth rate is 2.4% (2018: 2.6%).

用於計算使用價值的折扣率為7.1% (2018年：7.9%) 及長期增長率為2.4% (2018年：2.6%)。

Management determined the budgeted net profit based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the internal forecasts.

管理層根據過往表現及預計市場發展以釐定預算淨溢利。所採用的加權平均增長率與內部預測是一致的。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

33. GOODWILL AND INTANGIBLE ASSETS (CONTINUED) 商譽及無形資產(續)

(b) Intangible assets (other than goodwill)

Intangible assets consist of building naming rights only. Intangible assets are stated at cost less accumulated amortisation and impairment loss (Note 2(r)).

Amortisation of intangible assets with finite useful lives is charged to the income statement over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available to use and their estimated useful lives are as follows:

Naming rights: Over the shorter of the lease period of building or land

Both the period and method of amortisation are reviewed annually.

(b) 無形資產(商譽除外)

無形資產只包括建築物命名權。無形資產按成本減除累計攤銷及減值損失列賬(附註2(r))。

有限定可用期的無形資產按其估計可用期於收益表內攤銷。以下有限定可用期的無形資產由可供使用日起按以下的估計可用期攤銷：

命名權按建築物或土地兩者較短的租賃期

每年須檢討其期限及攤銷方法。

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Cost	成本				
At 1st January	於1月1日		1,403		1,404
Exchange adjustments	匯兌調整		(1)		(1)
At 31st December	於12月31日		1,402		1,403
Accumulated amortisation	累計攤銷				
At 1st January	於1月1日		(282)		(269)
Amortisation charge for the year (Note 13)	年度內攤銷(附註13)		(14)		(14)
Exchange adjustments	匯兌調整		1		1
At 31st December	於12月31日		(295)		(282)
Impairment allowance	減值準備				
At 1st January	於1月1日		(655)		(650)
Charge for the year	年度內支銷		-		(5)
At 31st December	於12月31日		(655)		(655)
Carrying amount at 31st December	於12月31日賬面值		452		466

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

34. FIXED ASSETS 固定資產

		2019							
		Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets – Bank premises	Right-of-use assets – Furniture, fixtures and equipment	Sub-total	Total
		投資物業 HK\$ Mn 港幣百萬元	行址 HK\$ Mn 港幣百萬元	傢俬、裝修及設備 HK\$ Mn 港幣百萬元	小計 HK\$ Mn 港幣百萬元	使用權資產 – 行址 HK\$ Mn 港幣百萬元	使用權資產 – 傢俬、裝修及設備 HK\$ Mn 港幣百萬元	小計 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元
Cost or valuation	成本或估值								
At 1st January, 2019	於2019年1月1日	5,249	8,237	5,523	13,760	-	-	-	19,009
Impact of adopting HKFRS 16	實施《香港財務報告》第16號的影響	-	-	-	-	1,099	9	1,108	1,108
Restated balance at 1st January, 2019	於2019年1月1日 重報後結餘	5,249	8,237	5,523	13,760	1,099	9	1,108	20,117
Additions	增置	-	43	579	622	374	14	388	1,010
Revaluation deficit	重估虧損	(33)	-	-	-	-	-	-	(33)
Disposals	出售	-	(23)	(115)	(138)	-	-	-	(138)
Revaluation surplus on bank premises upon transfer to investment properties (Note 43(b))	行址重估盈餘轉入投資物業 (附註43(b))	-	99	-	99	-	-	-	99
Transfer from bank premises to investment properties	由行址轉入投資物業	118	(118)	-	(118)	-	-	-	-
Remeasurement	重新計量	-	-	-	-	(3)	-	(3)	(3)
Termination of lease contracts	終止租賃合約	-	-	-	-	(11)	-	(11)	(11)
Less: Elimination of accumulated depreciation on revalued bank premises	減：抵銷行址重估的 累計折舊	-	(8)	-	(8)	-	-	-	(8)
Transfer to asset classified as assets held for sale	轉至分類為持有作 出售資產	-	(6)	-	(6)	-	-	-	(6)
Exchange adjustments	匯兌調整	(1)	(64)	(25)	(89)	(2)	-	(2)	(92)
At 31st December, 2019	於2019年12月31日	5,333	8,160	5,962	14,122	1,457	23	1,480	20,935
Accumulated depreciation and amortisation	累計折舊及攤銷								
At 1st January, 2019	於2019年1月1日	-	1,933	3,911	5,844	-	-	-	5,844
Charge for the year (Note 13)	年度內支銷(附註13)	-	154	376	530	393	4	397	927
Termination of lease contracts	終止租賃合約	-	-	-	-	(3)	-	(3)	(3)
Elimination of accumulated depreciation on revalued bank premises	抵銷行址重估的累計折舊	-	(8)	-	(8)	-	-	-	(8)
Written off on disposal	出售時撇銷	-	(7)	(101)	(108)	-	-	-	(108)
Transfer to asset classified as assets held for sale	轉至分類為持有作 出售資產	-	(2)	-	(2)	-	-	-	(2)
Exchange adjustments	匯兌調整	-	(21)	(20)	(41)	(2)	-	(2)	(43)
At 31st December, 2019	於2019年12月31日	-	2,049	4,166	6,215	388	4	392	6,607
Net book value at 31st December, 2019	賬面淨值 於2019年12月31日	5,333	6,111	1,796	7,907	1,069	19	1,088	14,328
The gross amounts of the above assets are stated:	上述資產的總額列示如下：								
At cost	按成本	-	7,393	5,962	13,355	1,457	23	1,480	14,835
At Directors' valuation – 1989	按董事估值 – 1989年	-	767	-	767	-	-	-	767
At professional valuation – 2019	按專業估值 – 2019年	5,333	-	-	-	-	-	-	5,333
		5,333	8,160	5,962	14,122	1,457	23	1,480	20,935

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

34. FIXED ASSETS (CONTINUED) 固定資產(續)

		Investment properties	Bank premises	2018 Furniture, fixtures and equipment	Sub-total	Total
		投資物業 HK\$ Mn 港幣百萬元	行址 HK\$ Mn 港幣百萬元	傢俬、裝修及設備 HK\$ Mn 港幣百萬元	小計 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元
Cost or valuation	成本或估值					
At 1st January, 2018	於2018年1月1日	5,107	8,193	5,149	13,342	18,449
Additions	增置	7	9	648	657	664
Revaluation surplus	重估盈餘	465	-	-	-	465
Disposals	出售	-	(30)	(179)	(209)	(209)
Revaluation surplus on bank premises transfer to investment properties (Note 43(b))	行址重估盈餘轉入投資物業(附註43(b))	-	8	-	8	8
Transfer from bank premises to investment properties	由行址轉入投資物業	64	(64)	-	(64)	-
Transfer from investment properties to bank premises	由投資物業轉入行址	(394)	394	-	394	-
Less: Elimination of accumulated depreciation on revalued bank premises	減: 抵銷行址重估的累計折舊	-	(1)	-	(1)	(1)
Transfer to asset classified as assets held for sale	轉至分類為持有作出售資產	-	(49)	-	(49)	(49)
Exchange adjustments	匯兌調整	-	(223)	(95)	(318)	(318)
At 31st December, 2018	於2018年12月31日	5,249	8,237	5,523	13,760	19,009
Accumulated depreciation and amortisation	累計折舊及攤銷					
At 1st January, 2018	於2018年1月1日	-	1,874	3,825	5,699	5,699
Charge for the year (Note 13)	年度內支銷(附註13)	-	157	316	473	473
Elimination of accumulated depreciation on revalued bank premises	抵銷行址重估的累計折舊	-	(1)	-	(1)	(1)
Transfer to asset classified as assets held for sale	轉至分類為持有作出售資產	-	(23)	-	(23)	(23)
Written off on disposal	出售時撇銷	-	(14)	(158)	(172)	(172)
Exchange adjustments	匯兌調整	-	(60)	(72)	(132)	(132)
At 31st December, 2018	於2018年12月31日	-	1,933	3,911	5,844	5,844
Net book value at 31st December, 2018	賬面淨值 於2018年12月31日	5,249	6,304	1,612	7,916	13,165
The gross amounts of the above assets are stated:	上述資產的總額列示如下:					
At cost	按成本	-	7,458	5,523	12,981	12,981
At Directors' valuation - 1989	按董事估值-1989年	-	779	-	779	779
At professional valuation - 2018	按專業估值-2018年	5,249	-	-	-	5,249
		5,249	8,237	5,523	13,760	19,009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

物業公平價值之釐定

(i) 公平價值分級

根據《香港財務報告準則》第十三號/釐定公平價值/三級公平價值分級之分類定義，下表列示本集團於報告期末按重覆發生基準以釐定物業之公平價值。分類予每一分級之公平價值釐定取決於以下所採用的估值模式的參數之可觀察性及重要性：

第一級估值：	釐定公平價值只採用第一級參數，即於釐定日在活躍市場相同資產或負債的未經調整報價。
第二級估值：	釐定公平價值採用第二級參數，即不符合第一級的可觀察參數，及未採用重要的非可觀察參數。非可觀察參數是指沒有市場資料之參數。
第三級估值：	釐定公平價值採用重要的非可觀察參數。

		Fair value at 31st December, 2019 於2019年12月31日 之公平價值 HK\$ Mn 港幣百萬元	Fair value measurements as at 31st December, 2019 categorised into 於2019年12月31日釐定公平價值之分類		
			Level 1 第一級 HK\$ Mn 港幣百萬元	Level 2 第二級 HK\$ Mn 港幣百萬元	Level 3 第三級 HK\$ Mn 港幣百萬元
Recurring fair value measurement 重覆發生的公平價值釐定					
Investment properties 投資物業					
Commercial – Hong Kong 商業 – 香港		5,319	–	–	5,319
Commercial – Others 商業 – 其他		14	–	–	14
		5,333	–	–	5,333

		Fair value at 31st December, 2018 於2018年12月31日 之公平價值 HK\$ Mn 港幣百萬元	Fair value measurements as at 31st December, 2018 categorised into 於2018年12月31日釐定公平價值之分類		
			Level 1 第一級 HK\$ Mn 港幣百萬元	Level 2 第二級 HK\$ Mn 港幣百萬元	Level 3 第三級 HK\$ Mn 港幣百萬元
Recurring fair value measurement 重覆發生的公平價值釐定					
Investment properties 投資物業					
Commercial – Hong Kong 商業 – 香港		5,234	–	–	5,234
Commercial – Others 商業 – 其他		15	–	–	15
		5,249	–	–	5,249

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

34. FIXED ASSETS (CONTINUED) 固定資產(續)

Fair value measurement of properties (continued)

During the years ended 31st December, 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued by independent valuers as at 31st December, 2019 and 2018.

Investment properties in Hong Kong were valued at HK\$5,319 million (2018: HK\$5,234 million) as at 31st December, 2019 by an independent valuer, Savills Valuation and Professional Services Limited, Chartered Surveyors, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuation has been incorporated in the financial statements as at 31st December, 2019 and it was performed on an open market value basis. Details of valuation techniques are described below:

(ii) Information about Level 3 fair value measurements

物業公平價值之釐定(續)

截至2019年及2018年12月31日止年度，沒有第一級和第二級兩者之間的轉移，亦未有第三級的轉入或轉出。本集團的政策是只確認於匯報期期末公平價值分級之間發生的轉移。

於2019年及2018年12月31日，所有本集團的投資物業均由獨立估值師估價。

於2019年12月31日，香港投資物業的估值為港幣53.19億元(2018年：港幣52.34億元)。該等物業由獨立估值師一特許測量師第一太平戴維斯，其僱員具香港測量師學會士資歷並對估值物業的所在地及類別有近期經驗。估值是以公開市場價值為基礎，並已計入2019年12月31日之賬項內。估值模式詳述如下：

(ii) 有關第三級釐定公平價值資料

	Valuation techniques 估值模式	Unobservable input 非可觀察輸入參數
Investment properties 投資物業	Income capitalisation approach 收入還原法	Market rental 市場租金 Capitalisation rate 還原率
	Direct comparison approach 直接比較法	Premium (discount) on quality of the buildings 樓宇質素溢價(折扣)

Investment properties not under construction

The fair value of investment properties is determined by adoption of the Income Capitalisation Approach whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the valuation date, which in turn capitalised at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewals of Government lease upon its expiry. The summation of the capitalised value of the term income for the leased portion, the capitalised value of the reversion income as appropriately deferred for the leased portion and the capitalised value for the vacant portion provides the market value of the property.

The market rentals of all lettable units are made (a) by reference to the rentals fetched in the property and/or (b) by reference to the lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factor and the like.

非正在建築中的投資物業

投資物業的公平價值是按採納收入還原法計算，其方法是將現時物業已出租單位之租金收入按其分別未到期租約條款還原，而空置單位則假設於估價日每一單位可按市值租金租出，再根據投資者預期每一類別物業之市場回報來還原。其中已顧及並預期政府之租約於期限屆滿後可續約。出租部分期間收入之還原值、已適當遞延出租部分之歸還收入的還原值及空置部分之還原值之總和計算出物業的市場價值。

所有已租出單位市場租金之計算是(a)參考由物業賺取的租金及/或(b)參考鄰近所租出之類同物業。採納之還原率是參考分析市場出售交易得出之回報及物業投資者對市場的預期。此預期回報已潛在地反映投資的質素、預期未來租金增長和資本增值的潛力、營運成本、風險因素及其他。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

As a supporting approach to the Income Capitalisation Approach, the Direct Comparison Approach is also adopted as a check for the valuation. Comparable sales transactions of similar properties in the locality are collected and analysed each in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the property and comparables in terms of time, location, age, building quality and the like.

The fair value measurement is positively correlated to the market rental and negatively correlated to the capitalisation rate.

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

除收入還原法外，亦採納直接比較法以核實估值。在鄰近可比較類同物業之出售交易會被收集及分析，以計算每一平方呎的價值。已收集之比較資料根據物業及可比較資料的差異，並按時間、位置、樓齡、樓宇質素及其他作調整。

釐定公平價值與市場租金有正面相互關聯及與還原率有負面相互關聯。

期間該等第三級公平價值釐定之餘額變動如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Investment properties – Commercial – Hong Kong			
At 1st January	於1月1日	5,234	5,092
Additions	增置	–	7
Transfer from bank premises to investment properties	由行址轉入投資物業	118	64
Transfer from investment properties to bank premises	由投資物業轉入行址	–	(394)
Revaluation (deficit)/surplus	重估(虧損)/盈餘	(33)	465
At 31st December	於12月31日	5,319	5,234
Investment properties – Commercial – Others			
At 1st January	於1月1日	15	15
Revaluation surplus	重估盈餘	–	–
Exchange adjustments	匯兌調整	(1)	–
At 31st December	於12月31日	14	15

Fair value adjustment of investment properties is recognised in the line item “valuation (losses)/gains on investment properties” on the face of the consolidated income statement.

All the gains recognised in the income statement for the year arise from the properties held at the end of the reporting period.

投資物業的公平價值調整在綜合收益表上之「重估投資物業(虧損)/盈利」項下確認。

所有確認於年度收益表之盈利均源自於報告期結束日持有之物業。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

34. FIXED ASSETS (CONTINUED) 固定資產(續)

Fair value measurement of properties (continued)

The net book value of bank premises and investment properties comprises:

物業公平價值之釐定(續)

行址及投資物業的賬面淨值包括：

		2019		2018	
		Investment properties 投資物業 HK\$ Mn 港幣百萬元	Bank premises 行址 HK\$ Mn 港幣百萬元	Investment properties 投資物業 HK\$ Mn 港幣百萬元	Bank premises 行址 HK\$ Mn 港幣百萬元
Freeholds	永久業權				
Held outside Hong Kong	在香港以外地區	14	618	15	619
Leaseholds	租借地				
Held in Hong Kong	在香港				
On long lease (over 50 years)	長期租約(50年以上)	4,585	1,612	4,618	1,665
On medium-term lease (10 – 50 years)	中期租約(10至50年)	734	1,153	616	1,168
Held outside Hong Kong	在香港以外地區				
On long lease (over 50 years)	長期租約(50年以上)	–	13	–	14
On medium-term lease (10 – 50 years)	中期租約(10至50年)	–	2,692	–	2,807
On short-term lease (below 10 years)	短期租約(10年以下)	–	23	–	31
		5,333	6,111	5,249	6,304

The Group leases out investment properties under operating leases. The leases typically run for an initial period from 1 to 10 years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

Rental income receivable from investment properties held for use under operating leases amounted to HK\$175 million in 2019 (2018: HK\$178 million). There was no contingent rental recognised during the year 2019 (2018: Nil).

The total future minimum lease payments of bank premises and investment properties held for use under non-cancellable operating leases are receivable as follows:

集團以經營租賃形式租出投資物業。租賃年期通常由1年至10年，到期日後可再續約但其他條款須另議。所有租約並不包括或有租金。

於年內，以經營租賃形式租出的投資物業之應收租金為港幣1.75億元(2018年：港幣1.78億元)。2019年年度內未有確認或有租金(2018年：無)。

以不可撤銷經營租賃作出租的行址及投資物業的未來最低應收租付款總額如下：

		2019		2018	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Within one year	1年以內	130		158	
After one year but within two years	1年以後至2年內	46		99	
After two years but within three years	2年以後至3年內	14		21	
After three years but within four years	3年以後至4年內	1		1	
After four years but within five years	4年以後至5年內	–		–	
After five years	5年以後	–		–	
		191		279	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

35. OTHER ASSETS 其他資產

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Accrued interest	應計利息	3,034	3,466
Customer liabilities under acceptances	承兌客戶負債	21,513	21,747
Other accounts*	其他賬項*	11,318	9,294
Less: Impairment allowances (Note 45(a)(x))	減: 減值準備(附註45(a)(x))	(195)	(291)
– Stage 1	– 第一階段	(44)	(27)
– Stage 2	– 第二階段	(7)	(6)
– Stage 3	– 第三階段	(144)	(258)
		35,670	34,216
Assets held for sale (Note 56)	持有作出售資產(附註56)	39	688
		35,709	34,904

* Include nil contract assets (2018: nil) from contracts with customers under HKFRS 15.

* 包括由《香港財務報告準則》第15號所產生的合約資產為無(2018年: 無)。

36. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS 指定為通過損益以反映公平價值的金融負債

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	3,182	1,335
Certificates of deposits issued	已發行存款證	27,401	9,462
Debt securities issued	已發行債務證券	–	407
		30,583	11,204

Financial liabilities above have been designated as at FVTPL when the Group holds related derivatives at FVTPL, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise.

當本集團持有指定為通過損益以反映公平價值的相關衍生工具，以上金融負債被指定為通過損益以反映公平價值，而該指定可消除或明顯減少會計錯配的情況。

The amount of change, during the period and cumulatively, in the fair value of financial liabilities designated at FVTPL that is attributable to changes in the credit risk of these liabilities and recognised in other comprehensive income is set out below.

在期內及累計結餘，下表列示指定為通過損益以反映公平價值的金融負債的公平價值變動及在其他全面收益表內確認的金額，而該變動是歸屬於該等負債的信貸風險。

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Balance at 1st January	於1月1日結餘	(3)	(6)
Recognised in other comprehensive income during the year	年內在其他全面收益表內確認的金額	(4)	3
Balance at 31st December	於12月31日結餘	(7)	(3)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

36. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

(CONTINUED)

指定為通過損益以反映公平價值的金融負債(續)

There was no transfer of cumulative gain or loss within equity due to de-recognition of liabilities designated at FVTPL during the year (2018: Nil).

The change in fair value attributable to changes in credit risk on financial liabilities is calculated using the difference between the fair value of the financial liabilities at the reporting date and the present value computed with adjusted asset swap spread.

The carrying amount of financial liabilities designated as at FVTPL was HK\$164 million lower than the contractual amount due at maturity (2018: HK\$57 million lower).

年度內(2018年:無)並未有指定為通過損益以反映公平價值的負債被終止確認,亦未有將其累計盈利或虧損在股東權益內轉賬。

計算可歸屬於金融負債信貸風險的公平價值變動是採用近期發行相同債務的可觀察信用利差,然後根據集團實體稍後所發行高級債務的信用違約掉期之可觀察利差變動作調整。

於2019年,指定為通過損益以反映公平價值金融負債的賬面值較其到期日之合約金額低於港幣1.64億元(2018年:低於港幣5,700萬元)。

37. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION 財務狀況表內的所得稅

(a) Current taxation in the statement of financial position represents:

(a) 資產負債表內的本期稅項為:

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Provision for Hong Kong profits tax for the year	本年度香港利得稅準備	1,024		829	
Provisional profits tax paid	已付暫繳利得稅	(22)		(652)	
		1,002		177	
Balance of profits tax provision relating to prior years	以往年度利得稅準備餘額	945		915	
Taxation outside Hong Kong	在香港以外稅項	156		345	
		2,103		1,437	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

(b) 遞延稅項資產及負債確認

確認於綜合財務狀況表中遞延稅項(資產)/負債的組成部分及年內之變動如下:

		2019						
Deferred tax arising from:		Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of financial assets at FVOCI	Tax losses	Others	Total
遞延稅項源自:		超過有關折舊的折舊免稅額	物業重估	金融資產的減值損失	通過其他全面收益以反映公平價值金融資產重估	稅損	其他	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
At 1st January, 2019	於2019年1月1日	289	113	(675)	74	-	201	2
Charged/(credited) to income statement (Note 18(a))	收益表內支銷/(存入) (附註18(a))	38	-	(570)	-	(338)	(293)	(1,163)
(Credited)/charged to reserves (Notes 43(b) and (g))	儲備內(存入)/支銷 (附註43(b)及(g))	-	(2)	-	132	-	-	130
Exchange and other adjustments	匯兌及其他調整	(1)	-	18	-	4	31	52
At 31st December, 2019	於2019年12月31日	326	111	(1,227)	206	(334)	(61)	(979)

		2018						
Deferred tax arising from:		Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of financial assets at FVOCI	Tax losses	Others	Total
遞延稅項源自:		超過有關折舊的折舊免稅額	物業重估	金融資產的減值損失	通過其他全面收益以反映公平價值金融資產重估	稅損	其他	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
At 1st January, 2018	於2018年1月1日	218	100	(569)	136	-	64	(51)
Impact of adopting HKFRS 9	因採納《香港財務報告準則》第9號之影響	-	-	68	8	-	-	76
Restated balance at 1st January, 2018	於2018年1月1日 已重報後的結餘	218	100	(501)	144	-	64	25
Charged/(credited) to income statement (Note 18(a))	收益表內支銷/(存入) (附註18(a))	71	-	(196)	(9)	-	149	15
Charged/(credited) to reserves (Notes 43(b) and (g))	儲備內支銷/(存入) (附註43(b)及(g))	-	13	-	(64)	-	-	(51)
Exchange and other adjustments	匯兌及其他調整	-	-	22	3	-	(12)	13
At 31st December, 2018	於2018年12月31日	289	113	(675)	74	-	201	2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

37. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

財務狀況表內的所得稅(續)

(b) Deferred tax assets and liabilities recognised (continued)

(b) 遞延稅項資產及負債確認(續)

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net deferred tax assets recognised on the statement of financial position	確認於財務狀況表的遞延稅項資產淨額	(1,563)	(481)
Net deferred tax liabilities recognised on the statement of financial position	確認於財務狀況表的遞延稅項負債淨額	584	483
		(979)	2

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$107 million (2018: HK\$102 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Under the current tax legislation, the expiry dates of the tax losses were as follows:

(c) 未確認遞延稅項資產

由於可能未來沒有適用於有關稅務機關及實體的應課稅溢利以彌補有關虧損，本集團並未確認累計稅損港幣1.07億元(2018年：港幣1.02億元)為遞延稅項資產。根據現時稅務條例，該等稅損的到期日如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Expiring within 5 years	於五年內到期	10	3
No expiry date	無到期日	97	99
		107	102

38. OTHER LIABILITIES 其他負債

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Other liabilities	其他負債		
Accrued interest payable	應計應付利息	3,585	3,279
Acceptance draft payable	應付承兌票據	21,513	21,747
Impairment allowances (Note 45(a)(x))	減值準備(附註45(a)(x))	82	111
– Financial guarantee contracts issued	– 已發出財務擔保合約	8	15
– Loan commitments issued	– 已發出貸款承擔	74	96
Liabilities held for sale (Note 56)	持有作出售負債(附註56)	–	7
Lease Liabilities	租賃負債	1,107	–
Other accounts*	其他賬項*	30,012	26,300
		56,299	51,444

* Include contract liabilities of HK\$616 million (2018: HK\$633 million) from contracts with customers under HKFRS 15.

* 包括由《香港財務報告準則》第15號所產生的合約負債港幣6.16億元(2018年：港幣6.33億元)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

39. LOAN CAPITAL 借貸資本

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Subordinated notes, at amortised cost with fair value hedge adjustments	按攤銷成本及經公平價值對沖調整後列賬的後償票據				
USD600 million fixed rate subordinated notes due 16th July, 2020	(1) 在2020年7月16日到期的定息6億美元後償票據 (1)	4,699		4,710	
USD500 million fixed rate subordinated notes due 20th November, 2024	(2) 在2024年11月20日到期的定息5億美元後償票據 (2)	-		3,878	
USD500 million fixed rate subordinated notes due 3rd November, 2026	(3) 在2026年11月3日到期的定息5億美元後償票據 (3)	3,864		3,770	
Subordinated notes at amortised cost	按攤銷成本列賬的後償票據				
RMB1,500 million fixed rate subordinated notes due 25th April, 2029	(4) 在2029年4月25日到期的定息人民幣15億元後償票據 (4)	1,675		-	
		10,238		12,358	

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the years ended 31st December, 2019 and 2018.

- (1) Two tranches of loan capital of face value totalling HK\$4,672 million (USD600 million) and carrying amount totalling HK\$4,699 million (2018: HK\$4,710 million) were issued on 16th July, 2010 (USD450 million) and on 23rd July, 2010 (USD150 million) by the Bank. These subordinated notes carrying a coupon rate of 6.125% qualifying as Tier 2 capital are listed on the Singapore Stock Exchange and will mature on 16th July, 2020. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$5 million loss was recorded in 2019 (2018: HK\$4 million loss).
- (2) Loan capital of face value of HK\$3,916 million (USD500 million) and carrying amount of HK\$3,878 million as at 31st December, 2018 represent 4.25% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 20th November, 2014 by the Bank. The Bank has fully redeemed the subordinated notes on 20th November, 2019.
- (3) Loan capital of face value of HK\$3,894 million (USD500 million) and carrying amount of HK\$3,864 million (2018: HK\$3,770 million) represents 4% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 3rd November, 2016 by the Bank. The notes are listed on the Hong Kong Stock Exchange and will mature on 3rd November, 2026. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$0.3 million loss was recorded in 2019 (2018: HK\$1 million loss).
- (4) Loan capital of face value of HK\$1,677 million (RMB1,500 million) and carrying amount of HK\$1,675 million represents 4.94% subordinated notes issued on 25th April, 2019 by the Bank's subsidiary, The Bank of East Asia (China) Limited. The notes will mature on 25th April, 2029.

截至2019及2018年12月31日止年度內本集團對其所發行之債務證券的本金和利息並無違約或不履行。

- (1) 兩宗票面值總額港幣46.72億元(6億美元)及賬面值總額港幣46.99億元(2018年:港幣47.10億元)的借貸資本,是指由本行於2010年7月16日(4.5億美元)及於2010年7月23日(1.5億美元)發行年息6.125%,並評定為二級資本的後償票據。該票據於新加坡交易所上市,並將於2020年7月16日到期。在2019年,因採用公平價值對沖會計法而錄得的無效對沖部分虧損為港幣500萬元(2018年:港幣400萬元虧損)。
- (2) 票面值港幣39.16億元(5億美元)及賬面值港幣38.78億元的借貸資本,是指由本行於2014年11月20日發行年息4.25%,並於2018年12月31日評定為二級資本的後償票據(按歐洲形式中期票據計劃發行)。本行於2019年11月20日全數贖回該等後償票據。
- (3) 票面值港幣38.94億元(5億美元)及賬面值港幣38.64億元(2018年:港幣37.70億元)的借貸資本,是指由本行於2016年11月3日發行年息4%,並評定為二級資本的後償票據(按歐洲形式中期票據計劃發行)。該等票據於聯交所上市,並將於2026年11月3日到期。在2019年,因採用公平價值對沖會計法而錄得的無效對沖部分虧損港幣30萬元(2018年:港幣100萬元虧損)。
- (4) 票面值港幣16.77億元(人民幣15億元)及賬面值港幣16.75億元的借貸資本,是指由本行附屬公司東亞中國於2019年4月25日發行年息4.94%。該等票據將於2029年4月25日到期。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

40. EQUITY SETTLED SHARE-BASED TRANSACTIONS 以股份為基礎作支付的交易

The Bank has adopted Staff Share Option Schemes whereby the Board of the Bank may at its discretion grant to any employees, including Executive Director(s) and Co-Chief Executive, of the Group options to subscribe for ordinary shares of the Bank. Except as provided otherwise in the rules of the relevant Scheme(s), share options granted under the 2011 Scheme and 2016 Scheme may be exercised beginning on the Vesting Date and ending on the fifth anniversary of the Vesting Date. All options were granted for nil consideration.

本行所採納的僱員認股計劃是董事會可酌情授出認股權予本集團之任何僱員，包括執行董事及聯席行政總裁，以認購本行普通股股份。除有關計劃的規則另有規定外，根據2011年及2016年僱員認股計劃所授予的認股權的行使期限為歸屬日開始至歸屬日的第5周年止。所有認股權均以不計價款形式發出。

(a) Particulars of share options:

(i) Share options granted in years 2011 to 2018:

(a) 認股權詳情：

(i) 在2011年至2018年所授予的認股權：

Date of grant 授予日期	Tranche 部分	Vesting period 有效期	Exercise period 行使期	Exercise price per share 每股行使價 HK\$港幣元
05/5/2011	T3	05/5/2011-04/5/2014	05/5/2014-05/5/2019	32.00
10/5/2012	T2	10/5/2012-09/5/2014	10/5/2014-10/5/2019	28.99
10/5/2012	T3	10/5/2012-09/5/2015	10/5/2015-10/5/2020	28.99
03/5/2013	T1	03/5/2013-02/5/2014	03/5/2014-03/5/2019	31.40
03/5/2013	T2	03/5/2013-02/5/2015	03/5/2015-03/5/2020	31.40
03/5/2013	T3	03/5/2013-02/5/2016	03/5/2016-03/5/2021	31.40
02/5/2014	T1	02/5/2014-01/5/2015	02/5/2015-02/5/2020	32.50
02/5/2014	T2	02/5/2014-01/5/2016	02/5/2016-02/5/2021	32.50
02/5/2014	T3	02/5/2014-01/5/2017	02/5/2017-02/5/2022	32.50
04/5/2015	T1	04/5/2015-03/5/2016	04/5/2016-04/5/2021	34.15
04/5/2015	T2	04/5/2015-03/5/2017	04/5/2017-04/5/2022	34.15
04/5/2015	T3	04/5/2015-03/5/2018	04/5/2018-04/5/2023	34.15
08/4/2016	T1	08/4/2016-07/4/2017	08/4/2017-08/4/2022	28.45
08/4/2016	T2	08/4/2016-07/4/2018	08/4/2018-08/4/2023	28.45
08/4/2016	T3	08/4/2016-07/4/2019	08/4/2019-08/4/2024	28.45
07/4/2017	T1	07/4/2017-06/4/2018	07/4/2018-07/4/2023	32.25
07/4/2017	T2	07/4/2017-06/4/2019	07/4/2019-07/4/2024	32.25
07/4/2017	T3	07/4/2017-06/4/2020	07/4/2020-07/4/2025	32.25
10/4/2018	T1	10/4/2018-09/4/2019	10/4/2019-10/4/2024	32.25
10/4/2018	T2	10/4/2018-09/4/2020	10/4/2020-10/4/2025	32.25
10/4/2018	T3	10/4/2018-09/4/2021	10/4/2021-10/4/2026	32.25

(ii) Share options granted in year 2019:

(ii) 在2019年所授予的認股權：

Date of grant 授予日期	Tranche 部分	Vesting period 有效期	Exercise period 行使期	Exercise price per share 每股行使價 HK\$港幣元
19/7/2019	T1	19/7/2019-18/7/2020	19/7/2020-19/7/2025	22.45
19/7/2019	T2	19/7/2019-18/7/2021	19/7/2021-19/7/2026	22.45
19/7/2019	T3	19/7/2019-18/7/2022	19/7/2022-19/7/2027	22.45

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) The number and weighted average exercise prices of share options are as follows:

(b) 已行使認股權的數目及加權平均行使價如下：

		2019		2018	
		Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
		加權平均 行使價	認股權 數目	加權平均 行使價	認股權 數目
		HK\$港幣元	Mn百萬	HK\$港幣元	Mn百萬
Outstanding at the beginning of the year	年初結餘	31.78	38	31.64	34
Exercised during the year	年度內行使	-	-	31.17	(2)
Granted during the year	年度內授予	22.45	6	32.25	6
Lapsed during the year	年度內失效	31.02	(4)	31.73	-
Outstanding at the end of the year	年末結餘	30.49	40	31.78	38
Exercisable at the end of the year	年末可供行使	31.78	28	31.85	25

There were no share options exercised during the year and the weighted average share price at the date of exercise for the year 2018 was HK\$34.16.

年度內並無認股權被行使及於2018年度內行使認股權當日的加權平均股價為港幣34.16元。

The options outstanding at 31st December, 2019 had an exercise price from HK\$22.45 to HK\$34.15 (2018: from HK\$28.45 to HK\$34.15) and a weighted average remaining contractual life of 3.60 years (2018: 3.69 years).

於2019年12月31日，尚未行使認股權的行使價由港幣22.45元至港幣34.15元(2018年：由港幣28.45元至港幣34.15元)，及剩餘合約年期之加權平均數為3.60年(2018年：3.69年)。

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a trinomial lattice model. The contractual life of the option is used as an input into this model.

(c) 認股權的公平價值及假設

獲得服務以換取認股權的公平價值按授予認股權的公平價值計量。授予認股權之估計公平價值按三項式期權定價模式。認股權的合約年期為該定價模式的參數。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

40. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED) 以股份為基礎作支付的交易(續)

(c) Fair value of share options and assumptions (continued)

(c) 認股權的公平價值及假設(續)

		2019	2018
Fair value at measurement date	於計量日的公平價值		
– Tranche 1	部分1	HK\$ 港幣2.85元	HK\$ 港幣4.96元
– Tranche 2	部分2	HK\$ 港幣2.80元	HK\$ 港幣5.17元
– Tranche 3	部分3	HK\$ 港幣2.65元	HK\$ 港幣5.32元
Share price at measurement date	於計量日的股價	HK\$ 港幣22.45元	HK\$ 港幣32.25元
Exercise price	行使價	HK\$ 港幣22.45元	HK\$ 港幣32.25元
Expected volatility	預計波幅	24.00%	19.45%
Option life	認股權年期		
– Tranche 1	部分1	6 years 年	6 years 年
– Tranche 2	部分2	7 years 年	7 years 年
– Tranche 3	部分3	8 years 年	8 years 年
Expected dividends	預計股息	8.95%–10.10%	3.71%–5.15%
Risk-free interest rate (based on Hong Kong Government Bonds)	無風險利率(根據香港政府債券)	1.34%	1.71%

The expected volatility is based on the historic volatility and the expected dividends are based on historical dividends prior to grant date. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

預計波幅是根據過往之波幅及按在發行日前過往股息的預計股息。主觀輸入假設的變動可能重大影響公平價值的估計。

認股權的授予須符合服務條件。該服務條件並未納入計算於授予日獲得服務的公平價值。授予認股權與市場情況並無關係。

41. SHARE CAPITAL 股本

		2019		2018	
		No. of shares		No. of shares	
		股份數目	股份數目	股份數目	股份數目
		Mn 百萬	HK\$ Mn 港幣百萬元	Mn 百萬	HK\$ Mn 港幣百萬元
Ordinary shares, issued and fully paid:	已發行及繳足普通股:				
At 1st January	於1月1日	2,846	39,925	2,765	37,527
Shares issued under Staff Share Option Schemes	根據僱員認股計劃發行的股份	–	–	3	73
Transfer of the fair value of options from capital reserve – share options issued (Note 43(f))	認股權的公平價值轉自資本儲備 – 已發行認股權(附註43(f))	–	–	–	12
Shares issued in lieu of dividend	以股代息發行的股份	61	1,454	78	2,313
At 31st December	於12月31日	2,907	41,379	2,846	39,925

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Pursuant to the approved Staff Share Option Schemes (the "Schemes"), options to purchase ordinary shares in the Bank were granted to eligible employees. Except as provided otherwise in the rules of the relevant Scheme(s), share options granted under 2011 and 2016 Scheme will be exercisable during the period beginning on the Vesting Date and ending on the fifth anniversary of the Vesting Date.

Shares issued under Staff Share Option Schemes

No options were exercised during 2019. In 2018, options were exercised to subscribe for 3 million ordinary shares in the Bank at a consideration of HK\$73 million which was credited to share capital account. HK\$12 million has been transferred from the capital reserve to the share capital account in accordance with policy set out in Note 2(y)(iv).

根據已核准的僱員認股權計劃(「計劃」)，認股權授予合格僱員以認購本行的普通股股份。除在有關計劃的規則另有規定外，根據2011年及2016年僱員認股計劃所授予的認股權的行使期限則由歸屬日開始至歸屬日的第5周年止。

根據僱員認股權計劃發行的股份

2019年度內並無認股權被行使。於2018年，已行使認股權以認購本行普通股300萬股之代價為港幣7,300萬元，並已存入股本。根據會計政策附註2(y)(iv)所載，已由資本儲備轉撥港幣1,200萬元往股本內。

42. ADDITIONAL EQUITY INSTRUMENTS 額外股本工具

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Additional Tier 1 Capital Securities	額外一級資本工具				
USD650 million undated non-cumulative subordinated capital securities (1)	6.50億美元無到期日非累積後償資本證券 (1)	5,016		5,016	
USD500 million undated non-cumulative subordinated capital securities (2)	5億美元無到期日非累積後償資本證券 (2)	3,878		3,878	
USD650 million undated non-cumulative subordinated capital securities (3)	6.50億美元無到期日非累積後償資本證券 (3)	5,069		-	
		13,963		8,894	

(1) On 2nd December, 2015, the Bank issued undated non-cumulative subordinated capital securities with a face value of US\$650 million (equivalent to HK\$5,016 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.50% coupon until the first call date on 2nd December, 2020. 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 3.834% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up.

The first scheduled coupon payment date was 2nd June, 2016 and 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.

(1) 於2015年12月2日，本行發行面值6.5億美元(扣除有關發行成本後等值港幣50.16億元)無到期日非累積後償資本工具「額外一級資本工具」。該額外一級資本工具是無到期日及附帶5.50%息率，直至2020年12月2日的第一次收回日。如該額外一級資本工具並非按相等於當時五年期美國庫券息率加年息3.834%之固定利率贖回，息率將會按每五年重新釐定。本行可自行決定是否取消支付利息。如出現一項無法經營事件並將會持續，該額外一級資本工具將會被撇銷。該額外一級資本工具在發生清盤事件時比普通股有優先權。

第一次預定利息支付日為2016年6月2日，而利息將按每半年支付。本行有權取消支付利息(但須受該額外一級資本工具已列載之條款及細則所規限)及已取消之利息是不可累積的。除非下次預定利息經已支付，本行是禁止宣布派發股息予普通股股東。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

42. ADDITIONAL EQUITY INSTRUMENTS (CONTINUED) 額外股本工具(續)

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

The Bank has a call option to redeem all the outstanding capital securities from 2nd December, 2020 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

- (2) On 18th May, 2017, the Bank issued undated non-cumulative subordinated capital securities with a face value of US\$500 million (equivalent to HK\$3,878 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.625% coupon until the first call date on 18th May, 2022. 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 3.682% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up.

The first scheduled coupon payment date was 18th November, 2017 and the coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

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

The Bank has a call option to redeem all the outstanding capital securities from 18th May, 2022 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

如金管局通知本行並認為本行如不撇銷本金將無法繼續經營，該額外一級資本工具之本金將會按與經金管局協商後或接受其指令下撇銷。

由2020年12月2日起或以後任何利息支付日，本行可行使購入權以贖回所有現存的資本工具，但須受已列載之條款及細則所規限。

- (2) 於2017年5月18日，本行發行面值5億美元(扣除有關發行成本後等值港幣38.78億元)無到期日非累積後償資本工具「額外一級資本工具」。該額外一級資本工具是無到期日及附帶5.625%息率，直至2022年5月18日的第一次收回日。如該額外一級資本工具並非按相等於當時五年期美國庫券息率加年息3.682%之固定利率贖回，息率將會按每五年重新釐定。本行可自行決定是否取消支付利息。如出現一項無法經營事件並將會持續，該額外一級資本工具將會被撇銷。該額外一級資本工具在發生清盤事件時比普通股有優先權。

第一次預定利息支付日為2017年11月18日，而利息將按每半年支付。本行有權取消支付利息(但須受該額外一級資本工具已列載之條款及細則所規限)及已取消之利息是不可累積的。除非下次預定利息經已支付，本行是禁止宣布派發股息予普通股股東。

如金管局通知本行並認為本行如不撇銷本金將無法繼續經營，該額外一級資本工具之本金將會按與經金管局協商後或接受其指令下撇銷。

由2022年5月18日起或以後任何利息支付日，本行可行使購入權以贖回所有現存的資本工具，但須受已列載之條款及細則所規限。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(3) On 19th September, 2019, the Bank issued undated non-cumulative subordinated capital securities with a face value of US\$650 million (equivalent to HK\$5,069 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.875% coupon until the first call date on 19th September, 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 4.257% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up.

The first scheduled coupon payment date was 19th March, 2020 and the coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

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

The Bank has a call option to redeem all the outstanding capital securities from 19th September, 2024 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

(3) 於2019年9月19日，本行發行面值6.5億美元(扣除有關發行成本後等值港幣50.69億元)無到期日非累積後償資本證券。該額外一級資本證券是無到期日及附帶5.875%息率，直至2024年9月19日的第一次收回日。如該額外一級資本證券並非按相等於當時五年期美國庫券息率加年息4.257%之固定利率贖回，息率將會按每五年重新釐定。本行可自行決定是否取消支付利息。如出現一項無法經營事件並將會持續，該額外一級資本證券將會被撤銷。該額外一級資本證券在發生清盤事件時比普通股有優先權。

第一次既定派息日為2020年3月19日，每半年派發一次。本行可自行決定是否取消支付利息(受限於發行額外一級資本證券所載規則及條款的要求)及利息是不可累計。但是，除非下次利息按既定日支付，本行不能宣佈派發股息予普通股股東。

如金管局認為及通知本行如不撤銷額外一級資本證券之本金將無法經營，本行將按金管局的指示或與金管局共同協商後得出之金額，本行須將該金額從額外一級資本證券之本金中撤銷。

由2024年9月19日或往後任何利息支付日，本行可行使贖回權以贖回所有資本證券之結餘，但受限於所訂立的規則及條款。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

43. RESERVES 儲備

		The Group 集團		The Bank 銀行	
		2019	2018	2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(a)	General reserve (a) 一般儲備				
	At 1st January 於1月1日	14,054	14,060	13,460	13,460
	Transferred from property revaluation reserve on disposals 出售後轉自物業重估儲備	5	–	5	–
	Transfer to retained profits 撥入留存溢利	(408)	(6)	–	–
	At 31st December 於12月31日	13,651	14,054	13,465	13,460
(b)	Revaluation reserve on bank premises (b) 行址重估儲備				
	At 1st January 於1月1日	1,752	1,757	1,761	1,746
	Recognition of deferred tax assets/(liabilities) (Note 37(b)) 確認遞延稅項資產/(負債) (附註37(b))	2	(13)	2	(13)
	Transferred to general reserve on disposals 出售後轉入一般儲備	(5)	–	(5)	–
	Revaluation surplus on bank premises transferred to investment properties (Note 34) 行址重估盈餘轉入投資物業 (附註34)	99	8	99	28
	At 31st December 於12月31日	1,848	1,752	1,857	1,761
(c)	Statutory reserves (c) 法定儲備				
	At 1st January 於1月1日	4,965	4,891	–	–
	Transfer from retained profits 撥自留存溢利	282	74	–	–
	At 31st December 於12月31日	5,247	4,965	–	–
(d)	Capital reserve (d) 資本儲備				
	At 1st January 於1月1日	933	230	–	–
	Transfer from retained profits 撥自留存溢利	157	703	–	–
	At 31st December 於12月31日	1,090	933	–	–
(e)	Exchange revaluation reserve (e) 匯兌重估儲備				
	At 1st January 於1月1日	(1,426)	487	(3)	127
	Exchange adjustments 匯兌調整	(203)	(1,913)	46	(130)
	At 31st December 於12月31日	(1,629)	(1,426)	43	(3)
(f)	Capital reserve – staff share options issued (f) 資本儲備 – 已發行僱員認股權				
	At 1st January 於1月1日	158	135	158	135
	Transfer of the fair value of options to share capital 認股權公平價值撥入股本	–	(12)	–	(12)
	Forfeited options transferred to retained profits 已註銷認股權轉入留存溢利	(18)	–	(18)	–
	Additions 增加	23	35	23	35
	At 31st December 於12月31日	163	158	163	158

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

		The Group 集團		The Bank 銀行	
		2019	2018	2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(g)	Fair value reserve (g) 公平價值儲備				
	At 1st January 於1月1日	664	1,454	605	1,126
	Impact of adopting HKFRS 9 因採納《香港財務報告準則》第9號之影響	-	(162)	-	(85)
	Restated balance at 1st January 於1月1日已重報後的結餘	664	1,292	605	1,041
	Changes in fair value of securities 證券的公平價值變動	2,091	(636)	1,119	(549)
	Reversal upon disposal (Notes 15) 於出售時轉回(附註15)	(285)	(52)	4	(20)
	Recognition of deferred tax assets/(liabilities) (Note 37(b)) 確認遞延稅項資產/(負債)(附註37(b))	(132)	64	(121)	137
	Amortisation 攤銷	(7)	(4)	(7)	(4)
	At 31st December 於12月31日	2,331	664	1,600	605
(h)	Hedging reserve (h) 對沖儲備				
	At 1st January 於1月1日	15	11	-	-
	Changes in fair value of hedging instruments 對沖工具的公平價值變動	(5)	(1)	-	-
	Fair value change reclassified (to)/from income statement (轉入)/轉自收益表的公平價值變動	(9)	5	-	-
	At 31st December 於12月31日	1	15	-	-
(i)	Liability credit reserve (i) 負債信貸儲備				
	At 1st January 於1月1日	(3)	-	(50)	-
	Impact of adopting HKFRS 9 因採納《香港財務報告準則》第9號之影響	-	(6)	-	(134)
	Restated balance at 1st January 於1月1日已重報後的結餘	(3)	(6)	(50)	(134)
	Changes in fair value arising from changes in own credit risk 自身信貸變動產生的公平價值變動	(4)	3	43	84
	At 31st December 於12月31日	(7)	(3)	(7)	(50)
(j)	Other reserves (j) 其他儲備				
	At 1st January 於1月1日	(2)	40	-	-
	Share of changes in equity of associates and joint ventures 應佔聯營公司及合資企業權益的變動	102	(42)	-	-
	At 31st December 於12月31日	100	(2)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

43. RESERVES (CONTINUED) 儲備(續)

		The Group 集團		The Bank 銀行	
		2019	2018	2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(k) Retained profits	(k) 留存溢利				
At 1st January	於1月1日	30,791	28,890	18,934	17,227
Impact of adopting HKFRS 9	因採納《香港財務報告準則》第9號之影響	-	(32)	-	(337)
Restated balance at 1st January	於1月1日已重報後的結餘	30,791	28,858	18,934	16,890
Net profit for the year	年度內溢利	3,260	6,509	6,120	5,637
Transfer from general reserve	撥自一般儲備	408	6	-	-
Transfer to capital reserve	撥入資本儲備	(157)	(703)	-	-
Transfer from capital reserve	撥自資本儲備				
- staff share options issued	- 已發行僱員認股權	18	-	18	-
Transfer to statutory reserve	撥入法定儲備	(282)	(74)	-	-
Dividends (Note 20)	股息(附註20)				
- Interim dividend	- 中期股息	(319)	(1,432)	(319)	(1,432)
- Second interim dividend in respect of prior years	- 上年度第二次中期股息	(910)	(1,660)	(910)	(1,660)
- Special dividend in respect of prior years	- 上年度特別股息	(996)	-	(996)	-
- Hybrid Tier 1 capital instruments	- 混合一級資本工具	(179)	(212)	-	-
- Additional Tier 1 capital instruments	- 額外一級資本工具	(501)	(501)	(501)	(501)
At 31st December	於12月31日	31,133	30,791	22,346	18,934
(l) Total reserves	(l) 儲備總額	53,928	51,901	39,467	34,865

General reserve was set up from the transfer of retained earnings and the realised revaluation surplus on disposal of properties.

Revaluation reserve on bank premises and exchange revaluation reserve have been set up and are dealt with in accordance with the accounting policies adopted for the revaluation of bank premises and foreign currency translation.

Statutory reserves are set up to satisfy the statutory requirements of certain overseas subsidiaries and associates mainly for the purpose of covering unidentified potential losses on risk assets in addition to those recognised under the prevailing accounting requirements in their jurisdictions.

一般儲備的建立，包括來自留存溢利及出售物業時的已實現重估盈餘。

行址及匯兌重估儲備的建立及處理是根據重估行址和外幣折算所採用的會計政策。

法定儲備是用作滿足若干海外附屬公司及聯營公司之法定要求，主要用途為除按當地現行會計要求下已確認而需額外涵蓋風險資產的不可辨別之可能損失。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Capital reserve represents the capitalisation of subsidiaries', associates' and joint ventures' reserves.

Capital reserve – staff share options issued comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Bank recognised in accordance with the accounting policy adopted for share based payment in Note 2(y)(iv).

Fair value reserve comprises the cumulative net change in the fair value of FVOCI securities held until the securities are derecognised and is dealt with in accordance with the accounting policies in Notes 2(h).

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at FVTPL that are attributable to changes in the credit risk of these liabilities other than those recognised in profit or loss.

Other reserves represent share of changes in equity of associates in respect of investment revaluation reserve and revaluation reserve of bank premises.

A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 31st December, 2019, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$5,162 million (2018: HK\$5,112 million).

At 31st December, 2019 the aggregate amount of reserves available for distribution to equity holders of the Bank was HK\$28,003 million (2018: HK\$23,946 million). After the end of the reporting period the directors declared a second interim dividend of HK\$0.35 per ordinary share (2018: second interim dividend of HK\$0.32 per share and a special dividend of HK\$0.35 per share), amounting to HK\$1,017 million (2018: second interim dividend of HK\$910 million and a special dividend of HK\$996 million). The dividend has not been recognised as a liability at the end of the reporting period.

資本儲備指附屬公司、聯營公司及合資企業投資儲備的資本化發行。

資本儲備(已發行僱員認股權)包括根據已採納有關附註2(y)(iv)所載以股份為基礎作支付的會計政策確認授予本行僱員之實際或估計未行使認股權數目的公平價值。

公平價值儲備包括持有通過全面收益以反映公平價值證券直至證券被終止確認的累計公平價值變動淨額，有關處理的會計政策已詳載於附註2(h)。

對沖儲備包括用作現金流對沖工具的有關對沖交易之累計公平價值變動淨額的有效部分。

負債信貸儲備包括指定通過損益以反映公平價值金融負債的累計公平價值變動，而有關於該等負債引致的信貸風險變動並非在收益表內確認。

其他儲備包括應佔聯營公司權益之投資重估儲備及重估行址儲備的變動。

為符合《銀行業條例》有關審慎監管的規定，本行需在規管儲備中維持超過已確認減值損失的可能貸款及投資減值損失金額。經諮詢金管局後，儲備的變動已直接在留存溢利內劃定。於2019年12月31日，該要求的影響是要限制本行可派發予本集團股東的儲備，金額為港幣51.62億元(2018年：港幣51.12億元)。

於2019年12月31日，可派發予本行股東的儲備總額為港幣280.03億元(2018年：港幣239.46億元)。在報告期結束後董事宣布派發第二次中期股息每股普通股港幣0.35元(2018年：第二次中期股息每股港幣0.32元及特別股息每股普通股港幣0.35元)，總額達港幣10.17億元(2018年：第二次中期股息港幣9.10億元及特別股息總額為港幣9.96億元)。於報告期結束日並未確認該等股息為負債。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. NON-CONTROLLING INTERESTS 非控股權益

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January	於1月1日	2,855	2,838
– final dividend in respect of previous year	– 上年度末期股息	(52)	(53)
– interim dividend in respect of current year	– 本年度中期股息	–	–
Decrease in non-controlling interests arising from capital reduction of a subsidiary	– 附屬公司減本而導致非控股權益減少	–	(35)
Change of ownership in subsidiaries	附屬公司之擁有權變動	3	55
Redemption of Hybrid Tier 1 capital instruments	贖回混合一級資本工具	(2,495)	–
Other comprehensive income	其他全面收益	(19)	5
Profit for the year	年度內溢利	76	45
At 31st December	於12月31日	368	2,855

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT 主要風險管理

This section presents information on the Group's management of principal risks.

The Group has established a risk governance and management framework in line with the requirements set out by the HKMA and other regulators. This framework is built around a structure that enables the Board and Senior Management to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. These responsibilities include defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring, and remedy of risks.

The RIC stands at the highest level of the Group's risk governance structure under the Board. It consists of five INEDs (including the Chairman of the Committee) and two NEDs. The RIC provides direct oversight over the formulation of the Group's risk appetite, and sets the levels of risk that the Group is willing to undertake with reference to its financial capacity, strategic direction, prevailing market conditions, and regulatory requirements.

The RIC also ensures that the Group's risk appetite is reflected in the policies and procedures that Senior Management adopt to execute their business functions. Through the Group's management committees, including Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee – and with overall co-ordination by the Risk Management Division – the RIC regularly reviews the Group's risk management framework and ensures that all important risk-related tasks are performed according to established policies and with appropriate resources.

The Crisis Management Committee and Risk Management Committee comprise the Senior Management and the Group Chief Risk Officer.

The Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee comprise the Senior Management, the Group Chief Risk Officer and where appropriate senior executives from the relevant areas.

The Group has implemented an ERM framework. The ERM framework is promulgated with the objectives of identifying and managing potential risks in a holistic and effective manner, fulfilling the HKMA's higher expectations with regard to the risk management of the Group as a Domestic Systemically Important Bank, and reinforcing the "Three Lines of Defence" risk management model.

本部分載述有關本集團主要風險管理的資料。

根據香港金融管理局及其他監管機構的規定，本集團已建立風險管治及管理架構。該架構的組成讓董事會及高層管理人員能夠以適當授權和制衡方式履行其與風險管理相關的職責。此等職責包括根據本集團的業務策略及目標設定風險偏好、制定風險政策以管理上述策略的執行，並設立風險審批、控制、監控及補救的程序及限制。

風險委員會為本集團僅次於董事會的最高風險管治機構，成員包括五名獨立非執行董事（包括委員會主席）及兩名非執行董事。風險委員會直接監督本集團風險偏好的制定，並因應本集團的財務能力、策略性指引、當前市場情況及監管要求設定可承擔的風險水平。

風險委員會亦確保本集團的風險偏好獲反映於政策及程序上，讓高層管理人員加以採用，以行使其業務職能。透過本集團的各個管理委員會，包括危機管理委員會、風險管理委員會、信貸委員會、資產負債管理委員會及營運風險管理委員會，並在風險管理處的整體協調下，風險委員會定期檢討本集團的風險管理架構，確保所有與風險相關的重要任務是根據現有政策及運用適當資源執行。

危機管理委員會及風險管理委員會由高層管理人員和集團風險總監組成。

信貸委員會、資產負債管理委員會及營運風險管理委員會由高層管理人員、集團風險總監及（在適當情況下）其他有關方面的高級行政人員組成。

本集團已推行企業風險管理架構。此企業風險管理架構旨在全面有效地識別及管理潛在風險、實踐金管局對本集團作為一間具本地系統重要性銀行在風險管理方面的更高期望，以及鞏固「三道防線」風險管理模式。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

The Group has adopted the “Three Lines of Defence” risk management structure to ensure that roles and responsibilities in regard to risk management within the Group are clearly defined. The “Three Lines of Defence” model is summarised as follows:

- The first line of defence comprises the Risk Owners, who are heads of business units or support units of the Bank Group, together with staff under their management. They are primarily responsible for the day-to-day risk management of their units, including establishing and executing specific risk control mechanisms and detailed procedures.
- The second line of defence consists of the Risk Controllers who are designated staff responsible for setting out a risk management governance framework, monitoring risks independently and supporting the management committees in their oversight of risk management for the Bank Group.
- The third line of defence is the Internal Audit Division, which is responsible for providing assurance as to the effectiveness of the Group’s risk management framework, including risk governance arrangements.

The Group Chief Risk Officer co-ordinates all risk management-related matters of the Group, works closely with the Risk Controllers on the formulation of risk management policies and exercises risk oversight at the Group level through a functional working relationship with all Risk Controllers and Risk Owners.

The Group faces a variety of risks that could affect its franchise, operations, and financial conditions. Under the ERM framework, the principal risks comprise credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, strategic risk, legal risk, compliance risk, technology risk, business continuity risk, and new product and business risk.

The Group has formulated policies to identify, measure, monitor, control, and report on the various types of risk and, where appropriate, to allocate adequate capital to cover those risks. The Group’s major risk management policies and control limits are approved by the Board and are reviewed and enhanced on a regular basis to cater for market changes, statutory requirements, and best practice in risk management processes. The Board has delegated the responsibility for ongoing risk management to the RIC and the management committees. Significant risk management-related issues must be reported to the Board, which oversees risk management. Moreover, on a daily basis, the Group Chief Risk Officer is responsible for overseeing the Group’s risk management issues, which include, but are not limited to, the risk management infrastructure, strategies, appetites, culture, and resources.

為確保風險管理於本集團內有關的角色與責任能明確分工，本集團已採納「三道防線」風險管理框架。「三道防線」模式概述如下：

- 第一道防線為「風險負責人」，由本銀行集團各業務或後勤單位主管，連同其屬下職員組成，主要負責其業務單位的日常風險管理，包括特定風險管理機制及具體程序的設立及執行。
- 第二道防線為「風險監控人」，由指定的員工組成。風險監控人負責制定風險管理管治架構、獨立監控風險及輔助各管理委員會對本銀行集團風險管理的監督。
- 第三道防線為稽核處。稽核處負責為本集團風險管理架構(包括風險管治安排)的有效性提供保證。

集團風險總監協調本集團所有風險管理相關事務，與各風險監控人就風險管理政策的制定緊密協作，並透過與所有風險監控人及風險負責人的職能工作關係，在集團層面監督風險。

本集團面臨可能影響其品牌、營運及財務狀況的各類風險。在企業風險管理架構下，主要風險包括信貸風險、利率風險、市場風險、流動性風險、營運風險、信譽風險、策略性風險、法律風險、合規風險、科技風險、持續業務運作風險及新產品及業務風險。

本集團已制定政策，以識別、衡量、監察、控制及匯報各類風險，並於適當的情況下調配資本以抵禦該等風險。本集團的主要風險管理政策及控制限額由董事會批准，並定期予以檢討及改善，以配合市場轉變、法定要求，以及達致風險管理程序的最佳做法。董事會已將持續管理風險的責任授予風險委員會及有關的管理委員會。與重要風險管理相關的事項須上報至監督風險管理的董事會。此外，集團風險總監的日常職責為監督集團風險管理相關事項，包括但不限於風險管理基礎架構及策略、風險偏好、風險管治文化及有關資源。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Stress testing is an integral part of the Group's risk management. The Group regularly performs stress tests on the principal risks, where appropriate, to assess the potential impact of stressed business conditions (including hypothetical situations such as a significant economic downturn in Mainland China and Hong Kong) on the Group's financial positions, in particular, capital adequacy, profitability, and liquidity. Whenever necessary, a prompt management response will be developed and executed to mitigate potential impacts.

(a) Credit risk management

Credit risk is the risk of loss arising from a borrower or counterparty failing to meet its obligations.

The Credit Committee is responsible for managing all credit risk-related issues of the Group, while the Credit Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to credit risk. The Group identifies and manages credit risk by defining the target market segment, formulating appropriate credit policies, carrying out credit assessment and monitoring of asset quality. Credit risk control limits are set for different levels. Risk, return, and market situation are considered when setting all limits. Active limit monitoring is undertaken.

In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collateral from the customer or counterparty.

The Group has established policies, procedures, and rating systems to identify, measure, monitor, control, and report on credit risk. In this connection, guidelines for management of credit risk have been laid down in the Group's Credit Risk Management Manual. These guidelines stipulate delegated lending authorities, credit underwriting criteria, credit monitoring processes, an internal rating structure, credit recovery procedures and a provisioning policy. They are reviewed and enhanced on an ongoing basis to cater for market changes, statutory requirements, and best practice in risk management processes.

壓力測試為本集團風險管理的重要部分。本集團定期對相關的主要風險進行壓力測試，評估受壓營商環境(包括內地及香港出現嚴重經濟下滑等假設情景)對本集團的財務狀況，尤其是資本充足、盈利能力及流動性可能產生的影響。有需要時，管理層亦會果斷制定並執行應對措施以減低潛在影響。

(a) 信貸風險管理

信貸風險是指因借款人或交易對手未能履行其責任而導致損失的風險。

信貸委員會負責管理所有與本集團信貸風險有關的事項，而本集團風險管理處轄下的信貸風險管理部則負責監察與信貸風險有關的活動。本集團透過設定目標市場、制定適當的信貸政策、進行信貸評核，以及監控資產素質，來識別和管理信貸風險。信貸風險控制限額設有不同層次。釐定所有限額時會考慮風險、回報及市場情況，並且採用積極限額監控程序。

在評估與個別客戶或交易對手相關的信貸風險時，其財政實力以及還款能力是主要的考慮因素。此外，客戶或交易對手所提供的抵押品亦有助減低信貸風險。

本集團已制定多項政策、程序及評級系統，以識別、衡量、監察、控制及匯報信貸風險。在此方面，本集團已將信貸風險管理指引詳列於集團的信貸風險管理手冊內，對信貸權限授權、授信標準、信貸監控程序、內部評級架構、信貸追收程序及撥備政策訂下規定。本集團持續檢討和改善該等指引，以配合市場轉變及有關法定要求，及達致風險管理程序的最佳做法。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

The Group's credit risk management for the major types of credit risk is depicted as follows:

(i) Corporate and bank credit risk

The Group has laid down policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate and bank customers, the Group has different internal rating systems that are applied to each counterparty. For exposure classified as Specialised Lending in particular, supervisory slotting criteria are adopted. To monitor credit concentration risk, the Group has preset limits for exposures to individual industries and for borrowers and groups of borrowers. The Group also has a review process to ensure that the level of review and approval is proper and will depend on the size of the facility and rating of the credit.

The Group undertakes on-going credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The overall portfolio risk as well as individual impaired loans and potential impaired loans are monitored on a regular basis.

(ii) Retail credit risk

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous and small value transactions in each retail loan category. The design of internal rating system and formulation of credit policies are primarily based on the demographic factors and the loss experience of the loan portfolios. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

(iii) Credit risk of treasury transactions

The credit risk of the Group's treasury transactions is managed in the same way as the Group manages its corporate and bank credit risk. The Group applies an internal rating system to its counterparties and sets individual counterparty limits.

(iv) Credit-related commitment

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans.

(a) 信貸風險管理(續)

本集團就下列各類主要信貸風險實行信貸風險管理：

(i) 企業及銀行信貸風險

本集團已制訂多項政策及程序，以評估特定交易對手或交易的潛在信貸風險，以及決定批核有關交易與否。就企業及銀行客戶而言，本集團已制定適用於所有交易對手的內部評級系統。專門性借貸的風險承擔則採用監管分類準則。為監控信貸集中的風險，本集團已就個別行業及不同的借款人和借款人團體預設風險承擔限額。本集團亦已釐定檢討程序，確保按照貸款的規模和信貸評級，為貸款進行適當的檢討和審批。

本集團持續進行多個層次的信貸分析和監控。有關政策旨在盡早發現需要特別監控的交易對手、行業或產品的風險承擔。交易組合的整體風險和個別減值貸款及潛在減值貸款，均定期予以監控。

(ii) 零售信貸風險

本集團的零售信貸政策和審批程序是因應各類零售貸款中均有大量類似的小額交易而制定的。在設計內部評級系統和制訂信貸政策時，本集團的主要考慮因素包括人口結構因素和有關貸款組合過往的損失。本集團監控本身和行業狀況以釐定和定期修訂產品條款和目標客戶組合。

(iii) 財資交易的信貸風險

本集團採用企業及銀行信貸風險的管理方法，管理本集團財資交易的信貸風險，包括引用內部評級系統處理交易對手及設定個別交易對手的風險限額。

(iv) 與信貸有關的承諾

與信貸有關的承諾和或有事項的風險，本質上與提供貸款予客戶時的信貸風險相同。因此，有關交易必須符合客戶申請貸款時所要達到的信貸申請、組合保存和抵押要求。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(v) Master netting arrangements

To mitigate credit risks, the Group enters into master netting arrangements with same counterparties. Netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Except for the event of default, all outstanding transactions with the counterparty are settled on a gross basis and generally do not result in offsetting the assets and liabilities in the statement of financial position.

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

(v) 淨額結算總安排

本集團與其相同對手簽訂淨額結算總安排以減低信貸風險。若發生違約事件，根據淨額結算協議，所有與該對手之交易會終止及所有結餘金額以淨額結算。除發生違約事件外，所有與對手之交易會以總額結算及在財務狀況表中的資產和負債通常不會互相抵銷。

下表列示受抵銷、具法律效力之淨額結算總安排及相近協議約束的金融工具詳情。

		2019				
		Gross amounts of recognised financial liabilities set	Net amounts of financial assets presented			
		Gross amounts of recognised financial assets	off in the consolidated statement of financial position	in the consolidated statement of financial position	Related financial instruments that are not set off	Net amount
		已確認金融 資產總額 HK\$ Mn 港幣百萬元	於綜合財務 狀況表中 抵銷之 已確認金融 負債總額 HK\$ Mn 港幣百萬元	於綜合財務 狀況表中 列示的金融 資產淨額 HK\$ Mn 港幣百萬元	未有於 相關金融 工具中抵銷 之金額 HK\$ Mn 港幣百萬元	淨額 HK\$ Mn 港幣百萬元
Assets	資產					
Derivative assets	衍生工具資產	35	-	35	(19)	16
Other assets	其他資產	854	(422)	432	-	432
Total	總額	889	(422)	467	(19)	448

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(v) Master netting arrangements (continued)

(a) 信貸風險管理(續)

(v) 淨額結算總安排(續)

		2019				
		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related financial instruments that are not set off	Net amount
		已確認金融負債總額	已確認金融資產總額	於綜合財務狀況表中列示的金融負債淨額	未有於相關金融工具中抵銷之金額	淨額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Liabilities	負債					
Derivative liabilities	衍生工具負債	23	-	23	(19)	4
Other liabilities	其他負債	422	(422)	-	-	-
Total	總額	445	(422)	23	(19)	4

		2018				
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related financial instruments that are not set off	Net amount
		已確認金融資產總額	已確認金融負債總額	於綜合財務狀況表中列示的金融資產淨額	未有於相關金融工具中抵銷之金額	淨額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Assets	資產					
Derivative assets	衍生工具資產	20	-	20	(19)	1
Other assets	其他資產	441	(423)	18	-	18
Total	總額	461	(423)	38	(19)	19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2018				
		Gross amounts of recognised financial assets set	Gross amounts of recognised financial liabilities	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related financial instruments that are not set off	Net amount
		off in the consolidated statement of financial position	Gross amounts of recognised financial liabilities	in the consolidated statement of financial position	in the consolidated statement of financial position	in the consolidated statement of financial position
		已確認金融 負債總額	已確認金融 負債總額	於綜合財務 狀況表中 抵銷之 已確認金融 資產總額	於綜合財務 狀況表中 列示的金融 負債淨額	未有於 相關金融 工具中抵銷 之金額
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Liabilities	負債					
Derivative liabilities	衍生工具負債	48	–	48	(19)	29
Other liabilities	其他負債	423	(423)	–	–	–
Total	總額	471	(423)	48	(19)	29

The tables below reconcile the “net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position”, as set out above, to the derivative assets, other assets, derivative liabilities and other liabilities presented in the consolidated statement of financial position.

下表即上述在「綜合財務狀況表列賬的金融資產及金融負債淨額」與在綜合財務狀況表列賬的衍生工具資產、其他資產、衍生工具負債及其他負債之對賬。

		2019		2018	
		Derivative assets 衍生工具資產	Other assets 其他資產	Derivative assets 衍生工具資產	Other assets 其他資產
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net amount of financial assets after offsetting as stated above	如上述抵銷後的金融資產淨額	35	432	20	18
Financial assets not in scope of offsetting disclosure	不在披露範疇的金融資產	5,658	35,472	10,191	35,177
Impairment allowances	減值準備	–	(195)	–	(291)
		5,693	35,709	10,211	34,904

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(v) Master netting arrangements (continued)

		2019		2018	
		Derivative liabilities	Other liabilities	Derivative liabilities	Other liabilities
		衍生工具負債	其他負債	衍生工具負債	其他負債
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net amount of financial liabilities after offsetting as stated above	如上述抵銷後的金融負債淨額	23	-	48	-
Financial liabilities not in scope of offsetting disclosure	不在披露範疇的金融負債	7,631	56,299	9,448	51,444
		7,654	56,299	9,496	51,444

(vi) Concentrations of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's credit portfolio is diversified along geographic, industry and product sectors. For analysis of loans and advances to customers by industry sectors and geographical areas, please refer to Notes 29(b) and 29(c) respectively.

The Group monitors its credit concentration risk by adopting appropriate risk control measures, such as setting limits on exposures to different industries and loan portfolios.

(a) 信貸風險管理(續)

(v) 淨額結算總安排(續)

(vi) 信貸集中的風險

信貸集中的風險源於交易對手團體受到地區、經濟或行業因素的影響，而該等團體的整體信貸風險承擔對本集團的總體風險承擔至關重要。本集團的信貸組合分散覆蓋不同地區、行業和產品。有關按行業分類及區域分類的客戶貸款及墊款，請分別參閱附註29(b)及29(c)。

本集團一直採用適當的風險控制措施，例如就不同行業和貸款組合釐定限額，以監控信貸集中的風險。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(vii) Maximum exposure

The maximum exposure to credit risk at the end of the reporting period without taking into consideration of any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

(vii) 最高風險

於報告期結束日並未計算任何抵押品或其他信貸提升的最高信貸風險，即指每一項已減除任何減值準備的金融資產在財務狀況表的賬面值。最高風險摘要如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	50,297	46,822
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款	62,280	60,373
Trade bills	貿易票據	12,081	14,646
Trading assets	交易用途資產	90	2,131
Derivative assets	衍生工具資產	5,693	10,211
Loans and advances to customers	客戶貸款及墊款	505,336	498,284
Investment securities	投資證券	159,974	140,673
Other assets	其他資產	35,461	34,617
Financial guarantees and other credit related contingent liabilities	財務擔保及其他與信貸有關的或然負債	14,913	18,509
Loan commitments and other credit related commitments	貸款承擔及其他與信貸有關的承擔	185,601	177,710
		1,031,726	1,003,976

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(viii) Credit quality analysis

Credit quality of loans and advances

The following table sets out information about the credit quality of loans and advances to customers. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

(a) 信貸風險管理(續)

(viii) 信貸質素分析

貸款及墊款的信貸質素

下表載列貸款及墊款的信貸質素分析。除特別指明者外，表格內的金額為賬面總額。

		2019							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		12個月內之預期信貸損失		非信貸不良的合約期內之預期信貸損失		信貸不良的合約期內之預期信貸損失		總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
		本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Loans and advances to customers at amortised cost	按攤銷成本的客戶貸款及墊款								
- Grades 1-15: Pass	- 1-15級:合格	477,603	998	14,257	58	-	-	491,860	1,056
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	-	11,056	52	-	-	11,056	52
- Grade 18: Substandard	- 18級:次級	-	-	-	-	4,757	46	4,757	46
- Grade 19: Doubtful	- 19級:呆滯	-	-	-	-	1,314	99	1,314	99
- Grade 20: Loss	- 20級:虧損	-	-	-	-	118	5	118	5
Total gross carrying amount	賬面值總額	477,603	998	25,313	110	6,189	150	509,105	1,258
Impairment allowances	減值準備	(501)	(1)	(516)	(2)	(2,752)	(32)	(3,769)	(35)
Carrying amount	賬面值	477,102	997	24,797	108	3,437	118	505,336	1,223

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2018							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		12個月內之預期信貸損失		非信貸不良的合約期內 之預期信貸損失		信貸不良的合約期內 之預期信貸損失		總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息		
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		
港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元		
Loans and advances to customers at amortised cost	按攤銷成本的客戶貸款 及墊款								
- Grades 1-15: Pass	- 1-15級:合格	465,980	1,124	25,413	100	-	-	491,393	1,224
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	-	5,747	29	-	-	5,747	29
- Grade 18: Substandard	- 18級:次級	-	-	-	-	1,226	17	1,226	17
- Grade 19: Doubtful	- 19級:呆滯	-	-	-	-	1,718	109	1,718	109
- Grade 20: Loss	- 20級:虧損	-	-	-	-	547	187	547	187
Total gross carrying amount	賬面值總額	465,980	1,124	31,160	129	3,491	313	500,631	1,566
Impairment allowances	減值準備	(431)	(1)	(855)	(4)	(1,061)	(191)	(2,347)	(196)
Carrying amount	賬面值	465,549	1,123	30,305	125	2,430	122	498,284	1,370

Credit quality of financial assets other than loans and advances

The following tables set out the credit analysis for debt instruments other than loans and advances to customers, measured at amortised cost and FVOCI. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts/fair value. For loan commitment and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

除貸款及墊款外的金融資產的信貸質素下表載列除貸款及墊款外並按攤銷成本及通過其他全面收益以反映公平價值計量的債務工具的信貸分析。除特別指明者外，就金融資產而言，表格內的金額為賬面總額／公平價值。就貸款承擔及財務擔保合約而言，表格內的金額分別為所承擔或擔保的金額。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(viii) Credit quality analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

(a) 信貸風險管理(續)

(viii) 信貸質素分析(續)

除貸款及墊款外的金融資產的信貸質素(續)

		2019							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		12個月內之預期信貸損失		非信貸不良的合約期內之預期信貸損失		信貸不良的合約期內之預期信貸損失		總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
		本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Trade bills at amortised cost	按攤銷成本的貿易票據								
- Grades 1-15: Pass	- 1-15級:合格	620	4	-	-	-	-	620	4
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	-	-	-	-	-	-	-
- Grade 18: Substandard	- 18級:次級	-	-	-	-	-	-	-	-
- Grade 19: Doubtful	- 19級:呆滯	-	-	-	-	-	-	-	-
- Grade 20: Loss	- 20級:虧損	-	-	-	-	-	-	-	-
Total gross carrying amount	賬面總額	620	4	-	-	-	-	620	4
Impairment allowances	減值準備	-	-	-	-	-	-	-	-
Carrying amount	賬面值	620	4	-	-	-	-	620	4

		2018							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		12個月內之預期信貸損失		非信貸不良的合約期內之預期信貸損失		信貸不良的合約期內之預期信貸損失		總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
		本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Trade bills at amortised cost	按攤銷成本的貿易票據								
- Grades 1-15: Pass	- 1-15級:合格	2,816	45	69	-	-	-	2,885	45
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	-	-	-	-	-	-	-
- Grade 18: Substandard	- 18級:次級	-	-	-	-	-	-	-	-
- Grade 19: Doubtful	- 19級:呆滯	-	-	-	-	1	-	1	-
- Grade 20: Loss	- 20級:虧損	-	-	-	-	-	-	-	-
Total gross carrying amount	賬面總額	2,816	45	69	-	1	-	2,886	45
Impairment allowances	減值準備	(3)	-	-	-	(1)	-	(4)	-
Carrying amount	賬面值	2,813	45	69	-	-	-	2,882	45

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

		2019							
		12-month ECL 12個月內之預期信貸損失		Lifetime ECL not credit-impaired 非信貸不良的合約期內 之預期信貸損失		Lifetime ECL credit-impaired 信貸不良的合約期內 之預期信貸損失		Total 總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal 本金	interest 應計利息	Principal 本金	interest 應計利息	Principal 本金	interest 應計利息	Principal 本金	interest 應計利息
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Trade bills at FVOCI	按透過其他全面收益 以反映公平價值的 貿易票據								
- Grades 1-15: Pass	- 1-15級:合格	10,927	1	534	-	-	-	11,461	1
Total carrying amount at fair value	賬面值總額-按公平價值	10,927	1	534	-	-	-	11,461	1
Impairment allowances	減值準備	(3)	-	(1)	-	-	-	(4)	-

		2018							
		12-month ECL 12個月內之預期信貸損失		Lifetime ECL not credit-impaired 非信貸不良的合約期內 之預期信貸損失		Lifetime ECL credit-impaired 信貸不良的合約期內 之預期信貸損失		Total 總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal 本金	interest 應計利息	Principal 本金	interest 應計利息	Principal 本金	interest 應計利息	Principal 本金	interest 應計利息
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Trade bills at FVOCI	按透過其他全面收益 以反映公平價值的 貿易票據								
- Grades 1-15: Pass	- 1-15級:合格	11,541	2	223	-	-	-	11,764	2
Total carrying amount at fair value	賬面值總額-按公平價值	11,541	2	223	-	-	-	11,764	2
Impairment allowances	減值準備	(5)	-	-	-	-	-	(5)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(viii) Credit quality analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

(a) 信貸風險管理(續)

(viii) 信貸質素分析(續)

除貸款及墊款外的金融資產的信貸質素(續)

		2019							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		12個月內之預期信貸損失		非信貸不良的合約期內之預期信貸損失		信貸不良的合約期內之預期信貸損失		總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
		本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款								
- Grades 1-15: Pass	- 1-15級:合格	62,285	88	-	-	-	-	62,285	88
Total gross carrying amount	賬面值總額	62,285	88	-	-	-	-	62,285	88
Impairment allowances	減值準備	(5)	-	-	-	-	-	(5)	-
Carrying amount	賬面值	62,280	88	-	-	-	-	62,280	88

		2018							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		12個月內之預期信貸損失		非信貸不良的合約期內之預期信貸損失		信貸不良的合約期內之預期信貸損失		總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
		本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款								
- Grades 1-15: Pass	- 1-15級:合格	60,224	127	159	-	-	-	60,383	127
Total gross carrying amount	賬面值總額	60,224	127	159	-	-	-	60,383	127
Impairment allowances	減值準備	(10)	-	-	-	-	-	(10)	-
Carrying amount	賬面值	60,214	127	159	-	-	-	60,373	127

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

		2019			Total 總額 HK\$ Mn 港幣百萬元
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
		12個月內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	
Loan commitments	貸款承擔				
- Grades 1-15: Pass	- 1-15級:合格	33,883	1,040	-	34,923
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	8	-	8
- Grade 18: Substandard	- 18級:次級	-	-	5	5
Total	總額	33,883	1,048	5	34,936
Impairment allowances	減值準備	(51)	(23)	-	(74)
Financial guarantee contracts	財務擔保合約				
- Grades 1-15: Pass	- 1-15級:合格	13,552	822	-	14,374
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	45	-	45
Total	總額	13,552	867	-	14,419
Impairment allowances	減值準備	(5)	(3)	-	(8)
		2018			
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		12個月內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	總額
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Loan commitments	貸款承擔				
- Grades 1-15: Pass	- 1-15級:合格	111,004	5,822	-	116,826
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	58	-	58
Total	總額	111,004	5,880	-	116,884
Impairment allowances	減值準備	(56)	(40)	-	(96)
Financial guarantee contracts	財務擔保合約				
- Grades 1-15: Pass	- 1-15級:合格	25,136	2,101	-	27,237
- Grades 16-17: Special Mention	- 16-17級:需要關注	-	7	-	7
Total	總額	25,136	2,108	-	27,244
Impairment allowances	減值準備	(10)	(5)	-	(15)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(viii) Credit quality analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

Credit risk of treasury transactions is managed in the same way as the Group manage its corporate and bank lending risk and risk gradings are applied to the counterparties with individual counterparty limits set.

At the end of the reporting period, the credit quality of investment in debt securities analysed by designation of external credit assessment institution, Moody's Investor Services, or equivalent, is as follows:

(a) 信貸風險管理(續)

(viii) 信貸質素分析(續)

除貸款及墊款外的金融資產的信貸質素(續)

資金交易的信貸風險管理方法，與本集團管理其企業及銀行借貸的方法一致及風險級別是適用於設有個別對手限額的對手。

於報告期結束日，按照外部信貸評級機構，穆迪投資服務，或相同等級的評級機構，所指定之債務證券投資的信貸質素分析如下：

		2019							
		12-month ECL 12個月內之預期信貸損失		Lifetime ECL not credit-impaired 非信貸不良的合約期內 之預期信貸損失		Lifetime ECL credit-impaired 信貸不良的合約期內 之預期信貸損失		Total 總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Debt investment securities at amortised cost	按攤銷成本的債務投資證券								
Aaa	Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	Aa1至Aa3	3,078	1	-	-	-	-	3,078	1
A1 to A3	A1至A3	5,144	78	-	-	-	-	5,144	78
Baa1 to Baa3	Baa1至Baa3	2,703	30	-	-	-	-	2,703	30
Below Baa3	Baa3以下	844	13	804	14	-	-	1,648	27
Unrated	無評級	5,778	65	28	-	-	-	5,806	65
Total gross carrying amount	賬面值總額	17,547	187	832	14	-	-	18,379	201
Impairment allowances	減值準備	(73)	(1)	(1)	-	-	-	(74)	(1)
Carrying amount	賬面值	17,474	186	831	14	-	-	18,305	200

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

		2018							
		12-month ECL 12個月內之預期信貸損失		Lifetime ECL not credit-impaired 非信貸不良的合約期內 之預期信貸損失		Lifetime ECL credit-impaired 信貸不良的合約期內 之預期信貸損失		Total 總額	
		Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元	Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元	Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元	Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元
Debt investment securities at amortised cost	按攤銷成本的債務 投資證券								
Aaa	Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	Aa1至Aa3	2,695	2	-	-	-	-	2,695	2
A1 to A3	A1至A3	6,007	103	-	-	-	-	6,007	103
Baa1 to Baa3	Baa1至Baa3	2,546	32	-	-	-	-	2,546	32
Below Baa3	Baa3以下	1,492	20	-	-	-	-	1,492	20
Unrated	無評級	6,347	76	28	1	-	-	6,375	77
Total gross carrying amount	賬面值總額	19,087	233	28	1	-	-	19,115	234
Impairment allowances	減值準備	(93)	(1)	(1)	-	-	-	(94)	(1)
Carrying amount	賬面值	18,994	232	27	1	-	-	19,021	233

		2019							
		12-month ECL 12個月內之預期信貸損失		Lifetime ECL not credit-impaired 非信貸不良的合約期內 之預期信貸損失		Lifetime ECL credit-impaired 信貸不良的合約期內 之預期信貸損失		Total 總額	
		Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元	Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元	Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元	Principal 本金 HK\$ Mn 港幣百萬元	Accrued interest 應計利息 HK\$ Mn 港幣百萬元
Debt investment securities at FVOCI	通過其他全面收益 以反映公平價值 的債務投資證券								
Aaa	Aaa	6,577	8	-	-	-	-	6,577	8
Aa1 to Aa3	Aa1至Aa3	29,487	6	-	-	-	-	29,487	6
A1 to A3	A1至A3	50,602	714	102	2	-	-	50,704	716
Baa1 to Baa3	Baa1至Baa3	37,326	375	-	-	-	-	37,326	375
Below Baa3	Baa3以下	461	5	505	7	-	-	966	12
Unrated	無評級	7,414	81	654	15	-	-	8,068	96
Total carrying amount at fair value	賬面值總額—按公平價值	131,867	1,189	1,261	24	-	-	133,128	1,213
Impairment allowances	減值準備	(282)	(3)	(3)	-	-	-	(285)	(3)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(viii) Credit quality analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

(a) 信貸風險管理(續)

(viii) 信貸質素分析(續)

除貸款及墊款外的金融資產的信貸質素(續)

		2018							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		12個月內之預期信貸損失		非信貸不良的合約期內之預期信貸損失		信貸不良的合約期內之預期信貸損失		總額	
		Accrued		Accrued		Accrued		Accrued	
		Principal	interest	Principal	interest	Principal	interest	Principal	interest
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		
港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元		
Debt investment securities at FVOCI	通過其他全面收益以反映公平價值的債務投資證券								
Aaa	Aaa	5,566	8	-	-	-	-	5,566	8
Aa1 to Aa3	Aa1至Aa3	19,355	7	-	-	-	-	19,355	7
A1 to A3	A1至A3	41,890	627	-	-	-	-	41,890	627
Baa1 to Baa3	Baa1至Baa3	31,302	336	-	-	-	-	31,302	336
Below Baa3	Baa3以下	1,157	15	-	-	-	-	1,157	15
Unrated	無評級	9,856	130	233	3	-	-	10,089	133
Total carrying amount at fair value	賬面值總額—按公平價值	109,126	1,123	233	3	-	-	109,359	1,126
Impairment allowances	減值準備	(257)	(3)	(6)	-	-	-	(263)	(3)

The following table sets out the credit analysis for non-trading financial assets measured at FVTPL.

下表載列按通過損益以反映公平價值計量的非交易金融資產的信貸分析。

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Debt investment securities	債務投資證券				
Aaa	Aaa	-	-	-	159
Aa1 to Aa3	Aa1至Aa3	1,341	1,341	-	2,564
A1 to A3	A1至A3	1,061	1,061	-	1,736
Baa1 to Baa3	Baa1至Baa3	5,221	5,221	-	6,551
Below Baa3	Baa3以下	-	-	-	258
Unrated	無評級	918	918	-	1,025
Total carrying amount at fair value	賬面值總額—按公平價值	8,541	8,541	-	12,293

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The following table sets out the credit analysis for trading debt securities.

下表載列作交易用途債務證券的信貸分析。

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Debt investment securities	債務投資證券				
Aaa	Aaa	-		-	
Aa1 to Aa3	Aa1 至 Aa3	-		24	
A1 to A3	A1 至 A3	90		1,856	
Baa1 to Baa3	Baa1 至 Baa3	-		125	
Below Baa3	Baa3 以下	-		-	
Unrated	無評級	-		126	
Total carrying amount at fair value	賬面值總額—按公平價值	90		2,131	

The following table shows the credit quality of the counterparties to which there were exposures arising from derivative asset transactions.

下表載列由衍生工具資產交易所產生之對手信貸質素分析如下。

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Derivative assets	衍生工具資產				
Aa1 to Aa3	Aa1 至 Aa3	92		255	
A1 to A3	A1 至 A3	1,937		4,102	
Baa1 to Baa3	Baa1 至 Baa3	1,731		3,975	
Below Baa3	Baa3 以下	347		215	
Unrated	無評級	1,586		1,664	
Total carrying amount at fair value	賬面值總額—按公平價值	5,693		10,211	

Cash and balances with banks and other financial institutions

At 31st December, 2019, the Group held cash and balances with banks and other financial institutions of HK\$51,534 million (2018: HK\$48,111 million), of which 96% (2018: 98%) of cash and balances with banks and other financial institutions counterparties that are rated at investment grade, based on Moody's Investor Services, or equivalent ratings.

現金及在銀行和其他金融機構的結存於2019年12月31日，本集團持有現金及在銀行和其他金融機構的結存為港幣515.34億元(2018年：港幣481.11億元)。基於穆迪投資服務或相當的評級，其中96%(2018年：98%)的現金及在銀行和其他金融機構交易對手的結存評級為投資評級。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(ix) Details of key areas in measurement of ECLs

The Group adopts a forward-looking “expected credit loss” model for measuring and recognizing impairment loss to meet the requirement of HKFRS 9.

The impairment requirements of HKFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Assessing whether the credit risk of an asset has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

The Group has established a framework to determine whether the credit risk on a particular financial asset has increased significantly since initial recognition (see Note 2(h)(vii)). The framework aligns with the Group’s internal credit risk management process.

Credit risk grades

For majority of the Group’s portfolios, the Group assigns each exposure to a credit risk grade that is determined according to the predicted level of the risk of default. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

(a) 信貸風險管理(續)

- (ix) 「預期信貸損失」估算中主要之處的詳述
本集團採納一套具前瞻性的「預期信貸損失」模型以估算和確認《香港財務報告準則》第9號要求的減值。

《香港財務報告準則》第9號的減值規定具複雜性並需要管理層作出判斷、估算及假設，特別是在以下將會詳述之處：

- 評估金融資產的信貸風險會否較初始承擔時明顯增加；及
- 整合前瞻性資料以作估算預期信貸損失。

「預期信貸損失」估算的關鍵輸入是以下變量：

- 違責或然率(PD)；
- 違責損失率(LGD)；及
- 違責風險承擔(EAD)。

本集團已建立機制以確定某一金融資產的信貸風險是否較初始承擔時明顯增加(詳見附註2(h)(vii))。此機制與本集團的內部信貸風險管理程序吻合。

信用風險等級

對於本集團大多數信貸組合，本集團為每一個信貸風險承擔根據違約風險的預測而配定一個信貸風險評級。信用風險等級使用表明違約風險的定性和定量因素來定義。這些因素取決於風險承擔的性質和借款人的類型。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The table below provides the 12-month Probability of Default (“PD”) range for each credit risk grade of retail and non-retail portfolios. The table also provides an indicative mapping of how the Group’s internal credit risk grades relate to PD and, for the non-retail portfolio, to external credit ratings of Standard & Poor’s.

下表提供了零售和非零售投資組合的每個信用風險等級的12個月違責或然率範圍。該表還提供了本集團非零售信貸組合的內部信用風險等級與標準普爾的外部信用評級的指示性參考。

Credit risk grade 信用風險等級	Remarks on default risk 違約風險的備註	12-month PD range 12個月PD範圍	External Rating Benchmark 外部評級基準
1-3	Minimal to Low risk 極小至低的風險	0.0000% to 0.0857%	AAA to A-
4-8	Moderate risk 適度風險	0.0857% to 0.4290%	BBB+ to BBB-
9-11	Substantial risk 略高風險	0.4290% to 1.6500%	BB+ to BB-
12-15	High risk 高風險	1.6500% to 8.3531%	B+ to B-
16-17	Very High risk 很高風險	8.3531% to 100%	CCC+ to C
18-20	Default 違約	100%	D

For the remaining portfolios without credit risk grade assignment, references of peer bank PD estimates of similar portfolios and the long-run average default rate of the portfolios are used.

對於餘下沒有信用風險等級分配的信貸組合，我們使用類似信貸組合的同行銀行違責或然率估計的參考或信貸組合的長期平均違責或然率。

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group also collects historical performance and default information about portfolios of credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios with no internal data available, information from external data sources is used. In particular,

違責或然率的期限結構

信用風險等級是確定違責或然率的期限結構的主要輸入。本集團亦會按司法管轄區或地區收集有關分析的信貸風險承擔，以及產品及借款人類別以及信貸風險評級的歷史表現及違約信息。對於一些沒有內部數據的投資組合，自外部數據源的信息會被使用。特別是，

Portfolio 組合	External data sources 外部數據源
Debt exposures 債務風險承擔	Moody's: Annual default study corporate default and recovery rates
Bank exposures 銀行風險承擔	
Sovereign exposures 主體風險承擔	Moody's: Sovereign default and recovery rates

The Group deploys statistical models to analyse the data collected and generate estimates of PD of exposures expected to change as a result of the passage of time. The estimation of PD term structure makes use of the annual credit risk grade transition for the portfolios with credit risk grade assignment. For the portfolios without credit risk grade assignment and no credit risk grade transition information available, the PD term structure estimation is referenced to forecast of economic index relevant to the portfolio.

本集團採用統計模型分析所收集的數據，並產生預計會因時間推移而發生變化的違責或然率的估計值。具有信用風險等級分配的組合，我們利用信用風險等級的年度轉換以估計對的違責或然率期限結構。對於沒有信用風險等級分配的組合或沒有可用的信用風險等級轉換信息。違責或然率期限結構估計參考了與組合相關的經濟指數預測。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(ix) Details of key areas in measurement of ECLs (continued)

LGD is the magnitude of the likely loss if there is a default. For the retail and corporate portfolio with sufficient historical loss and recovery data, the collateral recovery rates and the LGD estimates can be derived. For portfolios with insufficient historical loss and recovery data, either reference of peer bank LGD estimates of the similar portfolios or external data source are used for deriving the LGD estimates.

For portfolio with individual assessment of credit risk mitigation measures, collateral values are projected for different economic scenarios so as to reflect the LGD estimates under different economic scenarios. For other portfolios different scenario portfolio LGD are derived by benchmarking to a corresponding LGDs within a long period of historical LGDs.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments or undrawn limit of retail revolving products, the EAD is the potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. The EAD estimates are adopted the parameters suggested by BASEL or statistical model based on historical data.

Significant increase in credit risk

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade when the risk of asset changes. The Group primarily identifies whether a significant increase in credit risk under HKFRS 9 has occurred for an exposure by comparing:

- the credit risk grade at the reporting date; with
- the credit risk grade at the initial recognition of the exposure.

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition if the current credit risk grade deteriorates by a pre-determined number of notches. The criteria for determining the number of notches may vary by portfolio and include a backstop based on delinquency.

(a) 信貸風險管理(續)

(ix) 「預期信貸損失」估算中主要之處的詳述(續)

如果存在違約，違責損失率是可能損失的幅度。對於具有足夠歷史損失和恢復數據的零售和公司投資組合，可以推導出抵押品回收率和違責損失率估計值。對於歷史損失和恢復數據不足的組合，可以使用同行銀行類似組合的違責損失率估計值或外部數據源來推導違責損失率估計值。

對於單獨評估信用風險緩解措施的組合，預測不同經濟情景的抵押品價值，以反映不同經濟情景下的違約損失率估計。對於其他組合，不同情景組合違責損失率通過在長期歷史期間對相應的違責損失率進行基準測試而得出。

違責風險承擔表示發生違約時的預期風險。金融資產的違責風險承擔是其違約時的總賬面金額。對於貸款承諾或零售周轉產品的未提取限額，違責風險承擔是可能根據合同提取的未來潛在金額。對於財務擔保，違責風險承擔表示財務擔保到期時的擔保風險金額。違責風險承擔估計採用BASEL建議的參數或基於歷史數據的統計模型。

明顯增加的信貸風險

信貸風險承擔會持續受監控並在其風險程度有所改變時被調配至不同的信貸風險評級。在《香港財務報告準則》第9號下，集團識別一個資產的信貸風險是否明顯增加主要透過比較該資產：

- 於結算日的信貸風險評級；和
- 於初始承擔時的信貸風險評級

如某一資產的現行信貸風險評級已較本集團初始承擔時的評級轉差了超過一個指定數量的級別，本集團視該資產的信貸風險已有明顯增加。不同的資產組合會以不同的級別數量作為衡量標準，並以逾期情況作為預設的基本標準。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

As a backstop, and as required by HKFRS 9, the Group presumptively considers that a significantly increase in credit risk occurs no later than when an asset is more than 30 days past due.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular review to confirm that:

- the criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

Incorporating forward-looking information into the measurement of ECLs

The Group has identified key drivers of systematic credit risk for each portfolio of financial assets based on analysis of historical data in which relationship between macro-economic indicators and the systematic credit risk is exhibited.

The Group formulates economic forward looking scenarios for the view of the future direction of major economic indicators such as GDP, unemployment rate, property price index, interest rate and other economic indicators specific to particular portfolio.

For each portfolio, the key drivers under forward looking scenarios are applied for estimating the systematic credit risk component of an obligor's Probability of Default ("PD") used in calculating ECLs. In addition to PD, relevant macro-economic indicators are used for projection of the collateral value for recovery rate estimates used in ECL calculation.

The Group adopts the use of three economic scenarios. In each region/country where the Group operates, the Group formulates probability for each scenario and forecast the major macro-economic indicators to reflect the Group's forward-looking view on the future business outcomes in that particular region/country under each scenario.

The forecasts of baseline scenario are based on advice from the in-house economic experts and considerations of a variety of actual and forecast information, such as economic data and forecasts published by governmental bodies, monetary authorities in the regions/countries where the Group operates. The Group also takes reference from forecasts by international agencies and private sector analysts as far as possible to formulate a more objective forecast, while taken into account the current domestic and international economic developments, and changes in local economic policies. Autoregressive econometric model is applied as a tool to forecast the equity and property prices movements in the regions/countries concerned.

在《香港財務報告準則》第9號下，作為一個基本標準，本集團預設某一已逾期超過30日的資產為信貸風險已經明顯增加。

本集團監控識別信貸風險增加的衡量標準的有效性，透過定期檢討以確保：

- 衡量標準能在風險承擔違約前識別信貸風險增加；
- 風險承擔一般不會從12個月內之預期信貸損失直接轉為不良信貸；及
- 不會導致減值撥備因為風險承擔在計算12個月內之預期信貸損失和合約期內之預期信貸損失中的轉變時出現不必要的波動。

整合前瞻性資料以作估算預期信貸損失
本集團根據歷史數據對宏觀經濟指標與系統信用風險之間關係進行分析，確定了各金融資產組合的系統信用風險的關鍵驅動因素。

本集團制定經濟前瞻情景，以了解主要經濟指標的未來方向，例如國內生產總值，失業率，房地產價格指數，利率及特定投資組合的其他經濟指標。

對於每個投資組合，前瞻性情景下的關鍵驅動因素將用於估算債務人的違約概率的系統信用風險部分以用於計算預期信貸損失。除違約概率外，相關的宏觀經濟指標將用於預測抵押品價值以估算回收率並使用於計算預期信貸損失。

本集團會採納使用三個經濟情景。在本集團經營的每個地區／國家，本集團將為每個情景制定情景的可能性並預測主要的宏觀經濟指標，以反映集團在每種情景下，該地區／國家未來業務成果的前瞻性觀點。

基準情景的預測是根據本集團經濟專家的建議和對各種外部實際和預測信息的考慮，例如本集團經營所在地區／國家的政府機構和金融管理局公佈的經濟數據和預測。同時，本集團盡可能參考國際機構及私營機構分析師的預測，以及考慮現時本地及海外經濟發展情況、當地經濟政策的轉變。至於相關地區或國家的股票及樓價指數，則使用自迴歸經濟模型作出估算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(ix) Details of key areas in measurement of ECLs (continued)

The baseline scenario represents the most-likely outcome that the Group expects. The corresponding probability is reflecting the confidence of the future uncertainties are being captured in the baseline scenario forecast.

The other scenarios are an optimistic scenario and a pessimistic scenario, to capture the less likely, yet possible, upside and downside divergence from the baseline forecast. These scenarios and their probabilities represent the Group's view that in case the future outcome is outside the expectation as in the baseline scenario, how likely it would be optimistic (i.e. unexpectedly good) or pessimistic (i.e. unexpectedly bad) and how unexpectedly good or unexpectedly bad outcomes will be, based on current economic outlook, potential domestic and international economic and political risks affecting the regions/countries the Group has business presence, and the strength of a region/country's fundamentals to weather through crises. Forecasts for these two scenarios are mainly derived based on a modification of the Bank of England's fan chart model, where we assume the divergences from the baseline scenario are derived from historical volatility of the data series. The spread for the pessimistic scenario is greater than that of the optimistic scenario to reflect the Group's prudent view against downside risks.

The baseline, optimistic and pessimistic scenarios are updated quarterly to timely reflect a change in the current economic sentiment locally and internationally.

Baseline Scenario – Hong Kong

Hong Kong's economy has been going through a tough time as it is facing a double whammy from the US-China trade war and protests at home, in addition to mainland China's economic slowdown. This has put pressure on the tourist- and consumption-related sectors, which shall be the major drag of the economy in 2020.

Meanwhile, the US and China has reached a preliminary trade deal. The trade tension between the US and China shall ease in the first half of this year, yet it remains a key uncertainty for Hong Kong's exports sector and the overall economy.

Given the deteriorating economic fundamentals and rising unemployment rate, property prices is expected to be on a downward trajectory in 2020. However, our baseline assumption is that the current social unrest will recede in the latter half of 2020. The improving sentiments, together with the chronic shortage of land supply, will help the property market to recover.

As such, we estimate that real GDP will grow at -0.5% to 0% in 2020, and subsequently recover from 2021 onwards. Meanwhile, inflation is expected to stay moderate at 2.2%, while the unemployment rate is expected to rise to 3.4% in 2020, and edge lower in subsequent years.

(a) 信貸風險管理(續)

(ix) 「預期信貸損失」估算中主要之處的詳述(續)

基準情景是代表本集團預期中的最具可能性的結果。其相對應的機會率反映了集團在預測基準情景中對未來不確定性的掌握置信度。

其他情景是一個樂觀情景和一個悲觀情景。在這些情景中，我們對可能性較低、卻可能發生的上行和下行狀況作出預測。這些情景及其機會率代表了集團的觀點，即當未來結果超出基準情景預期時，經濟將傾向樂觀(即出乎意料的好)或悲觀(即出乎意外的差)的可能性有多大，以及出乎意料的好或意外的壞的結果將會是怎樣，基於當前的經濟前景、潛在的國內外經濟及政治風險，及其對本集團有業務之地區/國家的影響，並且這些地區/國家的經濟面、應付危機的能力。這兩種情景的預測主要是以英倫銀行扇形圖模型為基礎再修改而來。我們假設兩種情景與基準情景的差距來自數據列的歷史波動。其中，悲觀情景的差距大於樂觀情景，反映集團對下行風險持謹慎態度。

基準、樂觀及悲觀情景會每季度更新，以及時反映當地及國際經濟情緒的變化。

基準情景 – 香港

香港經濟正面對艱難時期。除了內地的經濟放緩外，香港亦受到中美貿易戰及本地示威活動的雙重打擊。這使旅遊和消費相關的行業受壓，為2020年經濟的主要阻力。

另一方面，中美已經達成初步貿易協議。預期今年上半年，中美貿易關係將緩和。然而，貿易緊張局勢仍然是香港出口業，以致整體經濟的主要不明朗因素。

基於經濟基本面惡化和失業率上升，預計樓價將持續受壓。我們的基準預測為近期的社會事件將在2020年下半年開始緩和。市場情緒恢復，加上土地供應長期短缺，房地產市場將重上升軌。

總結來說，我們預測2020年經濟增長則為-0.5%至0%，經濟在2021年起開始復甦。通脹率將維持在2.2%溫和水平，失業率則在2020年上升至3.4%，及後回落。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Baseline Scenario – Mainland China

Entering 2020, the export growth is expected to remain weak this year, as most of the US tariff measures targeted at China remain active despite the phase one trade agreement. Consumer sentiment remains weak under a deteriorated employment expectation amid the trade war. On the other hand, the high debt-to-GDP ratio remains a concern. These factors shall continue to affect the economy. To support the economy, the government is expected to boost infrastructure investment, adopt fiscal stimulus, and assist private companies to conduct debt restructuring. Overall, we expect China's economic growth to soften gradually during 2020 and 2022.

For the property market, the phase on US-China trade agreement has significantly lowered the risks of the negotiations falling apart, and the concerns of hard landing of the Chinese economy faded. In addition, the central government aims at stabilizing the housing price, in turn the economic growth, which implies it will avoid a drop in housing price in the short- to medium-term. The housing price is therefore expected to rise with a decelerating trend.

For the novel coronavirus impact, please refer to Note 53.

Forecast of Key Macroeconomic Indicators (3 years average (2020 – 2022))

基準情景－內地

踏入2020年，儘管中美兩國達成首階段貿易協議共識，但大部份美國對中國徵收的關稅仍然實施，對中國出口仍然構成壓力。同時，就業預期於貿易戰下轉差，令消費者信心維持疲弱。另一方面，貸款餘額佔國內生產總值比重仍然高企，仍需要關注。這些因素會持續影響經濟。為支持經濟，預期政府會增加基礎設施投資，並採取財政刺激措施，政府亦會致力協助經營困難的企業重組債務。整體來說，我們預計中國的經濟增長將在2020年至2022年之間逐步放緩。

房地產市場方面，第一階段的中美貿易協議降低了談判破裂的風險，同時減低中國經濟硬著陸的擔憂。此外，中央政府致力維持房價穩定，以穩定經濟增長，這表示房價於中短期內不會下跌。因此，我們預期房價將持續上升，然而增幅將會減慢。

有關新型冠狀病毒的影響，請參閱註釋53。

主要宏觀經濟指標預測(3年平均(2020 – 2022))

Scenario 情景	Macroeconomic Indicator 宏觀經濟指標	Hong Kong 香港	China 中國
Optimistic 樂觀情景	GDP (YoY growth) 國內生產總值增長	2.9%	6.7%
	Property Price Index (YoY change) 房地產價格指數(同比變化)	6.4%	5.5%
	Unemployment Rate 失業率	2.3%	3.8%
	3-month Interest Rate 3個月期利率	2.4%	3.7%
Baseline 基準情景	Real GDP (YoY growth) 國內生產總值增長	1.0%	5.8%
	Property Price Index (YoY change) 房地產價格指數(同比變化)	0.3%	3.2%
	Unemployment Rate 失業率	3.2%	3.9%
	3-month Interest Rate 3個月期利率	1.6%	2.8%
Pessimistic 悲觀情景	GDP (YoY growth) 國內生產總值增長	-1.3%	4.6%
	Property Price Index (YoY change) 房地產價格指數(同比變化)	-9.2%	-3.7%
	Unemployment Rate 失業率	5.1%	4.0%
	3-month Interest Rate 3個月期利率	1.0%	2.0%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(x) Impairment allowances reconciliation

The following tables show reconciliations from the opening to the closing balance of the impairment allowance by class of financial instrument. The reconciliation is prepared by comparing the position of impairment allowance between 1st January and 31st December at transaction level. Transfers between different stages of ECL are deemed to occur at the beginning of the year and therefore amounts transferred net to zero. The re-measurement of ECL resulting from a change in ECL stage is reported under the ECL stage in which they are transferred to.

Explanations of 12-month ECL, lifetime ECL and credit-impaired are included in Note 2.

(a) 信貸風險管理(續)

(x) 減值準備對賬

下表列示按金融工具的類別劃分的減值準備的期初結餘與期末結餘的對賬。編製對賬的方法是比較減值準備於1月1日至12月31日期間交易層面的狀況。預期信貸損失不同階段之間的轉撥被視為於年初發生，故金額轉撥淨額為零。因預期信貸損失階段轉變而引致的重新計量預期信貸損失會記於其所轉撥的預期信貸損失階段項下。

關於12個月內之預期信貸損失、合約期內之預期信貸損失及信貸不良的解釋見附註二。

		2019			
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		12個月內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	總額
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Loans and advances to customers	客戶貸款及墊款				
Balance at 1st January	於1月1日的結餘	432	859	1,252	2,543
Transfer to 12-month ECL	轉至12個月內之預期信貸損失	60	(60)	-	-
Transfer to lifetime ECL not credit-impaired	轉至非信貸不良的合約期內之預期信貸損失	(20)	45	(25)	-
Transfer to lifetime ECL credit-impaired	轉至信貸不良的合約期內之預期信貸損失	(49)	(268)	317	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	源生或購入之新金融資產、 撤銷確認資產、還款及 進一步貸款	208	2	640	850
Write-offs	撤銷	-	-	(5,674)	(5,674)
Changes in models	模型變動	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	減值準備的重新計量淨額 (包括外匯調整)	(129)	(60)	6,274	6,085
Balance at 31st December	於12月31日的結餘	502	518	2,784	3,804
Of which:	其中:				
For advance to customers at amortised cost (Note 29(a))	就按攤銷成本的客戶墊款 (附註29(a))	501	516	2,752	3,769
For related accrued interest receivable (Note 35)	就相關應收應計利息 (附註35)	1	2	32	35
		502	518	2,784	3,804

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2018		Total 總額
		12-month ECL 12個月內之 預期信貸損失 HK\$ Mn 港幣百萬元	Lifetime ECL not credit-impaired 非信貸不良的 合約期內之 預期信貸損失 HK\$ Mn 港幣百萬元	
Loans and advances to customers	客戶貸款及墊款			
Balance at 1st January	於1月1日的結餘	839	1,028	1,177
Transfer to 12-month ECL	轉至12個月內之預期信貸損失	151	(151)	–
Transfer to lifetime ECL not credit-impaired	轉至非信貸不良的合約期內之 預期信貸損失	(8)	23	(15)
Transfer to lifetime ECL credit-impaired	轉至信貸不良的合約期內之 預期信貸損失	(98)	(203)	301
New financial assets originated or purchased, assets derecognised, repayments and further lending	源生或購入之新金融資產、 撤銷確認資產、還款及 進一步貸款	(88)	(230)	376
Write-offs	撤銷	–	–	(1,649)
Changes in models	模型變動	(229)	287	17
Net remeasurement of impairment allowances (including exchange adjustments)	減值準備的重新計量淨額 (包括外匯調整)	(135)	105	1,045
Balance at 31st December	於12月31日的結餘	432	859	1,252
Of which:	其中:			
For advance to customers at amortised cost (Note 29(a))	就按攤銷成本的客戶墊款 (附註29(a))	431	855	1,061
For related accrued interest receivable (Note 35)	就相關應收應計利息 (附註35)	1	4	191
		432	859	1,252

The contractual amount outstanding on loans and advances to customers that were written off during the year ended 31st December 2019 and 2018 and that are still subject to enforcement activity is HK\$455 million (2018: HK\$1,084 million).

在截至2019年及2018年12月31日止年度內已撤銷的客戶貸款及墊款的合約餘額中仍在進行追討的貸款為港幣4.55億元(2018年:港幣10.84億元)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(x) Impairment allowances reconciliation (continued)

(a) 信貸風險管理(續)

(x) 減值準備對賬(續)

		2019			Total 總額 HK\$ Mn 港幣百萬元
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
		12個月內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	
Debt investment securities	債務投資證券				
Balance at 1st January	於1月1日的結餘	354	7	-	361
Transfer to 12-month ECL	轉至12個月內之預期信貸損失	-	-	-	-
Transfer to lifetime ECL not credit-impaired	轉至非信貸不良的合約期內之預期信貸損失	-	-	-	-
Transfer to lifetime ECL credit-impaired	轉至信貸不良的合約期內之預期信貸損失	-	-	-	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	源生或購入之新金融資產、 撤銷確認資產、還款及 進一步貸款	44	1	-	45
Write-offs	撤銷	-	-	-	-
Changes in models	模型變動	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	減值準備的重新計量淨額 (包括外匯調整)	(39)	(4)	-	(43)
Balance at 31st December	於12月31日的結餘	359	4	-	363
Of which:	其中:				
For debt investment securities at amortised cost	就按攤銷成本的債務投資證券	73	1	-	74
For related accrued interest receivable (Note 35)	就相關應收應計利息 (附註35)	1	-	-	1
		74	1	-	75
For debt investment securities at FVOCI	就按通過其他全面收益以反映 公平價值的債務投資證券	282	3	-	285
For related accrued interest receivable	就相關應收應計利息	3	-	-	3
		285	3	-	288

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2018			Total 總額
		12-month ECL 12個月內之 預期信貸損失 HK\$ Mn 港幣百萬元	Lifetime ECL not credit-impaired 非信貸不良的 合約期內之 預期信貸損失 HK\$ Mn 港幣百萬元	Lifetime ECL credit-impaired 信貸不良的 合約期內之 預期信貸損失 HK\$ Mn 港幣百萬元	
Debt investment securities	債務投資證券				
Balance at 1st January	於1月1日的結餘	277	13	–	290
Transfer to 12-month ECL	轉至12個月內之預期信貸損失	–	–	–	–
Transfer to lifetime ECL not credit-impaired	轉至非信貸不良的合約期內之預期信貸損失	–	–	–	–
Transfer to lifetime ECL credit-impaired	轉至信貸不良的合約期內之預期信貸損失	–	–	–	–
New financial assets originated or purchased, assets derecognised, repayments and further lending	源生或購入之新金融資產、 撤銷確認資產、還款及 進一步貸款	52	(2)	–	50
Write-offs	撤銷	–	–	–	–
Changes in models	模型變動	61	(1)	–	60
Net remeasurement of impairment allowances (including exchange adjustments)	減值準備的重新計量淨額 (包括外匯調整)	(36)	(3)	–	(39)
Balance at 31st December	於12月31日的結餘	354	7	–	361
Of which:	其中：				
For debt investment securities at amortised cost	就按攤銷成本的債務投資證券	93	1	–	94
For related accrued interest receivable (Note 35)	就相關應收應計利息 (附註35)	1	–	–	1
		94	1	–	95
For debt investment securities at FVOCI	就按通過其他全面收益以反映 公平價值的債務投資證券	257	6	–	263
For related accrued interest receivable	就相關應收應計利息	3	–	–	3
		260	6	–	266

The impairment allowances of debt investment securities at FVOCI are not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

按通過其他全面收益以反映公平價值的債務投資證券的減值準備並不在財務狀況表內確認，因按通過其他全面收益以反映公平價值的債務投資證券的賬面值是其公平價值。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(x) Impairment allowances reconciliation (continued)

(a) 信貸風險管理(續)

(x) 減值準備對賬(續)

		2019			Total 總額
		12-month ECL 12個月內之 預期信貸損失	Lifetime ECL not credit-impaired 非信貸不良的 合約期內之 預期信貸損失	Lifetime ECL credit-impaired 信貸不良的 合約期內之 預期信貸損失	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Others	其他				
Balance at 1st January	於1月1日的結餘	114	47	68	229
Transfer to 12-month ECL	轉至12個月內之預期信貸損失	3	(3)	-	-
Transfer to lifetime ECL not credit-impaired	轉至非信貸不良的合約期內之預期信貸損失	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	轉至信貸不良的合約期內之預期信貸損失	-	-	-	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	源生或購入之新金融資產、 撤銷確認資產、還款及 進一步貸款	5	2	47	54
Write-offs	撤銷	-	-	(1)	(1)
Changes in models	模型變動	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	減值準備的重新計量淨額 (包括外匯調整)	(6)	(15)	(2)	(23)
Balance at 31st December	於12月31日的結餘	115	32	112	259
Of which:	其中:				
For trade bills at FVOCI	就按通過其他全面收益以反映 公平價值的貿易票據	3	1	-	4
For related accrued interest receivable	就相關應收應計利息	-	-	-	-
		3	1	-	4
For trade bills at amortised cost (Note 27)	就按攤銷成本的貿易票據 (附註27)	-	-	-	-
For related accrued interest receivable	就相關應收應計利息	-	-	-	-
		-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

		2019			Total 總額 HKS Mn 港幣百萬元
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
		非信貸不良的 合約期內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	
		HKS Mn 港幣百萬元	HKS Mn 港幣百萬元	HKS Mn 港幣百萬元	
For placements with banks and financial institutions (Note 26)	就在銀行和其他金融機構的存款(附註26)	5	-	-	5
For related accrued interest receivable	就相關應收應計利息	-	-	-	-
		5	-	-	5
For cash and balances with banks and financial institutions (Note 25)	就現金及在銀行和其他金融機構的結存(附註25)	9	-	-	9
For related accrued interest receivable	就相關應收應計利息	-	-	-	-
		9	-	-	9
For loan commitments and financial guarantee contracts (Note 38)	就貸款承擔和財務擔保合約(附註38)	56	26	-	82
For account receivables and other accounts (Note 35)	就應收賬款及其他賬項(附註35)	42	5	112	159

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(x) Impairment allowances reconciliation (continued)

(a) 信貸風險管理(續)

(x) 減值準備對賬(續)

		2018			Total 總額
		12-month ECL 12個月內之 預期信貸損失 HK\$ Mn 港幣百萬元	Lifetime ECL not credit-impaired 非信貸不良的 合約期內之 預期信貸損失 HK\$ Mn 港幣百萬元	Lifetime ECL credit-impaired 信貸不良的 合約期內之 預期信貸損失 HK\$ Mn 港幣百萬元	
Others	其他				
Balance at 1st January	於1月1日的結餘	220	54	1	275
Transfer to 12-month ECL	轉至12個月內之預期信貸損失	5	(5)	–	–
Transfer to lifetime ECL not credit-impaired	轉至非信貸不良的合約期內之預期信貸損失	(3)	3	–	–
Transfer to lifetime ECL credit-impaired	轉至信貸不良的合約期內之預期信貸損失	–	–	–	–
New financial assets originated or purchased, assets derecognised, repayments and further lending	源生或購入之新金融資產、 撤銷確認資產、還款及 進一步貸款	1	(30)	–	(29)
Write-offs	撤銷	–	–	–	–
Changes in models	模型變動	(76)	(2)	–	(78)
Net remeasurement of impairment allowances (including exchange adjustments)	減值準備的重新計量淨額 (包括外匯調整)	(33)	27	67	61
Balance at 31st December	於12月31日的結餘	114	47	68	229
Of which:	其中:				
For trade bills at FVOCI	就按通過其他全面收益以反映 公平價值的貿易票據	5	–	–	5
For related accrued interest receivable	就相關應收應計利息	–	–	–	–
		5	–	–	5
For trade bills at amortised cost (Note 27)	就按攤銷成本的貿易票據 (附註27)	3	–	1	4
For related accrued interest receivable	就相關應收應計利息	–	–	–	–
		3	–	1	4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2018			
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		12個月內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	總額
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
For placements with banks and financial institutions (Note 26)	就在銀行和其他金融機構的存款(附註26)	10	-	-	10
For related accrued interest receivable	就相關應收應計利息	-	-	-	-
		10	-	-	10
For cash and balances with banks and financial institutions (Note 25)	就現金及在銀行和其他金融機構的結存(附註25)	5	-	-	5
For related accrued interest receivable	就相關應收應計利息	-	-	-	-
		5	-	-	5
For loan commitments and financial guarantee contracts (Note 38)	就貸款承擔和財務擔保合約(附註38)	66	45	-	111
For account receivables and other accounts (Note 35)	就應收賬款及其他賬項(附註35)	25	2	67	94

The impairment allowances of trade bills at FVOCI are not recognised in the statement of financial position because the carrying amount of trade bills at FVOCI is their fair value.

按通過其他全面收益以反映公平價值的貿易票據的減值準備並不在財務狀況表內確認，因按通過其他全面收益以反映公平價值的貿易票據的賬面值是其公平價值。

(xi) Collateral and other credit enhancements

The Group has established guidelines on the acceptability of various classes of collateral and determined the corresponding valuation parameters. The guidelines and collateral valuation parameters are subject to regular reviews to ensure their effectiveness over credit risk management.

(xi) 抵押品及其他信用提升

本集團已制訂可接受不同類別抵押品的指引，並釐定相關估值參數。本集團會定期檢討指引及抵押品估值參數，以確保信貸風險管理的成效。

The extent of collateral coverage over the Group's loans and advances to customer depends on the type of customers and the product offered. Types of collateral include residential properties (in the form of mortgages over property), other properties, other registered securities over assets, cash deposits, standby letters of credit and guarantees. Collateral generally is not held over balances and placements with banks and other financial institutions, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The Group takes possession of collateral through court proceedings or voluntary delivery of possession by the borrowers during the course of the recovery of impaired loans and advances. These repossessed assets are reported in the statement of financial position within "other assets" (Note 2(t)). If the recovery from the repossessed assets exceeds the corresponding exposure, the surplus fund is made available either to repay the borrower's other secured loans with lower priority or is returned to the borrower.

本集團客戶貸款及墊款的抵押品範圍視乎客戶類別及所提供產品而定。抵押品類別包括住宅物業(以物業按揭形式)、其他物業、其他登記抵押資產、現金存款、備用信用證及擔保。除持有用作反向回購及證券借貸活動的抵押品外，在銀行及其他金融機構的結存及存款，以及銀行貸款及墊款一般不需要抵押品。在收回減值貸款及墊款時，本集團會通過法庭程序或借款人自願交出擁有權收回抵押品。該等收回資產於財務狀況表中以「其他資產」列賬(附註2(t))。倘從收回資產所得之追收額超出相關風險承擔時，則會使用盈餘資金償還借款人優先次序較低的已抵押貸款或退回予借款人。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(a) Credit risk management (continued)

(xi) Collateral and other credit enhancements (continued)

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-based securities and similar instruments, which are secured by pools of financial assets. However the credit risk may be implicit in the terms or reflected in the fair value of the corresponding instruments.

The Group's preferred agreement for documenting derivatives activity is the ISDA Master Agreement which covers the contractual framework within which dealing activity across a full range of over-the-counter products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults or following other pre-agreed termination events. It is also common for the Group to execute a Credit Support Annex in conjunction with the ISDA Master Agreement with the counterparty under which collateral is passed between the parties to mitigate the market contingent counterparty risk inherent in the outstanding position.

For contingent liabilities and commitments that are unconditionally cancellable (Note 47), the Group will assess the necessity to withdraw the credit line when there is a concern over the credit quality of the customers. Accordingly, the exposure to significant credit risk is considered as minimal. For commitments that are not unconditionally cancellable, the Group assesses the necessity of collateral depending on the type of customer and the product offered.

(b) Market risk management

Market risk is the risk arising from adverse movements in market factors such as interest rates, foreign exchange, equity prices, debt security prices and commodity prices, which result in profits or losses for the Group. The aim in managing market risk is to reduce the Group's exposure to the volatility inherent in market factors.

The Asset and Liability Management Committee deals with all market risk-related issues of the Group. It is also responsible for conducting a regular review of interest rate trends and deciding the corresponding future business strategy. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to market risk.

The use of derivatives for trading and the sale of derivatives to customers as risk management products are integral parts of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk, as part of its asset and liability management process. The principal derivatives instruments used by the Group are interest rate, foreign exchange, and equity-related contracts, in the form of both over-the-counter derivatives and exchange-traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to manage the risk of these and other trading positions.

(a) 信貸風險管理(續)

(xi) 抵押品及其他信用提升(續)

持有用作非貸款及墊款金融資產的抵押品，是按照工具之性質決定。除以一籃子金融資產作抵押的資產融資證券及相同工具外，債務證券、庫券及其他認可票據一般俱屬無抵押的。然而，信貸風險可能隱含於相關工具的條款內或於相關工具的公平價值中反映。

ISDA的主合約為本集團處理衍生交易文件的優先合約，當中涵蓋合約框架，而在合約框架之下，本集團可進行一系列的場外產品交易活動，如其中一方違約或發生其他預先協定的終止事件，則按合約約束參與者以淨額結算合約涵蓋的所有未履行交易。本集團亦會在簽訂ISDA的主合約的同時，與交易對手簽訂信貸附約，據此，抵押品可於訂約方之間轉交，以降低出現在未履約情況下的內在市場或然交易對手風險。

對於或然負債及可無條件取消的承擔(附註47)，如本集團對客戶的信貸質素有疑慮，則會評估是否需要撤回信貸額。因此，本集團面臨重大信貸風險機會視為微乎其微。對於不可無條件取消的承擔，本集團會視乎客戶類別及所提供產品評估是否需要進行抵押。

(b) 市場風險管理

市場風險是指由市場因素，例如利率、外匯、股票價格、債權證券及商品價格的不利變動而導致本集團溢利或虧損的風險。市場風險管理旨在減少市場因素的波動為本集團帶來的風險。

資產負債管理委員會負責處理所有與本集團市場風險有關的事項，亦負責定期檢討利率走勢及釐定相應的未來業務策略。本集團風險管理處轄下的資產負債管理部，負責監察與市場風險有關的活動。

透過衍生工具進行自營交易及向客戶出售衍生工具以用作風險管理產品，為本集團其中一項重要業務。此等工具亦用以管理本集團所承受的市場風險，作為本集團資產負債管理的一部分。本集團所採用的衍生工具主要為利率、外匯和股份相關合約，即為場外或場內交易的衍生工具。本集團大部分的衍生工具持倉均為切合客戶需求，以及為此等和其他交易項目而進行對沖。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

In this connection, the key types of market risk that must be managed are:

(i) Currency risk

The Group's foreign currency positions arise from foreign exchange dealing (including derivatives), commercial banking operations, and structural foreign currency exposures. The Group's non-structural foreign currency exposures are denominated in major currencies, particularly USD and RMB. All foreign currency positions are managed within limits approved by the Board or the Asset and Liability Management Committee.

Structural foreign currency positions, which arise mainly from foreign currency investments in the Group's branches, subsidiaries, and associated companies, are excluded from value-at-risk measurements, as related gains or losses are taken to reserves. Such foreign currency positions are held with the intention of hedging any adverse effect, partially or totally, of exchange rate movements on the capital adequacy ratio. The Group seeks to match its foreign currency denominated assets closely with corresponding liabilities in the same currencies.

The Group had the following net structural positions which were not less than 10% of the total net structural foreign currency position at the end of the reporting period:

		2019			2018		
		RMB	MYR	USD	RMB	MYR	USD
		人民幣	馬幣	美元	人民幣	馬幣	美元
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Net structural position	結構性持倉淨額	15,550	2,281	(12,365)	13,829	2,226	(6,982)

(ii) Interest rate risk in trading book

The Group's trading interest rate positions arise from treasury and dynamic hedging of commercial banking activities. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The instruments used to manage interest rate risk include interest rate swaps and other derivatives. For the interest rate risk management of the Group's banking book positions, please refer to Note 45(e).

(iii) Equity risk

The Group's equity positions arise from equity investment and dynamic hedging of customer-driven business. Equity risk is managed daily by the Investment Department within the limits approved by the Board, Investment Committee, or the Asset and Liability Management Committee.

在此方面，本集團必須管理的主要市場風險包括：

(i) 貨幣風險

本集團的外幣持倉源自外匯買賣(包括衍生工具)、商業銀行業務和結構性外匯風險。本集團的非結構性外匯風險以主要貨幣計值，當中以美元及人民幣為主。所有外幣持倉均維持在董事會或資產負債管理委員會所訂定的限額內。

結構性外匯持倉主要源自於本集團分行、附屬公司和聯營公司的外匯投資，其有關的溢利或虧損因為已撥入儲備，所以未計算在風險值內。此等結構性外幣持倉的主要目的，是對沖因匯率變動而對本集團資本充足比率產生的部分或全部不利影響。本集團盡力將以外幣計值的資產與以同一貨幣計值的負債，保持在相若水平。

於報告期結束日，本集團的以下結構性持倉淨額不低於結構性外幣淨持倉總額 10%：

(ii) 交易賬冊的利率風險

本集團的交易組合中的利率持倉來自財資及商業銀行業務的動態對沖。利率風險由本集團資金市場處按董事會或資產負債管理委員會批准的限額範圍進行日常管理。管理利率風險的工具包括利率掉期和其他衍生工具。就管理本集團銀行賬冊持倉的利率風險而言，請參閱附註45(e)。

(iii) 股份風險

本集團的股份持倉來自股份投資及客戶業務的動態對沖。股份風險由投資部按董事會、投資委員會或資產負債管理委員會批准的限額範圍進行日常管理。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(b) Market risk management (continued)

(iii) Equity risk (continued)

Market risk control limits have been set at varying levels according to the practical requirements of different units. The Board approves the core control limits and has delegated the authority to set detailed control limits to the Asset and Liability Management Committee. Risk, return, and market conditions are considered when setting limits. Active limit monitoring is carried out.

In this connection, the Asset and Liability Management Committee monitors the related market risk arising from the risk-taking activities of the Group to ensure that market risk exposure are within the Group's risk tolerance levels. Risk exposures are monitored frequently to ensure that they are within established control limits.

The Group quantifies the market risk of the underlying trading portfolio by means of VaR. VaR is a statistical estimate that measures the potential losses in market value of a portfolio as a result of unfavourable movements in market rates and prices, assuming that positions are held unchanged over a certain horizon time period.

The Group estimates VaR for the Group's trading portfolio by the historical simulation approach, where the VaR is calculated by revaluing the portfolio for each of the market movement scenarios obtained from the historical observation period. This methodology uses movements in market rates and prices over a one-day holding period with a 99% confidence level under a two-year observation period.

The market value of listed shares, the fair value of private equity funds and unlisted equities (collectively the "Unlisted Securities"), are subject to limits and these are managed by the Investment Department of the Group. The Unlisted Securities and listed non-trading equities are not included in the VaR for the equity trading position, and are managed through delegated limits. The limits are subject to regular review by the Asset and Liability Management Committee.

(b) 市場風險管理(續)

(iii) 股份風險(續)

市場風險控制限額設有不同層次以配合各類業務的實際需要。董事會審批核心控制限額並授權資產負債管理委員會審批具體的控制限額。釐定限額時會考慮風險、回報及市場情況等因素，並且採用積極限額監控程序。

在此方面，資產負債管理委員會負責監察本集團進行風險活動時所產生的相關市場風險，確保其市場風險處於本集團的風險承受範圍內。本集團會經常監控風險承擔情況，以確保所承擔風險屬於既定的控制限額內。

本集團運用風險值來量化相關交易組合的市場風險。風險值是統計學上的估計，用來量度假設於某一時段內持倉維持不變的情況下，因市場息率及價格的不利波動而引致組合的市值潛在虧損。

本集團通過歷史模擬法評估本集團交易組合的風險值，其按從歷史觀察期中截獲的每個市場波動情景對有關組合進行重新估值以計算風險值。該方法是依據1日持倉期、99%置信水平以及過往兩年觀察期來推算市場利率與價格的波動。

上市股份的市值、私人股份基金及非上市股份(統稱「非上市證券」)的公平價值均由本集團投資部按限額管理。非上市證券及非交易上市股份是根據特定限額管理，且不包括在交易股份持倉的風險值計算內。資產負債管理委員會須定期檢討該限額。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Value-at-risk statistics

風險值統計

		2019			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
VaR for total trading activities	交易活動的風險值總額	25	38	25	30
VaR for foreign exchange trading positions*	外匯交易持倉的風險值*	6	16	4	9
VaR for interest rate trading positions	利率交易持倉的風險值	1	5	1	3
VaR for equity trading positions	股份交易持倉的風險值	20	25	19	21

		2018			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
VaR for total trading activities	交易活動的風險值總額	35	41	32	37
VaR for foreign exchange trading positions*	外匯交易持倉的風險值*	16	18	7	12
VaR for interest rate trading positions	利率交易持倉的風險值	4	8	4	6
VaR for equity trading positions	股份交易持倉的風險值	20	32	20	25

* Including all foreign exchange positions but excluding structural foreign exchange positions.

* 包括所有外匯持倉但不包括結構性外匯持倉。

		2019			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Stressed VaR for total trading activities	交易活動的受壓風險值總額	94	141	81	103

		2018			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Stressed VaR for total trading activities	交易活動的受壓風險值總額	125	166	115	133

A stressed VaR measure is intended to replicate a VaR calculation that would be generated on current trading portfolio if the relevant market factors were experiencing a period of stress.

受壓風險值是假設相關市場因素在受壓期間下，模擬計算由現行交易組合產生的風險值。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(c) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.

The objectives of operational risk management are to identify, assess, monitor, and report operational risk of the Group systematically and effectively; to minimise any operational loss and other impact on the Group; and to comply with the relevant regulatory requirements.

The Operational Risk Management Committee is responsible for overseeing operational risk management of the Group while the Operational Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to operational risk.

The operational risk management tools adopted include operational risk incidents reporting, risk assessments, key risk indicators, operation manuals, insurance policies, etc.

(d) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to meet its obligations as they come due because of an inability to obtain adequate funding (funding liquidity risk); or that the Group cannot easily liquidate assets quickly without significantly lowering market prices because of inadequate market depth or market disruptions (market liquidity risk).

The purpose of liquidity risk management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to make new loans and investments as opportunities arise and, last but not least, to comply with all the statutory requirements for liquidity risk management, including Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR").

The Group reviews the risk profile through regular assessments of both qualitative and quantitative risk factors to determine its tolerance of prevailing risk levels against applicable risk appetite statement for liquidity risk approved annually by the Board. The Asset and Liability Management Committee is delegated by the Board to oversee the Group's liquidity risk management. The Asset and Liability Management Committee comprises balanced representation of senior staff from various business units, Treasury, Risk Management and Finance, who jointly formulate funding strategies. The Asset and Liability Management Committee sets the strategy, policy, and limits for managing liquidity risk and the means for ensuring that such strategy and policy are implemented. Regular meetings are held to review the compliance status of the monitoring matrix established and the need for any change in strategy and policy. Liquidity is managed daily by the Capital Markets & Liquidity Management Department under the Treasury Markets Division of the Group within the set limits. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to liquidity risk. The Internal Audit Division performs periodic reviews to ensure that the liquidity risk management functions are carried out effectively.

(c) 營運風險管理

營運風險是指由於內部流程、人員和系統不足或缺陷，或因外部事件而導致損失的風險。

營運風險管理的目的在於有系統及有效地識別、評估、監控及匯報本集團營運風險；減少營運虧損及對本集團的其他影響；以及遵守相關監管規定的要求。

營運風險管理委員會負責監督本集團的營運風險管理，而本集團風險管理處轄下的營運風險管理部則負責監察與營運風險有關的活動。

本集團所採用的營運風險管理工具包括營運風險事件匯報、風險控制評估、主要風險指標、營運手冊、保險政策等。

(d) 流動性風險管理

流動性風險是指本集團因未能獲得充足資金投入而可能無法履行到期責任的風險(資金流動性風險)；或因市場深度不足或市場失序，本集團非得大幅降低市場價格的情況下無法輕易迅速變現資產的風險(市場流動性風險)。

流動性風險管理是為了確保本集團維持充足的現金流量以履行所有財務承擔，並掌握業務擴展的機會。當中包括確保本集團能夠在即時或合約期滿時滿足提款要求，在借款期滿時能夠還款，掌握貸款和投資的機會，以及符合所有有關流動性風險管理的法定規定，包括流動性覆蓋比率及穩定資金淨額比率。

本集團通過定期評估定性及定量的風險因素檢討風險狀況，根據董事會每年批准的適用於流動性風險的風險偏好釐定其現行風險承受範圍。資產負債管理委員會獲董事會授權，負責監察本集團的流動性風險管理。資產負債管理委員會由各業務單位、司庫、風險管理及財務的管理層出任以共同制定資金戰略方案。資產負債管理委員會制訂管理流動性風險的策略、政策及限額，以及確保執行有關策略與政策的措施。委員會定期舉行會議，檢討各既有監控架構的合規情況，以及是否需要改變策略及政策。流動資金狀況由本集團資金市場處轄下的資本市場及流動資金管理部每日按所訂限額範圍進行管理。本集團風險管理處轄下的資產負債管理部負責監察與流動性風險相關的活動。稽核處會定期作出檢討，確保流動性風險管理功能得以有效執行。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The LCR and NSFR statutory requirements are part of the stringent regulatory regime that covers the liquidity risk management of the Group. To ensure compliance with the regulatory requirements, internal targets for LCR and NSFR have been set above regulatory required levels, after considering the Group's liquidity risk appetite. In addition material changes in the LCR and NSFR are reviewed regularly by the Asset and Liability Management Committee together with proposed mitigation actions to cope with adverse changes arising from, but not limited to, composition of the deposit base and remaining tenor to maturity, lending activities with respect to different maturity tenors, and the Group's asset and liability mix strategy. In planning the asset and liability mix strategy, the Group's relevant business units contribute to an assessment of the impact of asset growth and funding structure on the LCR and NSFR for review and decision by the Asset and Liability Management Committee.

As part of Group efforts to manage the LCR and NSFR effectively, emphasis is placed on strengthening the deposit base by retaining loyal customers and maintaining customer relationships. The Group balances funding among retail, small business, and wholesale funding to avoid concentration in any one source. Professional markets are accessed through the issuance of certificates of deposit, medium-term notes, subordinated debt, money market placement, and borrowing for the purposes of providing additional funding, maintaining a presence in local money markets, and optimising asset and liability maturities.

In addition to observing the statutory LCR and NSFR, the Group has established different liquidity metrics – including but not limited to the loan-to-deposit ratio, cumulative maturity mismatch ratio, funding concentration ratio, intra-group exposure threshold, and cross currency funding ratio – to measure and analyse the Group's liquidity risk. The Group maintains sufficient High-quality liquid assets ("HQLAs") as a liquidity cushion that can be accessed in times of stress. The HQLAs for fulfilling the LCR consist of cash, exchange fund bills and notes, high quality government debt securities and other equivalent liquid marketable assets. The majority of HQLAs are denominated in Hong Kong dollars. Contingent funding sources are maintained to provide strategic liquidity to meet unexpected and material cash outflows.

Internally, intra-group funding transactions are carried out at arm's length and treated in a manner in line with third-party transactions, with regular monitoring and appropriate control. As a majority of the Group's liquidity risk arises from the maturity mismatch gap between the Group's asset and liability portfolios, the Group manages liquidity risk by conducting cash flow analysis and projections through the regular use of the Bank's management information system. These are carried out on a regular basis to identify funding needs arising from on and off-balance sheet items in a specific time frame over a set of time horizons.

流動性覆蓋比率及穩定資金淨額比率的法定要求是本集團對流動性風險管理的嚴格監管制度部份之一。為確保遵守監管要求，本集團考慮過其流動性風險偏好後，為流動性覆蓋比率及穩定資金淨額比率設定的內部目標均高於上述監管規定水平。此外，資產負債管理委員會會定期檢閱流動性覆蓋比率及穩定資金淨額比率的重大變動，並提出建議補救措施，以應對來自(但不限於)存款基礎及其餘下到期期限、不同到期期限的貸款活動以及本集團資產及負債組合策略所產生的不利變動。在規劃資產及負債組合策略時，本集團的相關業務單位就資產增長及資金結構對流動性覆蓋比率及穩定資金淨額比率的影響提交評估，以供資產負債管理委員會檢討和作出決策。

為有效地管理流動性覆蓋比率及穩定資金淨額比率，本集團特別著重存留忠實客戶及維持客戶關係，藉以增強存款基礎。本集團在零售、小企業以及批發市場資金之間保持平衡，避免資金集中於任何一種來源。本集團透過發行存款證、中期票據、後償債項、貨幣市場拆借及借貸進入專業市場，獲取額外資金，以此維持本行於本地金融市場的地位及優化資產及負債的期限。

除了緊守法定的流動性覆蓋比率及穩定資金淨額比率外，本集團已設立不同的流動性指標，以衡量及分析流動性風險，包括(但不限於)貸存比率、累積到期錯配比例、資金集中比率、集團內公司之間風險限額以及跨貨幣資金比率。本集團維持充足的優質流動資產，作為能夠在資金受壓時取用的流動資金緩衝。為滿足流動性覆蓋比率所需的優質流動資產包括：現金、外匯基金票據和債券、優質的政府債務票據，以及其他同等的而可供出售的流動資產，其中大部分優質流動資產以港幣計值。本集團維持應急資金來源，能提供策略性的流動資金，以應付未能預計及大量的資金需求。

內部方面，集團內公司間的融資交易乃按一般正常公平交易原則進行，處理方式與第三方交易一致，並會定期進行監察及適當控制。由於本集團大部分流動性風險來自資產與負債組合之間的期限錯配差距，本集團會透過使用本行的管理資訊系統，定期對一系列時間內的資產負債表內、外項目進行現金流量分析及預測，確定特定時間組別的資金需要，從而管理流動性風險。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(d) Liquidity risk management (continued)

The Group also conducts stress-testing regularly to analyse liquidity risk. Both on and off-balance sheet items and their impact on cash flow are considered, together with applicable hypothetical and historical assumptions. The assessment and review of market liquidity risk are included in the various control processes, including investment/trading strategy, market risk monitoring, valuation, and portfolio review. Three stress scenarios – namely an institution-specific crisis, a general market crisis, and a crisis involving a combination of the two – are adopted with minimum survival period defined according to the HKMA's Supervisory Policy Manual LM-2, "Sound Systems and Controls for Liquidity Risk Management".

With reference to the stress-testing results, the Group identifies potential vulnerabilities within the Group, establishes internal limits and formulates a contingency funding policy that sets out the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

The contingency funding policy is designed to be pro-active and pre-emptive, and stipulates the following three stages:

1. The Group utilises early warning indicators, which cover both qualitative and quantitative measures, and monitors both internal and external factors. Should there be any early signs of significant impact on the Group's liquidity position, the Asset and Liability Management Committee is informed. The Asset and Liability Management Committee will consider appropriate remedial actions and will consider employing crisis management if the situation warrants.
2. A Crisis Management Committee, which is chaired by the Co-Chief Executives, is formed to handle the crisis. Strategy and procedures for obtaining contingency funding, as well as roles and responsibilities of the parties concerned, are clearly stated.
3. In the final stage, a post-crisis review is carried out to recommend necessary improvements to avoid incidents of a similar nature in the future.

An annual drill test is conducted and the contingency funding policy is subject to regular review in order to accommodate any changes in the business environment. Any significant changes to the contingency funding policy are approved by the Board.

(d) 流動性風險管理(續)

本集團亦會定期進行壓力測試，以分析流動資金風險。透過適用的虛擬及歷史假設，本集團的壓力測試均已考慮資產負債表內外項目及其對現金流量造成的影響。市場流動資金風險的評估及檢討納入各個控制環節，包括投資／交易策略、市場風險監控、估值及組合檢討。三個壓力情景－即個別銀行危機、整體市場危機，以及結合上述兩種情況的綜合危機－均採用金管局監管政策手冊LM-2「穩健的流動性風險管理系統及管控措施」界定的最短存活期。

本集團會參照壓力測試結果，確認集團內的潛在弱點，訂立內部限額，並制訂應急資金政策及計劃，當中載列了本集團處理流動資金問題的策略及於緊急情況下彌補現金流不足的程序。

應急資金政策旨在提供防患未然的積極措施，並訂明以下3個階段：

1. 本集團運用預早警報指標，當中包括質性及數量性的措施，及監察內部及外在因素。假如有任何早期跡象顯示本集團流動資金狀況將受重大影響，應通知資產負債管理委員會。資產負債管理委員會將考慮適當的補救措施，並在情況需要時會考慮採用危機管理措施。
2. 本集團已設立危機管理委員會，並由聯席行政總裁擔任該委員會的主席，該委員會專責處理危機，並明確規定取得應急資金的策略及程序，以及有關各方的職務及職責。
3. 於最後階段，本集團會在危機結束後對問題進行檢討，並作出必要改進，避免日後出現同類事件。

為應付商業環境中的任何轉變，本集團每年進行演習測試，並定期檢討應急資金。應急資金政策如有任何重大變動，均須分別取得董事會的批准。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Analysis of assets and liabilities by remaining maturity:

資產及負債的剩餘期限分析：

		Repayable on demand	Within 1 month	2019			Over 5 years	Undated or overdue	Total
				3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year			
		即時還款	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上	無註明日期 或逾期	總額
		HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Assets	資產								
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	36,001	185	327	687	-	-	14,325	51,525
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款	-	46,794	14,101	1,230	155	-	-	62,280
Trade bills	貿易票據	1	4,298	4,702	3,080	-	-	-	12,081
Trading assets	交易用途資產	-	-	-	-	56	34	1,183	1,273
Derivative assets	衍生工具資產	-	-	-	-	-	-	5,693	5,693
Loans and advances to customers	客戶貸款及墊款	3,893	63,352	29,670	85,762	198,224	123,525	910	505,336
Investment securities	投資證券	-	10,588	15,444	30,949	64,838	38,686	3,009	163,514
Investments in associates and Joint ventures	聯營公司及合資企業投資	-	-	-	-	-	-	9,970	9,970
Fixed assets	固定資產	-	-	-	-	-	-	14,328	14,328
Goodwill and intangible assets	商譽及無形資產	-	-	-	-	-	-	1,926	1,926
Deferred tax assets	遞延稅項資產	-	-	-	-	-	-	1,563	1,563
Other assets	其他資產	96	7,034	6,655	13,019	1,100	245	7,560	35,709
Total assets	資產總額	39,991	132,251	70,899	134,727	264,373	162,490	60,467	865,198
Liabilities	負債								
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	2,247	12,133	7,708	5,821	6	-	-	27,915
Deposits from customers	客戶存款	208,421	122,769	146,808	86,254	9,273	-	2	573,527
- Demand deposits and current accounts	- 活期存款及往來賬戶	66,760	-	-	-	-	-	-	66,760
- Savings deposits	- 儲蓄存款	139,742	-	-	-	-	-	-	139,742
- Time, call and notice deposits	- 定期及通知存款	1,919	122,769	146,808	86,254	9,273	-	2	367,025
Derivative liabilities	衍生工具負債	-	-	-	-	-	-	7,654	7,654
Certificates of deposit issued	已發行存款證	-	4,073	20,528	49,198	260	-	-	74,059
Current taxation	本期稅項	-	-	-	2,103	-	-	-	2,103
Debt securities issued	已發行債務證券	-	-	-	156	3,025	-	-	3,181
Deferred tax liabilities	遞延稅項負債	-	-	-	-	-	-	584	584
Other liabilities	其他負債	891	5,268	8,617	16,153	13,381	5,157	6,832	56,299
- Lease liabilities	- 租賃負債	1	33	62	254	518	239	-	1,107
- Other accounts	- 其他賬項	890	5,235	8,555	15,899	12,863	4,918	6,832	55,192
Loan capital	借貸資本	-	-	-	4,699	5,539	-	-	10,238
Total liabilities	負債總額	211,559	144,243	183,661	164,384	31,484	5,157	15,072	755,560
Net gap	淨差距	(171,568)	(11,992)	(112,762)	(29,657)	232,889	157,333		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(d) Liquidity risk management (continued)

(d) 流動性風險管理(續)

		2018						Undated or overdue 無註明日期 或逾期	Total 總額
		Repayable on demand 即時還款 HK\$ Mn 港幣百萬元	Within 1 month 1個月內 HK\$ Mn 港幣百萬元	3 months or less but over 1 month 1個月以上 HK\$ Mn 港幣百萬元	1 year or less but over 3 months 3個月以上 HK\$ Mn 港幣百萬元	5 years or less but over 1 year 1年以上 HK\$ Mn 港幣百萬元	Over 5 years 5年以上 HK\$ Mn 港幣百萬元		
Assets	資產								
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	27,033	-	-	1,818	-	-	19,255	48,106
Placements with and advances to banks and other financial institutions	在銀行及其他金融機構的存款及墊款	-	43,957	15,536	802	78	-	-	60,373
Trade bills	貿易票據	16	5,594	4,760	4,276	-	-	-	14,646
Trading assets	交易用途資產	-	114	148	1,243	402	224	1,352	3,483
Derivative assets	衍生工具資產	-	-	-	-	-	-	10,211	10,211
Loans and advances to customers	客戶貸款及墊款	2,899	56,756	29,843	99,734	191,557	115,674	1,821	498,284
Investment securities	投資證券	-	6,353	9,033	26,354	71,656	27,528	3,805	144,729
Investments in associates and joint ventures	聯營公司及合資企業投資	-	-	-	-	-	-	9,129	9,129
Fixed assets	固定資產	-	-	-	-	-	-	13,165	13,165
Goodwill and intangible assets	商譽及無形資產	-	-	-	-	-	-	1,940	1,940
Deferred tax assets	遞延稅項資產	-	-	-	-	-	-	481	481
Other assets	其他資產	104	7,154	6,415	13,691	713	195	6,632	34,904
Total assets	資產總額	30,052	119,928	65,735	147,918	264,406	143,621	67,791	839,451
Liabilities	負債								
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	2,691	15,154	5,827	3,818	-	-	-	27,490
Deposits from customers	客戶存款	203,713	118,991	146,031	88,469	16,906	-	4	574,114
- Demand deposits and current accounts	- 活期存款及往來賬戶	71,952	-	-	-	-	-	-	71,952
- Savings deposits	- 儲蓄存款	130,477	-	-	-	-	-	-	130,477
- Time, call and notice deposits	- 定期及通知存款	1,284	118,991	146,031	88,469	16,906	-	4	371,685
Derivative liabilities	衍生工具負債	-	-	-	-	-	-	9,496	9,496
Certificates of deposit issued	已發行存款證	-	3,236	19,976	35,278	-	-	-	58,490
Current taxation	本期稅項	-	-	-	1,437	-	-	-	1,437
Debt securities issued	已發行債務證券	-	-	-	407	157	-	-	564
Deferred tax liabilities	遞延稅項負債	-	-	-	-	-	-	483	483
Other liabilities	其他負債	883	5,339	7,075	15,971	9,881	3,955	8,340	51,444
Loan capital	借貸資本	-	-	-	-	12,358	-	-	12,358
Total liabilities	負債總額	207,287	142,720	178,909	145,380	39,302	3,955	18,323	735,876
Net gap	淨差距	(177,235)	(22,792)	(113,174)	2,538	225,104	139,666		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

As the trading assets and debt instruments measured at FVOCI may be sold before maturity or deposits from customers may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

由於作交易資產及反映公平價值之債務工具可能於到期前出售或客戶存款可能在到期前未被提取，合約到期日並非代表未來現金流的預計日期。

The following tables provide an analysis of the undiscounted cashflow projection of the financial liabilities of the Group at the end of the reporting period based on the dates of their contractual payment obligations:

下表展示於報告期結束日集團的未經折扣之金融負債的預計現金流按其合約支付債務之日期分析：

		2019							
		Carrying amount	Gross cash outflow	Repayable on demand	Between			More than five years	Undated
					Less than three months	three months and one year	Between one and five years		
		賬面值	總額	即時還款	3個月或以下	3個月以上至1年	1年以上至5年	5年以上	無註明日期
		HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	27,915	28,062	2,247	19,923	5,886	6	-	-
Deposits from customers	客戶存款	573,527	578,086	208,526	271,972	87,794	9,792	-	2
- Demand deposits and current accounts	- 活期存款及往來賬戶	66,760	66,843	66,818	25	-	-	-	-
- Savings deposits	- 儲蓄存款	139,742	139,779	139,779	-	-	-	-	-
- Time, call and notice deposits	- 定期及通知存款	367,025	371,464	1,929	271,947	87,794	9,792	-	2
Derivative liabilities	衍生工具負債	7,654	12,551	-	785	1,826	4,456	1,250	4,234
- Interest rate swaps	- 利率掉期合約	3,420	8,317	-	785	1,826	4,456	1,250	-
- Others	- 其他	4,234	4,234	-	-	-	-	-	4,234
Certificates of deposit issued	已發行存款證	74,059	74,906	-	24,933	49,707	266	-	-
Current taxation	本期稅項	2,103	2,103	-	-	2,103	-	-	-
Debt securities issued	已發行債務證券	3,181	3,508	-	104	162	3,242	-	-
Loan capital	借貸資本	10,238	11,250	-	143	5,081	6,026	-	-
Other liabilities	其他負債	56,883	53,298	792	11,617	15,073	13,268	5,132	7,416
- Lease liabilities	- 租賃負債	1,107	1,107	1	95	254	518	239	-
- Other accounts	- 其他賬項	55,776	52,191	791	11,522	14,819	12,750	4,893	7,416
Total	總額	755,560	763,764	211,565	329,477	167,632	37,056	6,382	11,652

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(d) Liquidity risk management (continued)

(d) 流動性風險管理(續)

		Carrying amount	Gross cash outflow	Repayable on demand	2018				Undated
					Less than three months	Between three months and one year	Between one and five years	More than five years	
		賬面值	現金流出總額	即時還款	3個月或以下	3個月以上至1年	1年以上至5年	5年以上	無註明日期
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	27,490	27,649	2,694	21,087	3,868	-	-	-
Deposits from customers	客戶存款	574,114	579,074	203,823	266,826	90,091	18,330	-	4
- Demand deposits and current accounts	- 活期存款及往來賬戶	71,952	72,051	72,020	31	-	-	-	-
- Savings deposits	- 儲蓄存款	130,477	130,509	130,509	-	-	-	-	-
- Time, call and notice deposits	- 定期及通知存款	371,685	376,514	1,294	266,795	90,091	18,330	-	4
Derivative liabilities	衍生工具負債	9,496	14,640	-	742	1,888	4,305	1,012	6,693
- Interest rate swaps	- 利率掉期合約	2,803	7,947	-	742	1,888	4,305	1,012	-
- Others	- 其他	6,693	6,693	-	-	-	-	-	6,693
Certificates of deposit issued	已發行存款證	58,490	59,192	-	23,432	35,760	-	-	-
Current taxation	本期稅項	1,437	1,437	-	-	1,437	-	-	-
Debt securities issued	已發行債務證券	564	581	-	1	420	160	-	-
Loan capital	借貸資本	12,358	15,185	-	144	467	13,938	636	-
Other liabilities	其他負債	51,927	48,648	798	11,057	14,971	9,121	3,878	8,823
Total	總額	735,876	746,406	207,315	323,289	148,902	45,854	5,526	15,520

Certificates of Deposit, Debt Securities Issued, and Loan Capital

In 2019, BEA issued floating rate certificates of deposit and debt securities with a face value of HK\$150 million and US\$873 million; fixed rate certificates of deposit and debt securities with a face value of HK\$8,767 million, US\$1,677 million, CNY2,500 million and GBP25 million; and zero coupon certificates of deposit and debt securities with a face value of HK\$2,984 million, US\$5,177 million, CNY21,960 million, GBP261 million, EUR1,061 million and CHF100 million. The Group redeemed a quantity of certificates of deposit and debt securities amounting to HK\$92,521 million equivalent upon maturity.

At the end of December 2019, the face value of the outstanding certificates of deposit and debt securities issued was equivalent to HK\$77,802 million, with a carrying amount equivalent to HK\$77,240 million.

已發行存款證、債務證券及借貸資本

2019年，東亞銀行發行了面值為港幣1.50億元及8.73億美元的浮息存款證及債務證券；面值為港幣87.67億元、16.77億美元、人民幣25億元及2,500萬英鎊的定息存款證及債務證券；以及面值為港幣29.84億元、51.77億美元、人民幣219.60億元、2.61億英鎊、10.61億歐元及1.00億瑞士法郎的零息存款證及債務證券。本集團於到期時贖回的各類存款證及債務證券達等值港幣925.21億元。

於2019年12月底，已發行在外的存款證及債務證券面值相等於港幣77.802億元，賬面值則相等於港幣77.240億元。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Maturity Profile of Certificates of Deposit and Debt Securities Issued
As at 31st December, 2019
(All expressed in millions of dollars)

已發行存款證及債務證券的年期
於2019年12月31日
(以百萬元位列示)

	Total Face Value 總面值	Year of Maturity 到期年份		
		2020	2021	2022
Floating Rate 浮息				
HKD 港元	150	150		
USD 美元	893	863		30
Fixed Rate (Note) 定息(附註)				
HKD 港元	5,960	5,700	260	
USD 美元	1,398	1,398		
CNY 人民幣	2,500			2,500
GBP 英鎊	25	25		
Zero Coupon 零息				
HKD 港元	2,980	2,980		
USD 美元	3,475	3,475		
CNY 人民幣	15,030	15,030		
GBP 英鎊	263	263		
CHF 瑞士法郎	50	50		
EUR 歐元	99	99		
Total Certificates of Deposit and Debt Securities issued in HKD equivalent 所有已發行存款證及債務證券(港幣等值)				
	77,802	74,513	260	3,029

Note: Associated interest rate swaps have been arranged in order to manage interest rate risk from long-term certificates of deposit and debt securities issued, if deemed necessary.

附註：已就管理已發行長期存款證及債務證券附帶的利率風險，安排認為必要的相關利率掉期。

In 2019, BEA issued fixed rate loan capital with a face value of CNY1,500 million. On the other hand, the Group redeemed the USD loan capital that was callable on 20th November, 2019 amounting to HK\$3,913 million equivalent.

2019年，東亞銀行發行了面值為人民幣15億元的借貸資本。同時，東亞銀行於2019年11月20日贖回港元等值39.13億美元的借貸資本。

At the end of December 2019, the face value of the outstanding loan capital issued was equivalent to HK\$10,243 million, with a carrying amount equivalent to HK\$10,238 million.

於2019年12月底，已發行在外的借貸資本面值相等於港幣102.43億元，賬面值則相等於港幣102.38億元。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(d) Liquidity risk management (continued)

Maturity Profile of Loan Capital
As at 31st December, 2019
(All expressed in millions of dollars)

	Total Face Value 總面值	Year of Maturity 到期年份		
		2020	2026	2029
USD (Note 1) 美元(附註1)	1,100	600	500	
CNY (Note 2) 人民幣(附註2)	1,500			1,500
Total Loan Capital issued in HKD equivalent 所有已發行借貸資本(港幣等值)	10,243	4,672	3,894	1,677

Notes: 1. The US\$500 million loan capital that matures in 2026 will be callable on 3rd November, 2021.
2. The CNY1,500 million loan capital that matures in 2029 will be callable on 25th April, 2024.

(d) 流動性風險管理(續)

借貸資本的年期
於2019年12月31日
(以百萬元位列示)

附註：1. 將於2026年到期的5億美元借貸資本於2021年11月3日可贖回。
2. 將於2029年到期的人民幣15億元借貸資本於2024年4月25日可贖回。

(e) Interest rate risk management

Interest rate risk is the risk resulting from adverse movements in interest rates that affect the earnings and economic value of the Group's banking book positions. The Asset and Liability Management Committee is delegated by the Board to oversee the Group's interest rate risk management, establish the strategy and policy for managing interest rate risk, and determine the means for ensuring that such strategies and policies are implemented. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to interest rate risk. The Internal Audit Division performs periodic reviews to ensure that the interest rate risk management functions are implemented effectively.

Interest rate risk primarily results from the timing differences in the re-pricing of interest rate-sensitive assets, liabilities, and off-balance sheet items in the banking book. In determining the level of interest rate risk, assessments are made for the gap risk, basis risk and options risk. The Group manages the interest rate risk on the banking book primarily by focusing on re-pricing mismatches. Gap analysis provides a static view of the maturity and re-pricing characteristics of the Group's interest rate-sensitive assets, liabilities, and off-balance sheet positions. Re-pricing gap position limits are set to control the Group's interest rate risk.

From 1st July, 2019, in line with the new requirements set by the HKMA, new assumptions, such as optionality and behaviour of certain products, will also be estimated in the exposure measurement.

Sensitivity analysis in relation to the impact of changes in interest rates on earnings, in terms of net interest income ("NII"), and economic value, in terms of economic value of equity ("EVE") is assessed regularly through a number of hypothetical interest rate shock scenarios prescribed by the HKMA. EVE represents an assessment of the present value of expected net cash flows, discounted to reflect market rates. As fluctuations in interest rates will affect earnings, they will also affect its net worth. Sensitivity limits are set to control the Group's interest rate risk exposure under both earnings and economic value perspectives. The results are reported to the Asset and Liability Management Committee on a regular basis.

(e) 利率風險管理

利率風險是指本集團的銀行帳內的利率風險(簡稱「IRRBB」)受到不利的利率走勢對其盈利及經濟價值造成不利的影響所帶來的風險。資產負債管理委員會獲董事會授權，負責監察本集團的利率風險管理，訂立管理利率風險的策略與政策，並制定相應措施，以確保執行有關策略與政策。利率風險由本集團資金市場處按董事會或資產負債管理委員會批核的限額範圍進行日常管理。本集團風險管理處轄下的資產負債管理部，負責監察利率風險相關的活動。稽核處會定期作出檢討，確保利率風險管理功能得以有效執行。

利率風險主要是由銀行賬冊內利率敏感性資產、負債及資產負債表外項目在再定息時的時差所致。釐定利率風險水平時，對差距風險、息率基準風險及期權風險進行評估。本集團管理銀行賬冊上的利率風險主要集中於重訂息率的錯配。差距分析可讓本集團從靜態角度瞭解利率敏感性資產、負債和資產負債表外持倉的到期情況及重訂息率特點。本行設有重訂息率差距限額，以控制本集團的利率風險。

由2019年7月1日起，若干新假如產品的選擇權和習性將會因應香港金融管理局的新要求於風險承擔計量中估算。

本集團每月進行敏感度分析，以估算利率變動對盈利和經濟價值的影響，包括金管局規定的不同利率衝擊假設情景。本集團設有敏感度限額，以控制本集團的盈利及經濟價值兩方面的利率風險承擔。有關結果會定期向資產負債管理委員會匯報。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The following table provides information on the changes on EVE and also the change on NII over next 12 months under each of the prescribed interest rate shock scenarios in respect of the Group's interest rate exposures arising from banking book positions for the current annual reporting date at 31st December, 2019. Since this is the first time disclosure under new requirement of HKMA, comparative figures with previous year are not available. Sensitivity analysis on interest rate risk for 2018 prepared based on the previous methodology are also presented.

Sensitivity analysis on interest rate risk at 31st December, 2019:

下表展示銀行帳內持倉在2019年12月31日於規定的利率衝擊情境下，引致EVE及NII在未來12個月的改變。由於這是香港金融管理局新規定下的首次披露，因此無法提供與上一年的比較數字。然而，以從前的方法計算的2018年利率風險敏感性分析亦有提供。

於2019年12月31日對利率風險的敏感性分析：

(In HK\$ Mn) (港幣百萬元)		Adverse impact on EVE 對股權經濟價值 的不利影響	Adverse impact on NII 對淨利息收入 的不利影響
		31st December, 2019 2019年12月31日	
Period 期間			
1	Parallel up 平行向上	113	13
2	Parallel down 平行向下	2,339	2,781
3	Steeper 較傾斜	302	
4	Flattener 較橫向	22	
5	Short rate up 短率上升	62	
6	Short rate down 短率下降	1,479	
7	Maximum 最高	2,339	2,781
		31st December, 2019 2019年12月31日	
Period 期間			
8	Tier 1 capital 一級資本	89,276	

In order to produce quantitative estimation on IRRBB, the Group has assumed shock scenarios to interest rate yield curves which allow changes in economic value and earnings to be computed with consideration of optionality and behavioural assumptions. These scenarios are applied to IRRBB exposures in each currency for which the Group has material positions.

The prescribed interest rate shock scenarios are provided by the Hong Kong Monetary Authority in their Supervisory Policy Manual IR-1, Interest Rate Risk in the Banking Book and generally described as follows:

1. Parallel up: A constant parallel shock up across all time buckets
2. Parallel down: A constant parallel shock down across all time buckets
3. Steeper: Short rates down and long rates up
4. Flattener: Short rates up and long rates down
5. Short rate up: Rates up are greatest at shortest time bucket and diminish towards current rates in longer time buckets
6. Short rate down: Rates down are greatest at shortest time bucket and diminish towards current rates in longer time buckets

為了對IRRBB進行定量估計，本集團假設利率收益率曲線受到衝擊並考慮了選擇權和習性的設定，從而計算經濟價值和盈利的變化。這些情境適用於本集團持有的IRRBB風險敞口於各種重要貨幣。

規定的利率衝擊情境是由香港金融管理局在其監管政策手冊IR-1「銀行帳內的利率風險」中提供，其一般描述如下：

1. 平行向上：利率收益率曲線在所有時間段內平行向上移動
2. 平行向下：利率收益率曲線在所有時間段內平行向下移動
3. 較傾斜：短期利率下降而長期利率上升
4. 較橫向：短期利率上升而長期利率下降
5. 短率上升：利率在最短的時間段內上升差距最大，而差距隨著較長時段減少至與當前利率相若
6. 短率下跌：利率在最短的時間段內下降差距最大，而差距隨著較長時段減少至與當前利率相若

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(e) Interest rate risk management (continued)

Sensitivity analysis on interest rate risk at 31st December, 2018

(e) 利率風險管理(續)

於2018年12月31日對利率風險的敏感性分析

		31st December, 2018 2018年12月31日			
		HKD 港元 HK\$ Mn 港幣百萬元	USD 美元 HK\$ Mn 港幣百萬元	RMB 人民幣 HK\$ Mn 港幣百萬元	GBP 英鎊 HK\$ Mn 港幣百萬元
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	倘利率上調200個基點對未來12個月的盈利影響	1,077	237	277	39
Impact on economic value if interest rates rise by 200 basis points	倘利率上調200個基點對經濟價值的影響	(278)	191	(301)	18

This sensitivity analysis on interest rate risk was based on a static interest rate risk profile of assets and liabilities and was used for risk management purposes. The analysis was based on the following assumptions:

- there was a parallel shift in the yield curve and in interest rates;
- there were no other changes to the portfolio;
- no loan prepayment was assumed as the majority of loans was on a floating rate basis; and
- deposits without fixed maturity dates were assumed to be repriced on the next day.

以上敏感度分析乃依據資產及負債的靜態利率風險狀況作出，僅作風險管理用途。有關分析乃根據以下假設進行：

- 收益率曲線及利率平行移動；
- 組合並無其他變動；
- 假設沒有提早償還貸款，因大部分貸款屬於浮息貸款；及
- 假設沒有固定到期日的存款於翌日再定息。

(f) Strategic risk management

Strategic risk is the risk of current or potential impact on the Group's earnings, capital, reputation, or standing arising from changes in the environment the Group operates in, adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic, or technological changes.

The Risk Management Division of the Group monitors the activities under the Group's prevailing interest-earning asset mix and funding strategies and regularly reports the status to the Asset and Liability Management Committee, Risk Management Committee, Risk Committee and the Board, where appropriate.

Future capital requirements are determined based on the projections of Capital Adequacy Ratio and conditions under the Internal Capital Adequacy Assessment Process, so as to assess the level and structure of capital resources needed to support the risks that the Group tolerates.

(g) Legal risk management

Legal risk is the risk of loss arising from unenforceable contracts, lawsuits, or adverse judgements that may disrupt or otherwise negatively affect the operations or financial condition of the Group.

The objective of managing legal risk is to identify, assess, monitor and report on legal risk, and to comply with the relevant legal and regulatory requirements.

The Group provides appropriate training courses conducted by qualified internal personnel and/or external lawyers/professionals. It also issues reminders to staff members if necessary. When dealing with legal matters, the Group engages qualified internal personnel and, when necessary and appropriate, external lawyers with appropriate expertise including counsel and senior counsel.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's legal risk.

(f) 策略性風險管理

策略性風險是指因本集團營運環境變動、不良策略決策、決策實施不當或對工業、經濟或技術變動反應遲緩而對本集團盈利、資本、信譽或地位造成當前或潛在影響的風險。

本集團轄下的風險管理處監控本集團現行生息資產組合及融資策略下的活動，並於適當情況下定期向資產負債管理委員會、風險管理委員會、風險委員會及董事會匯報有關情況。

本集團亦根據資本充足比率預計及內部資本充足評估程序狀況決定未來所需的資本，以評估支援本集團在風險可承受水平上所需的資本資源水平及結構。

(g) 法律風險管理

法律風險是指出現合約未能執行、訴訟或不利審判的情況，可能對本集團的日常運作或財務狀況造成擾亂或負面影響而導致損失的風險。

法律風險管理的目的，在於識別、評估、監控及匯報法律風險，以及遵守相關法律及監管規定的要求。

如有需要，本集團會提供由合資格內部人員及／或外聘律師／專業人士講解的適當培訓課程，並於有需要時向員工發出提示。當處理法律事宜，本集團諮詢合資格內部人員，並於必要及適當的情況下聘請具備相應專業知識的外聘律師(包括大律師及資深大律師)。

營運風險管理委員會負責監督本集團的法律風險管理。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(h) Reputation risk management

Reputation risk is the risk that the Group's reputation is damaged by one or more events that result in negative publicity about the business practices, conduct, or financial condition of the Group. Such negative publicity, whether true or not, may impair public confidence in the Group and may result in costly litigation, or lead to a decline in the Group's customer base, business, and/or revenue.

The objective of managing reputation risk is to identify, assess, monitor, report, and mitigate reputation risk, and to ensure compliance with the relevant regulatory requirements.

The Group establishes various policies, guidelines, manuals and codes to ensure compliance with applicable laws, rules and regulations, and to ensure that the Group maintains a high standard of corporate governance, which in turn helps to safeguard and enhance the Group's reputation.

The Group formulates, and adheres to, the Reputation Risk Management Manual, which outlines a systematic approach to the management of reputation risk, including a framework for reputation risk identification, assessment, monitoring, mitigation, and control, thereby protecting and enhancing the reputation of the Group. The Guidelines for Incident Response and Management are established for swift response to and management of unexpected incidents. The Media Guidelines are established to ensure effective and consistent delivery of the Group's key messages to the media.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's reputation risk.

(i) Compliance risk management

Compliance risk is the risk of potential losses arising from legal or regulatory sanctions, fines and penalties, financial losses or damage to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

The Group establishes various policies, guidelines and manuals to ensure compliance with all applicable legislation, rules, codes of conduct, industry standards, and guidelines issued by the relevant regulatory authorities that govern the Group's operations. The Group formulates, and adheres to, the Group Compliance Risk Management Manual, which outlines a systematic approach to the management of compliance risk, including a framework for compliance risk identification, assessment, monitoring, mitigation and control, thereby enabling the Group to manage its compliance risk effectively. Independent regulatory compliance reviews are conducted on major functions of the Group using a risk-based approach.

(j) Technology risk management

Technology risk is the risk of loss to the Group due to inadequate or failed technical processes, people, and/or computing systems, or unauthorised access or disruption to technology resources, in particular relating to cyber security and e-banking.

To address increasing cyber security threats, the Group has put in place adequate security resources and proper control measures based on a defined risk appetite level. The Group has developed technology risk related policies and cyber security strategies as well as comprehensive security awareness programmes to strengthen cyber security at all levels.

(h) 信譽風險管理

信譽風險是指因對本集團一項或多項有關營商手法、行為或財務狀況事件的負面報導而損及本集團信譽的風險。此等負面報導，不管真確與否，有可能影響公眾對本集團的信心，並可能導致高昂的訴訟費用，或令本集團客戶基礎、業務及／或收入減少。

信譽風險管理的目的在於識別、評估、監控、匯報及降低信譽風險，以及確保符合相關監管規定的要求。

本集團制定各項政策、指引、手冊及守則，確保遵守適用法例、規則及規例，同時確保本集團維持高水準的企業管治，藉此保障及提升本集團的信譽。

本集團制定並遵從信譽風險管理手冊，該手冊載錄對信譽風險實施系統化管理的方法，包括識別、評估、監控、緩減及控制信譽風險的機制，藉此保護及提升本集團的信譽。本集團已建立事件應對及管理指引，以快速應對並管理未能預期的事件。並已建立媒體指引，以確保有效及一致地將本集團的關鍵信息傳達予媒體。

營運風險管理委員會負責監督本集團的信譽風險管理。

(i) 合規風險管理

合規風險是指因法律及監管制裁、罰金或罰款、財務損失，或因未能遵守適用於本集團銀行業務的法例、規例、規則、相關自律組織標準及行為守則，而導致本集團損失的風險。

本集團已制定各項政策、指引及手冊，確保遵守所有適用法例、規則、行為守則、行業標準及有關監管機構發出的規管本集團營運的指引。本集團已制定並遵從集團合規風險管理手冊，該手冊載錄對合規風險實施系統化管理的方法，包括識別、評估、監控、緩減及控制合規風險的機制，藉此令本集團有效地管理合規風險。並採用風險為本的方式對本集團主要職能進行獨立合規監察審查。

(j) 科技風險管理

科技風險是指因技術程序、人員及／或計算系統不足或出現故障；或因未經授權使用或破壞技術資源(尤其在涉及網絡安全及電子銀行時)導致本集團損失的風險。

為應對日漸上升的網絡安全威脅，本集團已根據既定風險偏好級別投入充足的網絡安全資源和實施適當的控制措施。本集團已制定科技風險相關政策及網絡安全策略，以及全面的安全意識計劃，以加強各個級別的網絡安全。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. PRINCIPAL RISK MANAGEMENT (CONTINUED) 主要風險管理(續)

(j) Technology risk management (continued)

The Group has established a framework for proper management of technology risk. The Board and designated committees at the top level are responsible for overall management of technology risk for the Group. They lead various working teams and the "Three lines of defence" to address specific areas of concern.

Comprehensive control policies, standards, guidelines, and procedures are maintained to ensure that adequate control measures relating to the security of internet systems and applications, customer authentication, risk assessment for new products and services, and confidentiality and integrity of information are all in place.

(k) New product and business risk management

New product and business risk is the risk of loss due to insufficient pre-assessment of significant potential risks introduced to the Group arising from the launch of new products, the structural change of existing products, and the establishment of new business operations (i.e. through the establishment of a new subsidiary and/or merger and acquisition). The significant potential risks include Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Interest Rate Risk, Legal Risk, Technology Risk, Compliance Risk, Strategic Risk, Reputation Risk and Business Continuity Risk.

The Group establishes a risk governance structure, supported by comprehensive control guidelines and procedures. A structured evaluation process ensures that before initiating a new product or business, the potential significant risks are duly assessed, vetted and documented. The process also facilitates oversight of new products and businesses by Senior Management.

Each new product launch must go through an approval process, which includes business and financial analysis and risk assessment. New products are reviewed and endorsed by the Steering Group for New Product and Business Risk Management (chaired by the Group Chief Risk Officer and comprising the division heads of supporting units), and approved by the Risk Management Committee.

(l) Business continuity risk management

Business continuity risk is the risk of loss arising from business disruptions in the event of an incident or crisis. Business disruption could be caused by the loss of staff members, information technology and telecommunication systems, premises, key service providers, vital records, etc.

To manage business continuity risk, the Group establishes comprehensive policies, guidelines and manuals. Business impact analysis is conducted and business continuity plans are developed by all individual functional units of the Group.

Annual drills are performed to test preparedness and effectiveness of the business continuity plans.

(j) 科技風險管理(續)

本集團亦已為科技風險設立妥善管理框架。處於集團頂層的董事會及其指定委員會負責對本集團科技風險的整體管理，統領各工作小組及「三道防線」解決個別領域的問題。

本集團繼續落實全面的控制政策、標準、指引及程序，確保充分實施與網絡系統及應用程式安全、客戶身份驗證、新產品及服務風險評估、以及資料保密及完整性相關的控制措施。

(k) 新產品及業務風險管理

新產品及業務風險是指本集團在新產品推出、現有產品結構性變動及新業務運作(即透過設立新附屬公司及／或合併及收購)時，未充分預先評估其重大潛在風險，而導致本集團損失的風險。此等重大潛在風險包括信貸風險、市場風險、營運風險、流動資金風險、利率風險、法律風險、科技風險、合規風險、策略性風險、信譽風險及持續業務運作風險。

本集團已建立風險管治架構，並以全面的控制指引及程序確保其實施。結構嚴密而有序的評估程序，確保本集團在推出新產品或業務前對潛在重大風險作出適當評估、審查及記錄。該程序亦有助高層管理人員監督新產品及業務。

每一個新產品的推出，須通過審批過程，包括業務和財務分析和風險評估。這些新產品由新產品及業務風險管理督導組認可及由風險管理委員會批准。新產品及業務風險管理督導組的主席為集團風險總監，並由支援職能的處級主管組成。

(l) 持續業務運作風險管理

持續業務運作風險是指事件或危機發生時業務中斷導致損失的風險。業務中斷可能由員工、資訊科技及電訊系統、行址、主要服務提供者、關鍵記錄等相關損失而引致。

為管理持續業務運作風險，本集團已制定全面的政策、指引及手冊。本集團所有個別職能單位均進行業務影響分析及制定業務持續規劃。

本集團每年進行演習以測試業務持續規劃是否備妥及有效。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(m) Capital management

The Group's primary objectives when managing capital are to meet the regulatory requirements and safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Capital managed by the Group to achieve these objectives includes ordinary share capital, retained profits, other reserves, and non-controlling interests after deductions for goodwill and intangible assets. It also includes subordinated liabilities, impairment allowances and regulatory reserve for general banking risks as allowed under Capital Rules.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Steering Group for Capital Management and Recovery and Resolution Planning is responsible for overseeing issues related to the capital positions and monitoring the capital adequacy against all regulatory and internal reference. The capital position is also reviewed regularly by the Risk Management Committee, Risk Committee and the Board.

The HKMA supervises the Group on both a consolidated basis and a solo-consolidated basis and, as such, sets capital requirements and receives information of capital adequacy on a regular basis for the Group as a whole. Individual overseas branches and banking subsidiaries are directly regulated by respective domestic banking supervisors, who set and monitor their capital adequacy requirements. In certain jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital requirements of domestic regulatory authorities.

In implementing current capital requirements the HKMA requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The Group calculates requirements for market risk in its trading portfolios based upon the Group's VaR models and uses its internal gradings as the basis for risk weightings for credit risk. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group monitors its capital structure on the basis of the capital adequacy ratios and there have been no material changes in the Group's policy on the management of capital during the year.

The capital adequacy ratios as at 31st December, 2019 and 31st December, 2018 are computed on the consolidated basis of the Bank and certain of its subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Capital Rules of the Banking Ordinance.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year ended 31st December, 2019 and 31st December, 2018 and the Group's capital ratios are well above the minimum required by the HKMA.

(m) 資本管理

本集團管理資本的主要目的是要符合監管規定及保障本集團可持續經營，藉以不斷為股東提供回報及為其他利益關涉者帶來利益。方法包括依照風險水平釐定產品及服務價格，及以合理的成本提供融資渠道。

以求達至該目的，本集團管理資本包括股本、留存溢利、其他儲備，及非控股權益(已扣除商譽和無形資產)。管理資本亦包括無償負債、減值準備及資本規則所容許的一般銀行業風險的規管儲備。

本集團積極定期檢討及管理資本架構，以期在爭取更高股東回報與維持良好資本的好處和安全之間取得平衡，並且因應經濟情況的轉變調整資本架構。

資本管理、恢復及處置規劃督導組負責監督與資本狀況相關的事項，並根據監管機構及內部指引以監控資本充足度。風險管理委員會、風險委員會及董事會亦會定期檢討資本狀況。

金管局按綜合基準及單獨綜合基準以監管本集團，並制訂資本要求及定期收集本集團整體性的資本充足資料。個別海外分行及銀行附屬公司分別由當地的銀行監管機關直接監管，並制訂及監控其資本充足要求。在某些地區，非銀行財務附屬公司是受當地監管機關規管及資本要求。

在實施現行資本要求金管局要求本集團維持特定的總資本對風險資產總額比率。本集團計算其交易組合的市場風險是按本集團風險值模式及採用內部評級作為信貸風險的加權風險基準。銀行營運分類為交易賬或銀行賬，及風險加權資產視乎可反映與資產及資產負債表以外風險不同層面風險之特定要求。

本集團以資本充足比率為基準監察資本架構，年度內本集團資本管理政策並無重大改變。

2019年12月31日及2018年12月31日的資本充足比率是依據金管局為監管目的而制定的，本行及若干附屬公司已按綜合基準計算，並符合《銀行業條例》的《資本規則》。

截至2019年12月31日及2018年12月31日止年度內，本集團及其個別受監管業務已符合所有外間訂立的資本規定，以及本集團俱遠高於金管局所定的最低規定比率。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. FAIR VALUES OF FINANCIAL INSTRUMENTS 金融工具的公平價值

(a) Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair values using the following hierarchy of methods:

Level 1 – Quoted market price in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable input. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or counterparty quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and various market recognised option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity prices, foreign currency exchange rates, index prices, historical or implied volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

(a) 以公平價值列賬的金融工具

公平價值估計是根據金融工具的特性和相關市場資料於某一特定時間作出，因此一般是主觀的。本集團以下列的分級方法計算公平價值：

第一級—參考同一工具在活躍市場取得的市場報價。

第二級—根據可觀察的參數之估值模式。為此級別估值的工具，包括以下方式：就相若工具在活躍市場取得的市場報價；就相若工具在非活躍市場取得的市場報價；或其他估值模式，而該等估值模式所用的參數，是直接或間接可從市場觀察所得的數據。

第三級—根據重要但非可觀察得到的參數之估值模式。為此級別估值的工具，其估值模式所輸入之參數為非可觀察的數據，惟該等非可觀察的數據可以對估值產生重大影響。為此級別估值的工具，也包括在活躍市場取得相若金融工具的市場報價，惟當中需要作出非可觀察之調整或假設，以反映不同金融工具之間的差別。

於活躍市場買賣的金融資產及金融負債，是根據市場報價或交易對手報價以釐定其公平價值。而對於所有其他金融工具，本集團則利用估值模式以釐定公平價值。估值模式包括淨現值及現金流量折現模式、以及其他市場廣泛應用的期權估值模式。用於估值模式之假設及參數包括無風險利率、基準利率、股票價格、外幣兌換率、指數價格、過往或預期波幅及相關關係。採用估值模式的目的是計量公平價值，藉以在申報日能反映金融工具的價格，而該價格可被視為在正常交易下市場人士當賣出資產時可收取或當轉移負債時須支付之款項。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses valuation models, which usually are developed from recognised valuation methodologies. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation control function, namely Financial Instruments Valuation Group ("FIVG") which comprises control units independent of front office management. Procedures for price verification have been established. Any pricing models to be used would be subject to a rigorous validation and approval process.

本集團會使用廣泛應用的估值模式，以釐定一般性及較簡單金融工具的公平價值，例如僅使用可觀察市場價格、及毋須管理層耗時判斷及估計之利率及貨幣掉期。可觀察價格及模式的參數，通常可從市場上的上市債務及股份證券、在交易所買賣的衍生工具和簡單的場外交易衍生工具如利率掉期獲取。獲取可觀察市場價格及模式的參數，可以減省管理層需時判斷及估計，也可減少有關釐定公平價值的不穩定因素。是否取得可觀察市場價格及參數，視乎產品及市場性質，並會因金融市場的個別事件和一般情況而有不同變化。

至於較複雜的金融工具，本集團會使用通常由已有認受性的估值模式改動而來。部分甚或所有須予輸入模式的重要參數或未能從市場中觀察得出，而必須從市場價格或利率計算、或基於假設而估計而得出。該等須利用重要而非可觀察之參數的估值模式，需要管理層投入較多時間於判斷及估計，始能釐定金融工具的公平價值；而揀選適當的估值模式、為估值之金融工具決定其預期的未來現金流、決定交易對手方違約和提早還款的或然率，以及挑選適用的貼現率等，一般皆需要管理層的判斷和估計。

本集團已就計算公平價值設立了監控機制。此機制包括擁有產品監控功能並獨立於前線管理人員，稱為金融工具估值群組（「群組」）。價格核實的程序已經確立。任何將被採用的價格模式必須經過嚴格的檢測及審批程序。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED) 金融工具的公平價值(續)

(a) Financial instruments carried at fair value (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

(a) 以公平價值列賬的金融工具(續)

下表是分析於報告期期末，在公平價值分級內金融工具之公平價值的處理方式：

		2019				2018			
		Level One 第一級 HK\$ Mn 港幣百萬元	Level Two 第二級 HK\$ Mn 港幣百萬元	Level Three 第三級 HK\$ Mn 港幣百萬元	Total 總額 HK\$ Mn 港幣百萬元	Level One 第一級 HK\$ Mn 港幣百萬元	Level Two 第二級 HK\$ Mn 港幣百萬元	Level Three 第三級 HK\$ Mn 港幣百萬元	Total 總額 HK\$ Mn 港幣百萬元
Recurring fair value measurement	重覆發生的公平價值釐定								
Assets	資產								
Trade Bills – At FVOCI	貿易票據 – 通過其他全面 收益以反映公平價值	-	11,461	-	11,461	-	11,764	-	11,764
Trading assets	交易用途資產	1,183	90	-	1,273	1,371	2,112	-	3,483
Derivative assets	衍生工具資產	-	5,693	-	5,693	-	10,211	-	10,211
Investment securities	投資證券								
- Mandatorily measured at FVTPL	- 強制按通過損益以反映 公平價值計量	1,445	8,857	278	10,580	2,471	11,251	309	14,031
- Designated at FVTPL	- 指定通過損益以反映 公平價值	-	446	-	446	-	1,630	-	1,630
- Measured at FVOCI	- 通過其他全面收益以 反映公平價值	32,971	100,157	1,055	134,183	22,125	87,234	688	110,047
		35,599	126,704	1,333	163,636	25,967	124,202	997	151,166
Liabilities	負債								
Derivative liabilities	衍生工具負債	-	7,654	-	7,654	-	9,496	-	9,496
Financial liabilities designated at fair value through profit or loss	指定為通過損益以反映 公平價值的金融負債	-	30,583	-	30,583	-	11,204	-	11,204
		-	38,237	-	38,237	-	20,700	-	20,700

During the years ended 31st December, 2019 and 2018, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

截至2019年及2018年12月31日止之年內，根據第一級及第二級分級方法釐定公平價值之金融工具，兩者之間並無重大的轉移。本集團的政策是只確認於報告期期末公平價值分級之間發生的轉移。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Information about significant unobservable inputs in Level 3 valuations

有關第三級估值的重要非可觀察參數資料

	Valuation technique 估值模式	Significant unobservable input(s) 重要非可觀察參數	Range 幅度
Unlisted equity securities and investment funds 非上市股份證券及投資基金	Net asset value 資產淨值	N/A 不適用	N/A 不適用
	Discounted cash flow model 現金流折扣模式	Discount rate 折扣率	8.6% (2018年: 11.8%)
		Marketability discount 市場性折扣	20% (2018年: 20%)
	Market-comparable approach 市場可類比法	Earnings multiple 盈利倍數	29.60–34.48 (2018年: 18.24–19.90)
		EV/EBIT 企業價值/稅息前利潤	25.19–35.68 (2018年: 22.54–23.18)
		Marketability discount 市場性折扣	50% (2018年: 50%)

The fair values of unlisted equity instruments mandatorily measured at FVTPL or measured at FVOCI are estimated using the discounted cash flow model, on the basis of an analysis of the investee's financial position and results, or with reference to multiples of comparable listed companies, adjusted for a marketability discount to reflect the fact that the shares are not actively traded. An increase in the ratio/investee's financial position and results in isolation will result in favourable movement in the fair values, while an increase in discount rate/marketability discount in isolation will result in unfavourable movement.

Valuation of financial instruments in Level 3 is subject to the same valuation control framework as described above and reviewed regularly by FIVG.

按強制通過損益以反映公平價值或通過其他全面收益以反映公平價值非上市股份工具的公平價值是採用現金流折扣模式作估算，根據受投資公司的財務狀況及業績之分析，或參考可比較上市公司之倍數，但須計入市場性折扣以反映該股份並非有活躍交易之調整。任何因比率/受投資公司的財務狀況及業績之個別增加對公平價值有正面影響，而因折扣率/市場性折扣之個別增加則對公平價值有負面影響。

在第三級之金融工具估值是受以上所述之相同估值監控機制及金融工具估值群組的定期檢視。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED) 金融工具的公平價值(續)

(a) Financial instruments carried at fair value (continued)

(1) Valuation of financial instruments with significant unobservable inputs

Movements in the recognised fair values of instruments with significant unobservable inputs were as follows:

(a) 以公平價值列賬的金融工具(續)

(1) 使用重要而非可觀察之參數的金融工具估值

已列賬並含有重要而非可觀察參數的工具，其公平價值之變動如下：

		2019		2018	
		Investment securities mandatorily measured at FVTPL	Investment securities measured at FVOCI	Investment securities mandatorily measured at FVTPL	Investment securities measured at FVOCI
		強制按通過損益以反映公平價值計量的投資證券	按通過其他全面收益以反映公平價值計量的投資證券	強制按通過損益以反映公平價值計量的投資證券	按通過其他全面收益以反映公平價值計量的投資證券
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Assets	資產				
At 1st January	於1月1日	309	688	213	349
Purchases	購入	-	-	124	43
Settlements	結算	(19)	(15)	(13)	-
Changes in fair value recognised in the income statement	公平價值變動確認於收益表	(12)	-	(15)	-
Changes in fair value recognised in the other comprehensive income	公平價值變動確認於其他全面收益	-	382	-	296
At 31st December	於12月31日年度內	278	1,055	309	688
Total gains for the year included in FVOCI fair value reserve of the other comprehensive income for assets held at the end of the reporting period	於報告期結束日持有按通過其他全面收益以反映公平價值資產而已計入其他全面收益的公平價值儲備之年度內收益或虧損總額	-	382	-	296
Total losses for the year included in the income statement for assets held at the end of the reporting period recorded in net results from other financial instruments at FVTPL	於報告期結束日持有之資產而已計入期內收益表之通過損益以反映公平價值金融工具的淨表現之年度內收益或虧損總額	(12)	-	(15)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(2) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions

(2) 因重要而非可觀察之假設變動至合理可行之另類假設所產生的影響

		2019			
		Effect recorded in profit or loss 直接記錄於損益上之影響		Effect recorded directly in equity 直接記錄於股東權益上之影響	
		Favourable 有利	(Unfavourable) (不利)	Favourable 有利	(Unfavourable) (不利)
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Financial assets	金融資產				
Investment securities mandatorily measured at FVTPL	強制按通過損益以反映公平價值計量的投資證券	23	(23)	-	-
Investment securities measured at FVOCI	按通過其他全面收益以反映公平價值計量的投資證券	-	-	88	(88)
		23	(23)	88	(88)

		2018			
		Effect recorded in profit or loss 直接記錄於損益上之影響		Effect recorded directly in equity 直接記錄於股東權益上之影響	
		Favourable 有利	(Unfavourable) (不利)	Favourable 有利	(Unfavourable) (不利)
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Financial assets	金融資產				
Investment securities mandatorily measured at FVTPL	強制按通過損益以反映公平價值計量的投資證券	26	(26)	-	-
Investment securities measured at FVOCI	按通過其他全面收益以反映公平價值計量的投資證券	-	-	57	(57)
		26	(26)	57	(57)

The fair values of financial instruments are in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The table above shows the sensitivity of fair values due to parallel movement of plus or minus 10 per cent in reasonably possible alternative assumptions.

在若干情況下，計算金融工具的公平價值所使用的估值模式，其含有的假設並非依據在相同工具的當前可觀察市場交易價格，亦非依賴其他可觀察的市場數據。上表顯示公平價值之敏感度，即因轉用至合理可行之另類假定所產生的正、負10%的價值的並行變動。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED) 金融工具的公平價值(續)

(b) Fair values of financial instruments carried at other than fair value

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented below:

- (i) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the end of the reporting period.
- (ii) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances from both the carrying amount and fair value.
- (iii) The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.
- (iv) The fair value of unquoted equity investments is estimated, if possible, using the applicable dividend discount model, or share of net asset value in the investment, or applying a discount to the market value of investments with a lock-up period.
- (v) The fair value of unlisted open-ended investment funds is estimated using the net asset value per share as reported by the managers of such funds.
- (vi) The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(b) 以公平價值以外列賬的金融工具公平價值

本集團採用下列方法和重要假定，以釐定如下的金融工具的公平價值：

- (i) 不設指定期限的活期存款和儲蓄賬戶的公平價值，乃假定為於報告期結束日可按要求而支付的金額。
- (ii) 浮息金融工具的公平價值，乃假定為與其賬面值相若。如此等工具為貸款和非上市債務證券，由於相關的信貸風險影響是在賬面值和公平價值中將減值準備金額減除後才分別予以確認，因此其公平價值不能反映其信貸素質的改變。
- (iii) 以攤銷成本入賬的定息貸款和按揭貸款的公平價值，乃在此等貸款按相若貸款所獲提供的目前市場利率批出時，以市場利率比較的方式估計。由於相關的信貸風險影響是在賬面值和公平價值中將減值準備金額減除後才分別予以確認，在決定公平價值總額時，貸款組合內各項貸款的信貸素質的改變均不會予以考慮。
- (iv) 非上市股票投資的公平價值是在可能情況下採用適用的股息折扣模式，或應佔投資的淨資產，或為設有禁售期之投資按其市值以折扣計算。
- (v) 非上市開放式投資基金的公平價值估計，是基於投資經理所匯報的每股資產淨值作出。
- (vi) 已發出的融資擔保之公平價值，是以參考在相若服務的公平交易中所徵收費用之可取得相關資料而釐定；有關的資料也可參考利率差價而估計，亦可以就貸款機構對發出擔保所實際徵收的息率，與在沒有取得擔保之情況下而貸款機構將可能徵收的估計息率作出比較，並在當中取用較可靠的相關資料以釐定公平價值。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2019 and 2018 except as follows:

除下列者外，本集團以成本或攤銷成本入賬的金融工具賬面值，與其於2019年12月31日及2018年同日之公平價值相若。

		2019				
		Carrying amount	Fair value	Level 1	Level 2	Level 3
		賬面值	公平價值	第一級	第二級	第三級
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Financial assets	金融資產					
Investment securities measured at amortised cost	投資證券按攤銷成本計量	18,305	18,539	2,203	16,336	-

		2018				
		Carrying amount	Fair value	Level 1	Level 2	Level 3
		賬面值	公平價值	第一級	第二級	第三級
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Financial assets	金融資產					
Investment securities measured at amortised cost	投資證券按攤銷成本計量	19,021	19,140	1,720	17,420	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES 資產負債表以外的風險

(a) Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

(a) 或然負債及承擔

每項或然負債及承擔主要類別的合約金額摘要如下：

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Contingent liabilities	或然負債				
Direct credit substitutes	直接信貸代替品	11,705		14,629	
Transaction-related contingencies	與交易有關的或然項目	1,051		883	
Trade-related contingencies	與貿易有關的或然項目	2,157		2,997	
		14,913		18,509	
Commitments	承擔				
Commitments that are unconditionally cancellable without prior notice	可無條件取消而毋須事先通知的承擔	148,791		141,668	
Other commitments with an original maturity	其他承擔的原到期日				
– up to 1 year	–1年或以下	10,038		9,332	
– over 1 year	–1年以上	26,772		26,710	
		185,601		177,710	
Total	總額	200,514		196,219	
Credit risk weighted amounts	信貸風險加權金額	23,193		23,531	

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts does not represent expected future cash flows.

或然負債及承擔是與信貸有關的工具，包括用以提供信貸的承兌票據、信用證、擔保書和承付款項。合約金額是指當合約被完全提取及客戶違約時所承擔風險的金額。由於預期擔保書及承付款項的大部分金額會在未經提取前逾期，合約金額並不代表預計未來現金流量。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) Derivatives

(i) Notional amount of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of derivative for the Group:

(b) 衍生工具

(i) 衍生工具的名義金額

衍生工具是指由一項或多項潛在資產或指數價值釐定價值的財務合約。

集團的每項衍生工具主要類別的名義金額摘要如下：

		2019							
		Qualifying for hedge accounting		Managed in conjunction with financial instruments designated at fair value through profit or loss		Others, including held for trading		Total	
		符合對沖會計法		金融工具模式管理		其他，包括		總額	
		HK\$ Mn 港幣百萬元		HK\$ Mn 港幣百萬元		HK\$ Mn 港幣百萬元		HK\$ Mn 港幣百萬元	
Exchange rate contracts	匯率合約	1,547		6,483		441,126		449,156	
Interest rate contracts	利率合約	73,755		25,646		272,273		371,674	
Equity contracts	股份合約	-		-		12,214		12,214	
Others	其他	-		-		89		89	
		75,302		32,129		725,702		833,133	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(i) Notional amount of derivatives (continued)

(b) 衍生工具(續)

(i) 衍生工具的名義金額(續)

		2018			
		Qualifying for hedge accounting	Managed in conjunction with financial instruments designated at fair value through profit or loss	Others, including held for trading	Total
		按通過損益以 反映公平價值	金融工具模式管理	其他，包括 持有作交易用途	總額
		符合對沖會計法	金融工具模式管理	持有作交易用途	總額
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Exchange rate contracts	匯率合約	1,556	6,153	716,139	723,848
Interest rate contracts	利率合約	67,215	8,592	335,518	411,325
Equity contracts	股份合約	-	-	11,880	11,880
Others	其他	-	-	266	266
		68,771	14,745	1,063,803	1,147,319

Derivatives arise from futures, forward, swap and option transactions undertaken by the Group and the Bank in the foreign exchange, interest rate and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting period; they do not represent amounts at risk.

The fair value and credit risk weighted amounts of the aforesaid off-balance sheet exposures are as follows. These amounts do not take into account the effects of bilateral netting arrangements.

衍生工具是由本集團及本行在外匯、利率及股票市場進行期貨、遠期、掉期及期權交易而產生。這些工具的名義金額指在報告期結束日仍未完成的交易量，但並不代表所承受風險的金額。

前述資產負債表以外風險的公平價值及信貸風險加權金額如下。這些金額並未計入雙邊淨額安排的影響。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ii) Fair value and credit risk weighted amounts of derivatives

(ii) 衍生工具之公平價值及信貸風險加權金額

		2019			2018		
		Fair value 公平價值		Credit risk weighted amounts*	Fair value 公平價值		Credit risk weighted amounts*
		Assets 資產	Liabilities 負債	信貸風險 加權金額*	Assets 資產	Liabilities 負債	信貸風險 加權金額*
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Exchange rate contracts	匯率合約	2,887	3,375	1,743	6,783	6,191	2,843
Interest rate contracts	利率合約	2,037	3,442	290	2,919	2,816	414
Equity contracts	股份合約	767	827	58	507	472	122
Others	其他	2	10	-	2	17	363
		5,693	7,654	2,091	10,211	9,496	3,742

* The Bank adopted the Foundation Internal Ratings Based ("IRB") approach according to Capital Rules for calculating the credit risk weighted amount as at 31st December, 2019 and 31st December, 2018.

* 根據《資本規則》，本行採納「基礎內部評級基準計算法」計算於2019年12月31日及2018年12月31日之信貸風險之風險加權金額。

The tables above give the contractual or notional amounts, fair value and credit risk weighted amounts of off-balance sheet transactions. The fair value is calculated for the purposes of deriving the credit risk weighted amounts. These are assessed in accordance with the Capital Rules. Fair value represents the cost of replacing all contracts which have a positive value when marked to market.

上表列出資產負債表以外交易的合約或名義金額、公平價值及信貸風險加權金額。公平價值是用來計算信貸風險加權金額。該等金額是按照《資本規則》作評估。公平價值是指重置所有按市場價值計算差額時附有正值的合約成本。

Fair value is a close approximation of the credit risk for these contracts as at the end of the reporting period. The credit risk weighted amount refers to the amount as computed in accordance with the Capital Rules.

公平價值是在報告期結束日該等合約的略計信貸風險。信貸風險加權金額是指按照《資本規則》計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(iii) Hedge accounting

(a) Fair value hedges of interest rate risk

The Group uses interest rate swaps to hedge its exposure to changes in the fair values of certain fixed rate subordinated notes issued and fixed rate debt securities investment and loans and advances in respect of a benchmark interest rate. Pay-floating/receive-fixed interest rate swaps are matched to specific issuances of fixed rate subordinated notes or pay-fixed/receive-floating interest rate swaps are matched to fixed rate debt securities investment and loans and advances with terms that closely align with the critical terms of the hedged item.

The Group's approach to managing market risk, including interest rate risk, is discussed in Note 45(b). Interest rate risk to which the Group applies hedge accounting arises from fixed rate subordinated notes issued and fixed rate debt securities investment and loans and advances, whose fair value fluctuates when benchmark interest rates change. The Group hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of a fixed rate debt security or loan are significantly influenced by changes in the benchmark interest rate. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties and requiring the counterparties to post collateral. (see Note 45(a)(xi)).

Before fair value hedge accounting is applied by the Group, the Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the fair values of the hedged item and the hedging instrument respond similarly to similar risks. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item.

The Group establishes a hedge ratio by aligning the par amount of the hedged fixed-rate loan or note and the notional amount of the interest rate swap designated as a hedging instrument. Under the Group policy, in order to conclude that a hedge relationship is effective, all of the following criteria should be met.

- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 0.8.
- The slope of the regression line is within a 0.8–1.25 range.
- The confidence level of the slope is at least 95%.

(b) 衍生工具(續)

(iii) 對沖會計

(a) 利率風險的公平價值對沖

本集團以利率掉期合約對沖若干其發行的定息後償票據、持有的定息債券投資及貸款和墊款因基準利率而導致的公平價值轉變的風險。對沖以支付浮動/收取固定利率掉期合約與定息後償票據的特定發行配對或以支付固定利率/收取浮動利率掉期合約與定息債券和貸款配對，其條款與被對沖項目的關鍵條款一致。

本集團管理市場風險的方法，包括利率風險詳述於附註45(b)。本集團採用對沖會計的利率風險來其發行定息後償票據、定息債券投資及貸款和墊款，其公平價值在基準利率變動時波動。因定息債券及貸款和墊款的公平價值變動受基準利率變動的顯著影響，本集團僅在基準利率範圍內對沖利率風險。對沖會計適用於符合對沖會計條件的經濟對沖關係。

通過使用衍生金融工具對沖利率變動的風險，本集團亦面對衍生工具交易對手的信貸風險，而該風險並未被被對沖項目抵銷。本集團通過與高質量交易對手進行交易，要求交易對手提供抵押品，減低衍生工具交易對手的信用風險(詳見附註45(a)(xi))。

在本集團採用公平價值對沖會計法前，本集團根據被對沖項目和對沖工具的定性特徵評估和支持對沖風險評估的定量分析，以確定被對沖項目與對沖工具之間是否存在經濟關係。本集團在評估經濟關係的存在時，會考慮被對沖項目及對沖工具的關鍵條款是否一致。本集團評估被對沖項目和對沖工具的公平價值是否對類似風險反應相似。本集團使用回歸分析評估對沖工具是否預期及非常有效地抵銷被對沖項目的公平價值變動以進一步支持定性評估。

本集團通過調整對沖定息貸款或票據的面值與指定為對沖工具的利率掉期合約的名義金額來確定對沖比率。根據本集團政策，有效對沖關係應滿足以下所有條件：

- 測量回歸中變量之間相關性的回歸係數(R平方)至少為0.8。
- 回歸線的斜率在0.8–1.25範圍內。
- 斜率的置信水平至少為95%。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- differences in maturities of the interest rate swap and the loans or the debt securities.

At 31st December, 2019 and 2018, the Group held the following interest rate swaps as hedging instruments in fair value hedges of interest risk:

在這些對沖關係中，無效對沖部份的主要來源是：

- 交易對手和本集團自身信用風險對利率掉期合約公平價值的影響未能反映在利率變動導致的被對沖項目的公平價值中；及
- 利率掉期和相關貸款或債券的到期日之差異。

於2019年及2018年12月31日，本集團持有以下利率掉期合約作為利率風險公平價值對沖的對沖工具：

		2019 Maturity 到期日		
		Less than 1 year 少於1年	1-5 years 1-5年	More than 5 years 多於5年
Risk category	風險類別			
Interest rate risk	利率風險			
Hedge of subordinated notes issued	對沖已發行的後償債券			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	4,672	3,894	–
Average fixed interest rate	平均固定利率	6.12%	4.00%	–
Hedge of debt securities investment	對沖債務證券投資			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	7,350	37,531	19,708
Average fixed interest rate	平均固定利率	2.55%	1.88%	2.25%
Hedge of loans and advances	對沖貸款及墊款			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	–	461	139
Average fixed interest rate	平均固定利率	–	3.10%	2.12%
		2018 Maturity 到期日		
		Less than 1 year 少於1年	1-5 years 1-5年	More than 5 years 多於5年
Risk category	風險類別			
Interest rate risk	利率風險			
Hedge of subordinated notes issued	對沖已發行的後償債券			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	3,916	8,615	–
Average fixed interest rate	平均固定利率	4.25%	5.18%	–
Hedge of debt securities investment	對沖債務證券投資			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	4,311	36,000	14,034
Average fixed interest rate	平均固定利率	2.18%	2.28%	2.69%
Hedge of loans and advances	對沖貸款及墊款			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	–	125	214
Average fixed interest rate	平均固定利率	–	2.78%	3.96%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(iii) Hedge accounting (continued)

(a) Fair value hedges of interest rate risk (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

(b) 衍生工具(續)

(iii) 對沖會計(續)

(a) 利率風險的公平價值對沖(續)

指定為對沖工具及無效對沖金額如下：

	2019			Line item in the consolidated statement of financial position where the hedging instrument is included 包含對沖工具的綜合財務狀況表的項目	Change in fair value used for calculating hedge ineffectiveness 公平價值變動以計算無效對沖部份	Ineffectiveness recognised in profit or loss 於損益表內確認的無效對沖部份	Line item in consolidated income statement that includes hedge ineffectiveness 包含無效對沖部份的綜合收益表的項目
	Nominal amount 名義金額 HK\$ Mn 港幣百萬元	Carrying amount 賬面值 Assets 資產 HK\$ Mn 港幣百萬元	Liabilities 負債 HK\$ Mn 港幣百萬元				
Interest rate risk 利率風險							
Interest rate swaps – hedge of subordinated notes issued 利率掉期 – 對沖已發行後價票據	8,566	113	(27)	Derivative assets/ (liabilities) 衍生工具資產/ (負債)	152	(4)	Net hedging profit/(loss) 對沖盈利/ (虧損)淨額
Interest rate swaps – hedge of debt securities 利率掉期 – 對沖債務證券投資	64,589	158	(1,822)	Derivative assets/ (liabilities) 衍生工具資產/ (負債)	(1,717)	16	Net hedging profit/(loss) 對沖盈利/ (虧損)淨額
Interest rate swaps – hedge of loans and advances 利率掉期 – 對沖貸款及墊款	600	-	(19)	Derivative assets/ (liabilities) 衍生工具資產/ (負債)	(17)	-	Net hedging profit/(loss) 對沖盈利/ (虧損)淨額

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註 (續)

	2018		Line item in the consolidated statement of financial position where the hedging instrument is included 包含對沖工具的綜合財務狀況表的項目	Change in fair value used for calculating hedge ineffectiveness 公平價值變動以計算無效對沖部份	Ineffectiveness recognised in profit or loss 於損益表內確認的無效對沖部份	Line item in consolidated income statement that includes hedge ineffectiveness 包含無效對沖部份的綜合收益表的項目	
	Carrying amount 賬面值						
	Nominal amount 名義金額	Assets 資產					Liabilities 負債
	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元					HK\$ Mn 港幣百萬元
Interest rate risk 利率風險							
Interest rate swaps – hedge of subordinated notes issued 利率掉期 – 對沖已發行後償票據	12,531	181	(103)	Derivative assets/ (liabilities) 衍生工具資產/ (負債)	(104)	(4)	Net hedging profit/(loss) 對沖盈利/ (虧損)淨額
Interest rate swaps – hedge of debt securities 利率掉期 – 對沖債務證券投資	54,345	695	(539)	Derivative assets/ (liabilities) 衍生工具資產/ (負債)	(77)	47	Net hedging profit/(loss) 對沖盈利/ (虧損)淨額
Interest rate swaps – hedge of loans and advances 利率掉期 – 對沖貸款及墊款	339	9	(2)	Derivative assets/ (liabilities) 衍生工具資產/ (負債)	–	–	Net hedging profit/(loss) 對沖盈利/ (虧損)淨額

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(iii) Hedge accounting (continued)

(a) Fair value hedges of interest rate risk (continued)

The amounts relating to items designated as hedged items were as follows:

(b) 衍生工具(續)

(iii) 對沖會計(續)

(a) 利率風險的公平價值對沖(續)

指定為被對沖項目金額如下:

	2019				Line item in the consolidated statement of financial position where the hedged item is included 的綜合財務狀況表的項目	Change in value used for calculating ineffectiveness of hedge 公平價值變動以計算無效對沖部份	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses 已終止調整對沖盈利及虧損的被對沖項目之累計公平價值對沖調整餘額
	Carrying amount 賬面值		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item 包含於被對沖項目賬面值的累計公平價值對沖調整				
	Assets 資產	Liabilities 負債	Assets 資產	Liabilities 負債			
	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元			
Subordinated notes issued 已發行後償票據	-	8,563	-	5	Loan capital 借貸資本	(156)	-
Debt securities investment 債務證券投資	66,866	-	1,320	-	Investment securities 投資證券	1,733	-
Loans and advances 貸款及墊款	678	-	15	-	Loans and advances to customers 客戶貸款及墊款	17	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2018					
Carrying amount 賬面值		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item 包含於被對沖項目賬面值 的累計公平價值對沖調整		Line item in the consolidated statement of financial position where the hedged item is included 包含被對沖項目 的綜合財務 狀況表的項目	Change in value used for calculating hedge ineffectiveness 公平價值變動 對沖部份	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses 包含於財務狀況表的 已終止調整對沖盈利及 虧損的被對沖項目 之累計公平價值 對沖調整餘額	
Assets 資產	Liabilities 負債	Assets 資產	Liabilities 負債		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	
HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	
Subordinated notes issued 已發行後償票據	–	12,358	–	(150)	Loan capital 借貸資本	100	–
Debt securities investment 債務證券投資	54,222	–	(379)	–	Investment securities 投資證券	124	–
Loans and advances 貸款及墊款	338	–	(2)	–	Loans and advances to customers 客戶貸款及墊款	–	–

The Group's fair value hedge principally consists of interest rate swaps that are used to protect against changes in the fair value of fixed rate long-term financial instruments due to movements in market interest rates.

本集團的公平價值對沖主要包括利率掉期，用於抵禦因市場利率變動而導致的定息長期金融工具公平價值變動。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(iii) Hedge accounting (continued)

(b) Cash flow hedges of foreign currency risk

The Group uses exchange rate forward contracts to hedge against the variability in cash flows of certain debt securities investments denominated in US dollar held by the insurance subsidiaries. The Group hedges foreign exchange rate risk to the extent of variability in functional currency equivalent cash flows (i.e. in HK dollar) from principal payment of the debt securities attributable to movements in US dollar/HK dollar. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

The Group determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in foreign currency exchange rates on the future cash flows from the debt securities investments denominated in US dollar that will result in a reduction of functional currency equivalent cash flow to meet the obligation of insurance policies at maturity. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis.

As noted above for fair value hedges, the Group exposes itself to credit risk of the counterparties to the derivatives, which is not offset by the hedged items. This exposure is managed similarly to that for fair value hedges.

The Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the notional amount, maturity and underlying currencies.

The Group assesses hedge effectiveness using the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The dollar offset ratio, being the periodic change in fair value of the hypothetical exchange rate forward contract attributable to changes in forward rate is calculated to assess whether the hedge can achieve 0.8–1.25 cumulative dollar offset on each reporting date.

(b) 衍生工具(續)

(iii) 對沖會計(續)

(b) 外匯風險的現金流對沖

本集團使用匯率遠期合約對沖保險附屬公司持有的若干以美元計值的債券投資的現金流量變動。本集團因應美元／港元變動所導致債務證券本金支付以功能貨幣(即以港元計算)計算的等值現金流量變動進行外匯風險對沖。對沖會計適用於符合對沖會計條件的經濟對沖關係。

本集團通過評估外匯變動對以美元計值的債券投資的未來現金流量可能導致相應功能貨幣減少的潛在影響，確定其應用對沖會計的風險金額現金流量，以滿足到期保險單的責任。該評估使用分析技術進行，例如現金流敏感度分析。

如上文對於公平價值對沖所述，本集團面對衍生工具交易對手的信用風險，而該風險未有被對沖項目抵銷。這種風險與公平價值對沖的風險管理類似。

本集團根據對這些項目的定性特徵的評估以及支持的對沖風險的定量分析，以確定被對沖項目的現金流量與對沖工具之間是否存在經濟關係。本集團在評估經濟關係的存在時，會考慮被對沖項目及對沖工具的關鍵條款是否一致。本集團評估被對沖項目和對沖工具的現金流量是否就對沖風險的反應相似，例如以名義金額，到期日及相關貨幣評估。

本集團採用模擬衍生工具方法評估對沖效用，該方法建立一衍生工具作為對沖交易的代理。模擬衍生工具的條款與被對沖項目的關鍵條款一致，並且在開始時其公平價值為零。價值抵銷比率，即由遠期利率變動引起的模擬匯率遠期合約的公平價值的周期性變化，計算以評估對沖是否可在每個報告日期實現0.8–1.25的累計價值抵銷。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

At 31st December, 2019 and 2018, the Group held the following instruments to hedge exposures to changes in foreign currency:

於2019年及2018年12月31日，本集團持有以下工具對沖外匯變動風險：

		2019 Maturity 到期日		
		Less than 1 year 少於1年	1-5 years 1-5年	More than 5 years 多於5年
Foreign currency risk	外匯風險			
Exchange rate forward contracts (HKD: USD)	匯率遠期合約(港幣:美元)			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	1,304	243	-
Average forward price	平均遠期金額	7.69	7.70	-

		2018 Maturity 到期日		
		Less than 1 year 少於1年	1-5 years 1-5年	More than 5 years 多於5年
Foreign currency risk	外匯風險			
Exchange rate forward contracts (HKD: USD)	匯率遠期合約(港幣:美元)			
Nominal amount (HK\$ Mn)	名義金額(港幣百萬元)	-	1,556	-
Average forward price	平均遠期金額	-	7.71	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(iii) Hedge accounting (continued)

(b) Cash flow hedges of foreign currency risk (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

(b) 衍生工具(續)

(iii) 對沖會計(續)

(b) 外匯風險的現金流對沖(續)

指定為對沖工具及無效對沖金額如下：

2019										
	Carrying amount 賬面價值			Line item in the consolidated statement of financial position where the hedging instrument is included 包含對沖工具的綜合財務狀況表項目	Changes in fair value used for calculating hedge ineffectiveness 以計算無效對沖部份的項目	Changes in the value of the hedging instrument recognised in OCI 確認於其他全面收益的對沖工具公平價值變動	Hedge ineffectiveness recognised in profit or loss 確認於收益表的無效對沖部份	Line item in consolidated income statement that includes hedge ineffectiveness 包含對沖無效的綜合收益表的項目	Amount reclassified from the hedged reserve to profit or loss 由對沖儲備計入收益表金額	Line item in consolidated income statement affected by the reclassification 受轉入影響的綜合收益表項目
	Nominal amount 名義金額 HK\$ Mn 港幣百萬元	Assets 資產 HK\$ Mn 港幣百萬元	Liabilities 負債 HK\$ Mn 港幣百萬元							
Currency rate risk 外匯風險										
Exchange rate forward contracts (HKD:USD) 匯率遠期合約(港幣:美元)	1,547	-	(17)	Derivative assets/(liabilities) 衍生工具資產/(負債)	1	(5)	-	Net insurance profit 淨保險溢利	9	Net insurance profit 淨保險溢利
2018										
	Carrying amount 賬面價值			Line item in the consolidated statement of financial position where the hedging instrument is included 包含對沖工具的綜合財務狀況表項目	Changes in fair value used for calculating hedge ineffectiveness 以計算無效對沖部份的項目	Changes in the value of the hedging instrument recognised in OCI 確認於其他全面收益的對沖工具公平價值變動	Hedge ineffectiveness recognised in profit or loss 確認於收益表的無效對沖部份	Line item in consolidated income statement that includes hedge ineffectiveness 包含對沖無效的綜合收益表的項目	Amount reclassified from the hedged reserve to profit or loss 由對沖儲備計入收益表金額	Line item in consolidated income statement affected by the reclassification 受轉入影響的綜合收益表項目
	Nominal amount 名義金額 HK\$ Mn 港幣百萬元	Assets 資產 HK\$ Mn 港幣百萬元	Liabilities 負債 HK\$ Mn 港幣百萬元							
Currency rate risk 外匯風險										
Exchange rate forward contracts (HKD:USD) 匯率遠期合約(港幣:美元)	1,556	-	(11)	Derivative assets/(liabilities) 衍生工具資產/(負債)	1	(1)	-	Net insurance profit 淨保險溢利	(5)	Net insurance profit 淨保險溢利

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

The amounts relating to items designated as hedge items were as follows:

指定為被對沖項目金額如下：

		2019		
Line item in the consolidated statement of financial position where the hedged item is included 包含被對沖項目的綜合財務狀況表的項目		Change in value used for calculating hedge ineffectiveness 公平價值變動以計算無效對沖部分 HK\$ Mn 港幣百萬元	Cash flow hedge reserve 現金流對沖儲備 HK\$ Mn 港幣百萬元	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied 不再應用對沖會計法的現金流對沖儲備餘額 HK\$ Mn 港幣百萬元
Currency rate risk 外匯風險				
Debt securities investment 債務證券投資	Investment securities 投資證券	(10)	1	-
		2018		
Line item in the consolidated statement of financial position where the hedged item is included 包含被對沖項目的綜合財務狀況表的項目		Change in value used for calculating hedge ineffectiveness 公平價值變動以計算無效對沖部分 HK\$ Mn 港幣百萬元	Cash flow hedge reserve 現金流對沖儲備 HK\$ Mn 港幣百萬元	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied 不再應用對沖會計法的現金流對沖儲備餘額 HK\$ Mn 港幣百萬元
Currency rate risk 外匯風險				
Debt securities investment 債務證券投資	Investment securities 投資證券	4	15	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(iv) Remaining life of derivatives

The following table provides an analysis of the notional amounts of derivatives of the Group by relevant maturity grouping based on the remaining periods to settlement at the end of the reporting period.

(b) 衍生工具(續)

(iv) 衍生工具之剩餘期限

下表分析在報告期結束日本集團根據到期期限歸類之剩餘結算期限有關衍生工具的名義金額。

		Notional amounts with remaining life of 剩餘期限的名義金額							
		2019				2018			
		1 year or less	Over 1 year to 5 years	Over 5 years	Total	1 year or less	Over 1 year to 5 years	Over 5 years	Total
		1年或以下	1年以上 至5年	5年以上	總額	1年或以下	1年以上 至5年	5年以上	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Interest rate derivatives	利率衍生工具	143,999	206,443	21,232	371,674	187,106	209,736	14,483	411,325
Currency derivatives	貨幣衍生工具	436,903	10,978	1,275	449,156	706,653	15,936	1,259	723,848
Other derivatives	其他衍生工具	7,890	4,413	-	12,303	7,611	4,535	-	12,146
		588,792	221,834	22,507	833,133	901,370	230,207	15,742	1,147,319

(c) Capital commitments

Capital commitments outstanding at 31st December and not provided for in the financial statements were as follows:

(c) 資本承擔

於12月31日未償付但並未在財務報表中提撥準備的資本承擔如下：

		2019	2018
		HK\$ Mn	港幣百萬元
Expenditure authorised and contracted for	已核准支出並已簽約	305	284
Expenditure authorised but not contracted for	已核准支出但未簽約	177	161
		482	445

(d) Leases committed but not yet commenced

At 31st December, 2019, the total future cash outflows to which the Group (as a lessee) is exposed that are not reflected in the measurement of lease liabilities are as follows:

(d) 已承擔但仍未開始的租賃

於2019年12月31日，本集團作為承租人所承擔但並未反映於租賃負債計量中的未來現金流出總額如下：

		2019
		HK\$ Mn
Properties	物業	
Within one year	1年以內	10
After one year but within five years	1年至5年內	32
After five years	5年以後	6
		48
Equipment	設備	
Within one year	1年以內	-
After one year but within five years	1年至5年內	-
		-
Total lease committed but not yet commenced	已承擔但仍未開始的租賃總額	48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(e) Operating lease commitments

Under HKFRS 16, the leases previously classified as operating leases which were kept off-balance sheet under HKAS 17 are required to be recognised on-balance sheet. The Group has initially applied HKFRS 16 using the modified retrospective approach from 1st January, 2019. Under this approach, the Group adjusted the opening balances at 1st January, 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1st January, 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2(s), and the details regarding the Group's future lease payments are disclosed in Note 45(d).

Comparative information under HKAS 17

At 31st December, 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

		2018
		HK\$ Mn 港幣百萬元
Properties	物業	
Within one year	1年以內	423
After one year but within five years	1年至5年內	581
After five years	5年以後	72
		1,076
Equipment	設備	
Within one year	1年以內	4
After one year but within five years	1年至5年內	5
		9
Total operating leases commitments	經營租賃承擔總額	1,085

(f) Contingencies

The Group receives legal claims against it arising in the normal courses of business. The Group considers none of these matters as material. Where appropriate the Group recognises provisions for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

(e) 經營租賃承擔

在《香港財務報告準則》第16號下，以往根據《香港會計準則》第17號在資產負債表外分類為經營租賃的租賃須在資產負債表內確認。本集團自2019年1月1日起採用經改良追溯模式應用《香港財務報告準則》第16號。在該模式下，本集團調整2019年1月1日的期初結餘以確認有關租賃之租賃負債（參見附註3）。自2019年1月1日起，本集團根據附註2(s)之政策將未來租賃款項在資產負債表內確認為租賃負債，有關本集團的未來租賃款項詳情已披露於附註45(d)。

根據《香港會計準則》第17號的比較資料於2018年12月31日，在不可撤銷的經營租賃內，未來最低應付租賃款項總額如下：

(f) 或有事項

本集團收到正常業務過程中產生的法律索賠。本集團認為這些事項均不重大。在適當情況下，本集團在很可能需要經濟利益流出並且可以對該責任作出可靠估計時確認負債準備。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

48. NOTES ON CONSOLIDATED CASH FLOW STATEMENT 綜合現金流量表附註

(a) Cash and cash equivalents

(i) Components of cash and cash equivalents in the consolidated cash flow statement

(a) 現金及等同現金項目

(i) 在綜合現金流量表內現金及等同現金項目的組成部分

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash and balances with banks and other financial institutions with original maturity within three months	原本期限為3個月以內之現金及在銀行和其他金融機構的結存	36,388	28,179
Placements with and advances to banks and other financial institutions with original maturity within three months	原本期限為3個月以內在銀行及其他金融機構的存款及墊款	44,535	55,071
Treasury bills with original maturity within three months	原本期限為3個月以內的國庫債券	12,539	1,541
Certificates of deposit held with original maturity within three months	原本期限為3個月以內之持有的存款證	-	1,109
Debt securities with original maturity within three months	原本期限為3個月以內的債務證券	1,176	114
Add: Cash and balances with banks and other financial institutions included in "Assets held for sale" (Note 56)	加: 包括在「持有作出售資產」(附註56)的現金及在銀行和其他金融機構的結存	-	6
		94,638	86,020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

(ii) Reconciliation with the consolidated statement of financial position

(ii) 與綜合財務狀況表的對賬

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash and balances with banks and other financial institutions (Note 25)	現金及在銀行及其他金融機構的結存(附註25)	51,525	48,106
Placements with and advances to banks and other financial institutions (Note 26)	在銀行及其他金融機構的存款及墊款(附註26)	62,280	60,373
Treasury bills, certificates of deposit held and debt securities	國庫債券、持有存款證及債務證券		
– trading assets (Note 28)	– 交易用途資產(附註28)	90	2,131
– investment securities (Note 30)	– 投資證券(附註30)	159,974	140,673
		160,064	142,804
Add: Cash and balances with banks and other financial institutions included in “Assets held for sale” (Note 56)	加：包括在「持有作出售資產」(附註56)的現金及在銀行和其他金融機構的結存	–	6
Amounts shown in the consolidated statement of financial position	在綜合財務狀況表出現的金額	273,869	251,289
Less: Amounts with an original maturity of beyond three months	減：原本期限為3個月以上的金額	(164,085)	(145,337)
Cash balance with central bank subject to regulatory restriction	受規管限制的在中央銀行的現金結存	(15,146)	(19,932)
Cash and cash equivalents in the consolidated cash flow statement	在綜合現金流量表內的現金及等同現金項目	94,638	86,020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

48. NOTES ON CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) 綜合現金流量表附註(續)

(b) Reconciliation of liabilities arising from financing activities

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

(b) 源自融資活動產生的負債之對賬

下表列載本集團由融資活動產生的負債之變動，包括現金及非現金之變動。源自融資活動產生的負債指在本集團的綜合現金流量表內分類為由融資活動產生的現金流或未來現金流產生的負債。

		Debt securities issued	Loan capital	Debt securities accrued interest payable	Loan capital accrued interest payable	Lease liabilities	Interest rate swaps held to hedge borrowings (assets)	Interest rate swaps held to hedge borrowings (liabilities)	Total
		已發行債務證券	借貸資本	已發行之債務證券之應計利息	借貸資本之應計利息	租賃負債	對沖借款的利率掉期合約(資產)	對沖借款的利率掉期合約負債	總額
		HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
At 1st January, 2019	於2019年1月1日	564	12,358	5	176	1,094	(105)	182	14,274
Changes from financing cash flows	源自融資現金流的變動								
Issue of debt securities	發行債務證券	3,024	-	-	-	-	-	-	3,024
Issue of loan capital	發行借貸資本	-	1,675	-	-	-	-	-	1,675
Redemption of debt securities issued	贖回已發行債務證券	(408)	-	-	-	-	-	-	(408)
Redemption of loan capital	贖回已發行借貸資本	-	(3,913)	-	-	-	-	-	(3,913)
Interest paid on loan capital	支付借貸資本利息	-	-	-	(653)	-	-	-	(653)
Interest paid on debt securities issued	支付已發行債務證券利息	-	-	(15)	-	-	-	-	(15)
Interest paid on lease liabilities	支付租賃負債利息	-	-	-	-	(391)	-	-	(391)
Total changes from financing cash flows	源自融資現金流的變動總額	2,616	(2,238)	(15)	(653)	(391)	-	-	(681)
Exchange adjustments	滙兌調整	(1)	(52)	-	-	(2)	-	-	(55)
Changes in fair value	公平價值變動	1	-	-	-	-	2	(1)	2
Revaluation under hedge accounting	對沖會計法的重估	-	156	-	-	-	(10)	(154)	(8)
Interest expenses	利息支出	1	14	94	690	41	-	-	840
Increase in lease liabilities from entering into new leases during the year	年度內訂立新租賃引致租賃負債增加	-	-	-	-	365	-	-	365
Total other changes	其他變動總額	1	118	94	690	404	(8)	(155)	1,144
At 31st December, 2019	於2019年12月31日	3,181	10,238	84	213	1,107	(113)	27	14,737

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		Debt securities issued	Loan capital	Debt securities accrued interest payable	Loan capital accrued interest payable	Interest rate swaps held to hedge borrowings (assets)	Interest rate swaps held to hedge borrowings (liabilities)	Total
		已發行債務證券 HK\$ Mn 港幣百萬元	借貸資本 HK\$ Mn 港幣百萬元	已發行債務證券之應計利息 HK\$ Mn 港幣百萬元	借貸資本之應計利息 HK\$ Mn 港幣百萬元	持有作對沖借款的利率掉期合約(資產) HK\$ Mn 港幣百萬元	持有作對沖借款的利率掉期合約負債 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元
At 1st January, 2018 (Restated)	於2018年1月1日(重報)	1,007	12,413	7	176	(199)	148	13,552
Changes from financing cash flows	源自融資現金流的變動							
Issue of debt securities	發行債務證券	114	-	-	-	-	-	114
Redemption of debt securities issued	贖回已發行債務證券	(565)	-	-	-	-	-	(565)
Redemption of loan capital	贖回已發行借貸資本	-	-	-	-	-	-	-
Interest paid on loan capital	支付借貸資本利息	-	-	-	(617)	-	-	(617)
Interest paid on debt securities issued	支付已發行債務證券利息	-	-	(16)	-	-	-	(16)
Total changes from financing cash flows	源自融資現金流的變動總額	(451)	-	(16)	(617)	-	-	(1,084)
Exchange adjustments	滙兌調整	7	30	-	-	-	-	37
Changes in fair value	公平價值變動	(1)	-	-	-	3	(2)	-
Revaluation under hedge accounting	對沖會計法之重估	-	(101)	-	-	91	36	26
Interest expenses	利息支出	2	16	14	617	-	-	649
Total other changes	其他變動總額	8	(55)	14	617	94	34	712
At 31st December, 2018	於2018年12月31日	564	12,358	5	176	(105)	182	13,180

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

49. ASSETS PLEDGED AS SECURITY 用作抵押品的資產

The following assets have been pledged as collateral for own liabilities at the end of the reporting period.

於報告期結束日，以下資產經已用作本身負債之抵押品。

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Secured liabilities	有抵押負債		3,790		8,000
Assets pledged:	抵押資產:				
Loans and advances to customers	客戶貸款及墊款		954		812
Investment securities	投資證券				
– designated at FVTPL	– 指定為通過損益以反映公平價值		156		319
– measured at FVOCI	– 通過其他全面收益以反映公平價值		6,144		6,301
– measured at amortised cost	– 按持攤銷成本		354		272
			7,608		7,704

The following balances with banks have been pledged as collateral for securities borrowings and margin deposits of derivatives.

以下的銀行結餘已用作證券借貸及衍生工具孖展按金之抵押品。

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Cash collateral for borrowed securities	用作證券借貸的現金抵押品		13		5
Margin accounts for open futures and forward contracts	用作開立期貨及遠期合約的孖展賬戶		3,906		2,351
			3,919		2,356

These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

此等交易之條款是按一般及慣常標準借款及證券借貸交易進行。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

50. LOANS TO DIRECTORS AND ENTITIES CONNECTED WITH DIRECTORS 董事及與董事有關連實體的貸款

The aggregate of loans to directors of the Bank and entities connected with directors disclosed pursuant to Section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

根據《公司條例》第383(1)(d)條及《公司(披露董事利益資料)規則》第3部規定，本行董事及與董事有關連實體之貸款總額披露如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Aggregate amount of relevant loans outstanding at 31st December	相關貸款於12月31日的結欠總額		
By the Bank	由銀行借出	1,615	929
By subsidiaries	由附屬公司借出	-	2
		1,615	931
The maximum aggregate amount of relevant loans outstanding during the year	年度內相關貸款之最高結欠總額		
By the Bank	由銀行借出	2,086	2,164
By subsidiaries	由附屬公司借出	2	4
		2,088	2,168

As at 31st December, 2019 and 2018, there was no interest due but unpaid and the impairment allowance made against these loans as required under HKFRS 9 were insignificant.

於2019年12月31日及2018年12月31日，沒有逾期未償付利息，而對該等貸款按《香港財務報告準則》第9號所作出之減值準備是不重大的。

51. MATERIAL RELATED PARTY TRANSACTIONS 關聯人士的重大交易

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Bank's directors as disclosed in Note 22 and certain of the highest paid employees as disclosed in Note 23, is as follows:

(a) 主要管理人員薪酬

本集團之主要管理人員薪酬，已包括在附註22中所披露支付予本行董事及在附註23中所披露支付予本行若干最高薪酬僱員的金額如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Short-term employee benefits	短期僱員福利	141	169
Post-employment benefits	僱員退休福利	8	7
Equity compensation benefits	股份補償福利	23	35
		172	211

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

51. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED) 關聯人士的重大交易(續)

(b) The Group maintains certain retirement benefit schemes for its staff as per Note 2(y)(iii). In 2019, the total amount of contributions the Group made to the schemes was HK\$189 million (2018: HK\$167 million).

The Group enters into a number of transactions with the Group's related parties, including its associates, and key management personnel and their close family members and companies controlled or significantly influenced by them. The transactions include accepting deposits from and extending credit facilities to them. All interest rates in connection with the deposits taken and credit facilities extended are under terms and conditions normally applicable to customers of comparable standing.

The interest received from and interest paid to the Group's related parties for the year, outstanding balances of amounts due from and due to at the year end, and maximum outstanding balance of amounts due from and due to them during the year are aggregated as follows:

(b) 本集團為其職員提供若干退休保障計劃，並已於附註2(y)(iii)披露。於2019年內，本集團對該等計劃的供款總數為港幣1.89億元(2018年：港幣1.67億元)。

本集團與其關聯人士進行多項交易，該等人士包括聯營公司、及主要行政人員與其直系親屬、及受該等人士所控制或具有重大影響力的公司。該等交易包括接受該等人士存款及為他們提供信貸。所有存款及信貸的利率，均按照給予一般相若水平客戶的條款。

年度內，本集團從關聯人士所收取與支付予他們的利息，及在年末關聯人士的欠款及欠關聯人士的款項，及在年度內關聯人士最高欠款及欠關聯人士的最高款項現總結如下：

		Key management personnel 主要管理人員		Associates 聯營公司		Shareholders with significant influence 有重大 影響力之股東	
		2019	2018 Restated 重報	2019	2018	2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Interest income	利息收入	73	55	39	46	-	-
Interest expense	利息支出	35	33	2	4	-	1
Amounts due from	關聯人士的欠款	3,741	3,109	1,395	1,128	818	953
Amounts due to	欠關聯人士的款項	2,717	2,343	442	226	9	397
Maximum amounts due from	關聯人士的最高欠款	5,324	3,638	2,265	1,789	8,998	10,436
Maximum amounts due to	欠關聯人士的最高款項	6,498	5,668	684	1,058	189	463
Committed facilities to	給予信貸承諾	192	1,474	823	1,448	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

52. EQUITY COMPENSATION PLANS 股份補償計劃

The Bank has adopted Staff Share Option Schemes whereby the Board of the Bank may at its discretion grant to any employees of the Group, including Executive Director and Co-Chief Executives, options to subscribe for ordinary shares of the Bank. All options were granted for nil consideration.

本行所採納的僱員認股計劃是董事會可酌情發出認股權予本集團之任何僱員，包括執行董事及聯席行政總裁，以認購本行普通股股份。所有認股權均以無計價款形式發出。

(a) Particulars of share options

(a) 認股權詳情

Date of grant 授予日期	Vesting period 有效期	Exercise period 行使期	Exercise price per share 每股行使價 HK\$ 港幣元
05/5/2011(T3)	05/5/2011-04/5/2014	05/5/2014-05/5/2019	32.00
10/5/2012(T2)	10/5/2012-09/5/2014	10/5/2014-10/5/2019	28.99
10/5/2012(T3)	10/5/2012-09/5/2015	10/5/2015-10/5/2020	28.99
03/5/2013(T1)	03/5/2013-02/5/2014	03/5/2014-03/5/2019	31.40
03/5/2013(T2)	03/5/2013-02/5/2015	03/5/2015-03/5/2020	31.40
03/5/2013(T3)	03/5/2013-02/5/2016	03/5/2016-03/5/2021	31.40
02/5/2014(T1)	02/5/2014-01/5/2015	02/5/2015-02/5/2020	32.50
02/5/2014(T2)	02/5/2014-01/5/2016	02/5/2016-02/5/2021	32.50
02/5/2014(T3)	02/5/2014-01/5/2017	02/5/2017-02/5/2022	32.50
04/5/2015(T1)	04/5/2015-03/5/2016	04/5/2016-04/5/2021	34.15
04/5/2015(T2)	04/5/2015-03/5/2017	04/5/2017-04/5/2022	34.15
04/5/2015(T3)	04/5/2015-03/5/2018	04/5/2018-04/5/2023	34.15
08/4/2016(T1)	08/4/2016-07/4/2017	08/4/2017-08/4/2022	28.45
08/4/2016(T2)	08/4/2016-07/4/2018	08/4/2018-08/4/2023	28.45
08/4/2016(T3)	08/4/2016-07/4/2019	08/4/2019-08/4/2024	28.45
07/4/2017(T1)	07/4/2017-06/4/2018	07/4/2018-07/4/2023	32.25
07/4/2017(T2)	07/4/2017-06/4/2019	07/4/2019-07/4/2024	32.25
07/4/2017(T3)	07/4/2017-06/4/2020	07/4/2020-07/4/2025	32.25
10/4/2018(T1)	10/4/2018-09/4/2019	10/4/2019-10/4/2024	32.25
10/4/2018(T2)	10/4/2018-09/4/2020	10/4/2020-10/4/2025	32.25
10/4/2018(T3)	10/4/2018-09/4/2021	10/4/2021-10/4/2026	32.25
19/7/2019(T1)	19/7/2019-18/7/2020	19/7/2020-18/7/2025	22.45
19/7/2019(T2)	19/7/2019-18/7/2021	19/7/2021-18/7/2026	22.45
19/7/2019(T3)	19/7/2019-18/7/2022	19/7/2022-18/7/2027	22.45

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

52. EQUITY COMPENSATION PLANS (CONTINUED) 股份補償計劃(續)

(b) Movement of share options during the year

(b) 年內認股權之變動

2019 Date of grant 授予日期	Tranche 部分	Exercise price per share 每股行使價 HK\$港幣元	Outstanding at 1/1/2019 於2019年 1月1日 尚未行使	Number of share options 認股權數目			Outstanding at 31/12/2019 於2019年 12月31日 尚未行使
				Granted 已授予	Exercised 已行使	Lapsed/ Cancelled 已失效/ 已註銷	
05/5/2011	T3	32.00	1,890,000	-	-	1,890,000	-
10/5/2012	T2	28.99	1,114,000	-	-	1,114,000	-
10/5/2012	T3	28.99	1,172,000	-	-	-	1,172,000
03/5/2013	T1	31.40	1,114,000	-	-	1,114,000	-
03/5/2013	T2	31.40	1,114,000	-	-	-	1,114,000
03/5/2013	T3	31.40	1,840,000	-	-	-	1,840,000
02/5/2014	T1	32.50	1,812,000	-	-	-	1,812,000
02/5/2014	T2	32.50	1,942,000	-	-	-	1,942,000
02/5/2014	T3	32.50	1,953,500	-	-	-	1,953,500
04/5/2015	T1	34.15	2,030,000	-	-	-	2,030,000
04/5/2015	T2	34.15	2,030,000	-	-	-	2,030,000
04/5/2015	T3	34.15	2,005,746	-	-	-	2,005,746
08/4/2016	T1	28.45	1,064,000	-	-	-	1,064,000
08/4/2016	T2	28.45	1,996,000	-	-	-	1,996,000
08/4/2016	T3	28.45	2,096,500	-	-	-	2,096,500
07/4/2017	T1	32.25	2,130,000	-	-	-	2,130,000
07/4/2017	T2	32.25	2,130,000	-	-	-	2,130,000
07/4/2017	T3	32.25	2,140,000	-	-	-	2,140,000
10/4/2018	T1	32.25	2,225,000	-	-	-	2,225,000
10/4/2018	T2	32.25	2,225,000	-	-	-	2,225,000
10/4/2018	T3	32.25	2,237,500	-	-	-	2,237,500
19/7/2019	T1	22.45	-	1,947,000	-	-	1,947,000
19/7/2019	T2	22.45	-	1,947,000	-	-	1,947,000
19/7/2019	T3	22.45	-	1,956,000	-	-	1,956,000
Total 總額			38,261,246	5,850,000	-	4,118,000	39,993,246

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2018		Number of share options 認股權數目					
Date of grant	Tranche	Exercise price per share	Outstanding at 1/1/2018	Granted	Exercised	Lapsed/Cancelled	Outstanding at 31/12/2018
授予日期	部分	每股行使價 HK\$港幣元	於2018年 1月1日 尚未行使	已授予	已行使	已失效/ 已註銷	於2018年 12月31日 尚未行使
05/5/2011	T2	32.00	1,489,000	–	1,489,000	–	–
05/5/2011	T3	32.00	1,890,000	–	–	–	1,890,000
10/5/2012	T1	28.99	582,000	–	582,000	–	–
10/5/2012	T2	28.99	1,114,000	–	–	–	1,114,000
10/5/2012	T3	28.99	1,172,000	–	–	–	1,172,000
03/5/2013	T1	31.40	1,114,000	–	–	–	1,114,000
03/5/2013	T2	31.40	1,164,000	–	50,000	–	1,114,000
03/5/2013	T3	31.40	1,890,000	–	50,000	–	1,840,000
02/5/2014	T1	32.50	1,942,000	–	130,000	–	1,812,000
02/5/2014	T2	32.50	1,942,000	–	–	–	1,942,000
02/5/2014	T3	32.50	1,953,500	–	–	–	1,953,500
04/5/2015	T1	34.15	2,030,000	–	–	–	2,030,000
04/5/2015	T2	34.15	2,030,000	–	–	–	2,030,000
04/5/2015	T3	34.15	2,040,000	–	–	34,254	2,005,746
08/4/2016	T1	28.45	1,064,000	–	–	–	1,064,000
08/4/2016	T2	28.45	2,083,000	–	61,736	25,264	1,996,000
08/4/2016	T3	28.45	2,096,500	–	–	–	2,096,500
08/4/2016	T1	32.25	2,130,000	–	–	–	2,130,000
08/4/2016	T2	32.25	2,130,000	–	–	–	2,130,000
08/4/2016	T3	32.25	2,140,000	–	–	–	2,140,000
10/4/2018	T1	32.25	–	2,225,000	–	–	2,225,000
10/4/2018	T2	32.25	–	2,225,000	–	–	2,225,000
10/4/2018	T3	32.25	–	2,237,500	–	–	2,237,500
Total 總額			33,996,000	6,687,500	2,362,736	59,518	38,261,246

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

52. EQUITY COMPENSATION PLANS (CONTINUED) 股份補償計劃(續)

- (c) There were no share options forfeited and cancelled during the year ended 31st December, 2019. In 2018, the following share options were forfeited and cancelled. (c) 截至2019年12月31止年度內未有認股權被撤銷及註銷。於2018年，被撤銷及註銷的認股權如下。

Date of grant 授予日期	Tranche 部分	No. of share options forfeited and cancelled 被撤銷並註銷的認股權數目	Exercise price per share 每股行使價 HK\$ 港幣元
04/5/2015	T3	34,254	34.15
08/4/2016	T2	25,264	28.45

(d) Details of share options exercised

(d) 已行使認股權詳情

Exercise period 行使期間	Date of grant 授予日期	Number of share options 認股權數目	
		2019	2018
February 2月	05/5/2011 (T2)	-	1,339,000
	10/5/2012 (T1)	-	100,000
	03/5/2013 (T3)	-	50,000
	02/5/2014 (T1)	-	50,000
March 3月	05/5/2011 (T2)	-	70,000
	10/5/2012 (T1)	-	165,000
	03/5/2013 (T2)	-	50,000
April 4月	02/5/2014 (T1)	-	80,000
	05/5/2011 (T2)	-	80,000
	10/5/2012 (T1)	-	317,000
	08/4/2016 (T2)	-	61,736
		-	2,362,736

53. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

毋須調整的報告期結束日後的事件

After the end of the reporting period the directors declared a second interim dividend. Further details are disclosed in Note 20(a).

On 6th January, 2020, the Bank has entered into a sale and purchase agreement and other documentation (collectively, the "Transaction Documents") with, amongst others, Kookmin Bank Co., Ltd. ("Kookmin Bank") in relation to, inter alia, BEA's sale of shares representing 21% of the registered share capital of PRASAC Microfinance Institution Limited ("PRASAC"), to Kookmin Bank (the "Disposal"). Completion of the Disposal is conditional on, amongst other conditions, approvals from the Financial Services Commission of South Korea and the National Bank of Cambodia.

董事於報告期結束後擬派發第二次中期股息。詳情已在附註20(a)作披露。

於2020年1月6日，本行與(其中包括)Kookmin Bank Co., Ltd. (「Kookmin銀行」)訂立有關東亞銀行向Kookmin銀行出售其所持有的PRASAC Microfinance Institution Limited (「PRASAC」)已註冊股本之21%的買賣協議及其他文件(合稱「交易文件」)(「出售」)。出售之完成須獲得韓國金融監督委員會(Financial Services Commission of South Korea)及柬埔寨國家銀行(National Bank of Cambodia)批准以及其他條件為前提。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Disposal will take place in two phases:

Phase 1: Each of the existing shareholders (including BEA) will sell 70% of its respective stake in PRASAC to Kookmin Bank on and subject to the terms of the Transaction Documents.

Phase 2: Each of the existing shareholders (including BEA) has a put option to sell, and Kookmin Bank has a call option to buy, the remaining 30% of each existing shareholder's (including BEA's) respective stake in PRASAC, exercisable on and subject to the terms of the Transaction Documents after the finalisation of the audited accounts of PRASAC for the financial year ending 31st December, 2021.

The novel coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. In particular, the Bank has temporarily closed 20 of its branches from 1st February, 2020, in an effort to limit the spread of novel coronavirus, as well as protect both its customers and staff members' health and safety.

The Group regularly performs stress tests on the principal risks, where appropriate, to assess the potential impact of stressed business conditions (including hypothetical situations such as a significant economic downturn in Mainland China and Hong Kong) on the Group's capital adequacy and liquidity. The test results based on the Group's latest financial position showed that both capital and liquidity levels are sufficient to absorb the impact of the stress. Whenever necessary, prompt actions will be undertaken to mitigate potential impacts. The Group will keep its contingency measures and risk management under review as the situation evolves. While the circumstances of the outbreak is evolving rapidly, an estimate of its financial impact to the Group at the current stage may not be appropriate as it will be subject to material change.

出售將分兩階段進行：

第一階段：現有各股東(包括東亞銀行)，受限於交易文件內的條款，將其各自所持有的 PRASAC 股份的 70% 出售予 Kookmin 銀行。

第二階段：現有各股東(包括東亞銀行)擁有認沽權以出售，而 Kookmin 銀行擁有認購權以購買，現有各股東(包括東亞銀行)在 PRASAC 中剩餘的 30% 股份。該等權利可在截至 2021 年 12 月 31 日止財政年度的 PRASAC 經審核賬目獲確定後行使並受限於交易文件內的條款。

自 2020 年初以來，新型冠狀病毒感染的肺炎疫情之爆發已對本集團的經營環境帶來不確定因素及對本集團的營運產生影響。

本集團一直密切關注事態發展對本集團業務之影響，並制定了應變措施。尤其是本行由 2020 年 2 月 1 日起暫停 20 間分行的服務，以減低新型冠狀病毒疫情擴散的風險，以及保障客戶和員工的健康。

本集團定期對相關的主要風險進行壓力測試，評估受壓營商環境(包括內地及香港出現嚴重經濟下滑等假設情景)對本集團的資本充足及流動性可能產生的影響。根據集團最新財務狀況進行的壓力測試結果顯示，本集團的資本及流動性水平均足以抵禦壓力之影響。有需要時，亦會果斷制定應對措施以減低潛在影響。本集團將因應事態發展繼續檢討應變措施及風險管理。因疫情發展迅速，在現階段估算疫情對本集團的財務影響並不合適，因其仍可能有重大變動。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註（續）

54. ACCOUNTING ESTIMATES AND JUDGEMENTS 會計估計及判斷

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Key sources of estimation uncertainty

Notes 33, 40 and 46 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment losses

Note 45(a)(ix): impairment of financial instruments involves determining inputs into the ECL measurement model, including incorporation of forward-looking information.

Note 32: impairment testing of investments in associates involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment.

(ii) Valuation of financial instruments

The Group's accounting policy for valuation of financial instruments is included in Note 2. The fair value of the financial instruments is mainly based on the quoted market price on a recognised stock exchange or a price quoted from a broker/dealer for non-exchanged traded financial instruments. The fair value of collateralised debt obligations is based on bid prices quoted by reputable brokers and has been carefully assessed for reasonableness by management. The fair value of a Special Investment Vehicle ("SIV") is based on its net asset values as provided by the SIV's manager.

在編製本綜合財務報表時，管理層經已作出若干對應用本集團會計政策及所匯報的資產、負債、收入及支出之金額披露有影響的判斷、估計和假定。最終結果與該等估計可能不盡相同。

估計及相關假定會定期作檢討。估計之修改不會被追溯確認。

(a) 估計不穩定因素的主要來源

附註33、40和46載述有關商譽減值、已授予股權的公平價值和金融工具的公平價值的假設及其風險因素。估計不穩定因素的其他主要來源如下：

(i) 減值損失

附註45(a)(ix)：金融工具減值：決定預期信貸損失計量模型的計算因素，包括植入具前瞻性的資料。

附註32：聯營公司投資的減值測試包括估計使用值的重大判斷，及估算因持續持有該投資而產生的預計現金流的現值。

(ii) 金融工具的估值

本集團對金融工具估值的會計政策列載於附註2。金融工具的公平價值主要根據認可之交易所的市場報價，或就非在交易所作交易的金融工具而言，則根據經紀／交易員的報價。債務抵押債券的公平價值由聲譽良好的經紀按買入價提供報價，及經已被管理層小心評估其適當性。特別投資工具的公平價值是根據特別投資工具之管理人所提供該工具的資產淨值。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below:

(i) Classification of financial assets

Note 2(h)(ii): assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(ii) Measurement of ECL

Note 45(a)(ix): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection of models used to measure ECL.

(iii) Recognition of deferred tax assets

The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Estimates and judgements are applied in determining the amount of future taxable profits and the probability that such future taxable profits are available in the foreseeable future to support recognition of the deferred tax assets. The Group uses all readily available information, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs, in determining future taxable profits. Changes in these estimates could significantly affect the timing of deferred tax asset recognition and the amount of asset recognised.

(b) 本集團應用會計政策的重要會計判斷

本集團應用會計政策的若干重要會計判斷如下：

(i) 金融資產

附註2(h)(ii)：評估持有資產的商業模型，即金融資產合約期內是否純粹是本金及按本金結餘的利息支付。

(ii) 預期信貸損失計量

附註45(a)(ix)：訂立標準以決定金融資產的信貸風險是否比初始確認時經已大幅增加及制定方法以植入具前瞻性計量預期信貸損失的資料及選擇模型以計算預期信貸損失。

(iii) 遞延稅項資產之確認

須在未來可能有應課稅溢利予以抵銷遞延稅項資產的情況下，本集團才確認遞延稅項資產。在釐定未來應課稅溢利的金額及其可能性時，須估計及判斷在可見之將來該未來應課稅溢利可否支持確認該遞延稅項資產。本集團使用所有已有的資料，包括根據合理及可支持之假設和對收入及支出成本的估計，以釐定未來應課稅溢利。此等估計的變動可能對遞延稅項資產確認的時間及資產確認的金額有重大影響。

55. COMPARATIVE FIGURES 比較數字

Certain 2018 comparative figures have been restated to conform to current year's presentation. Please refer to consolidated cash flow statement, Note 24, Note 29(b), Note 48(b) and Note 51(b) for the effect of restatement.

若干2018年的比較數字經已重報以符合本年度的呈報方式。請參閱綜合現金流量表、附註24、29(b)、48(b)及51(b)中所述的重報影響。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

56. ASSETS HELD FOR SALE 持有作出售資產

On 29th November, 2017, the Bank and its wholly-owned subsidiary, Credit Gain Finance Company Limited entered into an equity transfer agreement with China Financial Services Holdings Limited for the sale and purchase of all equity interests in Shenzhen Credit Gain Finance Company Limited (“Shenzhen Credit Gain”), Chongqing Liangjiang New Area Credit Gain Finance Company (“Chongqing Credit Gain”) and Chongqing Dongrong Business Consultancy Company Limited (“Chongqing Dongrong”). The disposal of Shenzhen Credit Gain was completed on 12th April, 2019 and the disposals of Chongqing Credit Gain and Chongqing Dongrong were also completed on 18th October, 2019. Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong’s assets and liabilities as at 31st December, 2018 are presented separately as assets held for sale and liabilities held for sale respectively in the consolidated financial statements.

On 29th October, 2018, the Bank entered into a sale and purchase agreement with The Bank of Yokohama, Ltd. (“BOY”) for the sale of 30% of the issued shares of P.T. Bank Resona Perdania (“BRP”), held via a special purpose vehicle, East Asia Indonesian Holdings Limited, to BOY (the “Disposal”). The investment in BRP is classified and presented as assets held for sale in the consolidated financial statements as at 31st December, 2018. All the conditions precedent to completion of the Disposal have been satisfied and the Disposal was completed on 24th July, 2019.

The assets and liabilities of the disposal groups held for sale are summarised below:

2017年11月29日，本行及其全資附屬公司領達財務有限公司與中國金融投資管理有限公司簽訂一份股權轉讓協議，就買賣深圳市領達小額貸款有限公司（「深圳領達小額貸款」）、重慶兩江新區領達小額貸款有限公司（「重慶領達小額貸款」）及重慶市東榮商務諮詢有限公司（「東榮商務諮詢」）的全部股權。出售深圳領達小額貸款之交易已於2019年4月12日完成，而出售重慶領達小額貸款及東榮商務諮詢之交易亦已於2019年10月18日完成。深圳領達小額貸款、重慶領達小額貸款及東榮商務諮詢於2018年12月31日的資產及負債在綜合財務報表中分別以持有作出售資產及持有作出售負債列示。

2018年10月29日，本行與橫濱銀行（「濱銀」）訂立買賣協議，向濱銀出售透過East Asia Indonesian Holdings Limited（特定目的投資工具公司）持有的P.T. Bank Resona Perdania（「BRP」）已發行股份之30%（「出售」）。於2018年12月31日的綜合財務狀況表中，BRP投資以持有作出售資產列示。有關完成出售之所有先決條件均已達成，而該出售已於2019年7月24日完成。

持有作出售之出售組別的資產和負債摘要如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
ASSETS	資產		
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	-	6
Loans and advances to customers	客戶貸款及墊款	-	228
Gross loans and advances to customers	客戶貸款及墊款總額	-	230
Less: Impairment allowances	減：減值準備		
– Stage 1	– 第一階段	-	(1)
– Stage 3	– 第三階段	-	(1)
Fixed assets	固定資產		
– Other properties and equipment	– 其他物業及設備	-	8
Deferred tax assets (Note 37(b))	遞延稅項資產(附註37(b))	-	18
Other assets	其他資產	-	8
Assets held for sale	持有作出售資產	-	268
LIABILITIES	負債		
Other liabilities	其他負債	-	7
Liabilities held for sale (Note 38)	持有作出售負債(附註38)	-	7

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The assets held for sale and liabilities held for sale are summarised below:

持有作出售之資產及負債摘要如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Assets held for sale (Note 35)	持有作出售資產(附註35)		
Disposal groups held for sale	持有作出售的組別	-	268
Other properties	其他物業	39	57
Investments in associates	聯營公司投資	-	363
		39	688
Liabilities held for sale (Note 38)	持有作出售負債(附註38)		
Disposal groups held for sale	持有作出售的組別	-	7

The cumulative income recognised in other comprehensive income relating to disposal groups held for sale is as follows:

有關持有作出售的組別在其他全面收益內確認之累計收入如下：

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cumulative income recognised in other comprehensive income	確認在其他全面收益內之累計收入	-	(68)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

57. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER, 2019
在截至2019年12月31日止年度前已公布但尚未生效的修訂、新準則和詮釋所產生的可能影響

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to standards and new standards which are not yet effective for the year ended 31st December, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

直至此等財務報表之發布日期，香港會計師公會已頒布了多項修訂及新準則；但該等修訂和新準則於截至2019年12月31日止會計年度尚未生效，因此尚未應用於此等財務報表。可能與本集團有關之修訂和新準則如下。

	Effective for accounting periods beginning on or after 由會計期開始或以後起生效
Amendments to HKFRS 3, <i>Definition of a Business</i> 《香港財務報告準則》第3號之修訂「業務之定義」	1st January, 2020 2020年1月1日
Amendments to HKAS 1 and HKAS 8, <i>Definition of Material</i> 《香港會計準則》第1號及《香港會計準則》第8號之修訂「重大之定義」	1st January, 2020 2020年1月1日
HKFRS 17, <i>Insurance Contracts</i> 《香港財務報告準則》第17號「保險合約」	1st January, 2021 2021年1月1日

The Group is in the process of making an assessment of what the impact of these amendments and new standards are expected to be in the period of initial application. So far the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

本集團正在評估該等修訂和新準則對首個應用期可能產生的影響。除以下所述外，至今所得結論是若採納該等修訂、新準則和詮釋對本集團的綜合財務報表不可能構成重大影響：

HKFRS 17, Insurance Contracts

HKFRS 17, which was issued in January 2018, will be effective 1st January, 2021. It sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. The Group is in progress of assessment of its impact.

《香港財務報告準則》第17號「保險合約」

於2018年1月頒布之《香港財務報告準則》第17號將於2021年1月1日生效。它制定實體對其發出之保險合約及持有分保合約的會計要求。本集團正在評估其影響。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

The following information is disclosed as part of the accompanying information to the financial statements and does not form part of the audited financial statements.

以下所披露的資料只屬於財務報表的附帶資料而並不構成已審核財務報表之一部分。

The preparation of supplementary financial information is in accordance with the Banking (Disclosure) Rules and consolidated supervision arrangement approved by the HKMA.

編制補充財務資料是根據《銀行業(披露)規則》及金管局核準的綜合監管要求。

(1) CAPITAL ADEQUACY 資本充足

		2019	2018
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Capital base	股本基礎		
– Common Equity Tier 1 capital	– 普通股權一級資本	75,313	74,513
– Additional Tier 1 capital	– 額外一級資本	13,963	10,312
– Total Tier 1 capital	– 一級資本總額	89,276	84,825
– Tier 2 capital	– 二級資本	9,349	14,202
– Total capital	– 資本總額	98,625	99,027
Risk weighted assets by risk type	風險加權資產類別		
– Credit risk	– 信貸風險	439,676	428,383
– Market risk	– 市場風險	13,260	18,671
– Operational risk	– 營運風險	34,878	31,934
		487,814	478,988
Less: Deductions	減：扣除	(3,619)	(3,274)
		484,195	475,714

		2019	2018
		% 百分率	% 百分率
Common Equity Tier 1 capital ratio	普通股權一級資本比率	15.6	15.7
Tier 1 capital ratio	一級資本比率	18.4	17.8
Total capital ratio	總資本比率	20.4	20.8

Capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules (“the Capital Rules”) issued by the HKMA. In accordance with the Capital Rules, the Bank has adopted the foundation internal ratings-based approach for the calculation of the risk-weighted assets for credit risk and the internal models approach for the calculation of market risk and standardised approach for operational risk.

資本充足比率乃根據金管局所頒布的《資本規則》計算。根據《資本規則》，本行選擇採納「基礎內部評級基準計算法」計算信貸風險之風險加權資產、「內部模式計算法」計算市場風險及「標準計算法」計算營運風險。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance. The Bank's shareholdings in these subsidiaries are deducted from its Tier 1 capital and Tier 2 capital subject to the thresholds as determined in accordance with Part 3 of the Capital Rules respectively.

The list of subsidiaries that are not included in consolidation for regulatory purposes are:

用作監管用途之綜合基礎與作會計用途之綜合基礎是不相同的。包括在用作監管用途之附屬公司乃根據金管局按《資本規則》第3C條所頒布的通知內列載。不包括在綜合基礎用作監管用途之附屬公司為非金融類公司以及已核准和受一監管機構規管的證券及保險公司，對該等公司有關係維持足夠資本以支持商業活動的監管安排，與按照適用於《資本規則》及《銀行業條例》的金融機構之標準相符。本行於該等公司的權益已按《資本規則》第3部分所述之門檻規定經計算後從一級及二級資本中扣除。

以下附屬公司並未包括在用作監管用途之綜合計算內：

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Ample Delight Limited 承悅有限公司	Investment holding 投資控股		344		344
BC (BVI) Holdings Limited	Investment holding 投資控股		16		16
BEA Blue Sky Company Limited	Acting as the sole general partner to BEA Blue Sky Real Estate Fund L.P. 出任BEA Blue Sky Real Estate Fund L.P. 單一普通合夥人		1		-
BEA Blue Sky SLP Limited	Acting as a special limited partner to BEA/AGRE China Real Estate Fund L.P. 出任BEA/AGRE China Real Estate Fund L.P. 特殊有限責任合夥人		-		-
BEA Consortium GS Investors L.P.	Acting as a limited partner for the purpose of making investment in private equity fund 出任有限責任合夥人用作投資予 私募基金		48		48
BEA Insurance Agency Limited 東亞保險代理有限公司	Insurance agency 保險代理		-		-
BEA Life Limited 東亞人壽保險有限公司	Life insurance 人壽保險		22,814		2,218
BEA Pacific Asia Limited	Dormant 不活動		-		-
BEA Union Investment Management Limited 東亞聯豐投資管理有限公司	Asset management 資產管理		651		553

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)
未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
BEA Union Investment Management (Shenzhen) Limited 東亞聯豐投資管理(深圳)有限公司	Asset management/Investment management 資產管理/投資管理	7		6	
Blue Care (BVI) Holdings Limited	Investment holding 投資控股	16		16	
Blue Care JV (BVI) Holdings Limited	Investment holding 投資控股	20		17	
Blue Care Medical Services Limited 寶康醫療服務有限公司	Medical services 醫療服務	56		45	
Blue Cross (Asia-Pacific) Insurance Limited 藍十字(亞太)保險有限公司	Insurance 保險	2,746		766	
Central Town Limited 滙中興業有限公司	Property investment 物業投資	838		683	
Century Able Limited 階潤有限公司	Investment holding 投資控股	95		95	
Citiview Capital Limited	Acting as the general partner and limited partner of a limited partnership 出任普通合夥人及有限責任合夥人	3		(1)	
Corona Light Limited	Investment holding 投資控股	930		930	
Crystal Gleaming Limited	Investment holding 投資控股	930		930	
Dragon Jade Holdings Company Limited 卓領控股有限公司	Investment holding 投資控股	1,127		1,127	
EA Securities Limited	Investment holding 投資控股	–		(63)	
East Asia Financial Services (BVI) Ltd.	Investment holding 投資控股	–		–	
East Asia Futures Limited 東亞期貨有限公司	Futures and options trading 期貨及期權交易	60		59	
East Asia Indonesian Holdings Limited	Investment holding 投資控股	32		2	
East Asia International Trustees Holdings (BVI) Limited	Investment holding 投資控股	10		10	
East Asia International Trustees Limited	Trustee services 信託服務	31		28	
East Asia Properties Holding Company Limited 東亞物業控股有限公司	Investment holding 投資控股	–		(57)	
East Asia Property Agency Company Limited 東亞物業代理有限公司	Property agency 物業代理	9		9	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
East Asia Property Holdings (Jersey) Limited	Property holding 物業持有		28		27
East Asia Qianhai Holdings Company Limited 東亞前海控股有限公司	Investment holding 投資控股		205		205
East Asia Secretaries Limited 東亞秘書有限公司	Secretarial services 秘書服務		–		–
East Asia Securities Company Limited 東亞證券有限公司	Securities broking 證券買賣		1,472		893
Golden Empire International Inc.	Property investment 物業投資		1		1
High Town Limited	Investment holding 投資控股		4		4
Leader One Limited	Investment holding 投資控股		1		1
Manchester Property Holdings Ltd.	Property holding 物業持有		34		17
Quantum Hong Kong Holdings Company Limited 君騰香港控股有限公司	Investment holding 投資控股		208		208
Red Phoenix Limited	Leasing of motor vehicles 汽車租賃		2		2
Shaftesbury Property Holdings Limited	Investment holding 投資控股		67		67
Shaftesbury Property Investments Limited	Investment holding 投資控股		50		50
Shanghai Lingxie Business Consulting Co. Ltd. 上海領僑商務諮詢有限公司	Business information consulting, corporate management consulting 商業資訊諮詢·企業管理諮詢		202		202
Silver River International Limited	Acting as the general partner and limited partner of a limited partnership 出任普通合夥人及有限責任合夥人		43		–
Silver Sunlight Limited	Acting as the general partner of a limited partnership 出任普通合夥人		–		–
Skyray Holdings Limited	Investment holding 投資控股		450		450
Speedfull Limited	Investment holding 投資控股		450		450
The Bank of East Asia (Nominees) Limited 東亞銀行受託代管有限公司	Nominee services 受託代管服務		–		–
The Bank of East Asia (Nominees) Private Limited	Trustee, fiduciary and custody services 信託、代理及託管服務		–		–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Travelsafe Limited	Dormant 不活動	-	-	-	-
U Care Hong Kong Medical Limited 明康醫療香港有限公司	Medical services 醫療服務	31	31	(10)	(10)
United Chinese (Nominee) Limited	Dormant 不活動	-	-	-	-

There are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but where the method of consolidation differs at 31st December, 2019.

並未有已包括在用作會計範疇及監管範疇之綜合賬的附屬公司，而於2019年12月31日其綜合計算方法是不相同的。

There are no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation at 31st December, 2019.

於2019年12月31日，並未有附屬公司已包括在用作監管範疇之綜合賬但並未包括在用作會計範疇之綜合賬內。

There are no relevant capital shortfalls in any of the Group's subsidiaries as at 31st December, 2019 (31st December, 2018: Nil) which are not included in the Group's consolidation for regulatory purposes.

於2019年12月31日(2018年12月31日：無)，本集團之附屬公司並無有關資本不足而未有包括在本集團用作監管用途之綜合賬內。

The Group operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the banking group.

本集團之附屬公司在多個國家及地區營運而其資本乃受當地法則約束，可能在轉移受規管資本及在銀行集團成員間的資金調配方面存在某些限制。

For the purpose of compliance with the Banking (Disclosure) Rules, the Group has established a section on the Bank's website. Additional information relating to the Group's regulatory capital and other disclosures can be found in this section of the Bank's website, accessible through the "Regulatory Disclosure" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

為符合《銀行業(披露)規則》，本集團已在本行網站內增設一節。有關本集團的監管資本工具及其他披露資料，可於本行網站該節內找到，只要瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html的直接連繫。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(2) LEVERAGE RATIO 槓桿比率

		2019	2018
		HK\$ Mn 港幣百萬元	Restated 重報 HK\$ Mn 港幣百萬元
Total Tier 1 capital	一級資本	89,276	84,825
Exposure measure	風險承擔計量	874,070	862,745

		2019	2018
		% 百分率	% 百分率
Leverag ratio	槓桿比率	10.2	9.8

The disclosure on leverage ratio is effective since 31st March, 2015 and is computed on the same consolidated basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

槓桿比率之披露是由2015年3月31日起生效，其計算乃按金管局根據《資本規則》第3C條頒布的通知內所指定的綜合基準。有關披露資料可瀏覽本行網站 www.hkbea.com 主頁內「監管披露」的連繫或按 www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html 的直接連繫。

(3) LIQUIDITY POSITION 流動資金狀況

		2019	2018
		% 百分率	% 百分率
Average liquidity coverage ratio	平均流動性覆蓋比率		
– First quarter	– 第一季	169.8	137.8
– Second quarter	– 第二季	171.7	144.8
– Third quarter	– 第三季	166.9	153.0
– Fourth quarter	– 第四季	175.7	180.5

The liquidity coverage ratio is calculated in accordance with the Banking (Liquidity) Rules effective from 1st January, 2015. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

流動性覆蓋比率是根據由2015年1月1日起生效的《銀行業(流動性)規則》計算。相關的監管披露資料可瀏覽本行網站 www.hkbea.com 主頁內「監管披露」的連繫或按 www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html 的直接連繫。

The Bank held an amount of HKD-denominated level 1 assets that was not less than 20% of its HKD-denominated total net cash outflows. There is no significant currency mismatch in the Bank's LCR at respective levels of consolidation.

本行持有以港幣計價的一級優質流動資產不少於以港幣計價的淨現金流出總額的20%。按各綜合層級的流動性覆蓋比率並沒有重大的貨幣錯配。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)
未經審核補充財務資料(續)

(4) OVERDUE, RESCHEDULED AND REPOSSESSED ASSETS
逾期、經重組及收回資產

(a) Overdue and rescheduled advances

(a) 逾期及經重組墊款

		2019		2018	
		HK\$ Mn	% of total advances to customers	HK\$ Mn	% of total advances to customers
		港幣百萬元	佔客戶墊款總額的百分比	港幣百萬元	佔客戶墊款總額的百分比
Advances to customers overdue for	逾期客戶墊款				
– 6 months or less but over 3 months	– 3個月以上至6個月	1,049	0.2	970	0.2
– 1 year or less but over 6 months	– 6個月以上至1年	308	0.1	428	0.1
– Over 1 year	– 1年以上	747	0.1	1,495	0.3
		2,104	0.4	2,893	0.6
Rescheduled advances to customers	經重組客戶墊款	163	0.0	110	0.0
Total overdue and rescheduled advances	逾期及經重組墊款總額	2,267	0.4	3,003	0.6
Covered portion of overdue advances	已逾期墊款涵蓋部份	1,408	0.3	2,159	0.4
Uncovered portion of overdue advances	已逾期墊款非涵蓋部份	696	0.1	734	0.2
Current market value of collateral held against the covered portion of overdue advances	已逾期墊款涵蓋部份之抵押品市值	2,876		4,273	
Specific provisions made on advances overdue for more than 3 months	逾期3個月以上墊款的特殊準備	1,190		789	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year-end. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at year-end. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

An asset considered as an eligible collateral should generally satisfy the following:

- The market value of the asset is readily determinable or can be reasonably established and verified;
- The asset is marketable and there exists a readily available secondary market for disposing of the asset;
- The Bank's right to repossess the asset is legally enforceable and without impediment; and
- The Bank is able to secure control over the asset if necessary.

有明確到期日之貸款，若其本金或利息已逾期，並於年結日仍未償還，則列作逾期處理。定期分期償還之貸款，若其中一次還款逾期，而於年結日仍未償還，則列作逾期處理。即時到期之貸款，若已向借款人送達還款通知，但借款人未按指示還款，或貸款已超出借款人獲通知的批准限額，而此情況持續超過有關逾期期限，亦列作逾期處理。

可視作合格抵押品的資產須符合下列條件：

- 該資產的市值是可即時決定的或是可合理地確定及證實的；
- 該資產是有市價的及有二手市場可即時將該資產出售；
- 本行收回資產的權利是有法律依據及沒有障礙的；及
- 本行在有需要時可對該資產行使控制權。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(4) OVERDUE, RESCHEDULED AND REPOSSESSED ASSETS (CONTINUED)

逾期、經重組及收回資產(續)

(a) Overdue and rescheduled advances (continued)

The two main types of “Eligible Collateral” are as follows:

- (i) “Eligible Financial Collateral” mainly comprises cash deposits and shares.
- (ii) “Eligible Physical Collateral” mainly comprises land and buildings, vehicles and equipment.

When the Bank's clients face financial difficulties and fail to settle their loans, depending on different situations, the Bank usually takes the following actions to recover the debt:

- (a) Debt rescheduling/restructuring
- (b) Enforcement of security
- (c) Legal action
- (d) Recovery via debt collector

(b) Advances to banks

(a) 逾期及經重組墊款(續)

合格抵押品主要分為下列兩種：

- (i) 合格金融抵押品主要包括現金存款及股票。
- (ii) 合格實物抵押品主要包括土地及建築物、汽車及設備。

按不同情況下，當本行客戶面對財政困難而無力償還貸款，本行一般採用以下方式以追收欠款：

- (a) 重新編排債務還款期時間表／債務重組
- (b) 沒收抵押品
- (c) 採取法律行動
- (d) 通過收數公司追收

(b) 銀行墊款

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Advances to banks overdue for	逾期銀行墊款				
– 6 months or less but over 3 months	– 3個月以上至6個月	–	–	–	–
– 1 year or less but over 6 months	– 6個月以上至1年	–	–	–	–
– Over 1 year	– 1年以上	–	–	–	–
		–	–	–	–
Rescheduled advances to banks	經重組銀行墊款	–	–	–	–
Total overdue and rescheduled advances	逾期及經重組墊款總額	–	–	–	–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)
未經審核補充財務資料(續)

(c) Other overdue and rescheduled assets

(c) 其他逾期及經重組資產

		2019					
		Accrued interest 應計利息		Debt securities 債務證券		Other assets* 其他資產*	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Other assets overdue for	其他逾期資產						
– 6 months or less but over 3 months	– 3個月以上至6個月		16		–		–
– 1 year or less but over 6 months	– 6個月以上至1年		9		–		–
– Over 1 year	– 1年以上		89		–		–
			114		–		–
Rescheduled assets	經重組資產		1		–		–
Total other overdue and rescheduled assets	其他逾期及經重組資產總額		115		–		–

		2018					
		Accrued interest 應計利息		Debt securities 債務證券		Other assets* 其他資產*	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Other assets overdue for	其他逾期資產						
– 6 months or less but over 3 months	– 3個月以上至6個月		19		–		–
– 1 year or less but over 6 months	– 6個月以上至1年		8		–		–
– Over 1 year	– 1年以上		281		–		1
			308		–		1
Rescheduled assets	經重組資產		1		–		–
Total other overdue and rescheduled assets	其他逾期及經重組資產總額		309		–		1

* Other assets refer to trade bills and receivables.

* 其他資產是指貿易票據及應收款項。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(4) OVERDUE, RESCHEDULED AND REPOSSESSED ASSETS (CONTINUED)

逾期、經重組及收回資產(續)

(d) Repossessed assets

(d) 收回資產

		2019		2018	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Repossessed land and buildings *	收回土地及建築物 *	225		147	
Repossessed vehicles and equipment	收回汽車及設備	-		-	
Repossessed machines	收回機器	-		-	
Total repossessed assets	收回資產總額	225		147	

The amount represents the estimated market value of the repossessed assets as at 31st December.

* The balance included HK\$4 million (2018: HK\$58 million) relating to properties that were contracted for sale but not yet completed.

此等金額指於12月31日收回資產的估計市值。

* 結餘中並包括港幣400萬元已簽約出售但仍未成交的物業(2018年:港幣5,800萬元)。

(5) BANKING DISCLOSURE STATEMENT 銀行業披露報表

Additional information disclosures for this year which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the HKMA can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

本期的額外資料披露是根據《銀行業(披露)規則》及按金管局所頒布的披露模版而編製，詳情可瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或按www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html的直接連繫。

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