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## 2020 FINAL RESULTS

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### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### HIGHLIGHTS

- Operating profit after impairment allowances amounted to HK\$1,725 million, a decrease of 23.28% year-on-year.
- Profit before tax was 23.00% lower than 2019 to HK\$1,757 million.
- Profit attributable to equity owners amounted to HK\$1,480 million, a decrease of 22.13% over that of last year.
- Cost to income ratio was at 43.62%.
- Return on shareholders' equity of 6.01% (8.31% in 2019) and earnings per share of HK\$1.34 (HK\$1.80 per share in 2019).
- Total assets increased by 9.46% to HK\$232.9 billion.
- Total dividends for the financial year of 2020, including the interim cash dividend of HK\$0.11 per share paid in October 2020, amounted to HK\$0.34 per share (2019 total dividends: HK\$0.58 per share).
- Total dividend payout as a percentage of an adjusted profit attributable to equity owners less the distribution paid on the additional equity instruments will be 24.54%.
- Total capital ratio as at 31 December 2020 was 16.79%, the Tier 1 capital ratio and the Common Equity Tier 1 capital ratio were 14.36% and 11.27% respectively (Total capital ratio as at 31 December 2019 was 17.51%).

The board of directors (the “Board”) of Chong Hing Bank Limited (the “Bank” or “Chong Hing Bank”) is pleased to announce the consolidated results of the Bank and its subsidiaries (the “Group”) for the year ended 31 December 2020, together with the comparative figures for the corresponding year in 2019. The financial information in this announcement is based on the audited consolidated financial statements of the Group and does not constitute the Group’s statutory accounts for the year ended 31 December 2020. The 2020 final results have been reviewed by the Audit Committee of the Bank.

## CONTENTS

1	<b>Highlights</b>
2	<b>Contents</b>
4	<b>Chairman’s Statement</b>
6	<b>Chief Executive’s Statement</b>
20	<b>Consolidated Income Statement</b>
21	<b>Consolidated Statement of Comprehensive Income</b>
22	<b>Consolidated Statement of Financial Position</b>
23	<b>Consolidated Statement of Changes in Equity</b>
25	<b>Consolidated Statement of Cash Flows</b>
27	<b>Financial Review</b>
27	General information
27	Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)
28	New and revised HKFRSs issued but not yet effective
28	Segment information
34	Net interest income
35	Net fee and commission income
36	Net income from trading and investments
37	Other operating income
38	Operating expenses
39	Net impairment losses on financial assets
39	Taxation
40	Dividends
41	Earnings per share – basic and diluted
41	Cash and short-term funds
41	Derivative financial instruments
43	Investments in securities
45	Transfer of financial assets
46	Advances and other accounts
47	Investment properties
49	Property and equipment
50	Financial assets sold under repurchase agreements
50	Deposits from customers
51	Certificates of deposit
51	Loan capital
52	Share capital
53	Additional equity instruments
54	Deferred taxation

55	Intangible assets
56	Other accounts and accruals
57	Contingent liabilities and commitments
58	Related party transactions
59	<b>Other Financial Information</b>
60	<b>Compliance with Corporate Governance Code</b>
60	<b>Compliance with Model Code</b>
60	<b>Final Dividend</b>
60	<b>Closure of Register of Members</b>
61	<b>Purchase, Sale or Redemption of the Bank's Listed Securities</b>
61	<b>Publication of 2020 Final Results and Annual Report</b>

## CHAIRMAN'S STATEMENT

2020 was an eventful and difficult year. COVID-19 has spread all over the world, resulting in unprecedented pressures on the global economy and making a tremendous impact on a wide variety of industries. Amid the massive changes in the macro-environment, Chong Hing Bank Limited (the "Bank" or "Chong Hing Bank") upheld its strategies and actively addressed the fallout from the pandemic. The Bank prevented and controlled different types of risks in order to maintain its sound operations, and boosted its digital transformation. It also implemented a series of relief measures as well as devoting itself to its mission of providing quality products and services.

In the "Top 1000 World Banks" list compiled by the British magazine "The Banker", Chong Hing Bank's ranking climbed from 722nd in 2013 to 381st in 2020, placing it among the top 400 in the global banking industry and a record high for the Bank.

In 2020, major global economies implemented monetary-easing policies to relieve the impact of the pandemic. The continuous downward trend of HK dollar and US dollar interest rates led to significantly narrowing of net interest margins amid emerging uncertainties in credit risks in the market. In accordance with the accounting principles of the Hong Kong Financial Reporting Standard 9 Financial Instruments (HKFRS 9), the Bank has progressively increased forward-looking impairment allowances for financial assets. Operating profit before impairment allowances amounted to HK\$2,147 million, a decrease of 10.03% compared to the previous year. Profits attributable to equity owners amounted to HK\$1,480 million, a decrease of 22.13% compared to the previous year, and earnings per share were HK\$1.34. In view of the highly uncertain economic outlook and extremely challenging operating environment, and our regulator has advised that banks should reserve sufficient capital to meet future challenges, the Board of Directors of the Bank (the "Board") has recommended payment of a final cash dividend of HK\$0.23 per share for 2020. The total dividend payout for the year accounted for 24.54% (2019: 32.42%) of this adjusted profit attributable to equity owners, less the distribution paid on additional equity instruments.

The major financial ratios for 2020 are as follows:

- Return on shareholders' equity: 6.01%
- Average liquidity maintenance ratio: 44.98%
- Total capital ratio as of 31 December 2020: 16.79%
- Tier 1 capital ratio as of 31 December 2020: 14.36%
- Loan to deposit ratio as of 31 December 2020: 73.65%

In the past year, the continuous tensions between China and the US, intensifying geopolitical risks, persistent monetary-easing policies and the worldwide pandemic scourge further worsened global economies that were already under pressure. Governments around the world faced the simultaneous challenges of combating the pandemic, stabilising the economy and protecting people's livelihoods. With its effective and remarkable control over the pandemic, Mainland China's economy made a steady recovery. Its Gross Domestic Product (GDP) for the year increased by 2.3%, making it the first country among major economies to achieve growth and also enabling it to reach the milestone of totalling RMB100 trillion for the first time. On the other hand, Hong Kong has suffered continuously from the pandemic, putting severe pressure on its economy. Nevertheless, Hong Kong has managed to maintain the strong stability of its financial system and demonstrated once again its solid position as an international financial hub.

Against the backdrop of an accelerated establishment of a new development pattern based on domestic macro-circulation together with the mutual promotion of international and domestic dual-circulation in China, Hong Kong will join in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (the “Greater Bay Area”). It will actively take the role as a participant in domestic circulation and as the facilitator of international circulation in order to fully utilise Hong Kong’s unique advantages and further strengthen financial connectivity between Hong Kong and the Mainland. With the tremendous opportunities offered by the national policy, Chong Hing Bank proactively leverages the synergies with its controlling shareholder Yuexiu Group and strategic shareholder Guangzhou Metro. The Bank also reinforces regional strategic integration, emphasises the development of cross-border finance and conducts operations in major cities in the Greater Bay Area. The goal of these policies is to gradually develop into an integrated commercial bank with cross-border expertise.

The pandemic has stimulated inspiration and opportunity in the field of fintech as well as boosted the digital transformation of the banking industry. To cope with the competitive landscape in this new normal, Chong Hing Bank has proactively recruited IT talents in Hong Kong and the Mainland, accelerated system digitisation and reform of its operation, upgraded electronic channels, and established a service model focusing on customer experience and integrating traditional and digital banking. As always, the aim is to satisfy customers’ needs for both online and offline bank services and to drive the business development of Chong Hing Bank.

The year 2021 is the opening year of China’s “14th Five-Year Plan”, as well as the first year of Chong Hing Bank’s five-year development plan. Under the uncertain development of the pandemic and global economic instabilities, the Bank will continue its operation in a prudent and pragmatic manner, actively monitor and overcome the pandemic and other risks, optimise its business structure and accelerate its digital transformation. By that means it will improve its capability in comprehensive financial services for thriving in circumstances where both opportunities and challenges exist, laying the basis for a high-quality development when the pandemic is over. Given the promising prospect of China’s economic development based on solid foundation, and the Bank’s gradual expansion in its network of outlets across the Mainland, as well as its continued steady progress towards establishing a wholly-owned banking subsidiary in Mainland China, Chong Hing Bank’s development is set to scale new heights.

Following the particularly difficult year of 2020, I would like to express my heartfelt gratitude to all our directors and shareholders for their valuable guidance, also our appreciation to customers and business partners for their long-lasting support, and our full acknowledgement to the management team and the entire staff of Chong Hing Bank for their dedication and hard work during the pandemic. Hope always exists where there are difficulties. With our firm commitment to “Exceed • Excel”, we will continue to strive for high-quality development and resolutely forge ahead.

**Zhang Zhaoxing**  
*Chairman*

Hong Kong, 4 March 2021

## CHIEF EXECUTIVE'S STATEMENT

### ECONOMIC ENVIRONMENT

In 2020, the global economy was hit hard by the COVID-19 pandemic. The Gross Domestic Product (GDP) of the US decreased 3.5% year-on-year, the first negative record since 2009. The severe pandemic in the US, together with the unknown diplomatic and economic policies of the new administration, created uncertainty in relations between China and the US and in the global economy. The US Federal Reserve announced at the last FOMC meeting of 2020 that the benchmark interest rate would remain unchanged and that its bond-buying programme would be maintained until there were indications of a stable recovery in the economy. The economic prospects of the Eurozone are also gloomy due to the lockdown measures implemented to tackle the pandemic, with its GDP in 2020 shrinking 6.8% year-on-year. The European Central Bank launched an emergency package in December 2020 to ease the impact of the pandemic, and mitigate risks of the downward trend in the economy. The UK and EU reached a trade agreement in December last year to avoid the economic and financial market chaos that would have resulted from a “No-deal Brexit”.

With the rapid containment of the pandemic and the effectiveness of its macroeconomic measures, Mainland China's economy has shown a stable recovery since the second quarter of last year, with GDP growth of 2.3% for 2020. The Central Economic Work Conference held at the end of the year stressed the need to maintain continuity, stability and sustainability in macro policies this year in order to maintain the necessary support for economic recovery. The People's Bank of China emphasised the need to make monetary policy flexible and appropriate in order to maintain reasonable and adequate liquidity. At the same time, it encouraged the deepening of market-based reform of interest rates on a continuous basis in order to keep the RMB exchange rate at a reasonable and balanced level. The RMB's exchange rate trended down initially but then moved up during the year, with the central parity rate of the RMB against the US dollar rising by 6.47%. For the Mainland cities where Chong Hing Bank's major business operates, the recovery momentum remained stable last year. Guangzhou's GDP rose by 2.7% year-on-year as the city's economic growth improved steadily and all major economic indicators rebounded; Shenzhen's GDP rose by 3.1% year-on-year as the city's advanced manufacturing and high-tech industries grew rapidly and imports and exports continued to reach new highs; and Shanghai's GDP rose by 1.7% year-on-year as industrial production continued to pick up and the information services and financial sectors accelerated.

The prolonged pandemic has dealt a severe blow to Hong Kong's economy, with its GDP dropping by 6.1% year-on-year. In its foreign trade, goods exports decreased slightly by 0.3%, mainly due to the recovery in the Mainland economy. Total services exports declined by 36.8% as a result of the ban on inbound tourism and a weak global economy. Private consumption expenditures and overall investment spending fell by 10.2% and 11.6% respectively due to weak local demand, social distancing measures, negative consumer sentiment caused by a difficult situation in the labour market, and an uncertain business environment. The labour market was further hit by the fourth wave of the COVID-19 outbreak starting in November 2020. Unemployment was at a 16-year high of 6.6% in the fourth quarter. As for the property market, the private residential price index remained stable, while sales of new residential properties slowed as a result of the pandemic, with potential buyers shifting to the secondary market. Overall, the number of transactions in the property market was similar to that in 2019. The pandemic led to volatility in the global financial markets in 2020, and so did the Hong Kong stock market. The Hang Seng Index fell to a more than three-year low in March and closed at 27,231 points on the last trading day of 2020, representing a cumulative loss of 3.4% for the year.

## RESULTS ANNOUNCEMENT AND PROFIT ANALYSIS

The results for the financial year of 2020 of Chong Hing Bank Limited (the “Bank” or “Chong Hing Bank”), on a consolidated basis, are summarised below:

### Key Financial Data

		31 December (12 months)		Variance
		2020	2019	
		HK\$'000	HK\$'000	
1.	Operating profit before impairment allowances	<b>2,147,413</b>	2,386,842	-10.03%
2.	Profit attributable to equity owners	<b>1,479,978</b>	1,900,642	-22.13%
3.	Net interest income	<b>2,926,552</b>	3,259,860	-10.22%
4.	Net fee and commission income	<b>434,327</b>	325,657	+33.37%
5.	Net income from trading and investments	<b>258,453</b>	241,293	+7.11%
6.	Other operating income	<b>189,385</b>	184,461	+2.67%
7.	Operating expenses	<b>1,661,304</b>	1,624,429	+2.27%
8.	Net impairment losses on financial assets	<b>422,003</b>	137,881	+206.06%
		As of	As of	Variance
		31 December	31 December	
		2020	2019	
		HK\$'000	HK\$'000	
9.	Loans and advances to customers	<b>142,381,617</b>	118,078,914	+20.58%
10.	Deposits from customers	<b>183,228,291</b>	162,664,648	+12.64%
11.	Investments in securities	<b>52,853,752</b>	57,534,593	-8.14%
12.	Total assets	<b>232,899,647</b>	212,768,034	+9.46%
		31 December (12 months)		Variance
		2020	2019	(Note 4)
13.	Return on shareholders' equity (Note 1)	<b>6.01%</b>	8.31%	-2.30p.p
14.	Earnings per share (Note 2)	<b>HK\$1.34</b>	HK\$1.80	-25.56%
15.	Net interest margin	<b>1.34%</b>	1.62%	-0.28p.p
16.	Cost to income ratio	<b>43.62%</b>	40.50%	+3.12p.p
17.	Average liquidity maintenance ratio	<b>44.98%</b>	46.27%	-1.29p.p
		As of	As of	Variance
		31 December	31 December	
		2020	2019	
18.	Non-performing loan ratio	<b>0.65%</b>	0.33%	+0.32p.p
19.	Loan to deposit ratio	<b>73.65%</b>	69.46%	+4.19p.p
20.	Net assets value per share (excluding additional equity instruments and before the final dividend)	<b>HK\$23.14</b>	HK\$22.37	+3.44%
21.	Total capital ratio (Note 3)	<b>16.79%</b>	17.51%	-0.72p.p
22.	Tier 1 capital ratio (Note 3)	<b>14.36%</b>	14.32%	+0.04p.p
23.	Common Equity Tier 1 capital ratio (Note 3)	<b>11.27%</b>	12.28%	-1.01p.p



*Notes:*

- (1) Return on shareholders' equity took into consideration the distribution paid on the additional equity instruments relevant for the period.
- (2) Earnings per share were calculated after deducting the distribution paid on the additional equity instruments in the relevant year.
- (3) The ratio is calculated on a consolidated basis in accordance with the Banking (Capital) Rules.
- (4) p.p means percentage point.

## **ANALYSIS OF KEY FINANCIAL DATA**

In 2020, profit attributable to equity owners of the Bank amounted to HK\$1,480 million, representing a decrease of 22.13% compared to 2019. The operating profit after impairment allowances amounted to HK\$1,725 million, representing a decrease of 23.28% from 2019. The decrease in consolidated profit for the year was mainly attributable to the decrease in net interest income and the increase in impairment allowances for financial assets.

Net interest income was HK\$2,927 million, a decrease of 10.22% over the same period in 2019, which was driven mainly by the surge of market interest rates due to substantial rates cut policies. The net interest margin of the Bank was 1.34% in 2020, decreased by 28 basis points from 2019.

Net fee and commission income increased by 33.37% to HK\$434 million, mainly due to the increase in fee income from securities dealings, wealth management and loan-related businesses.

Foreign exchange and other treasury customer activities remained stable. Net income from trading and investments recorded a gain of HK\$258 million, which was mainly derived from trading income, foreign currency funding swap activities and foreign currency transactions with customers.

In 2020, impairment allowance losses on financial assets increased by HK\$284 million to HK\$422 million when compared with the previous year, due to the growth in loans and advances, changes in macroeconomic factors in the risk model and provisions for specific loans.

The Bank prudently managed costs and devoted efforts to improve processes and thus efficiency, and at the same time continued to strengthen its professional team and IT systems to support business growth and expansion in Hong Kong and the Mainland. The operating expenses were HK\$1,661 million, slightly increased by 2.27% from the previous year.

Loans and advances to customers recorded a marked increase of 20.58% to HK\$142.4 billion. Given the rapid increase in loans and advances, the Bank continued to maintain prudent management of its credit risk exposure with sound asset quality of loans and advances.

Deposits from customers grew by 12.64% to HK\$183.2 billion. The stable deposit base achieved by the Bank allowed a balanced loan growth and the development of wealth management as well as cross-border financial businesses.

Total assets increased by 9.46% to HK\$232.9 billion. As at 31 December 2020, 73.02% of the Bank's assets were based in Hong Kong.



Due to the proactive management of its assets as well as the maturity profile of its liabilities, the Bank's liquidity remained stable. The loan to deposit ratio was at 73.65%, and the average liquidity maintenance ratio was 44.98%.

Total capital ratio was at 16.79%, the Tier 1 capital ratio was at 14.36% and the Common Equity Tier 1 capital ratio was at 11.27%.

Overall, under the adverse business environment in 2020, the Bank's core business lines, financial positions and asset quality were strong, while the capital adequacy ratio and liquidity maintenance ratio were above the relevant statutory requirements.

## **DIVIDEND**

To properly maintain the balance between sharing our success and preserving capital for future growth, the Board has recommended the payment of the final cash dividend of HK\$0.23 per share for the financial year of 2020 (2019 final cash dividend: HK\$0.41 per share). Subject to the approval of shareholders at the forthcoming annual general meeting of the Bank, the final cash dividend will be paid on Wednesday, 2 June 2021 to the shareholders whose names appear on the register of members of the Bank on Tuesday, 25 May 2021. Total dividends for the financial year of 2020, including the interim cash dividend of HK\$0.11 per share paid on Thursday, 15 October 2020 (2019 interim cash dividend: HK\$0.17 per share), amounted to HK\$0.34 per share (2019 total dividends: HK\$0.58 per share). The total dividend payout for the year as a percentage of adjusted profit attributable to equity owners less distribution paid on the additional equity instruments will be 24.54% (2019: 32.42%).

## **SUCCESSFUL ISSUANCE OF US\$300 MILLION 5.50 PER CENT. ADDITIONAL TIER 1 CAPITAL SECURITIES**

The Bank successfully issued US\$300 million 5.50% Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "Securities") in July 2020 under the existing US\$2 billion Medium Term Note and Perpetual Capital Securities Programme, and its completion took place on 3 August. The Securities are qualified as Basel III-compliant additional tier 1 capital. The proceeds will serve to strengthen the Bank's capital base and support the implementation of its strategic plans.

Amid the economic turmoil, the coupon rate of this batch of Securities was 20 basis points lower than the rate 5.70% of the same type of securities issued by the Bank in 2019 due to its effective issuance strategies and mechanism. This coupon rate was better than that of the securities issued by other industry peers during the same period, reflecting the Bank's competitiveness. The successful issuance demonstrated once again the recognition from international bonds investors and Yuexiu Group, its controlling shareholder, and their support for and trust in the development of the Bank.

## **BUSINESS REVIEW**

### **CORPORATE BANKING**

Chong Hing Bank endeavours to provide a full range of banking products and professional services to its corporate customers in Hong Kong and the Mainland, including lending, trade finance, cash management, cross-border business solutions and financial market products. The Bank constantly expands its target customer base, focusing on providing diversified and comprehensive financial services to its customers in the Guangdong-Hong Kong-Macao Greater Bay Area (the “Greater Bay Area”).

To support local SMEs, apart from backing the HKSAR Government’s “SME Loan Guarantee Scheme” and “SME Financing Guarantee Scheme” offered by HKMC Insurance Limited, the Bank has launched and enhanced other SME relief measures in response to the pandemic. These include delaying implementation of the clean-up clause of revolving loans and overdraft facilities, extending expired term loan repayments or instalment payments, and extending principal repayment period for trade financing facilities. The Bank also fully supports the “Pre-approved Principal Payment Holiday Scheme” launched by the Hong Kong Monetary Authority together with the “Banking Sector SME Lending Coordination Mechanism”, and provides support for the “Special 100% Loan Guarantee” under the “SME Financing Guarantee Scheme”. By this means, the Bank aims to alleviate cash flow pressures on its customers and help local SMEs cope with the challenging business environment. Meanwhile, the Bank strengthens its internal cross marketing and offers corporate customers more value-added services such as financial management for employees, MPF services and wealth management, facilitating corporate customers to access its one-stop banking services platform.

As for the syndicated loan business in 2020, the Bank offered 32 loans in total, for seven of which the Bank acted as the lead arranger and bookrunner, while 12 of the loans were club loans. The number of transactions and amount of handling fee income both reached a record high since the Bank’s establishment of the syndicated loan business in 2017. To further strengthen the platform for all-round development of the syndication loan business, the Bank set up a syndication agency team and was successfully awarded with two mandates. Meanwhile, the Bank proactively enhanced the quality of the loan asset portfolio and improved relevant returns via secondary market transactions. The Bank also seized the cross-border business opportunities brought about by the Greater Bay Area development and offered 24 cross-border structured finance transactions totalling HK\$6.5 billion.

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

## PERSONAL BANKING

The COVID-19 outbreak has depressed global and local economies and negatively affected the branch operations and business development of retail banks. To protect the health and safety of its customers and employees, the Bank adopted a series of special arrangements and measures throughout its branch operations. These included the temporary shortening of branch business hours, checking the temperature of every person upon entering branches, and providing pandemic prevention supplies. The Bank's marketing communications with customers shifted to online and to telephone conversations, while customers were encouraged to use internet banking service channels. These measures enabled the Bank to continue providing quality banking services during the pandemic.

In the challenging environment, the Bank strived to establish a customer-oriented business model of comprehensive wealth management as well as to provide one-stop personal banking services to customers in Hong Kong and the Mainland. In 2020, the personal banking business continued to develop in a stable manner:

- In keeping with its “customer-centric” mission and to help customers cope with the economic challenges, the Bank launched a series of loan relief measures for personal banking customers and supported the HKSAR Government's Cash Payout Scheme.
- Total income from the investment business grew by approximately 10% in the year due to the development of the wealth management business, coupled with the promotion of wealth management, an improvement of processes and diversified investment products, and an enhanced wealth management platform. Following the “Finance + Technology” development strategy which aims at providing better wealth management services to customers, the number of bond transactions via electronic channels increased substantially during the year. The Bank has started preparations for the launch of the “Wealth Management Connect” service in the Greater Bay Area by adding choices to its investment products, and strengthening and upgrading the ancillary systems, in order to provide an easily accessed investment channel for cross-border investors.
- The Bank continued to optimise its life insurance services. With the policy of actively enriching life insurance products and promoting financing business, the Bank provided customers with appropriate life insurance/wealth management solutions to meet their demand for protection, and the commission income during the period increased substantially. Going forward, the Bank is set to develop its online platform for life insurance products.
- For interest income, after the Bank launched the “Cloud Rate” service, customers could set up time deposits electronically without visiting branches in person. This service is fast and convenient, enhancing the customer experience. As for the retail loans business, the Bank focused on promoting its premium and insurance policies financing business and providing a wide range of secured loan products in order to boost the wealth management products financing business, increase the comprehensive income and optimise its loan portfolio.

- The overall income from the credit card business, including customer spending and acquiring business, was affected by a weak local retail market. In view of the change in consumer behaviour during the pandemic, the Bank accelerated the transformation of its business model towards digitisation and contactless payment. In the third quarter of the year, the Bank launched the “All-In-One” model for its acquiring business, supporting all kinds of payment methods through one single terminal, including Visa, Master, UnionPay, WeChat Pay, AliPay, UnionPay App, ApplePay, GooglePay and HuaweiPay. This not only satisfies customers’ demand for different payment methods but also enhances the merchants’ efficiency and reduces their manpower requirements. The Bank will strengthen cooperation with the facilitators of e-commerce payment and expand its local and global online payment business to achieve diversified development and raise income.

Looking ahead, the Bank will continue to enhance its wealth management business and optimise its electronic service platforms, in order to improve customer experience and provide efficient and professional banking services to its customers.

## **FINANCIAL MARKETS BUSINESS**

The Bank is committed to developing its financial market business as an important profit centre. During the year, the Bank secured significant growth in areas such as treasury business, customer selling and product development. The Bank has established its proprietary trading business and, while keeping risks under control, enhanced its ability to provide quotations and expanded its market share, thereby continuing to increase revenue.

Regarding its treasury business, the Bank aims to optimise its balance sheet by effectively applying a variety of financial instruments while complying with established risk appetites and risk limits to ensure a safe liquidity level. The Bank has continued to leverage on its dynamic investment strategies and to capture potential treasury business opportunities to diversify revenue sources.

As part of its strategic planning, the Bank has progressively strengthened its product and marketing team by hiring well-experienced financial experts, enriched its financial products, and offered pertinent advice and services that cater to the needs of different customer segments, thereby increasing its market competitiveness and fee income.

## **MAINLAND OPERATIONS**

In 2020, the Bank’s Mainland branches and sub-branches actively responded to the COVID-19 pandemic and the severe and complex external economic situation, maintaining a good momentum of steady but progressive overall operations. Throughout the year, the Bank’s assets and liabilities grew steadily, with enhanced profitability, a consolidated customer base, improved products and services, more efficient internal processes, good asset quality and upgraded risk resilience.

The business advantages of the Bank’s Mainland institutions continued to strengthen. Based on the financial business secured in Guangdong, Guangzhou and Hengqin, the Shantou Branch successfully won the tender for the value-added and value preservation project of the local social security fund. Meanwhile the Guangzhou Branch successfully achieved a breakthrough in financial business at the regional level, and the deposit scale of Mainland institutions reached a new high.

The Bank's corporate business in the Mainland continued to achieve comprehensive development. By strengthening the marketing of key customers and the management of lending customers, increasing the settlement ratio of existing customers and handling cross-border business, the Bank maintained good growth in corporate deposits. At the same time, it broadened the sources of credit customers, actively adjusted the investment of loans and continuously optimised the loan structure, accelerated the progress of product development, enhanced professional service capabilities and increased fee income.

The Bank's Mainland institutions closely tracked financial market updates, carefully followed the progress of bond investment, continued to optimise the investment structure and enriched the product portfolio. By this means, it effectively enhanced its financial market business and revenue while achieving a number of financial market business breakthroughs. In early 2020, the Guangzhou Branch, as the branch of a foreign bank in China, completed the first underwriting and issuance of local government bonds. At the same time, the Guangzhou Branch received regulatory approval for its derivatives trading business and was admitted to the interbank foreign exchange market as a derivatives member. In addition, the Shenzhen Branch and Guangzhou Branch gained approval to join the bond market of the stock exchange, with the Shenzhen Branch being the first branch of a foreign bank in China admitted to the exchange bond market.

Mainland institutions of the Bank have improved the quality of their electronic services, as reflected in faster growth in online banking transactions and transaction amounts, steady growth in direct connections between banks and enterprises, and the successful launch of the bank-enterprise reconciliation system. Meanwhile, the Bank also launched the "financial services platform for supply chain" in December, providing comprehensive financial services to core corporate customers and their upstream and downstream suppliers, such as placing orders, transferring, financing and withdrawal.

The Bank actively leveraged its strengths in integrated finance and cross-border financial services to meet the cross-border needs of its customers. During the year, the Bank launched a loan service for Hong Kong and Macau residents who were purchasing properties in the Mainland. The Nansha Sub-branch was the first to set up a "full electronic commercial registration service zone" in the region to provide effective services to Nansha investment customers.

The Bank further improved its network in the Greater Bay Area with the opening of the Foshan Chancheng Sub-branch and the Dongguan Sub-branch in February and December 2020 respectively. The Bank has ten institutions in the Mainland now, achieving a presence in major core cities in the Pearl River Delta and Yangtze River Delta. The Bank was also on track in preparing for the establishment of a wholly-owned banking subsidiary in Mainland China.

## **CHONG HING SECURITIES LIMITED**

With the global financial markets and economy severely hit by the pandemic in 2020, the governments of various countries went all out to rescue their economies and launched a number of stimulus measures, resulting in a significant increase in market capitalisation and a vibrant investment atmosphere in the securities market. This, coupled with the entry of various new economy stocks and the return of China concept stocks into the IPO market, led to a continuous increase in trading volume in the Hong Kong stock market, resulting in a 75% growth in trading volume and a 62% increase in commission income for Chong Hing Securities compared to the same period in 2019. In November 2020, Chong Hing Securities launched a new “Chong Hing Securities Mobile App” to provide customers with more comprehensive and faster access to stock market information and investment opportunities. In addition, Chong Hing Securities will collaborate with Chong Hing Bank to launch a mobile banking application for remote securities account opening. This new service will help to attract new customers and generate business growth for Chong Hing Securities.

## **CHONG HING INSURANCE COMPANY LIMITED**

The unexpected pandemic has brought pressures to the business operations of many sectors in Hong Kong, and also affected the development of the general insurance market. However, driven by its prudent operations, Chong Hing Insurance’s gross premiums and pre-tax earnings remained stable during the year, and its performance was good overall.

Given the availability of COVID-19 vaccines, economic activities are likely to resume and the general insurance market will also improve. In respect of non-insurance income, while Chong Hing Insurance strives to maintain stable interest income in the persistent low interest rate environment, it will also explore investment opportunities in order to achieve better business performance.

## **CHONG HING INSURANCE BROKERS LIMITED**

Chong Hing Insurance Brokers Limited, a subsidiary of the Bank, was incorporated in September 2019, and officially opened in July 2020 to engage in the Hong Kong regulated insurance brokerage business.

Being the agent of the “Proposed Policy Owner”, Chong Hing Insurance Brokers searches for suitable insurance solutions from different insurance companies according to customers’ insurance and financial needs. Chong Hing Insurance Brokers will make every effort to expand its service to middle/high-end individual and corporate customers in Hong Kong and the Greater Bay Area, and assist them in buying long-term life insurance in Hong Kong.



## **TRANSFORMATION OF BUSINESS DEVELOPMENT**

### ***Fintech***

In line with the market trend, the Bank actively carried out the digitisation of banking services to meet customers' needs for financial technology products and services. During the pandemic, the Bank was prompt in arranging remote and cross-border digital banking services. It also launched a number of online application services, such as online submission of applications for dual authentication, third-party transfer accounts and change of transaction limits, helping customers to use banking services from home. In addition, the Bank launched Chong Hing Mobile Banking for opening investment accounts and online fund account access to facilitate fund transactions. Furthermore, the Bank established "Cloud Rate" for online time deposits, with online time deposit transactions increasing by more than 200% year-on-year during the period.

Through a series of operational initiatives and promotions, the Bank is able to analyse customer data, focus on target customers, and provide targeted products and services. This has resulted in a 28% year-on-year growth in digital banking customers and a 63% year-on-year increase in the number of financial transactions conducted through digital channels. The Bank is further enhancing its online banking services and expects to roll out a number of enhancements in 2021 to provide an even better and more convenient digital experience.

### ***Operational Optimisation***

For the fourth year in a row, the Bank has committed itself to enhancing its operations and has successfully completed 28 process enhancement projects. These include streamlining the process for SMEs and start-ups to open accounts, and simplifying the process of opening new accounts for existing corporate customers. In addition, the Bank's centralised operations have been implemented to cover investment transaction settlement, corporate banking services, retail banking services and credit card transactions. During the pandemic, the Bank has used off-site and online channels to support its corporate banking services, allowing customers to send transaction instructions directly to the Bank. It has also added a customer experience team to capture and assess frontline customer service levels through a "mystery customer service survey". The business transformation initiatives have helped the Bank to continuously improve the customer experience and raise business efficiency.

In its digitisation of operations, the Bank has implemented an "end-to-end" robotic process automation project across the front, middle and back offices and has successfully implemented nine automated processes during the year, saving up to 80% in time for some processes. Currently, the Bank is in the process of automating its regulatory processes. These include information-assisted screening of the Mainland's anti-money laundering system, risk monitoring and online banking remittance processes, and accelerating the implementation of RegTech to enhance regulatory and compliance efficiency.



## **CORPORATE CULTURE**

In 2020, the Bank further promoted its corporate culture among its employees by carrying out various cultural activities to raise their awareness and recognition. Staff members were motivated to put the corporate culture values into practice so that the atmosphere of “Exceed • Excel” of Chong Hing Bank could be further reinforced.

- The “Chong Hing People’s Charter” was introduced to encourage employees to adopt the desired work practices and demonstrate the enterprise spirit and management concepts of the Bank’s corporate culture.
- “The 2nd Corporate Culture Ambassador Programme” was launched, in which 26 ambassadors were appointed to promote the corporate culture; 40 corporate cultural events with over 1,400 participants were held.
- Employees were encouraged to make innovative suggestions for driving the sustainable development of the Bank. A number of ideas covering administration, system upgrading and corporate culture have been implemented.
- Through collaboration with a third-party research team, the third corporate culture survey was conducted to gauge staff perceptions of corporate culture and their behavioural changes. The results will help Chong Hing Bank to formulate its future culture promotion strategy.
- The Staff Compliment Platform was launched to promote a corporate culture of mutual encouragement and appreciation, thereby enhancing employees’ sense of belonging and strengthening team spirit.

## **CORPORATE RESPONSIBILITY**

In order to fulfil its corporate mission of “To benefit the community”, alongside its business development, the Bank continues to care for the community and help the underprivileged. It has actively supported and participated in the activities of social welfare organisations and environmental groups, performing its corporate social responsibility and contributing to the creation of a harmonious and inclusive community.

### **CARING FOR THE COMMUNITY AND THE ENVIRONMENT**

- In March, the Bank participated in the “Earth Hour 2020” environmental protection activity organised by World Wide Fund for Nature.
- In May, the management team, together with the volunteers’ team, donated face masks and hand sanitisers to Baptist Oi Kwan Social Service, Senior Citizen Home Safety Association and Hong Kong Association of the Deaf, providing pandemic prevention support to underprivileged families, the elderly and people with disabilities.
- In September, the Bank joined the Mid-Autumn Festival Home Visit organised by Senior Citizen Home Safety Association and visited some elderly people who were living alone; the Bank’s volunteers brought them seasonal food, pandemic prevention materials, as well as warm greetings.

The Bank once again joined the “Child Development Fund” organised by the Labour and Welfare Bureau by providing matching donations to the participating children of the Baptist Oi Kwan Social Service programme. The Fund aims to provide support to children so that they can develop savings habits, identify their long-term vision and achieve personal growth.

During the year, the Bank continued to support the fundraising activities of charities such as The Community Chest of Hong Kong, Tung Wah Group of Hospitals, Yan Chai Hospital, Po Leung Kuk and Yan Oi Tong through the Bank’s branch network. These activities included selling raffle tickets, collecting donations from flag days, and setting up donation boxes in branches. In addition, the Bank also arranged to attach the promotional leaflets of charities to the Bank’s mailings to customers to help raise funds for the charities.

## **ACHIEVEMENTS UNDER CORPORATE RESPONSIBILITY**

To fulfill its corporate social responsibility, the Bank has continued to implement policies and measures to care for its employees, invest in staff training and development, as well as actively participate in charitable activities such as environmental protection, financial education and concern for the well-being of the underprivileged. The Bank’s commitment to staff welfare and community service has been recognised by various sectors of the community in 2020:

- The “Best Reward & Recognition Strategy Award (Grand)” and the “Best Innovation L&D Initiative Award (Gold)” in the “Best HR Awards 2020” awarded by CTgoodjobs in recognition of the Bank’s outstanding performance in motivating and developing its staff.
- The “Good MPF Employer Award” for 2019 - 2020, and the “e-Contribution Award” and the “MPF Support Award” presented by the Mandatory Provident Fund Schemes Authority.
- The “Green Office” and “Eco-Healthy Workplace” labels presented by the World Green Organisation.
- The “Social Capital Builder Logo Award 2020” presented by the “Community Investment and Inclusion Fund” under the Labour and Welfare Bureau.
- The “Happy Company” logo presented by the Hong Kong Productivity Council and the Promoting Happiness Index Foundation.
- Signed “Joyful@Healthy Workplace” charter promoted by the Department of Health, the Labour Department and the Occupational Safety and Health Council.
- Participated in the “Jockey Club ‘Age-friendly City Partnership’ Scheme 2020” and recognised with their logo.
- The 10 Years plus Caring Company Logo awarded by the Hong Kong Council of Social Service.
- The “Second Runner-up Award in the Industrial and Commercial Institutions and Group of the Charity Raffle Competition” and the “Raffle Sales Award” presented by the Tung Wah Group of Hospitals.

## **CORPORATE GOVERNANCE**

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

For details of the Bank's corporate governance practices, please refer to the section entitled "Corporate Governance Report" of the Bank's 2020 Annual Report.

## **AWARDS AND RECOGNITION**

The Bank is committed to providing quality banking services and improving operational efficiency. In 2020, it received the following awards and recognition from professional bodies:

- Selected among the Top 1000 World Banks by the British magazine *The Banker*, Chong Hing Bank's ranking rose from the 722nd in 2013 to 381st in 2020, placing it among the top 400 in the global banking industry.
- Received for the 12th time the "Best SME's Partner Award" presented by the Hong Kong General Chamber of Small and Medium Business, and once again received the "Best SME's Partner Gold Award".
- The "One-stop Portal for Shenzhen-Hong Kong Commercial Services" setup in the Shenzhen Branch of the Bank was awarded the Third Prize in the Shenzhen "Financial Innovation Awards" 2019 by Shenzhen Municipal Financial Regulatory Bureau.

## **FUTURE DEVELOPMENT**

The global economy was in recession in 2020 due to the COVID-19 outbreak. Hong Kong's economic outlook is facing a high degree of uncertainty, with persisting risks of a downward economy and deterioration of credit conditions. Thus, the banking industry is experiencing a tough and challenging time.

The year 2020 was the year for concluding the Bank's current five-year strategic plan, and formulating the next one. Over the past five years the Bank underwent a smooth development with a rising industry ranking. Laying the groundwork for the "14th Five-Year Plan" (2021–2025), the Bank has consolidated and strengthened its corporate governance and operational control. It has also significantly enhanced its middle and back office support, products and services, as well as its financial technology capabilities, and has steadily expanded its business network and value customer base.

In the face of the rapid changes and challenges in the external environment, Chong Hing Bank, with the support of its controlling shareholder Yuexiu Group, will adopt in its new five-year plan the guiding principle of “seeking progress in a stable manner and aiming high”. It will fully capitalise on its advantage of being based in the financial centre of Hong Kong, and actively seize the opportunities arising from the national strategic development to achieve stable and long-term development. The Bank will treat the Mainland business as its core operation, focus on the Greater Bay Area in its strategic development, improve the network of its Mainland institutions, strive for the establishment of a wholly-owned banking subsidiary in Mainland China, and make strategic breakthroughs in cross-border business and digital transformation. The goal is to build the Bank into a national bank with sound and efficient risk control, enhanced management quality, continuously improved service standards and strengthened professional development, forming a dual core business structure in Hong Kong and the Mainland.

## **APPRECIATION**

In the past year, the pandemic brought unprecedented challenges to the world. The Bank has responded with a series of measures to protect the health and safety of its customers and employees. It has also launched relief programmes for customers affected by the pandemic and provided donations of pandemic prevention materials to the needy.

I would like to express my gratitude to the Board of Directors for their guidance and support during this challenging period, which have enabled the Bank to pursue its business in accordance with the established development strategy. Heartfelt thanks also go to our shareholders, business partners and customers who have consistently supported and trusted the Bank. I am also grateful to the excellent management team and staff for their hard work and dedication in overcoming the difficulties and fighting the pandemic. The Bank will continue to pay close attention to the development of the pandemic and the market situation, and respond appropriately with measures to ensure the continued business operation of the Bank. We will also strive to fully implement our strategic plan for the next five years, continue to strengthen overall risk control, improve operational efficiency, provide professional financial services to customers, and create greater value for our shareholders.

**Zong Jianxin**  
*Chief Executive*

Hong Kong, 4 March 2021

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Variance %
Interest income	<b>5,565,742</b>	6,492,027	-14.27
Interest expense	<b>(2,639,190)</b>	(3,232,167)	-18.35
Net interest income	<b>2,926,552</b>	3,259,860	-10.22
Fee and commission income	<b>513,217</b>	448,854	+14.34
Fee and commission expenses	<b>(78,890)</b>	(123,197)	-35.96
Net fee and commission income	<b>434,327</b>	325,657	+33.37
Net income from trading and investments	<b>258,453</b>	241,293	+7.11
Other operating income	<b>189,385</b>	184,461	+2.67
Operating expenses	<b>(1,661,304)</b>	(1,624,429)	+2.27
Operating profit before impairment allowances	<b>2,147,413</b>	2,386,842	-10.03
Net impairment losses on financial assets	<b>(422,003)</b>	(137,881)	+206.06
Operating profit after impairment allowances	<b>1,725,410</b>	2,248,961	-23.28
Net losses on disposal of equipment	<b>(573)</b>	(344)	+66.57
Net losses on fair value adjustments on investment properties	<b>(10,300)</b>	(4,431)	+132.45
Share of profits of associates	<b>42,229</b>	37,191	+13.55
Profit before taxation	<b>1,756,766</b>	2,281,377	-23.00
Taxation	<b>(276,788)</b>	(380,735)	-27.30
Profit for the year	<b>1,479,978</b>	1,900,642	-22.13
– Attributable to equity owners of the Bank	<b>1,479,978</b>	1,900,642	-22.13
Earnings per share – basic and diluted	<b>HK\$1.34</b>	HK\$1.80	-25.56

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>1,479,978</u>	<u>1,900,642</u>
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Net (losses) gains on investments in equity instruments measured at fair value through other comprehensive income ("FVOCI")	(10,005)	4,979
Remeasurements of retirement benefit	10,220	–
Income tax effect relating to retirement benefit	(1,686)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	339,164	(57,666)
Net (losses) gains on investments in debt instruments measured at FVOCI	(404,342)	527,219
Amount reclassified to profit or loss upon disposal of debt securities measured at FVOCI	(57,416)	(40,899)
Income tax effect relating to disposal of financial assets measured at FVOCI	9,474	6,748
Income tax effect relating to fair value change of financial assets measured at FVOCI	59,806	(79,403)
Share of other comprehensive income of associates	<u>6,180</u>	<u>18,233</u>
Other comprehensive income for the year (net of tax)	<u>(48,605)</u>	<u>379,211</u>
Total comprehensive income for the year	<u><u>1,431,373</u></u>	<u><u>2,279,853</u></u>
Total comprehensive income attributable to:		
Equity owners of the Bank	<u><u>1,431,373</u></u>	<u><u>2,279,853</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Variance %
<b>Assets</b>			
Cash and short-term funds	21,800,643	20,404,505	+6.84
Placements with banks maturing between one to twelve months	1,478,103	5,525,049	-73.25
Derivative financial instruments	1,645,450	705,930	+133.09
Investments in securities	52,853,752	57,534,593	-8.14
Advances and other accounts	152,283,092	125,982,796	+20.88
Tax recoverable	168,841	–	–
Interests in associates	399,553	377,244	+5.91
Investment properties	299,513	306,610	-2.31
Property and equipment	1,095,218	1,124,251	-2.58
Deferred tax assets	32,109	28,767	+11.62
Intangible assets	843,373	778,289	+8.36
<b>Total assets</b>	<b>232,899,647</b>	<b>212,768,034</b>	<b>+9.46</b>
<b>Liabilities</b>			
Deposits and balances of banks	8,229,574	6,949,921	+18.41
Financial assets sold under repurchase agreements	786,540	4,253,852	-81.51
Deposits from customers	183,228,291	162,664,648	+12.64
Derivative financial instruments	3,775,482	1,902,951	+98.40
Other accounts and accruals	3,241,808	3,172,687	+2.18
Current tax liabilities	21,852	486,528	-95.51
Certificates of deposit	2,551,530	3,749,075	-31.94
Loan capital	3,033,178	4,579,912	-33.77
Deferred tax liabilities	96,932	145,247	-33.26
<b>Total liabilities</b>	<b>204,965,187</b>	<b>187,904,821</b>	<b>+9.08</b>
<b>Equity attributable to owners of the Bank</b>			
Share capital	9,977,060	9,977,060	–
Additional equity instruments	5,427,996	3,111,315	+74.46
Reserves	12,529,404	11,774,838	+6.41
<b>Total equity</b>	<b>27,934,460</b>	<b>24,863,213</b>	<b>+12.35</b>
<b>Total liabilities and equity</b>	<b>232,899,647</b>	<b>212,768,034</b>	<b>+9.46</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital <i>HK\$'000</i>	Additional equity instruments <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Land and building revaluation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Regulatory reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	9,977,060	3,111,315	(182)	-	443,969	179,633	1,388,500	(171,599)	1,039,000	8,895,517	24,863,213
Profit for the year	-	-	-	-	-	-	-	-	-	1,479,978	1,479,978
Other comprehensive income	-	-	-	-	(396,303)	-	-	339,164	-	8,534	(48,605)
Total comprehensive income for the year	-	-	-	-	(396,303)	-	-	339,164	-	1,488,512	1,431,373
Issue of additional equity instruments (Note 1)	-	2,316,681	-	-	-	-	-	-	-	-	2,316,681
Redemption of additional equity instruments	-	-	-	-	-	-	-	-	-	-	-
Equity settled share-based transaction	-	-	-	6,023	-	-	-	-	-	-	6,023
Distribution payment for additional equity instruments	-	(177,116)	-	-	-	-	-	-	-	-	(177,116)
Transfer from retained profits	-	177,116	-	-	-	-	-	-	-	(177,116)	-
Interim dividend paid	-	-	-	-	-	-	-	-	-	(106,978)	(106,978)
Final dividend paid	-	-	-	-	-	-	-	-	-	(398,736)	(398,736)
Earmark of retained profits as regulatory reserve	-	-	-	-	-	-	-	-	(436,000)	436,000	-
At 31 December 2020	<u>9,977,060</u>	<u>5,427,996</u>	<u>(182)</u>	<u>6,023</u>	<u>47,666</u>	<u>179,633</u>	<u>1,388,500</u>	<u>167,565</u>	<u>603,000</u>	<u>10,137,199</u>	<u>27,934,460</u>

Note 1: During the year, the Bank issued US\$300,000,000 (2019: US\$400,000,000) (equivalent to HK\$2,325,030,000 (2019: HK\$3,123,280,000)) undated non-cumulative subordinated Additional Tier 1 capital securities (“AT1”). Direct issuance costs of HK\$8,349,000 (2019: HK\$11,965,000) are accounted for as a deduction from the equity instrument.

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

Note 2: During the year ended 31 December 2019, the Bank redeemed US\$300,000,000 (after deduction relevant issuing cost, equivalent to HK\$2,312,030,000) AT1 issued in 2014, the difference of HK\$41,174,000 paid in excess of the carrying amount was charged to retained profits.

The retained profits of the Group included retained profits of HK\$183,524,000 (2019: retained profits of HK\$169,951,000) retained by the associates of the Group.

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	1,756,766	2,281,377
Adjustments for:		
Net interest income	(2,926,552)	(3,259,860)
Net impairment losses on financial assets	422,003	137,881
Net losses on disposal of equipment	573	344
Net gains on disposal of financial assets measured at FVOCI	(57,416)	(40,899)
Net losses on fair value adjustments on investment properties	10,300	4,431
Share of profits of associates	(42,229)	(37,191)
Net gains on fair value hedge	(7,003)	(2,727)
Dividend received from investments	(11,969)	(12,767)
Depreciation and amortisation	283,264	248,048
Equity settled share-based payment expenses	6,023	–
Exchange adjustments	690,903	(77,875)
Operating cash flows before movements in operating assets and liabilities	124,663	(759,238)
(Increase) decrease in operating assets:		
Money at call and short notice with original maturity over three months	94,656	192,993
Placements with banks with original maturity over three months	3,222,479	(390,612)
Financial assets at fair value through profit or loss	16,543	(24,659)
Advances to customers	(24,410,970)	(16,268,634)
Advances to banks	(266,134)	(502,380)
Other accounts	(2,265,834)	(2,337,062)
Increase (decrease) in operating liabilities:		
Deposits and balances of banks	1,279,653	1,333,968
Financial assets sold under repurchase agreements	(3,467,312)	(2,317,844)
Deposits from customers	20,563,643	18,974,354
Certificates of deposit	(1,197,545)	1,060,689
Derivative financial instruments	(664,771)	170,328
Other accounts and accruals	554,318	(26,925)
Cash used in operations	(6,416,611)	(895,022)
Hong Kong profits tax paid	(808,898)	(121)
Overseas tax paid	(86,408)	(89,850)
Interest received	4,634,053	4,937,008
Interest paid	(2,957,532)	(2,446,967)
<b>NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>	<b>(5,635,396)</b>	<b>1,505,048</b>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>		
Interest received from investments in securities	1,246,921	1,340,810
Dividends received on investments in securities	11,969	12,767
Dividends received from associates	26,100	25,500
Purchase of financial assets measured at amortised cost	(2,400,044)	(375,874)
Purchase of financial assets measured at FVOCI	(117,800,913)	(76,437,888)
Purchase of property and equipment	(94,136)	(82,898)
Purchase of intangible assets	(66,213)	(231,622)
Proceeds from redemption of financial assets measured at amortised cost	388,354	383,506
Proceeds from sale and redemption of financial assets measured at FVOCI	125,382,102	67,611,524
Proceeds from disposal of equipment	2,037	2,757
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>	<b>6,696,177</b>	<b>(7,751,418)</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of additional equity instruments	2,316,681	3,111,315
Redemption of additional equity instruments	–	(2,353,204)
Redemption of loan capital	(1,629,378)	–
Interest paid on loan capital	(213,627)	(210,804)
Interest paid on debt securities issued	–	(62,103)
Redemption of debt securities issued	–	(1,708,650)
Payment of lease liabilities	(185,300)	(209,297)
Dividends paid to ordinary shareholders	(505,714)	(564,065)
Distribution paid on additional equity instruments	(177,116)	(153,015)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(394,454)</b>	<b>(2,149,823)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>666,327</b>	<b>(8,396,193)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>22,298,698</b>	<b>30,694,891</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>22,965,025</b>	<b>22,298,698</b>
Represented by:		
Cash and balances with central bank and banks	17,202,817	5,703,209
Money at call and short notice with original maturity of less than three months	4,571,826	14,580,640
Placements with banks maturing between one to twelve months with original maturity of less than three months	1,190,382	2,014,849
	<b>22,965,025</b>	<b>22,298,698</b>

## **FINANCIAL REVIEW**

for the year ended 31 December 2020

### **GENERAL INFORMATION**

The financial information relating to the years ended 31 December 2020 and 2019 included in this announcement of 2020 final results do not constitute the Group's statutory annual consolidated financial statements for those years but is extracted from those financial statements, which will be delivered to the Registrar of Companies and the HKMA.

Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2020 in due course.

The auditors expressed an unqualified opinion on those financial statements in their report dated 4 March 2021. The auditor's report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The Bank is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

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

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

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

- Interest Rate Benchmark Reform – Phase 1, amendments to HKFRS 9 "Financial Instruments", HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 7 "Financial Instruments: Disclosure"

Interest rate benchmark reform is the market-wide initiative to replace or reform interbank offered rates ("IBORs") with alternatively risk-free interest rates ("RFRs"). The amendments modify the some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by the interest rate benchmark reform.

Significant judgement will be required in determining when uncertainty is expected to be resolved and when the temporary exceptions will cease to apply. As at 31 December 2020, there is still uncertainty on the IBORs and the Group has applied the temporary exceptions on the all of the hedge accounting relationships that reference benchmarks subject to reform or replacement. The Group has closely monitored the market progress on the transition of IBORs to RFRs.

The Group designated certain interest rate swaps, exposed to different IBORs, predominantly US Dollar LIBOR, as fair value hedge of investments in debt instruments measured at FVOCI, amortised cost and subordinated note issued. The notional amounts of interest rate swaps designated in hedge accounting relationship impacted by the exception as at 31 December 2020 is approximately HK\$31 billion.

There are no other HKFRSs or interpretations that are effective from 1 January 2020 that would be expected to have a material impact on the Group.

## NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Interest Rate Benchmark Reform – Phase 2, amendments to HKAS 39, HKFRS 4 “Insurance Contracts”, HKFRS 7, HKFRS 9 and HKFRS 16 “Leases”

The amendments address issues that might affect financial reporting as a result of the interest rate benchmark reform and relate to:

- (i) changes to contractual cash flows — financial instruments will not be derecognised or the carrying amount of financial instruments will not be adjusted for changes required by the reform, but the effective interest rate will be updated to reflect the change to the alternative benchmark rate;
- (ii) hedge accounting — hedge accounting will not be discontinued solely because changes are made required by the reform, if the hedge meets other hedge accounting criteria; and
- (iii) disclosures — disclose information will be required about new risks arising from the reform and how the transition to alternative benchmark rates is managed.

## SEGMENT INFORMATION

### Operating segments

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

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

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

Securities business of the Group includes securities trading, stockbroking and futures broking.

Others comprise investment holding, insurance, other investment advisory services and property investments.

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

(i) Operating segment information for the year ended 31 December 2020 is presented below:

### Operating segment revenues and results

	Corporate and personal banking <i>HK\$'000</i>	Financial markets activities <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Interest income from external customers	4,530,836	1,022,618	7,668	4,620	–	5,565,742
Interest expense to external customers	(2,372,914)	(97,235)	(25)	(169,016)	–	(2,639,190)
Inter-segment interest income (Note)	227,933	–	–	286,632	(514,565)	–
Inter-segment interest expense (Note)	–	(514,565)	–	–	514,565	–
Net interest income	2,385,855	410,818	7,643	122,236	–	2,926,552
Fee and commission income	344,780	4,443	158,246	5,748	–	513,217
Fee and commission expense	(78,426)	(158)	(306)	–	–	(78,890)
Net income from trading and investments	130,020	141,980	(117)	(13,430)	–	258,453
Other operating income	118,795	–	4,411	66,179	–	189,385
Total Operating income	2,901,024	557,083	169,877	180,733	–	3,808,717
Segment revenue						
Comprising:						
– Segment revenue from external customers	2,673,091	1,071,648	169,877	(105,896)		
– Inter-segment transactions	227,933	(514,565)	–	286,629		
Operating expenses	(1,408,389)	(115,951)	(83,321)	(53,643)	–	(1,661,304)
Net impairment losses on financial assets	(380,073)	(41,943)	–	13	–	(422,003)
Net losses on disposal of equipment	–	–	–	(573)	–	(573)
Net losses on fair value adjustments on investment properties	–	–	–	(10,300)	–	(10,300)
Segment profit	1,112,562	399,189	86,556	116,230	–	1,714,537
Share of profits of associates						42,229
Profit before taxation						1,756,766

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



**Operating segment assets and liabilities as at 31 December 2020**

	<b>Corporate and personal banking HK\$'000</b>	<b>Financial markets activities HK\$'000</b>	<b>Securities business HK\$'000</b>	<b>Others HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Assets</b>					
Segment assets	172,210,814	57,913,566	619,806	175,576	230,919,762
Interests in associates					399,553
Unallocated corporate assets					1,580,332
Consolidated total assets					<u>232,899,647</u>
<b>Liabilities</b>					
Segment liabilities	184,331,347	18,736,234	374,799	166,211	203,608,591
Unallocated corporate liabilities					1,356,596
Consolidated total liabilities					<u>204,965,187</u>

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

	<b>Corporate and personal banking HK\$'000</b>	<b>Financial markets activities HK\$'000</b>	<b>Securities business HK\$'000</b>	<b>Others HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Consolidated HK\$'000</b>
Capital expenditure during the year	23,676	3	1,131	291	52,730	77,831
Depreciation and amortisation	172,440	13,623	12,552	8,220	76,429	283,264

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

**Operating segment revenues and results**

	Corporate and personal banking <i>HK\$'000</i>	Financial markets activities <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Interest income from external customers	4,499,541	1,952,754	9,646	30,086	–	6,492,027
Interest expense to external customers	(2,470,492)	(484,891)	–	(276,784)	–	(3,232,167)
Inter-segment interest income (Note)	538,204	–	–	515,907	(1,054,111)	–
Inter-segment interest expense (Note)	–	(1,054,111)	–	–	1,054,111	–
Net interest income	2,567,253	413,752	9,646	269,209	–	3,259,860
Fee and commission income	344,803	1,054	101,235	1,762	–	448,854
Fee and commission expense	(122,839)	(302)	(56)	–	–	(123,197)
Net income from trading and investments	136,518	105,247	(23)	(449)	–	241,293
Other operating income	111,581	–	3,582	69,298	–	184,461
Total operating income	3,037,316	519,751	114,384	339,820	–	4,011,271
Segment revenue						
Comprising:						
– Segment revenue from external customers	2,499,112	1,573,862	114,384	(176,087)		
– Inter-segment transactions	538,204	(1,054,111)	–	515,907		
Operating expenses	(1,371,567)	(111,370)	(87,420)	(54,072)	–	(1,624,429)
Net impairment losses on financial assets	(105,055)	(32,822)	1	(5)	–	(137,881)
Net losses on disposal of equipment	–	–	–	(344)	–	(344)
Net losses on fair value adjustments on investment properties	–	–	–	(4,431)	–	(4,431)
Segment profit	<u>1,560,694</u>	<u>375,559</u>	<u>26,965</u>	<u>280,968</u>	–	2,244,186
Share of profits of associates						37,191
Profit before taxation						<u>2,281,377</u>

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

## Operating segment assets and liabilities as at 31 December 2019

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

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

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

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

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

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

## Geographical information

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

Details of geographical information are set out below:

	2020						
	Total operating income <i>HK\$'000</i>	Profit before taxation <i>HK\$'000</i>	Capital expenditure during the year <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Total contingent liabilities and commitments <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong	2,933,217	1,218,423	60,287	170,066,910	147,966,724	35,768,118	2,337,535
Mainland China	818,651	501,150	17,527	59,278,566	53,834,445	10,038,474	329,042
Macau and Others	56,849	37,193	17	3,554,171	3,164,018	504,403	3,189
Total	<u>3,808,717</u>	<u>1,756,766</u>	<u>77,831</u>	<u>232,899,647</u>	<u>204,965,187</u>	<u>46,310,995</u>	<u>2,669,766</u>
	2019						
	Total operating income <i>HK\$'000</i>	Profit before taxation <i>HK\$'000</i>	Capital expenditure during the year <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Total contingent liabilities and commitments <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong	3,255,888	1,908,155	283,897	163,594,576	143,923,479	32,637,540	2,370,629
Mainland China	696,206	329,583	30,601	45,005,266	40,170,534	12,255,417	236,038
Macau and Others	59,177	43,639	22	4,168,192	3,810,808	1,322,493	8,494
Total	<u>4,011,271</u>	<u>2,281,377</u>	<u>314,520</u>	<u>212,768,034</u>	<u>187,904,821</u>	<u>46,215,450</u>	<u>2,615,161</u>

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

Non-current assets consist of interests in associates, investment properties, property and equipment, intangible assets and deferred tax assets.

## NET INTEREST INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income		
Balances and placements with central bank and banks	365,630	747,883
Investments in securities	976,433	1,534,455
Loans and advances	4,223,679	4,209,689
	<u>5,565,742</u>	<u>6,492,027</u>
Interest expense		
Deposits and balances of banks	(197,286)	(357,261)
Deposits from customers	(2,199,871)	(2,352,002)
Financial assets sold under repurchase agreements	(49,147)	(156,936)
Certificates of deposit	(26,528)	(90,579)
Debt securities issued	–	(25,249)
Loan capital in issue	(149,300)	(230,391)
Lease liabilities	(17,058)	(19,749)
	<u>(2,639,190)</u>	<u>(3,232,167)</u>
Net interest income	<u>2,926,552</u>	<u>3,259,860</u>
Included within interest income		
Interest income on impaired loans and advances	<u>10,792</u>	<u>9,925</u>

Included within interest income and interest expense are HK\$5,565,742,000 (2019: HK\$6,492,027,000) and HK2,639,190,000 (2019: HK\$3,232,167,000) earned and incurred from financial assets and financial liabilities that are not recognised at fair value through profit or loss, respectively.

Included above is interest income from unlisted investments in debt securities of HK\$976,433,000 (2019: HK\$1,534,455,000).

## NET FEE AND COMMISSION INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fee and commission income		
Securities dealings	163,532	103,279
Loans, overdrafts and guarantees	102,231	67,416
Trade finance	14,099	15,582
Credit card services	79,742	125,600
Agency services	122,798	92,231
Others	30,815	44,746
Total fee and commission income	513,217	448,854
Less: Fee and commission expenses	(78,890)	(123,197)
Net fee and commission income	<u>434,327</u>	<u>325,657</u>
of which:		
Net fee and commission, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not recognised at fair value through profit or loss		
– Fee income	191,011	213,192
– Fee expenses	(73,289)	(114,866)
	<u>117,722</u>	<u>98,326</u>

Comparative figures for certain credit card services related expenses of HK\$10,934,000 have been reclassified from other operating expenses to fee and commission expenses to conform to current year's presentation.

## NET INCOME FROM TRADING AND INVESTMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Foreign exchange gains	177,450	176,393
Net gains on financial instruments at fair value through profit or loss	16,584	21,274
Net gains (losses) on fair value hedge:		
– Net gains on hedged items attributable to the hedged risk	1,604,785	1,051,943
– Net losses on hedging instruments	(1,597,782)	(1,049,216)
Net gains on disposal of FVOCI debt securities	57,416	40,899
	<u>258,453</u>	<u>241,293</u>

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

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

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



## OTHER OPERATING INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividend income		
– Listed investments	7,674	6,670
– Unlisted investments	4,295	6,097
	<b>11,969</b>	12,767
Gross rents from investment properties	9,038	8,855
Less: Outgoings	(355)	(452)
Net rental income	8,683	8,403
Net gain on disposal of financial instruments measured at amortised cost	110	–
Safe deposit box rentals	62,084	57,087
Net insurance income ( <i>Note</i> )	19,639	20,995
Other banking services income	79,679	79,602
Gain on retirement benefit	499	–
Others	6,722	5,607
	<b>189,385</b>	184,461

*Note:* Details of net insurance income are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gross insurance premium income	37,733	39,378
Reinsurers' share of gross insurance premium income	(10,939)	(11,893)
	<b>26,794</b>	27,485
Decrease in gross outstanding claims	14,383	13,092
Gross claim paid	(21,794)	(15,352)
	<b>(7,411)</b>	(2,260)
Decrease in recoverable from reinsurance of outstanding claims	(4,830)	(8,488)
Reinsurance claims recoveries	2,343	609
	<b>(2,487)</b>	(7,879)
Net insurance commission income	2,743	3,649
Net insurance income	<b>19,639</b>	20,995

## OPERATING EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services – current year	8,038	7,299
– Audit services – under provision in prior year	380	–
– Non-audit services	1,492	1,100
Total auditor's remuneration	9,910	8,399
Staff costs (including directors' emoluments)		
– Salaries and other costs	1,062,593	1,019,593
– Retirement benefits scheme contributions	51,393	51,027
– Equity settled share-based payment	6,023	–
– Government grant – Employment Support Scheme (Note 1)	(39,015)	–
– Capitalised to intangible assets	(49,464)	(50,424)
Total staff costs	1,031,530	1,020,196
Depreciation		
– Property and equipment	80,433	71,670
– Right-of-use assets	202,873	173,869
– Government grants (Note 2)	(4,534)	(1,535)
	278,772	244,004
Amortisation of intangible assets	4,492	4,044
Premises and equipment expenses, excluding depreciation		
– Rentals and rates for premises	7,772	7,105
– Expenses relating to short-term leases	1,709	23,609
– Expenses relating to leases of low-value assets	50	556
– Capitalised to intangible assets	(2,739)	(2,898)
– Others	11,507	14,180
	18,299	42,552
Other operating expenses	319,792	306,750
– Capitalised to intangible assets	(1,491)	(1,516)
	318,301	305,234
	<b>1,661,304</b>	<b>1,624,429</b>

Comparative figures for certain credit card services related expenses of HK\$10,934,000 have been reclassified from other operating expenses to fee and commission expenses and certain non-salary staff related expenses of HK\$52,683,000 included in other operating expenses, have been reclassified to salaries and other costs to conform to current year's presentation.

Note 1: In 2020, the Group successfully applied for funding support from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the ESS, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Note 2: Government grants were received by the Group from the Government of the People's Republic of China for the office rental in Shenzhen. There are no unfulfilled conditions or contingencies relating to these grants.

## NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loans and advances to customers	362,234	96,830
Investments in securities	39,998	34,254
Loan commitments and financial guarantee	18,125	1,953
Short-term funds and placement with banks	1,646	4,844
	<u>422,003</u>	<u>137,881</u>

## TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The tax charge comprises:		
Hong Kong Profits Tax		
– Current year	173,111	242,310
– Under provision in prior years	6,464	23,216
Overseas taxation		
– Current year	82,186	70,713
– Under (over) provision in prior years	28	(377)
Deferred tax		
– Current year	14,999	44,873
	<u>276,788</u>	<u>380,735</u>

Hong Kong profits tax is calculated at 16.5% (2019 : 16.5%) of the estimated assessable profit for the year.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation	<u>1,756,766</u>	<u>2,281,377</u>
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	289,866	376,427
Tax effect of share of profits of associates	(6,968)	(6,137)
Tax effect of expenses not deductible for tax purpose	10,594	41,980
Tax effect of income not taxable for tax purpose	(61,425)	(45,948)
Under provision in prior years	6,492	22,839
Effect of different tax rates of subsidiaries and branches operating in other jurisdictions	25,446	14,426
Others	<u>12,783</u>	<u>(22,852)</u>
Tax charge for the year	<u>276,788</u>	<u>380,735</u>

#### DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution to ordinary shareholders during the year:		
2020 Interim – HK\$0.11 (2019: Interim – HK\$0.17) per share	106,978	165,329
2019 Final – HK\$0.41 (2018: Final – HK\$0.41) per share	<u>398,736</u>	<u>398,736</u>
	<u>505,714</u>	<u>564,065</u>

The final dividend of HK\$0.23 per share, totalling HK\$223,681,000, in respect of the current financial year (2019: HK\$0.41 per share, totalling HK\$398,736,000) has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting of the Bank.

At the Board meeting on 28 August 2020, the Board declared a total amount of interim dividend of HK\$106,978,000 (2019: HK\$165,329,000) at a rate of HK\$0.11 (2019: HK\$0.17) per share. The interim dividend was paid on 8 October 2020.

## EARNINGS PER SHARE – BASIC AND DILUTED

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Bank of HK\$1,479,978,000 (2019: HK\$1,900,642,000) with deduction of distribution payment for additional equity instruments of HK\$177,116,000 (2019: HK\$153,015,000) on 972,526,000 (2019: 972,526,000) weighted average ordinary shares in issue during the year.

As at 31 December 2020 and 31 December 2019, there was no potential dilutive instrument in issue.

## CASH AND SHORT-TERM FUNDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash and balances with central bank and banks	17,202,817	5,703,209
Money at call and short notice	4,597,826	14,701,296
	<u>21,800,643</u>	<u>20,404,505</u>

Included in the “Cash and balances with central bank and banks” are surplus reserve deposits placed with People’s Bank of China by the Mainland branches of HK\$304,420,000 (2019: HK\$724,351,000).

## DERIVATIVE FINANCIAL INSTRUMENTS

	2020			2019		
	Notional amount <i>HK\$'000</i>	Fair value		Notional amount <i>HK\$'000</i>	Fair value	
		Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>		Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Derivatives held for trading						
– Foreign currency forward contracts and swaps	150,099,831	1,441,027	1,424,876	186,312,939	606,575	603,091
– Foreign currency options	3,479,630	16,436	16,423	3,264,209	25,849	25,845
– Interest rate swaps	51,333,581	101,658	98,269	43,402,994	42,573	41,694
– Futures	22,022,296	–	198	358,179	36	26
Derivatives designated as hedging instruments						
– Interest rate swaps	32,243,316	86,329	2,235,716	35,920,843	30,897	1,232,295
		<u>1,645,450</u>	<u>3,775,482</u>		<u>705,930</u>	<u>1,902,951</u>

As at 31 December 2020 and 31 December 2019, all foreign currency forward contracts have settlement dates within 5 years (2019: 3 years) from the end of the reporting period.

The remaining maturity of interest rate swaps held for trading is within 10 years (2019: within 9 years).

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

	2020			2019		
	Notional amount <i>HK\$'000</i>	Replacement cost <i>HK\$'000</i>	Credit risk-weighted amount <i>HK\$'000</i>	Notional amount <i>HK\$'000</i>	Replacement cost <i>HK\$'000</i>	Credit risk-weighted amount <i>HK\$'000</i>
Exchange rate contracts	153,579,461	1,457,463	1,000,258	189,577,148	632,424	1,043,312
Interest rate contracts	105,583,690	187,987	111,735	79,682,016	73,506	127,712
Others	15,503	–	775	–	–	–
		<u>1,645,450</u>	<u>1,112,768</u>		<u>705,930</u>	<u>1,171,024</u>

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

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

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

#### Fair value hedge of fixed-rate bonds

The Group designates certain interest rate swaps as fair value hedges of FVOCI and amortised cost debt securities with carrying amount of HK\$26,305,423,000 (2019: HK\$31,648,912,000) and HK\$1,216,494,000 (2019: nil) as at 31 December 2020, respectively. The purpose is to minimise its exposure to fair value changes of its fixed-rate bonds by swapping these fixed-rate bonds from fixed rates to floating rates. The interest rate swaps and the corresponding fixed-rate bonds have the same terms. The management of the Group considers that the interest rate swaps are highly effective hedging instruments. The remaining maturity of these interest rate swaps and debt securities ranged from 1 month to 9 years (2019: 2 months to 9 years).

During the years ended 31 December 2020 and 31 December 2019, the above fair value hedges were effective in hedging the fair value exposures to interest rate movements and as a result, both the gains in fair value of the bonds of HK\$1,654,056,000 (2019: gains of HK\$1,145,420,000) and losses in fair value of the interest rate swaps of HK\$1,650,149,000 (2019: losses of HK\$1,143,778,000) were included in the consolidated income statement.

#### Fair value hedge of subordinated note issued

The Group designates an interest rate swap as fair value hedge of the interest rate movement of the US\$383 million (2019: US\$587 million) subordinated note issued. The purpose is to minimise its exposure to fair value changes of its fixed-rate note by swapping fixed-rate note from fixed rate to floating rate. The interest rate swap and the hedged subordinated note have the same terms and the management of the Group considers that the interest rate swap is a highly effective hedging instrument.

The hedge was effective in hedging the fair value exposure to interest rate movements and as a result, both the decrease in fair value of the note of HK\$49,271,000 (2019: decrease in fair value of HK\$93,477,000) and gains in fair value of the interest rate swap of HK\$52,367,000 (2019: gains of HK\$94,562,000) were included in the consolidated income statement.

## INVESTMENTS IN SECURITIES

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at FVOCI <i>HK\$'000</i>	Financial assets at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2020</b>				
Equity securities:				
Listed in Hong Kong	91	37,826	–	37,917
Listed overseas	–	2,146	–	2,146
Unlisted	–	41,680	–	41,680
	<u>91</u>	<u>81,652</u>	<u>–</u>	<u>81,743</u>
Debt Securities:				
Certificates of deposits – unlisted	–	6,378,797	–	6,378,797
Other debt securities – unlisted	124,053	43,734,480	2,534,679	46,393,212
	<u>124,053</u>	<u>50,113,277</u>	<u>2,534,679</u>	<u>52,772,009</u>
Total:				
Listed in Hong Kong	91	37,826	–	37,917
Listed overseas	–	2,146	–	2,146
Unlisted	124,053	50,154,957	2,534,679	52,813,689
	<u>124,144</u>	<u>50,194,929</u>	<u>2,534,679</u>	<u>52,853,752</u>
As analysed by issuing entities:				
Central governments and central banks	–	9,914,030	475,743	10,389,773
Banks and other financial institutions	122,702	21,233,068	630,603	21,986,373
Corporate entities	1,442	19,047,831	1,428,333	20,477,606
	<u>124,144</u>	<u>50,194,929</u>	<u>2,534,679</u>	<u>52,853,752</u>



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

## Investments in equity instruments designated at FVOCI

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

Type of equity instrument	Instruments held as at 31 December 2020		Instruments disposed during the year ended 31 December 2020		
	Fair value <i>HK\$000</i>	Dividend recognised <i>HK\$000</i>	Fair value on date of disposal <i>HK\$000</i>	Cumulative gains on disposal <i>HK\$000</i>	Dividend recognised <i>HK\$000</i>
– business facilitation	41,405	4,295	–	–	–
– other	40,247	7,674	–	–	–
	<b>81,652</b>	<b>11,969</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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

## TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets classified as FVOCI as at 31 December 2020 and 31 December 2019 that were transferred to an entity with terms to repurchase these debt securities at agreed dates and prices. As the Group has retained substantially all the risks and rewards relating to these financial assets, the full carrying amount of these financial assets continued to be recognised. The cash received on the transfer was reported as liabilities under "Financial assets sold under repurchase agreements". The transferred financial assets serve as collateral to secure these liabilities. During the covered period, the legal titles of the financial assets are transferred to the counterparty entity and there is no restriction for the counterparty entity to sell or repledge the collateral. These financial assets are measured at fair value in the consolidated statement of financial position.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets measured at FVOCI		
Carrying amount of transferred assets	<b>817,681</b>	4,467,402
Carrying amount of associated liabilities	<b>786,540</b>	4,253,852

## ADVANCES AND OTHER ACCOUNTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Advances to customers		
Bills receivable	1,167,499	618,617
Trade bills measured at		
– amortised cost	386,957	2,490,856
– FVOCI	5,176,771	–
	5,563,728	2,490,856
Other advances to customers	135,650,390	114,969,441
	142,381,617	118,078,914
Interest receivable	770,942	1,052,563
Impairment allowances		
– Stage 1	(428,285)	(382,053)
– Stage 2	(108,518)	(43,710)
– Stage 3	(342,486)	(193,597)
	(879,289)	(619,360)
	142,273,270	118,512,117
Advances to banks	1,103,409	837,275
Other accounts		
– Deposit placed as mandatory reserve fund (Note 1)	4,854,012	4,055,287
– Initial and variation margin (Note 2)	1,473,594	1,109,486
– Others	2,578,807	1,468,631
	8,906,413	6,633,404
	<b>152,283,092</b>	<b>125,982,796</b>

Note 1: Balance mainly represented mandatory reserve deposits placed by Mainland Branches with the People's Bank of China which is not available for the Group's daily operation.

Note 2: Balance mainly represented deposits placed in banks as initial and variation margin for certain interest rate swaps, foreign currency forward contracts and repurchase agreements.

Details of the impaired loans are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gross impaired loans	922,476	397,601
Less: Impairment allowances under Stage 3	(342,486)	(193,597)
Net impaired loans	<b>579,990</b>	<b>204,004</b>
Gross impaired loans as a percentage of gross advances to customers	<b>0.65%</b>	<b>0.34%</b>
Market value of collateral pledged	<b>341,551</b>	<b>256,491</b>

Details of the non-performing loans are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gross non-performing loans ( <i>Note</i> )	919,596	395,458
Less: Impairment allowances under Stage 3	<u>(342,486)</u>	<u>(193,558)</u>
Net non-performing loans	<u>577,110</u>	<u>201,900</u>
Gross non-performing loans as a percentage of gross advances to customers	<u>0.65%</u>	<u>0.33%</u>
Market value of collateral pledged	<u>322,203</u>	<u>241,548</u>

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

## INVESTMENT PROPERTIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	306,610	311,942
Net decrease in fair value recognised in the profit or loss	(10,300)	(4,431)
Exchange adjustments	<u>3,203</u>	<u>(901)</u>
At 31 December	<u>299,513</u>	<u>306,610</u>

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

Investment properties owned by the Group were revalued at 31 December 2020 by adopting the direct comparison approach (2019: direct comparison approach) and with reference to the recent transactions for similar premises by Vigers Appraisal and Consulting Limited (2019: Vigers Appraisal and Consulting Limited), independent professionally qualified valuers. The fair value is mainly arrived at by reference to comparable market transactions for similar properties.

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

One of the key inputs used in valuing the investment properties was the unit sale rate taking into account of time, location and individual factors such as size and levels of building, which ranged from HK\$3,270 to HK\$47,200 (2019: HK\$3,430 to HK\$49,000) per square feet. A decrease in the unit sale rate would result in decrease in fair value measurement of the investment properties by the same percentage decrease and vice versa.

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

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

Investment properties are classified as Level 3 under fair value hierarchy as at 31 December 2020 and 31 December 2019. There were no transfers into or out of Level 3 during the year.

The carrying amount of investment properties of the Group comprises:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Leasehold properties		
Held in Hong Kong on long-term lease (over 50 years unexpired)	<b>156,600</b>	163,100
Held in Hong Kong on medium-term lease (10 – 50 years unexpired)	<b>90,500</b>	94,300
Held outside Hong Kong on medium-term lease (10 – 50 years unexpired)	<b>52,413</b>	49,210
	<b>299,513</b>	306,610

#### **Leasing arrangements**

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

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	<b>1,727</b>	8,177
After 1 year but within 2 years	<b>2,100</b>	5,022
After 2 years but within 3 years	<b>2,652</b>	486
	<b>6,479</b>	13,685

**PROPERTY AND EQUIPMENT**

	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Right-of- use assets <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
<b>At 1 January 2020</b>	345,225	112,415	770,250	894,247	2,122,137
Additions	–	–	157,758	94,136	251,894
Disposals	–	–	(1,862)	(82,517)	(84,379)
Exchange adjustments	–	272	6	13,829	14,107
<b>At 31 December 2020</b>	<u>345,225</u>	<u>112,687</u>	<u>926,152</u>	<u>919,695</u>	<u>2,303,759</u>
<b>ACCUMULATED DEPRECIATION</b>					
<b>At 1 January 2020</b>	98,917	38,595	173,868	686,506	997,886
Depreciation	7,834	2,763	202,873	69,836	283,306
Eliminated on disposals	–	–	–	(81,769)	(81,769)
Exchange adjustments	–	62	1	9,055	9,118
<b>At 31 December 2020</b>	<u>106,751</u>	<u>41,420</u>	<u>376,742</u>	<u>683,628</u>	<u>1,208,541</u>
<b>CARRYING AMOUNTS</b>					
<b>At 31 December 2020</b>	<u><u>238,474</u></u>	<u><u>71,267</u></u>	<u><u>549,410</u></u>	<u><u>236,067</u></u>	<u><u>1,095,218</u></u>
<b>At 1 January 2020</b>	<u><u>246,308</u></u>	<u><u>73,820</u></u>	<u><u>596,382</u></u>	<u><u>207,741</u></u>	<u><u>1,124,251</u></u>
<b>COST</b>					
<b>At 1 January 2019</b>	345,225	112,493	181,690	826,902	1,466,310
Additions	–	–	588,562	82,898	671,460
Disposals	–	–	–	(12,106)	(12,106)
Exchange adjustments	–	(78)	(2)	(3,447)	(3,527)
<b>At 31 December 2019</b>	<u>345,225</u>	<u>112,415</u>	<u>770,250</u>	<u>894,247</u>	<u>2,122,137</u>
<b>ACCUMULATED DEPRECIATION</b>					
<b>At 1 January 2019</b>	91,088	35,848	–	636,354	763,290
Depreciation	7,829	2,763	173,869	61,078	245,539
Eliminated on disposals	–	–	–	(9,005)	(9,005)
Exchange adjustments	–	(16)	(1)	(1,921)	(1,938)
<b>At 31 December 2019</b>	<u>98,917</u>	<u>38,595</u>	<u>173,868</u>	<u>686,506</u>	<u>997,886</u>
<b>CARRYING AMOUNTS</b>					
<b>At 31 December 2019</b>	<u><u>246,308</u></u>	<u><u>73,820</u></u>	<u><u>596,382</u></u>	<u><u>207,741</u></u>	<u><u>1,124,251</u></u>
<b>At 1 January 2019</b>	<u><u>254,137</u></u>	<u><u>76,645</u></u>	<u><u>–</u></u>	<u><u>190,548</u></u>	<u><u>521,330</u></u>

The carrying amounts of leasehold land shown above comprise:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Leasehold land in Hong Kong:		
Held on long-term lease (over 50 years unexpired)	27,990	28,292
Held on medium-term lease (10 – 50 years unexpired)	209,710	217,213
Leasehold land outside Hong Kong:		
Held on medium-term lease (10 – 50 years unexpired)	774	803
	<u>238,474</u>	<u>246,308</u>

The carrying amounts of buildings shown above comprise:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Building		
Held in Hong Kong on long-term lease (over 50 years unexpired)	4,752	4,996
Held in Hong Kong on medium-term lease (10-50 years unexpired)	60,996	63,363
Held outside Hong Kong on medium-term lease (10-50 years unexpired)	5,519	5,461
	<u>71,267</u>	<u>73,820</u>

#### FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed by collateral type:		
Debt securities classified as FVOCI	<u>786,540</u>	<u>4,253,852</u>

#### DEPOSITS FROM CUSTOMERS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Demand deposits and current accounts	17,426,489	12,162,143
Savings deposits	50,703,560	42,599,569
Time, call and notice deposits	115,098,242	107,902,936
	<u>183,228,291</u>	<u>162,664,648</u>



## CERTIFICATES OF DEPOSIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Certificates of deposit, measured at amortised cost	<u>2,551,530</u>	<u>3,749,075</u>

## LOAN CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Subordinated notes, at amortised cost with fair value hedge adjustments		
US\$204 million fixed rate subordinated note due 2020 ( <i>Notes (a) &amp; (c)</i> )	–	1,588,843
US\$383 million fixed rate subordinated note due 2027 ( <i>Notes (b) &amp; (c)</i> )	<u>3,033,178</u>	<u>2,991,069</u>
	<u>3,033,178</u>	<u>4,579,912</u>

### Notes:

- (a) This represented a subordinated note qualifying as tier 2 capital under Basel II accord with face value of US\$225,000,000 issued on 5 November 2010 (the “Existing Notes”). If at any time on or after 1 January 2013, the note no longer fully qualifies as term subordinated debt for inclusion in Category II – Supplementary Capital of the Bank upon changes to regulatory requirements, the Bank may, at its option and subject to the prior written approval of the HKMA, exercise a change of the status of the note by serving the “Change in Status Notice” to the noteholders. Upon a “Change in Status Notice” becoming effective, the note shall thereafter constitute unsubordinated obligations and the rate of interest on the note shall be reduced from 6.000% per annum to 5.500% per annum. As “Change in Status Notice” has not been served, the rate of interest on the note remains at 6.000% per annum. Pursuant to the exchange offer by the Bank in 2017, the Bank settled and exchanged US\$20,976,000 of the Existing Notes for new tier 2 subordinated note due 2027 (Note(b)). Following the settlement of the exchange offer, the aggregate principal amount of the Existing Notes was US\$204,024,000. The note was matured on 4 November 2020.
- (b) This represented a subordinated note qualifying as tier 2 capital under Basel III accord with face value of US\$382,903,000 tier 2 subordinated notes issued on 26 July 2017 (the “New Notes”). The New Notes are 10-year non-call 5-year fixed rate notes, with a fixed coupon rate of 3.876% per annum, payable semi-annually for the first five years; the interest rate will be reset on 26 July 2022. This includes US\$22,903,000 of “New Exchange Notes” (being the New Notes issued pursuant to the exchange offer by the Bank to the holders of its US\$225,000,000 6.000% subordinated notes due 2020) and US\$360,000,000 of “New Money Notes”. The New Notes have been listed on the Stock Exchange of Hong Kong under Stock Code of 05249 on 27 July 2017.
- (c) The subordinated notes issued are not secured by any collateral.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>At 1 January</b>	<b>4,579,912</b>	4,507,147
<b>Changes from financing cash flows:</b>		
Redemption of loan capital	<b>(1,629,378)</b>	–
Interest paid on loan capital	<b>(213,627)</b>	(210,804)
	<b>2,736,907</b>	4,296,343
<b>Exchange adjustments</b>	<b>27,635</b>	(26,678)
<b>Fair value hedge adjustments</b>	<b>49,271</b>	93,477
<b>Other changes</b>		
Interest expense	<b>149,300</b>	230,391
Other non-cash movements	<b>70,065</b>	(13,621)
Total other changes	<b>219,365</b>	216,770
<b>At 31 December</b>	<b>3,033,178</b>	4,579,912

## SHARE CAPITAL

	2020		2019	
	Number of shares <i>(thousands)</i>	Share capital <i>HK\$'000</i>	Number of shares <i>(thousands)</i>	Share capital <i>HK\$'000</i>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	<b>972,526</b>	<b>9,977,060</b>	972,526	9,977,060

## ADDITIONAL EQUITY INSTRUMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Additional Tier 1 Capital Securities		
US\$400 million undated non-cumulative subordinated capital securities (Note (a))	3,111,315	3,111,315
US\$300 million undated non-cumulative subordinated capital securities (Note (b))	2,316,681	–
	<u>5,427,996</u>	<u>3,111,315</u>

### Notes:

- (a) On 15 July 2019, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$400 million (equivalent to HK\$3,115,315,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.700% coupon until the first call date on 15 July 2024. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.858% per annum.

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

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

- (b) On 3 August 2020, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$300 million (equivalent to HK\$2,316,681,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.500% coupon until the first call date on 3 August 2025. 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 5.237% per annum.

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

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

## DEFERRED TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deferred tax assets	32,109	28,767
Deferred tax liabilities	<u>(96,932)</u>	<u>(145,247)</u>
	<u><b>(64,823)</b></u>	<u><b>(116,480)</b></u>

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

	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Revaluation of FVOCI securities <i>HK\$'000</i>	Remeasurement of retirement benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2020</b>	(119,387)	83,731	(18,142)	(58,258)	(4,424)	(116,480)
(Charge) credit to income statement for the year	(9,594)	(5,405)	-	-	-	(14,999)
Credit (charge) to other comprehensive income for the year	-	-	-	69,280	(1,686)	67,594
Exchange adjustments	-	-	(938)	-	-	(938)
<b>At 31 December 2020</b>	<u><b>(128,981)</b></u>	<u><b>78,326</b></u>	<u><b>(19,080)</b></u>	<u><b>11,022</b></u>	<u><b>(6,110)</b></u>	<u><b>(64,823)</b></u>
<b>At 1 January 2019</b>	(52,141)	61,454	(18,550)	14,397	(4,424)	736
(Charge) credit to income statement for the year	(67,246)	22,277	96	-	-	(44,873)
Credit (charge) to other comprehensive income for the year	-	-	-	(72,655)	-	(72,655)
Exchange adjustments	-	-	312	-	-	312
<b>At 31 December 2019</b>	<u><b>(119,387)</b></u>	<u><b>83,731</b></u>	<u><b>(18,142)</b></u>	<u><b>(58,258)</b></u>	<u><b>(4,424)</b></u>	<u><b>(116,480)</b></u>

Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Mainland branches amounting to HK\$1,362,137,000 (2019: HK\$965,532,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## INTANGIBLE ASSETS

	Club Membership <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Software <i>HK\$'000</i>	Internally developed software <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 January 2020	14,090	110,606	14,698	719,478	858,872
Addition	–	–	–	–	–
Addition through internal development	–	–	–	66,213	66,213
Exchange adjustment	–	–	957	3,299	4,256
At 31 December 2020	<u>14,090</u>	<u>110,606</u>	<u>15,655</u>	<u>788,990</u>	<u>929,341</u>
<b>ACCUMULATED AMORTISATION</b>					
At 1 January 2020	–	–	1,929	7,654	9,583
Amortisation	–	–	983	3,509	4,492
Exchange adjustment	–	–	186	707	893
At 31 December 2020	<u>–</u>	<u>–</u>	<u>3,098</u>	<u>11,870</u>	<u>14,968</u>
<b>ACCUMULATED IMPAIRMENT</b>					
At 1 January and 31 December 2020	<u>–</u>	<u>71,000</u>	<u>–</u>	<u>–</u>	<u>71,000</u>
<b>NET BOOK VALUE</b>					
At 31 December 2020	<u>14,090</u>	<u>39,606</u>	<u>12,557</u>	<u>777,120</u>	<u>843,373</u>
<b>COST</b>					
At 1 January 2019	14,090	110,606	12,009	491,926	628,631
Addition	–	–	3,959	–	3,959
Addition through internal development	–	–	–	227,663	227,663
Exchange adjustment	–	–	(1,270)	(111)	(1,381)
At 31 December 2019	<u>14,090</u>	<u>110,606</u>	<u>14,698</u>	<u>719,478</u>	<u>858,872</u>
<b>ACCUMULATED AMORTISATION</b>					
At 1 January 2019	–	–	1,016	2,414	3,430
Charge for the year	–	–	834	3,210	4,044
Exchange adjustment	–	–	79	2,030	2,109
At 31 December 2019	<u>–</u>	<u>–</u>	<u>1,929</u>	<u>7,654</u>	<u>9,583</u>
<b>ACCUMULATED IMPAIRMENT</b>					
At 1 January and 31 December 2019	<u>–</u>	<u>71,000</u>	<u>–</u>	<u>–</u>	<u>71,000</u>
<b>NET BOOK VALUE</b>					
At 31 December 2019	<u>14,090</u>	<u>39,606</u>	<u>12,769</u>	<u>711,824</u>	<u>778,289</u>

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

For the year ended 31 December 2020, the management has reviewed goodwill for impairment testing purpose. The review comprised a comparison of the carrying amount and the fair value less cost to sell, of an acquired subsidiary (the smallest cash-generating unit) to which the goodwill has been allocated. The acquired subsidiary is involved in insurance business. The fair value of CHI as at 31 December 2020 was estimated by applying market approach based on a price-to-book ratio of 1 (2019: 1).

The management of the Group determines no impairment loss on the goodwill for the year ended 31 December 2020 (2019: nil).

During the year, there was an addition of HK\$46,104,000 to internally developed software, which is a computer software currently under internal development. Included in the balance as at 31 December 2020, HK\$247,421,000 (2019: HK\$193,727,000) is capitalised from expenditures that directly attributable to the development of the software.

#### OTHER ACCOUNTS AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued interest	1,281,380	1,489,064
Lease liabilities	506,593	528,967
Others	1,453,835	1,154,656
	<u>3,241,808</u>	<u>3,172,687</u>

#### Total cash outflow for leases

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Payment of lease liabilities	185,300	209,297
Expenses relating to short-term leases	1,709	23,609
Expenses relating to leases of low-value assets	50	556
	<u>187,059</u>	<u>233,462</u>

## CONTINGENT LIABILITIES AND COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Contingent liabilities and commitments – contractual amounts</b>		
Direct credit substitutes	2,686,382	469,730
Transaction-related contingencies	23,824	–
Trade-related contingencies	659,450	6,231,424
Forward asset purchases	100,080	54,650
<b>Undrawn formal standby facilities, credit lines and other commitments</b>		
Which are unconditionally cancellable without prior notice	31,838,953	29,560,421
With an original maturity of one year and under	3,392,615	3,469,420
With an original maturity of over one year	7,609,633	6,427,993
<b>Lease commitments</b>	<b>58</b>	<b>1,812</b>
	<b>46,310,995</b>	<b>46,215,450</b>

The credit risk-weighted amount of contingent liabilities and commitments is HK\$6,517,255,000 (2019: HK\$4,727,613,000).

The credit risk-weighted amount is calculated based on “standardised approach”. The risk-weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2019: 0% to 100%) which is assessed in accordance with the Banking (Capital) Rules.

Direct credit substitutes include financial guarantees given by the Group.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	50	1,789
In the second to fifth years, inclusive	8	23
	<b>58</b>	<b>1,812</b>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property and equipment	<b>100,080</b>	<b>54,650</b>

## RELATED PARTY TRANSACTIONS

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

	Interest, commission and rental income		Interest, rental and other operating expenses	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Ultimate holding company	<u>14</u>	<u>13</u>	<u>31,965</u>	<u>23,052</u>
Intermediate holding company	<u>4,482</u>	<u>13,620</u>	<u>6,747</u>	<u>6,674</u>
Fellow subsidiaries	<u>42,758</u>	<u>48,174</u>	<u>112,929</u>	<u>107,185</u>
Associates	<u>74,690</u>	<u>59,856</u>	<u>25,266</u>	<u>29,338</u>
Key management personnel ( <i>Note 1</i> )	<u>4,712</u>	<u>701</u>	<u>1,204</u>	<u>3,212</u>

During the year, the Group had net trading income with intermediate holding company and fellow subsidiary of HK\$1,627,000 (2019: HK\$8,293,000).

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

	Amounts due from related parties		Amounts due to related parties	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000 (Restated – Note 2)
Ultimate holding company	<u>–</u>	<u>–</u>	<u>1,018,913</u>	<u>1,462,124</u>
Intermediate holding company	<u>200,000</u>	<u>200,000</u>	<u>278,595</u>	<u>278,428</u>
Fellow subsidiaries	<u>1,109,070</u>	<u>1,299,499</u>	<u>6,931,486</u>	<u>5,654,924</u>
Associates	<u>–</u>	<u>–</u>	<u>295,693</u>	<u>272,657</u>
Key management personnel ( <i>Note 1</i> )	<u>636,461</u>	<u>43,490</u>	<u>896,483</u>	<u>174,565</u>

*Note 1:* Includes key management personnel, close family members of key management personnel and entities that are controlled or jointly controlled, directly or indirectly, by key management personnel.

*Note 2:* Certain comparative figures have been restated to conform to the current year's presentation.



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

As at 31 December 2020, the Group held financial assets at FVOCI issued by fellow subsidiaries of HK\$141,893,000 (31 December 2019: HK\$78,598,000) and held financial assets at amortised cost issued by fellow subsidiaries of HK\$23,824,000 (31 December 2019: HK\$ nil).

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

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

### Compensation of key management personnel

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term benefits	198,461	178,092
Post employment benefits	12,748	10,558
Share-based payment	5,978	–
	<u>217,187</u>	<u>188,650</u>

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

As of 31 December 2020, the Group accrued a bonus for the Group's senior management and employees. The accrued bonus was approved by the Remuneration Committee on 24 February 2021. The Group has not completed the allocation of the bonus to individual senior management. The allocation of accrued bonus included under short-term benefits above represents the best estimate of management for the bonus to be distributed to key management personnel as of the date of approval of the financial statements.

### OTHER FINANCIAL INFORMATION

To comply with the Banking (Disclosure) Rules, the Bank has established a "Regulatory Disclosures" section on its website ([www.chbank.com](http://www.chbank.com)) to house the information related to the disclosure requirements as required by the Banking (Disclosure) Rules. The Banking Disclosure Statement, together with the disclosures in the Group's 2020 Annual Report, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA. The Banking Disclosure Statement and the Annual Report for the year ended 31 December 2020 will be available on the website of the Bank in April 2021.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

Throughout the year ended 31 December 2020, the Bank complied with all the applicable code provisions set out in the CG Code, except for deviation from the code provision A.4.1. Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all Non-executive Directors of the Bank are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Bank in accordance with the Bank’s articles of association.

## **COMPLIANCE WITH MODEL CODE**

The Bank has adopted its own code for securities transactions by Directors on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules (the “Model Code”). All the Directors confirmed, following specific enquiry by the Bank, that they have complied with the required standards set out in the Model Code and the Bank’s own code for securities transactions by Directors throughout the year ended 31 December 2020.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final cash dividend for the year ended 31 December 2020 of HK\$0.23 per share (2019: HK\$0.41 per share). Subject to the approval by the shareholders of the Bank at the forthcoming annual general meeting of the Bank to be held on Friday, 14 May 2021 (the “2021 AGM”), the final cash dividend will be paid on Wednesday, 2 June 2021 to the shareholders of the Bank whose names appear on the register of members of the Bank as at the close of business on Tuesday, 25 May 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining the shareholders’ eligibility to attend and vote at the 2021 AGM, the register of members of the Bank will be closed from Tuesday, 11 May 2021 to Friday, 14 May 2021 (both days inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Bank’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 pm on Monday, 10 May 2021.

For the purpose of ascertaining the shareholders' entitlement to the final cash dividend for the year ended 31 December 2020, the register of members of the Bank will be closed from Monday, 24 May 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the final cash dividend, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Bank's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Friday, 21 May 2021.

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

The Bank has redeemed all the outstanding 6.000% subordinated notes due 2020 in an aggregate principal amount of US\$204,024,000 ("2020 Due Subordinated Notes") at maturity on 4 November 2020. The 2020 Due Subordinated Notes were then cancelled and delisted from The Stock Exchange of Hong Kong Limited.

Save as disclosed above, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any of the Bank's listed securities during the year ended 31 December 2020.

## **PUBLICATION OF 2020 FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the websites of the Bank ([www.chbank.com](http://www.chbank.com)) and Hong Kong Exchanges and Clearing Limited (the "HKEX") ([www.hkexnews.hk](http://www.hkexnews.hk)). The Bank's 2020 Annual Report in both English and Chinese will be available on the websites of the Bank and the HKEX, and the printed copies will be despatched to the shareholders of the Bank, both in April 2021.

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

Hong Kong, 4 March 2021

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

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