



上海銀行(香港)
Bank of Shanghai (Hong Kong)

BANK OF SHANGHAI (HONG KONG) LIMITED

2024 INTERIM FINANCIAL STATEMENTS

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

CONTENTS

	Page(s)
Financial Review	1
Condensed Consolidated Statement of Comprehensive Income (Unaudited)	2
Condensed Consolidated Statement of Financial Position (Unaudited)	3
Condensed Consolidated Statement of Changes in Equity (Unaudited)	4
Condensed Consolidated Statement of Cash Flows (Unaudited)	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

Bank of Shanghai (Hong Kong) Limited (the “Company”) is pleased to present the condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the first half of 2024 ended 30 June 2024. The condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, and the condensed consolidated statement of changes in equity for the six months period ended 30 June 2024, and the condensed consolidated statement of financial position as at 30 June 2024 of the Group, along with the explanatory notes (all of which are unaudited) are illustrated on pages 6 to 30 of this condensed consolidated financial statements.

In preparing the unaudited condensed consolidated financial statements and the Regulatory Disclosure Statements for the first half of 2024, the Company has fully complied with the disclosure requirements stipulated in the Banking (Disclosure) Rules.

Financial Review

The Group’s pre-tax loss for the period was HK\$559 million (first half of 2023: profit of HK\$200 million). It should be noted that the Group’s operating results included a foreign exchange translation loss of HK\$19 million (first half of 2023: HK\$34 million) on the capital denominated in Renminbi (“RMB”) due to depreciation of RMB against HK Dollar during the period. The decrease in the pre-tax profit was mainly driven by the decrease in net interest income, net income from financial instruments measured at fair value and increase in allowances for credit and other losses. Net interest income decreased by 40% to HK\$174 million mainly due to the decrease in net interest margin of interest bearing assets and liabilities.

Operating expenses increased by 12% to HK\$115 million. Allowances for credit and other losses were HK\$561 million, 279% higher than the same period last year. Total gross loans and advances to customers has decreased by 1% to HK\$21,396 million (2023 year end: HK\$21,704 million), customer deposits increased by 7% to HK\$17,465 million (2023 year end: HK\$16,266 million).

The Group’s financial position remained sound. Total capital adequacy ratio was maintained at a comfortable level at 20.2%, and the average liquidity maintenance ratio (“LMR”) at 115%. Both ratios are calculated on regulatory consolidated basis and adequately met the statutory requirements.

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Interest income		888,405	782,710
Interest expense		(714,677)	(490,754)
Net interest income	4	173,728	291,956
Net fee and commission income	5	37,204	91,374
Net (loss)/income from financial instruments measured at fair value	6	(45,163)	74,897
Net loss from investment securities		(48,037)	(8,091)
Other operating (loss)/income		(878)	9
Total operating income		116,854	450,145
Operating expenses	7	(114,628)	(102,056)
Operating profit before impairment losses		2,226	348,089
Allowances for credit and other losses	8	(561,150)	(148,104)
(Loss)/profit before taxation		(558,924)	199,985
Taxation	9	(3,436)	(60,298)
(Loss)/profit for the period		(562,360)	139,687
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for subsidiaries		(10,065)	(30,208)
Net movement in revaluation reserve	10	373,544	(98,406)
Total comprehensive income for the period		(198,881)	11,073

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Assets			
Cash and balances with banks and central bank	11	792,779	842,085
Placements with and advances to banks	12	119,950	115,600
Financial assets at fair value through profit or loss		593,321	781,049
Derivative financial assets	20	53,219	53,375
Loans and advances to customers	13	20,911,798	21,196,452
Investment securities	14	9,509,132	8,990,097
Investment in associate		4,878	5,857
Property and equipments	15	15,819	24,800
Intangible assets		2,519	2,258
Current tax recoverable		–	34,191
Deferred tax assets		194,238	256,321
Other assets	16	324,752	489,246
TOTAL ASSETS		<u>32,522,405</u>	<u>32,791,331</u>
Liabilities			
Deposits from customers	17	17,465,308	16,266,253
Deposits from banks		3,969,368	4,192,420
Financial assets sold under repurchase agreement		–	769,097
Derivative financial liabilities	20	14,095	52,032
Certificates of deposit and other debt securities issued	18	4,301,933	4,944,322
Current tax payable		51,402	63,195
Deferred tax liabilities		1,032	–
Lease liabilities		9,512	22,252
Other borrowings		203,043	207,612
Other liabilities	19	1,017,939	586,494
TOTAL LIABILITIES		<u>27,033,632</u>	<u>27,103,677</u>
Capital and reserves			
Share capital	22	6,305,476	6,305,476
Retained profits		(811,094)	(248,734)
Other reserves		(5,609)	(369,088)
TOTAL EQUITY		<u>5,488,773</u>	<u>5,687,654</u>
TOTAL EQUITY AND LIABILITIES		<u>32,522,405</u>	<u>32,791,331</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Retained profits HK\$'000	Revaluation reserve HK\$'000	Capital Contribution HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
Balance at 1 January 2023	4,000,000	478,860	(411,339)	129,874	(26,603)	4,170,792
Profit for the period	–	139,687	–	–	–	139,687
Other comprehensive income	–	–	(98,406)	–	(30,208)	(128,614)
Total comprehensive income	–	139,687	(98,406)	–	(30,208)	11,073
Issuance of new ordinary shares	2,305,476	–	–	–	–	2,305,476
Balance at 30 June 2023 and 1 July 2024	6,305,476	618,547	(509,745)	129,874	(56,811)	6,487,341
Loss for the period	–	(867,281)	–	–	–	(867,281)
Other comprehensive income	–	–	52,196	–	15,398	67,594
Total comprehensive income	–	(867,281)	52,196	–	15,398	(799,687)
Balance at 31 December 2023 and 1 January 2024	6,305,476	(248,734)	(457,549)	129,874	(41,413)	5,687,654
Loss for the period	–	(562,360)	–	–	–	(562,360)
Other comprehensive income	–	–	373,544	–	(10,065)	363,479
Total comprehensive income	–	(562,360)	373,544	–	(10,065)	(198,881)
Balance at 30 June 2024	6,305,476	(811,094)	(84,005)	129,874	(51,478)	5,488,773

The regulatory reserve is maintained in accordance with Hong Kong Banking regulations. At 30 June 2024, no regulatory reserve (2023: Nil) was required to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movement in this reserve was made directly through retained profits after consultation with the Hong Kong Monetary Authority. The regulatory reserve is non-distributable.

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Net cash inflow/(outflow) from operating activities	21(a)	565,176	(2,727,703)
Investing activities			
Proceeds from sale and redemption of investment securities		3,285,667	4,935,069
Purchase of investment securities		(3,618,699)	(6,613,106)
Purchases of property and equipments and intangible assets		(5,742)	(1,195)
Sales/(purchase) of interests in associates		853	(1,049)
Interest received from investment securities		303,139	88,584
Net cash outflow from investing activities		(34,782)	(1,591,697)
Financing activities			
Proceeds from the issuance of new ordinary shares		–	2,305,476
Proceeds from the issuance of other debt securities		2,750,000	1,096,684
Interest paid for other debt securities		(127,096)	(24,908)
Redemption of other debt securities		(2,738,774)	–
Net payment from short-term borrowings		(133,484)	(103,165)
Interest paid for short-term borrowings		(15,872)	(15,800)
Payment of lease liabilities		(12,990)	(13,165)
Net cash (outflow)/inflow from financing activities	21(d)	(278,216)	3,245,122
Increase/(decrease) in cash and cash equivalents		252,178	(1,074,278)
Cash and cash equivalents at 1 January		957,807	2,889,578
Cash and cash equivalents at 30 June	21(b)	1,209,985	1,815,300

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF CONSOLIDATION

The condensed consolidated financial statements covers the consolidated positions of the Company and its subsidiaries.

For regulatory reporting purposes, the Company is required to compute its capital adequacy ratios and leverage ratio on an unconsolidated basis that is different from the basis of consolidation for accounting purposes. The basis is illustrated in the note 3(a) of the Regulatory Disclosure Statements.

(2) BASIS OF PREPARATION

(a) Material accounting policies

These condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies applied in preparing the condensed consolidated financial statements are the same as those applied in preparing the financial statements for the year ended 31 December 2023 as disclosed in the Group’s Directors’ Report and Consolidated Financial Statements for the year ended 31 December 2023, which were prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), except for the accounting policy changes that are expected to be reflected in 2023 annual financial statements. Details of any changes in accounting policies are set out in note (2)(b).

The preparation of an condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

These condensed consolidated financial statements are unaudited.

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(2) BASIS OF PREPARATION (CONTINUED)

(b) New and amended standards

A number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

- Amendments to HKAS 1, Presentation of financial statements:
Classification of liabilities as current or non-current
- Amendments to HKAS 1, Presentation of financial statements:
Non-current Liabilities with Covenants
- Amendments to HKFRS 16, Leases:
Lease Liability in a Sale and Leaseback

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

(c) Critical accounting estimates

The preparation of condensed consolidated financial statements requires management to exercise judgements, use estimates and make assumptions that affect the application of policies and reported amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. In preparing this condensed consolidated financial statements, critical accounting estimates and assumptions used that are significant to the condensed consolidated financial statements, and areas involving a higher degree of judgement and complexity were the same as those disclosed in the consolidated financial statements for the year ended 31 December 2023.

(3) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENTS

The financial information relating to the year ended 31 December 2023 that is included in the condensed consolidated financial statements for the six months ended 30 June 2024 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Group has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 622(3) of and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Group's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(4) NET INTEREST INCOME

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Interest income		
– Loans and advances to customers	619,719	502,987
– Investment securities	221,823	211,955
– Placements with and advances to banks	25,602	27,707
– Cash and balances with banks and central bank	21,261	23,062
– Other	–	16,999
	<u>888,405</u>	<u>782,710</u>
Interest expense		
– Deposits from banks	(108,310)	(168,166)
– Deposits from customers	(452,450)	(246,632)
– Certificate of deposits and other debt securities issued	(136,349)	(63,217)
– Other	(17,568)	(12,739)
	<u>(714,677)</u>	<u>(490,754)</u>
Net interest income	<u>173,728</u>	<u>291,956</u>

The interest income accrued on impaired financial assets and on unwinding of discount on loan impairment allowances amounted to HK\$5,832,000 for the six months ended 30 June 2024 (first half of 2023: HK\$11,383,000).

(5) NET FEE AND COMMISSION INCOME

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Fee and commission income		
– Credit facilities	4,611	6,570
– Trade services	1,210	1,363
– Corporate advisory	28,863	88,909
– Asset management	2,922	2,305
– Others	226	321
	<u>37,832</u>	<u>99,468</u>
Fee and commission expense	<u>(628)</u>	<u>(8,094)</u>
Net fee and commission income	<u>37,204</u>	<u>91,374</u>

Fee and commission income of HK\$37,832,000 (first half of 2023: HK\$99,468,000) and fee and commission expense of HK\$628,000 (first half of 2023: HK\$8,094,000) for the six months ended 30 June 2024 arose from financial assets and financial liabilities that were not measured at fair value through profit or loss.

Net fee and commission income arose from trust or other fiduciary activities in which the Group held or invested on behalf of its customers for the six months ended 30 June 2024 was HK\$2,922,000 (first half of 2023: HK\$2,305,000).

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

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

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Foreign exchange	20,450	(9,848)
Interest rate and others	(65,613)	84,745
	<u>(45,163)</u>	<u>74,897</u>

The foreign exchange gain in 2024 included the translation loss of HK\$19 million (first half of 2023: loss of HK\$34 million) on those Renminbi (“RMB”) assets funded by the Company’s capital denominated in RMB (which was recorded on these financial statements at historical exchange rate) due to the depreciation of RMB against HKD in 2024. Excluding this translation loss, trading income from normal foreign exchange activities was HK\$39 million (first half of 2023: HK\$24 million).

(7) OPERATING EXPENSES

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Staff costs		
– Salaries and other benefits	50,140	62,731
– Pension and provident fund costs	561	2,740
	<u>50,701</u>	<u>65,471</u>
Premises and equipment expenses excluding depreciation		
– Variable lease payments not included in the measurement of lease liabilities	25	28
– Maintenance and office facility expenses	1,922	1,975
– Others	794	833
	<u>2,741</u>	<u>2,836</u>
Auditor’s remuneration	314	267
Depreciation of property and equipments	1,006	891
Amortisation of right-of-use (“RoU”) assets	12,792	12,861
Amortisation of intangible assets	603	739
Legal and professional fees	30,415	2,694
IT and system expenses	7,376	6,546
Data subscription fees	3,719	3,721
Other operating expenses	4,961	6,030
	<u>61,186</u>	<u>33,749</u>
	<u>114,628</u>	<u>102,056</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(8) ALLOWANCES FOR CREDIT AND OTHER LOSSES

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Cash and balances with banks and central bank	(46)	(55)
Placements with and advances to banks	31	22
Loans and advances to customers	37,409	66,286
Investment securities	504,075	83,681
Other assets	27,737	2,001
Off-balance sheet credit exposures	(8,056)	(3,831)
	<u>561,150</u>	<u>148,104</u>

The table below shows the movements in Stage 3 ECL and Stage 1 & 2 ECL during the period.

	Balance at 1 January HK\$'000	Charge to / (release from) statement of comprehensive income HK\$'000	Write-off HK\$'000	Exchange and other movements HK\$'000	Balance at 30 June HK\$'000
2024					
Stage 3 Expected Credit Losses ("ECL")					
Loans and advances to customers	240,054	50,822	(54,000)	(5,981)	230,895
Investment securities	1,001,264	469,693	(1,367,580)	–	103,377
Other assets	64,169	27,751	(6,342)	(1,258)	84,320
Off-balance sheet credit exposures	4,772	(4,697)	–	(75)	–
	<u>1,310,259</u>	<u>543,569</u>	<u>(1,427,922)</u>	<u>(7,314)</u>	<u>418,592</u>
Stage 1&2 ECL					
Cash and balances with banks and central bank	65	(46)	–	–	19
Placements with and advances to banks	59	31	–	–	90
Loans and advances to customers	267,071	(13,413)	–	–	253,658
Investment securities	170,736	34,382	–	–	205,118
Other assets	84	(14)	–	(2)	68
Off-balance sheet credit exposures	17,698	(3,359)	–	–	14,339
	<u>455,713</u>	<u>17,581</u>	<u>–</u>	<u>(2)</u>	<u>473,292</u>
Total allowances for credit and other losses	<u>1,765,972</u>	<u>561,150</u>	<u>(1,427,922)</u>	<u>(7,316)</u>	<u>891,884</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

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

	Balance at 1 January HK\$'000	Charge to / (release from) statement of comprehensive income HK\$'000	Write-off HK\$'000	Exchange and other movements HK\$'000	Balance at 30 June HK\$'000
2023					
Stage 3 ECL					
Loans and advances to customers	505,000	(41,609)	(70,649)	(10,170)	382,572
Investment securities	676,373	110,335	–	–	786,708
Other assets	16,561	395	(1,078)	56	15,934
	<u>1,197,934</u>	<u>69,121</u>	<u>(71,727)</u>	<u>(10,114)</u>	<u>1,185,214</u>
Total specific allowances					
Stage 1&2 ECL					
Cash and balances with banks and central bank	95	(55)	–	–	40
Placements with and advances to banks	19	22	–	–	41
Loans and advances to customers	200,809	107,895	–	–	308,704
Investment securities	132,127	(26,654)	–	–	105,473
Other assets	847	1,606	–	(127)	2,326
Off-balance sheet credit exposures	15,730	(3,831)	–	–	11,899
	<u>349,627</u>	<u>78,983</u>	<u>–</u>	<u>(127)</u>	<u>428,483</u>
Total general allowances					
Total allowances for credit and other losses	<u>1,547,561</u>	<u>148,104</u>	<u>(71,727)</u>	<u>(10,241)</u>	<u>1,613,697</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(9) TAXATION

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

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Current tax		
Hong Kong profit tax		
– provision for the year	26	2,046
– over provision in Prior year	(3,618)	–
	<u>(3,592)</u>	<u>2,046</u>
Taxation outside Hong Kong		
– Withholding tax in the People's Republic of China	1	85
– Provision for the period	11,091	17,655
	<u>7,500</u>	<u>19,786</u>
Deferred tax		
Origination and reversal of temporary differences	(4,064)	40,512
Total tax expense	<u>3,436</u>	<u>60,298</u>

The provision for Hong Kong profits tax was calculated at 16.5% (2023: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the Group operates.

(10) OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Fair value through other comprehensive income:		
Changes in fair value recognised during the year	391,111	(133,929)
Reclassification adjustments for amounts transferred to profit or loss upon disposal	48,002	8,091
Net deferred tax (debited)/credited to revaluation reserve	(65,569)	27,432
Total	<u>373,544</u>	<u>(98,406)</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(11) CASH AND BALANCES WITH BANKS AND CENTRAL BANK

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Balances with banks	773,929	821,754
Balances with central bank	18,869	20,396
	<u>792,798</u>	<u>842,150</u>
Allowance for credit and other losses at stage 1	(19)	(65)
	<u>792,779</u>	<u>842,085</u>

(12) PLACEMENTS WITH AND ADVANCES TO BANKS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Gross placements with and advances to banks		
– maturing within one month	120,040	76,147
– maturing between one and twelve months	–	39,512
	<u>120,040</u>	<u>115,659</u>
Allowance for credit and other losses at stage 1	(90)	(59)
	<u>119,950</u>	<u>115,600</u>

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

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(13) LOANS AND ADVANCES TO CUSTOMERS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Gross loans and advances to customers	21,396,351	21,703,577
Less: Allowance for credit and other losses		
– Stage 1 & 2 ECL	(253,658)	(267,071)
– Stage 3 ECL	(230,895)	(240,054)
	<u>20,911,798</u>	<u>21,196,452</u>
Comprising:		
– Loans	<u>20,911,798</u>	<u>21,196,452</u>
	<u>20,911,798</u>	<u>21,196,452</u>

Loans and advances to customers by credit quality

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 30 June 2024				
Neither past due nor impaired				
– Pass	21,026,487	–	–	21,026,487
– Special Mention	–	–	–	–
Impaired	–	–	369,864	369,864
Allowance for credit and other losses	(253,658)	–	(230,895)	(484,553)
	<u>20,772,829</u>	<u>–</u>	<u>138,969</u>	<u>20,911,798</u>
As at 31 December 2023				
Neither past due nor impaired				
– Pass	21,131,922	–	–	21,131,922
– Special Mention	–	146,233	–	146,233
Impaired	–	–	425,422	425,422
Allowance for credit and other losses	(260,724)	(6,347)	(240,054)	(507,125)
	<u>20,871,198</u>	<u>139,886</u>	<u>185,368</u>	<u>21,196,452</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(14) INVESTMENT SECURITIES

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
Investment securities measured at amortised cost		
– at stage 1	924,476	2,339,098
– at stage 2	194,669	187,650
– at stage 3	–	804,324
Of which: past due and impaired	–	804,324
Allowance for credit and other losses		
– at stage 1	(237)	(533)
– at stage 2	(126,012)	(84,305)
– at stage 3	–	(611,286)
Of which : past due and impaired	–	(611,286)
	992,896	2,634,948
	992,896	2,634,948
Investment securities at fair value through other comprehensive income		
– at stage 1	8,144,137	6,084,904
– at stage 2	363,383	235,016
– at stage 3	8,716	35,229
Of which: past due and impaired	8,716	35,229
	8,516,236	6,355,149
	8,516,236	6,355,149
	9,509,132	8,990,097

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(15) PROPERTY AND EQUIPMENTS

Details of movement of property and equipments are as follows:

	Leasehold improvements HK\$'000	Furniture, computer and other equipments HK\$'000	Motor vehicles HK\$'000	RoU assets – properties and office equipment HK\$'000	Total HK\$'000
Cost:					
At 1 January 2023	22,475	27,036	2,912	86,507	138,930
Additions	–	643	–	–	643
Write-off	–	(1)	–	–	(1)
Exchange adjustments	–	(57)	(29)	(447)	(533)
At 31 December 2023	<u>22,475</u>	<u>27,621</u>	<u>2,883</u>	<u>86,060</u>	<u>139,039</u>
At 1 January 2024					
Additions	–	5,114	–	–	5,114
Write-off	–	(2,809)	–	–	(2,809)
Exchange adjustments	–	(292)	(26)	(393)	(711)
At 30 June 2024	<u>22,475</u>	<u>29,634</u>	<u>2,857</u>	<u>85,667</u>	<u>140,633</u>
Accumulated depreciation:					
At 1 January 2023	(22,414)	(23,760)	(2,665)	(38,401)	(87,240)
Charge for the year	(35)	(1,480)	(206)	(25,666)	(27,387)
Write-off	–	1	–	–	1
Exchange adjustments	–	51	28	308	387
At 31 December 2023	<u>(22,449)</u>	<u>(25,188)</u>	<u>(2,843)</u>	<u>(63,759)</u>	<u>(114,239)</u>
At 1 January 2024					
Charge for the period	(17)	(971)	(18)	(12,792)	(13,798)
Write-off	–	2,809	–	–	2,809
Exchange adjustments	–	72	4	338	414
At 30 June 2024	<u>(22,466)</u>	<u>(23,278)</u>	<u>(2,857)</u>	<u>(76,213)</u>	<u>(124,814)</u>
Net book value:					
At 30 June 2024	<u>9</u>	<u>6,356</u>	<u>–</u>	<u>9,454</u>	<u>15,819</u>
At 31 December 2023	<u>26</u>	<u>2,433</u>	<u>40</u>	<u>22,301</u>	<u>24,800</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(16) OTHER ASSETS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Interest receivables (note a)	220,157	324,991
Collaterals placed (note b)	–	34,050
Fees receivable	52	124
Prepaid expenses	6,252	4,982
Accounts receivable (note c)	83,438	117,203
Trade date receivable	7,139	–
Others	7,714	7,896
	<u>324,752</u>	<u>489,246</u>

Note a: Included Stage 3 ECL of interest receivable of HK\$2,135,000 associated with loans and advances to customers and investment securities at stage 3 as at 30 June 2024 (2023: HK\$1,747,000).

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

Note c: Included Stage 3 ECL of accounts receivable of HK\$82,185,000 associated with loans and advances to customers and investment securities at Stage 3 as at 30 June 2024 (2023: HK\$62,422,000).

(17) DEPOSITS FROM CUSTOMERS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Deposits from customers		
– time, call and notice deposits	<u>17,465,308</u>	<u>16,266,253</u>

(18) CERTIFICATES OF DEPOSIT AND OTHER DEBT SECURITIES ISSUED

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Certificates of deposits issued at amortised costs	1,551,933	2,210,959
Other debt securities issued at amortised costs (note 24(b))	<u>2,750,000</u>	<u>2,733,363</u>
	<u>4,301,933</u>	<u>4,944,322</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(19) OTHER LIABILITIES

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
Interest payable	322,254	392,613
Account payable	3,004	3,334
Accrued expenses	11,280	19,949
Provision for short term employee benefits	2,260	10,320
Collateral received	27,722	27,334
Trade date payable	510,540	–
Others (note a)	140,879	132,944
	<u>1,017,939</u>	<u>586,494</u>

Note a: Included allowance for credit and other losses of HK\$14,339,000 (2023: HK\$22,470,000) and provision of legal charge of HK\$28,090,000 (2023: Nil).

(20) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are presented in net when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle them on a net basis or realise the asset and settle the liability simultaneously. As at 30 June 2024, no derivative financial instruments have fulfilled the above criteria, therefore no derivative financial instruments were offset on the condensed consolidated statement of financial position (2023: Nil).

Derivatives – held for trading

	<u>At 30 June 2024</u>			<u>At 31 December 2023</u>		
	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000
Exchange rate contracts	10,822,490	44,156	14,095	8,807,054	45,459	52,032
Interest rate contracts	156,178	9,063	–	156,192	7,916	–
	<u>10,978,668</u>	<u>53,219</u>	<u>14,095</u>	<u>8,963,246</u>	<u>53,375</u>	<u>52,032</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(21) NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash outflow from the operating activities

	Notes	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
(Loss)/profit before taxation		(558,924)	199,985
Adjustments for:			
Interest income	4	(888,405)	(782,710)
Interest expense	4	714,677	490,754
Depreciation of property and equipments	7	1,006	891
Amortisation of right-of-use assets	7	12,792	12,861
Amortisation of intangible assets	7	603	739
Impairment charges	8	561,150	148,104
Net income from investment securities		48,037	8,091
Interest received		671,959	553,041
Interest paid		(590,870)	(390,169)
Elimination of exchange differences and other non-cash items		2,168,525	(128,846)
Operating profit before changes in working capital		2,140,550	112,741
Changes in financial assets at fair value through profit or loss		190,546	(132,045)
Decrease in client trust bank balances		2	49
Change in gross loans and advances to customers		527,369	(3,709,114)
Change in other assets		(1,947,225)	38,539
Change in deposits from banks		(223,052)	(2,239,202)
Change in deposits from customers		1,199,055	3,139,904
Change in certificates of deposit issued		(696,473)	45,806
Change in amounts payable under Repo		(769,097)	–
Change in other liabilities		128,603	59,710
Cash generated from operating activities		550,278	(2,683,612)
Hong Kong Profits Tax refund		34,191	–
Tax paid outside Hong Kong		(19,293)	(44,091)
Net cash inflow/(outflow) from operating activities		565,176	(2,727,703)

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

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

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

	30 June 2024 HK\$'000	30 June 2023 HK\$'000
Gross cash and balances with banks and central bank (note 11)	792,798	818,800
Less: Balances with banks for segregated accounts	–	(2)
Gross placements with banks with original maturity within three months (note 12)	120,040	406,500
Investment securities with original maturity within three months	297,147	590,002
	<u>1,209,985</u>	<u>1,815,300</u>

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

	30 June 2024 HK\$'000	30 June 2023 HK\$'000
Cash and balances with banks and central bank (note 11)	792,798	818,800
Gross placements with and advances to banks (note 12)	120,040	406,500
Investment securities	9,635,381	11,185,190
Amounts shown in the condensed consolidated statement of financial position	10,548,219	12,410,490
Less: Balances, gross placements with and advances to banks and investment securities with an original maturity beyond three months	(9,338,234)	(10,595,188)
Less: Balances with banks for segregated accounts	–	(2)
	<u>1,209,985</u>	<u>1,815,300</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

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

(d) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Share Capital (note 22) \$'000	Other debt securities issued (note 18) \$'000	Short-term borrowings \$'000	Lease Liabilities \$'000	Total \$'000
At 1 January 2023	4,000,000	3,898,561	399,583	47,505	8,345,649
Changes from financing cash flow:					
Proceeds from the issuance of new ordinary shares	2,305,476	–	–	–	2,305,476
Redemption from other debt securities	–	(3,900,829)	–	–	(3,900,829)
Proceeds from the other debt securities	–	2,741,710	–	–	2,741,710
Net payment from short-term borrowings	–	–	(191,971)	–	(191,971)
Capital element of lease rentals paid	–	–	–	(25,319)	(25,319)
Interest element of lease rentals paid	–	–	–	(757)	(757)
Interest paid	–	(48,909)	(44,345)	–	(93,254)
Total changes from financing cash flow	2,305,476	(1,208,028)	(236,316)	(26,076)	835,056
Interest expense	–	55,157	44,345	757	100,259
Exchange difference	–	(12,327)	–	66	(12,261)
Total other changes	–	42,830	44,345	823	87,998
At 31 December 2023 and 1 January 2024	6,305,476	2,733,363	207,612	22,252	9,268,703
Changes from financing cash flow:					
Redemption from the other debt securities	–	(2,738,774)	–	–	(2,738,774)
Proceeds from the issuance of other debt securities	–	2,750,000	–	–	2,750,000
Net payment from short-term borrowings	–	–	(133,484)	–	(133,484)
Capital element of lease rentals paid	–	–	–	(12,786)	(12,786)
Interest element of lease rentals paid	–	–	–	(204)	(204)
Interest paid	–	(127,096)	(15,872)	–	(142,968)
Total changes from financing cash flow	–	(115,870)	(149,356)	(12,990)	(278,216)
Interest expense	–	127,096	15,872	204	143,172
Exchange difference	–	5,411	–	46	5,457
Total other changes	–	132,507	15,872	250	148,629
At 30 June 2024	6,305,476	2,750,000	74,128	9,512	9,139,116

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(22) SHARE CAPITAL

	No. of shares '000	HK\$'000
Ordinary shares, issued and fully paid:		
At 30 June 2024	<u>590,986</u>	<u>6,305,476</u>
At 31 December 2023	<u>590,986</u>	<u>6,305,476</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(23) CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Contract amounts		
– Trade related contingencies	31,001	–
– Transaction-related contingencies	–	45,413
– Other commitments:		
– which are unconditionally cancellable	5,019,532	4,169,565
– with an original maturity under one year	347,589	–
– with an original maturity over one year	694,967	885,476
	<u>6,093,089</u>	<u>5,100,454</u>
Credit risk-weighted amount	<u>417,002</u>	<u>451,821</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(24) FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: fair value measured using quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value measured using valuation techniques based on observable inputs, either directly or indirectly. This category includes quoted prices in active markets for similar financial instruments, or quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: fair value measured using significant unobservable inputs. This category includes inputs to valuation techniques not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Where available, the most suitable measure for fair value is the quoted market price. In absence of organised secondary markets for most of the unlisted securities and over-the-counter derivatives, direct market prices of these financial instruments may not be available. The fair values of such instruments are therefore calculated based on established valuation techniques using current market parameters or market prices provided by counterparties.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. For other derivative financial instruments, the Group uses estimated discounted cash flows to determine their fair value and the discount rate used is a discount rate at the end of reporting period applicable for an instrument with similar terms and conditions.

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(24) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The table below analyses financial instruments, measured at fair value as at 30 June 2024 and 31 December 2023, by the level in the fair value hierarchy into which the fair value treatment is categorised.

At 30 June 2024

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	–	164,170	429,151	593,321
Derivative financial assets (note 20)	–	53,219	–	53,219
Investment securities at fair value through other comprehensive income (note 14)	<u>1,073,886</u>	<u>7,442,350</u>	<u>–</u>	<u>8,516,236</u>
Liabilities				
Derivative financial liabilities (note 20)	<u>–</u>	<u>14,095</u>	<u>–</u>	<u>14,095</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(24) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

At 31 December 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	–	260,928	520,121	781,049
Derivative financial assets (note 20)	–	53,575	–	53,375
Investment securities at fair value through other comprehensive income (note 14)	774,561	5,580,588	–	6,355,149
	<u>774,561</u>	<u>5,580,588</u>	<u>–</u>	<u>6,355,149</u>
Liabilities				
Derivative financial liabilities (note 20)	–	52,032	–	52,032
	<u>–</u>	<u>52,032</u>	<u>–</u>	<u>52,032</u>

During the six months ended 30 June 2024 and the year of 2023, there were no transfers of financial instruments between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of the debt securities in Level 2 is determined using broker quotes as at the end of the reporting period.

Valuation of financial instruments with significant unobservable inputs

The fair value of financial assets at fair value through profit and loss in Level 3 is determined using the most recent transactions, market comparable investment or discounted cashflow analysis. As at 30 June 2024, it is estimated that with all other variable held constant, an increase/decrease in the price of same products by 5% would have increased/decreased the Group's equity by HK\$30 million (2023: HK\$33 million).

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(24) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	Assets			Total HK\$'000
	Convertible bonds HK\$'000	Return of beneficial interest HK\$'000	Unlisted equity investments HK\$'000	
At 1 January 2024	82,781	351,679	85,661	520,121
Payment for purchases	–	–	27	27
Disposal/redemption for the products	–	–	–	–
Net deficit on revaluation	(22,993)	(52,889)	(3,874)	(79,756)
Other changes	(1,711)	(7,590)	(1,940)	(11,241)
At 30 June 2024	<u>58,077</u>	<u>291,200</u>	<u>79,874</u>	<u>429,151</u>
Total gains or losses for the period included in profit or loss for assets held during the reporting period:				
– Other operating income	–	–	–	–
– Net income from financial instruments measured at fair value	<u>22,993</u>	<u>47,024</u>	<u>4,752</u>	<u>74,769</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(24) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Assets			Total HK\$'000
	Convertible bonds HK\$'000	Return of beneficial interest HK\$'000	Unlisted equity investments HK\$'000	
At 1 January 2023	219,861	550,121	65,260	835,242
Payment for purchases	–	–	226	226
Disposal/redemption for the products	–	–	(424)	(424)
Net surplus/(deficit) on revaluation	(73,065)	134,299	2,102	63,336
Other changes	(5,678)	(127,854)	(2,856)	(136,388)
At 30 June 2023	<u>141,118</u>	<u>556,566</u>	<u>64,308</u>	<u>761,992</u>
Total gains or losses for the period included in profit or loss for assets held during the reporting period:				
– Other operating income	–	–	28	28
– Net income from financial instruments measured at fair value	<u>61,404</u>	<u>152,235</u>	<u>2,102</u>	<u>92,933</u>

(b) Financial assets and liabilities not measured at fair value

Financial assets and liabilities that were presented not at their fair value on the condensed consolidated statement of financial position mainly represented cash and balances with banks and central bank, placements with and advances to banks, loans and advances to customers and investment securities at amortised costs. These financial assets were measured at amortised cost less impairment. Financial liabilities not presented at their fair value on the condensed consolidated statement of financial position mainly included deposits from banks, deposits from customers, certificates of deposit issued and other debt securities. These financial liabilities were measured at amortised cost.

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(24) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not measured at fair value (continued)

The Group assessed that the differences between fair values and carrying amounts of those financial assets and liabilities not presented on the Group's condensed consolidated statement of financial position at their fair values are minimal as most of the Group's financial assets and liabilities are either short-term or priced at floating rates, except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amounts at 30 June 2024 HK\$'000	Fair value at 30 June 2024 HK\$'000	Fair value measurements as at 30 June 2024 categorised into		
			Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Assets					
Investments securities at amortised cost, net of ECL (note 14)	992,896	931,514	–	931,514	–
Liabilities					
Other debt securities issued at amortised cost (note 18)	2,750,000	2,750,000	–	2,750,000	–
	Carrying amounts at 31 December 2023 HK\$'000	Fair value at 31 December 2023 HK\$'000	Fair value measurements as at 31 December 2023 categorised into		
			Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Assets					
Investments securities at amortised cost, net of ECL (note 14)	2,634,948	2,351,738	–	2,351,738	–
Liabilities					
Other debt securities issued at amortised cost (note 18)	2,733,363	2,733,363	–	2,733,363	–

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(25) MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with related parties in the normal course of business including accepting and placement of inter-bank deposits, conducting correspondent banking and foreign exchange transactions. All these related party transactions were priced at the relevant market rates at the time of each transaction.

The amount of material related party transactions during the period and outstanding balances at the reporting date are set out below:

	Immediate and ultimate holding company	
	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Condensed consolidated statement of profit or loss and other comprehensive income:		
Interest income	20	11
Interest expense	(134,510)	(81,705)
Net fee and commission income	2,331	1,421
Other operating expenses	1,399	1,434
	<u> </u>	<u> </u>
	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Condensed consolidated statement of financial position:		
Amounts due from:		
– Cash and balances with banks and central bank	14,802	13,918
– Other assets	1,441	1,486
– Property and equipments	1,389	2,843
Amounts due to:		
– Deposits from banks	2,108,409	2,577,171
– Certificates of deposit and other debt securities issued	2,750,000	2,733,363
– Other liabilities	236,150	214,038
– Lease liabilities	1,554	3,133
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**BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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

(26) IMMEDIATE AND ULTIMATE HOLDING COMPANY

As at 30 June 2024, the Company's immediate and ultimate holding company is Bank of Shanghai Co., Limited, which is incorporated in the People's Republic of China. Bank of Shanghai Co., Limited produces financial statements available for public access.