

TAI SANG BANK LIMITED

INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018
(UNAUDITED)

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

I. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half Year Ended 30 Jun 2018 (Unaudited) HK\$	Half Year Ended 30 Jun 2017 (Unaudited) (Restated)* HK\$
Interest Income	7,928,314	5,614,887
Interest Expenses	(419,644)	(416,537)
Net Interest Income	<u>7,508,670</u>	<u>5,198,350</u>
Other Operating Income	5,243,261	7,021,310
Operating Income	<u>12,751,931</u>	<u>12,219,660</u>
Operating Expenses	(10,260,223)	(9,669,697)
Operating Profit Before Impairment	<u>2,491,708</u>	<u>2,549,963</u>
Impairment Allowances for Impaired Assets	-	-
Operating Profit	<u>2,491,708</u>	<u>2,549,963</u>
Revaluation Surplus of Investment Properties	9,400,000	14,700,000
Loss on Disposal of Property, Plant & Equipment	(5,084)	(45,103)
Profit Before Income Tax	<u>11,886,624</u>	<u>17,204,860</u>
Taxation Expense	(454,777)	(341,375)
Profit Attributable to Equity Holders	<u>11,431,847</u>	<u>16,863,485</u>
Other Comprehensive Income:		
Items that may be reclassified to Profit or Loss		
Available-for-Sale Investments:		
Increase in Fair Value during the Half Year	-	6,590,866
Deferred Tax	-	-
	<u>-</u>	<u>6,590,866</u>
Items that will not be reclassified to Profit or Loss		
Equity Investments at Fair Value through		
Other Comprehensive Income:		
Decrease in Fair Value during the Half Year	(182,050)	-
Deferred Tax	-	-
	<u>-</u>	<u>-</u>
Total Comprehensive Income Attributable to Equity Holders for the Half Year Ended 30th June	<u><u>11,249,797</u></u>	<u><u>23,454,351</u></u>

* Refer to note (27) for details regarding the restatement as a result of a change in accounting policy.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

I. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)

Explanatory Statement

A slight upward trend in interbank interest rates during the first half of 2018 was noted. The Bank had managed to improve on the interest income earned from interbank placement activities by placing for various tenors whenever rates were spotted to be attractive, while still maintaining a desirable level of liquidity. Net interest income has thus increased from the equivalent period in 2017 by 44%.

Other operating income has decreased in the first half of 2018 when compared to the same period of 2017, mainly as a result of lower net rental income for the current period. This was caused by ad hoc rental outgoings incurred for major lift renovation repair work carried out. Following the disposal of certain listed equity investments throughout 2017 and in early 2018, the level of dividend income received from such investments had also decreased for the current period. Such decreases noted were partially offset by increases in income from safe deposit box rental. Other operating expenses were vulnerable to inflationary increases, but were maintained at reasonable level. The increase in operating expenses was also attributable to an increase in the head count of the Group during the current period.

Despite the 12.4% decrease noted in the level of customers' deposits of the Bank during the first half of 2018, the Group's loan portfolio had maintained a moderate 7.4% increase from year-end 2017. Commercial office property prices had continued to increase in 2018, but at a slightly slower pace and smaller extent than the same period in 2017. Financial condition of the Bank and the Group remains sound, with nil loan losses, adequate capital and high liquidity.

2018 has been the first year of the Group adopting HKFRS 9. As a result of the adoption of this new standard, the accounting policy of the Group has changed, the details of which have been documented in note (27) of this interim financial disclosure statement.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Audited) HK\$
ASSETS		
Cash and Balances with Banks	853,041,285	834,434,815
Placements with Banks Maturing within One and Twelve Months	239,812,165	460,343,013
Loans and Advances to Customers & Other Accounts	235,835,040	165,572,545
Equity Investments at Fair Value through Other Comprehensive Income (FVOCI)	10,263,110	-
Available-for-Sale Investments	-	17,299,860
Property, Plant & Equipment	72,845,812	72,217,052
Investment Properties	320,800,000	311,400,000
Tax Recoverable	-	10,073
TOTAL ASSETS	<u>1,732,597,412</u>	<u>1,861,277,358</u>
LIABILITIES		
Deposits from Customers	993,809,423	1,134,950,948
Other Liabilities & Provisions	19,470,148	18,703,071
Current Tax Liabilities	23,617	5,120
Deferred Tax Liabilities	5,923,277	5,497,069
TOTAL LIABILITIES	<u>1,019,226,465</u>	<u>1,159,156,208</u>
EQUITY		
Share Capital	310,000,000	310,000,000
Properties Revaluation Reserve	2,239,351	2,239,351
Investment at FVOCI Revaluation Reserve	2,702,392	-
Investment Revaluation Reserve	-	5,209,154
General Reserve	610,257	610,257
Regulatory Reserve	1,800,000	1,800,000
Retained Earnings	396,018,947	382,262,388
TOTAL EQUITY	<u>713,370,947</u>	<u>702,121,150</u>
TOTAL LIABILITIES AND EQUITY	<u>1,732,597,412</u>	<u>1,861,277,358</u>

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

III. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Bank			
	Share capital HK\$	Other reserves HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2018 (Audited, as previously reported)	310,000,000	9,858,762	382,262,388	702,121,150
Adjustment for adoption of HKFRS 9 (net of tax)	-	-	-	-
At 1 January 2018 (as restated)	310,000,000	9,858,762	382,262,388	702,121,150
Comprehensive income				
Profit for the half year	-	-	11,431,847	11,431,847
Other comprehensive income				
Change in fair value of available-for- sale investments	-	(182,050)	-	(182,050)
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	(2,324,712)	2,324,712	-
Total comprehensive income	-	(2,506,762)	13,756,559	11,249,797
Total transfer and appropriation	-	-	-	-
Balance at 30 June 2018 (Unaudited)	<u>310,000,000</u>	<u>7,352,000</u>	<u>396,018,947</u>	<u>713,370,947</u>
Balance at 1 January 2017 (Audited, as previously reported)	310,000,000	9,882,543	340,622,876	660,505,419
Adjustment for adoption of HKFRS 9 (net of tax)	-	-	-	-
At 1 January 2017 (as restated)	310,000,000	9,882,543	340,622,876	660,505,419
Comprehensive income				
Profit for the half year (restated)	-	-	16,863,485	16,863,485
Other comprehensive income (restated)				
Change in fair value of available-for- sale investments	-	6,590,866	-	6,590,866
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	(2,016,397)	2,016,397	-
Total comprehensive income	-	4,574,469	18,879,882	23,454,351
Total transfer and appropriation	-	-	-	-
Balance at 30 June 2017 (Unaudited)	<u>310,000,000</u>	<u>14,457,012</u>	<u>359,502,758</u>	<u>683,959,770</u>

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Half Year Ended 30 Jun 2018 (Unaudited) HK\$	Half Year Ended 30 Jun 2017 (Unaudited) HK\$
Cash flows from operating activities		
Operating profit	2,491,708	2,549,963
Depreciation expenses	533,867	403,568
Dividend income from equity investments at FVOCI (2017: available-for-sale investments)	(180,550)	(474,993)
Income tax paid	-	-
Cash flows from operating activities before changes in operating assets and liabilities	2,845,025	2,478,538
Changes in operating assets and liabilities		
- Net decrease / (increase) in interest receivable	181,688	(170,773)
- Net (increase) / decrease in other receivable	(58,413,248)	4,404,540
- Net increase in interest payable	9,672	24,995
- Net decrease in other payable accounts	(75,095)	(537,097)
- Net (increase) / decrease in advances to customers	(12,030,935)	5,188,692
- Net (decrease) / increase in customers' deposits	(141,141,525)	45,150,204
- Net decrease / (increase) in placements with banks repayable more than 3 months	69,877,342	(35,331,627)
Net cash (outflow) / inflow from operating activities	(138,747,076)	21,207,472
Cash flows from investing activities		
Dividends received on equity investments at FVOCI (2017: available-for-sale investments)	180,550	474,993
Purchase of property, plant and equipment	(335,210)	(156,998)
Proceeds from disposal of property, plant and equipment	-	8,000
Proceeds from disposal of equity investments at FVOCI (2017: available-for-sale investments)	6,854,700	8,833,394
Purchase of equity investments at FVOCI (2017: available-for-sale investments)	-	(198,147)
Net cash inflow from investing activities	6,700,040	8,961,242
(Decrease) / Increase in cash and cash equivalents	(132,047,036)	30,168,714
Cash and cash equivalents at 1 January	1,036,921,165	848,544,660
Cash and cash equivalents at 30 June (Note a)	904,874,129	878,713,374
Cash flows from operating activities included:		
Interest received	8,110,002	5,444,114
Interest paid	409,972	391,542
Note a :		
Cash and cash equivalents comprise the following balances:		
Cash in hand	3,415,378	2,965,173
Balances with banks and central bank	248,940,794	286,044,843
Placements with banks with original maturity within 3 months	652,517,957	589,703,358
	904,874,129	878,713,374

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

V. SCOPE OF CONSOLIDATION

This interim financial disclosure statement has been prepared based on the consolidated results and financial data of the Bank and its four subsidiaries made up to 30 June 2018. The four wholly owned subsidiaries of the Bank are TSB Property Management Limited, Success Land Enterprises Limited, Golden Wisdom Development Limited and Team Gold Investment Limited, the first two of which are engaged in property management and investment holding respectively, while the latter two are investment property holding companies. There were no subsidiaries which were not included in the consolidated Group.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The basis of consolidation for accounting purposes differs from the basis of consolidation for regulatory purposes, under which only Success Land Enterprises Limited, Golden Wisdom Development Limited and Team Gold Investment Limited are included as subsidiaries in the consolidated Group for regulatory purposes. The Bank is required to calculate and report its capital ratios on the consolidated position based on the regulatory scope of consolidated figures in addition to the Bank's solo position based on its unconsolidated level figures.

There are no shareholdings in any of the above subsidiaries that are deducted from the Bank's CET1 capital.

The total assets and total equity reported on the financial statement of each of the above mentioned subsidiaries as at 30 June 2018 are as follows:

	Total Assets At 30 Jun 2018 (Unaudited) HK\$	Total Equity At 30 Jun 2018 (Unaudited) HK\$
TSB Property Management Limited	684,525	433,228
Success Land Enterprises Limited	2	2
Golden Wisdom Development Limited	31,926,037	31,583,851
Team Gold Investment Limited	27,989,435	27,740,918

There are no restrictions on the transfer of funds or regulatory capital between the Group companies under any relevant regulatory, legal or taxation constraints.

VI. NOTES AND SUPPLEMENTARY INFORMATION

(1) General Information

The principal activities of Tai Sang Bank Limited (the "Bank") and its subsidiaries (collectively the "Group") are the provision of banking and related financial services, and property investment and management.

The Bank is an authorized institution incorporated in Hong Kong. The address of its registered office is 130-132 Des Voeux Road Central, Hong Kong.

This interim financial disclosure statement is presented in units of Hong Kong dollars (HK\$), unless otherwise stated.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(2) Accounting Policies

The accounting policies applied in the preparation of this interim financial disclosure statement for the half year ended 30 June 2018 are consistent with those used and described in the Group's audited annual financial statements for the year ended 31 December 2017, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments

The impact of the adoption of this standard and the new accounting policies are disclosed in note (27) below.

- HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. This new standard on the recognition of revenue replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Upon an assessment made by the Group on the effects of applying this new standard, the Group has concluded that the standard does not have material impact on its financial statements. As a result of this conclusion, there were no adjustments made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018).

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group is operating mainly as a lessor and only has certain minimal operating lease commitments as lessee. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(3) Net Interest Income

	Half Year Ended 30 Jun 2018 (Unaudited) HK\$	Half Year Ended 30 Jun 2017 (Unaudited) HK\$
Interest income		
Cash and balances and placements with banks	4,558,304	2,506,121
Loans and advances	3,370,010	3,108,766
Impaired assets	-	-
	<u>7,928,314</u>	<u>5,614,887</u>
Interest expense		
Deposits from customers	416,817	416,129
Others	2,827	408
	<u>419,644</u>	<u>416,537</u>

(4) Other Operating Income

	Half Year Ended 30 Jun 2018 (Unaudited) HK\$	Half Year Ended 30 Jun 2017 (Unaudited) HK\$
Fees and commission income	75,607	87,688
Less : fees and commission expense	(38,093)	(19,103)
Net fees and commission income	<u>37,514</u>	<u>68,585</u>
Gross rental income - investment properties	4,363,967	4,428,942
Less : rental outgoings	(3,293,984)	(1,596,297)
	<u>1,069,983</u>	<u>2,832,645</u>
Air-conditioning and management fees	933,607	934,344
Dividend income from:		
Listed equity investments at FVOCI (2017: Listed available-for-sale investments)	172,390	466,833
Unlisted equity investments at FVOCI (2017: Unlisted available-for-sale investments)	8,160	8,160
Miscellaneous income (includes mainly safe deposit box rental income and others)	3,021,607	2,710,743
	<u>5,243,261</u>	<u>7,021,310</u>

(5) Operating Expenses

	Half Year Ended 30 Jun 2018 (Unaudited) HK\$	Half Year Ended 30 Jun 2017 (Unaudited) HK\$
Staff costs	6,870,934	6,530,366
Premises and equipment expenses	650,190	708,704
Depreciation	533,867	403,568
Miscellaneous expenses	2,205,232	2,027,059
	<u>10,260,223</u>	<u>9,669,697</u>

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(6) Income Tax Expense

Hong Kong income tax has been provided at the rate of 16.5% (2017:16.5%) on the estimated assessable profits for the period.

	Half Year Ended 30 Jun 2018 (Unaudited) HK\$	Half Year Ended 30 Jun 2017 (Unaudited) HK\$
Current income – Hong Kong profits tax	28,570	103,884
Deferred income tax expense	426,207	237,491
Income tax expense	<u>454,777</u>	<u>341,375</u>

(7) Cash and Balances with Banks

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Audited) HK\$
Cash in hand	3,415,378	4,079,908
Balances with banks and central bank	248,940,794	430,354,907
Placement with banks, maturing within 1 month	600,685,113	400,000,000
	<u>853,041,285</u>	<u>834,434,815</u>
Impairment allowances for impaired assets -collective & specific impairment allowances (cash and balances with banks)	<u>-</u>	<u>-</u>

(8) Placements with Banks

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Audited) HK\$
Placements with banks - maturing between 1 and 12 months	<u>239,812,165</u>	<u>460,343,013</u>
Impairment allowances for impaired assets -collective & specific impairment allowances (placements with banks)	<u>-</u>	<u>-</u>

(9) Loans and Advances to Customers & Other Accounts

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Audited) HK\$
Loans and advances to customers	<u>174,286,861</u>	<u>162,255,926</u>
Accrued interest and other accounts	<u>61,548,179</u>	<u>3,316,619</u>
Impairment allowances for impaired assets -collective & specific impairment allowances (loans and advances to customers)	<u>-</u>	<u>-</u>
-collective & specific impairment allowances (accrued interest & other accounts)	<u>-</u>	<u>-</u>

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

- (10) All advances disclosed in note (9) above as at 31 December 2017 and 30 June 2018 were made to customers located in Hong Kong and apart from an unsecured overdraft facility with outstanding balance of HK\$Nil as at 30 June 2018 (HK\$197,640 as at 31 December 2017) were fully secured.
- (11) As at 31 December 2017 and 30 June 2018, there were no advances to customers or banks and other financial institutions which were impaired and for which individual impairment allowances were made.
- (12) There were no advances to customers, advances to banks and other financial institutions and other assets which had been overdue for more than three months as at 31 December 2017 and 30 June 2018.
- (13) There were no rescheduled advances to customers or rescheduled advances to banks and other financial institutions as at 31 December 2017 and 30 June 2018.
- (14) The Group had no repossessed assets as at 31 December 2017 and 30 June 2018. In situations where assets are acquired by repossession of collateral for realization, they would continue to be reported as advances.
- (15) There were no exposures to non-bank counterparties in Mainland China as at 31 December 2017 and 30 June 2018.

(16) Gross Advances to Customers by Industry Sectors

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Unaudited) HK\$
Loans for use in Hong Kong		
Industrial, commercial and financial		
- property investment	58,179,025	59,286,427
- stockbrokers	2,923,070	2,901,034
- investment companies	104,341,394	90,902,530
Individuals		
- loans for the purchase of residential properties other than flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	4,793,186	6,059,116
- others	1,856,386	2,306,768
Trade finance	2,193,800	800,051
	<u>174,286,861</u>	<u>162,255,926</u>

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(17) Property, Plant and Equipment

	Bank Premises HK\$	Furniture, Fixtures and Equipment HK\$	Total HK\$
Cost or Deemed cost at valuation			
At 1 Jan 2018 (Audited)	117,618,203	13,646,273	131,264,476
Additions	-	1,167,711	1,167,711
Write off/ disposal	-	(356,985)	(356,985)
At 30 Jun 2018 (Unaudited)	<u>117,618,203</u>	<u>14,456,999</u>	<u>132,075,202</u>
Accumulated depreciation and impairment			
At 1 Jan 2018 (Audited)	48,927,691	10,119,733	59,047,424
Charge for the period	194,315	339,552	533,867
Write off/ disposal	-	(351,901)	(351,901)
At 30 Jun 2018 (Unaudited)	<u>49,122,006</u>	<u>10,107,384</u>	<u>59,229,390</u>
Net book value			
At 30 Jun 2018 (Unaudited)	<u>68,496,197</u>	<u>4,349,615</u>	<u>72,845,812</u>
At 31 Dec 2017 (Audited)	<u>68,690,512</u>	<u>3,526,540</u>	<u>72,217,052</u>

(18) Investment Properties

	Total HK\$
At 1 Jan 2017 (Audited)	284,700,000
Fair value gains for the year	26,700,000
At 31 Dec 2017 (Audited)	<u>311,400,000</u>
Fair value gains for the 6 months period	9,400,000
At 30 Jun 2018 (Unaudited)	<u>320,800,000</u>

(19) Deposits from Customers

Deposits from customers comprise of the following categories :

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Audited) HK\$
Demand deposits and current accounts	94,815,630	143,578,545
Savings deposits	753,556,444	847,078,392
Time, call and notice deposits	145,437,349	144,294,011
	<u>993,809,423</u>	<u>1,134,950,948</u>

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(20) Reserves

	Other properties revaluation reserve HK\$	Investment at FVOCI revaluation reserve HK\$	Investment revaluation reserve HK\$	General reserve HK\$	Regulatory reserve HK\$	Retained earnings HK\$	Total HK\$
At 1 Jan 2018 (Audited, as previously reported)	2,239,351	-	5,209,154	610,257	1,800,000	382,262,388	392,121,150
Adjustment for adoption of HKFRS 9 (net of tax)	-	5,209,154	(5,209,154)	-	-	-	-
At 1 Jan 2018 (as restated)	2,239,351	5,209,154	-	610,257	1,800,000	382,262,388	392,121,150
Deficit on revaluation of equity investments at FVOCI	-	(182,050)	-	-	-	-	(182,050)
Transfer of gain on disposal of equity investments at	-	(2,324,712)	-	-	-	2,324,712	-
Profit for the half year	-	-	-	-	-	11,431,847	11,431,847
At 30 Jun 2018 (Unaudited)	<u>2,239,351</u>	<u>2,702,392</u>	<u>-</u>	<u>610,257</u>	<u>1,800,000</u>	<u>396,018,947</u>	<u>403,370,947</u>
Representing :							
Bank and subsidiaries	<u>2,239,351</u>	<u>2,702,392</u>	<u>-</u>	<u>610,257</u>	<u>1,800,000</u>	<u>396,018,947</u>	<u>403,370,947</u>

(21) International Claims

The break-down of the international claims by types of counterparties on geographical segment which constitutes 10% or more of the aggregate international claims are reported as follows:

	Banks and other Financial Institutio HK\$'000	Official Sector HK\$'000	Total HK\$'
As at 30 June 2018 (Unaudited)			
Asia Pacific excluding Hong Kong	<u>540,497</u>	<u>-</u>	<u>540,497</u>
Western Europe	<u>200,000</u>	<u>-</u>	<u>200,000</u>
As at 31 December 2017 (Unaudited)			
Asia Pacific excluding Hong Kong	<u>860,343</u>	<u>-</u>	<u>860,343</u>
Western Europe	<u>-</u>	<u>-</u>	<u>-</u>

The above international claims classification has taken into account the transfer of risk in the case of claims on overseas branches of a bank whose head office is located in another country.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(22) Currency Concentrations

The US dollar net position and the RMB net position, which arise from non-trading positions and each constitutes more than 10% of the total net position in all foreign currencies, are reported as follows:

US Dollar Position:

	As at 30 Jun 2018 (Unaudited) HK\$'000	As at 31 Dec 2017 (Unaudited) HK\$'000
Equivalent in Hong Kong dollars		
Spot assets	10,730	10,615
Spot liabilities	(10,011)	(9,906)
Net long position	<u>719</u>	<u>709</u>

RMB Position:

	As at 30 Jun 2018 (Unaudited) HK\$'000	As at 31 Dec 2017 (Unaudited) HK\$'000
Equivalent in Hong Kong dollars		
Spot assets	469	517
Spot liabilities	(215)	(248)
Net long position	<u>254</u>	<u>269</u>

(23) Off-Balance Sheet Exposures

(a) Contingent Liabilities and Commitments

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Audited) HK\$
Contract amount		
Direct credit substitutes	4,000,000	4,000,000
Trade-related contingencies	1,401,768	1,628,304
Other commitments with an original maturity of under 1 year or which are unconditionally cancellable	5,383,582	19,961,312
	<u>10,785,350</u>	<u>25,589,616</u>
Credit Risk Weighted Amount	<u>4,280,354</u>	<u>4,325,661</u>

(b) Derivatives

	As at 30 Jun 2018 (Unaudited) HK\$	As at 31 Dec 2017 (Audited) HK\$
Exchange Rate Contracts		
Notional Contract Amount	-	-
Credit Risk Weighted Amount	-	-
Replacement Cost	-	-
Interest Rate Contracts		
Notional Contract Amount	-	-
Credit Risk Weighted Amount	-	-
Replacement Cost	-	-
Other Contracts		
Notional Contract Amount	-	-
Credit Risk Weighted Amount	-	-
Replacement Cost	-	-

The Group did not enter into any bilateral netting agreements during the period and accordingly the above amounts are shown on a gross basis.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(24) Key Prudential Ratios & Their Components

Capital Adequacy

	30 Jun 2018 (Unaudited)	31 Mar 2018 (Unaudited)	31 Dec 2017 (Audited)	30 Sept 2017 (Unaudited)	30 Jun 2017 (Unaudited)
Common equity tier 1 capital (HK\$'000)	394,691	394,680	392,885	389,553	386,724
Tier 1 capital (HK\$'000)	394,691	394,680	392,885	389,553	386,724
Total capital (HK\$'000)	538,897	534,656	532,861	524,157	521,328
Total risk weighted amounts (HK\$'000)	627,547	709,009	619,811	575,709	637,118
Common equity tier 1 capital ratio	62.89%	55.67%	63.39%	67.66%	60.70%
Tier 1 capital ratio	62.89%	55.67%	63.39%	67.66%	60.70%
Total capital ratio	85.87%	75.41%	85.97%	91.05%	81.83%

The table above summaries the capital ratios calculated as computed in accordance with the Banking (Capital) Rules under consolidated basis of the Bank as at the dates shown. The constituent elements of the Total Capital as at 30 June 2018 and 31 December 2017 have been disclosed in note (25) below.

The Bank's common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio as at 30 June 2018 have increased from those as at 31 March 2018, mainly due to the lower level of total risk weighted amounts recorded at the end of the current reporting period resulting from a lower level of interbank placmenets outstanding.

Leverage Ratio

	30 Jun 2018 (Unaudited)	31 Mar 2018 (Unaudited)	31 Dec 2017 (Unaudited)	30 Sept 2017 (Unaudited)	30 Jun 2017 (Unaudited)
Tier 1 capital (HK\$'000)	394,691	394,680	392,885	389,553	386,724
Exposure measure for the calculation of leverage ratio (HK\$'000)	1,425,774	1,573,886	1,874,537	1,826,773	1,787,215
Leverage ratio	27.68%	25.08%	20.96%	21.32%	21.64%

The leverage ratio shown above represents the consolidated leverage ratio calculated in accordance with the Banking (Capital) Rules.

The increase of leverage ratio as at 30 June 2018 from that of 31 March 2018 was predominantly due to the lower level of exposure measure, which was resulted from the reduced consolidated statement of financial position following a decrease in the level of customers' deposits.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(24) Key Prudential Ratios & Their Components (Continued)

Liquidity

	30 Jun 2018 (Unaudited)	31 Mar 2018 (Unaudited)	31 Dec 2017 (Unaudited)	30 Sept 2017 (Unaudited)	30 Jun 2017 (Unaudited)
Liquidity maintenance ratio (Quarterly average)	82.62%	72.27%	77.25%	83.09%	80.33%

The Bank, as a category 2 institution for the purpose of the Liquidity Rules, is only required to maintain and report liquidity maintenance ratio (LMR) on a solo basis. As such, the Bank is not required to report Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Core Funding Ratio (CFR). The above LMR are the quarterly average LMR calculated as the the simple average of each calendar month's average liquidity maintenance ratio of the Bank's solo position within the reporting quarters.

Liquidity risk arises from the mismatch in the cash flows emanating from on-balance sheet assets and liabilities, plus the settlement characteristic of off-balance sheet activities. The Group's funding activities are closely managed by the directors in accordance with policies and guidelines established by the Board. The usual conservative strategy and the availability of up-to-date reporting on liquidity position ensure that all obligations of the Group are met in a timely and cost efficient manner.

The average liquidity maintenance ratio for the Bank for the quarter ended 30 June 2018 has increased significantly from that of the quarter ended 31 March 2018. The reason for the increase was two-folded: firstly, there was a higher level of balance in settlement account with Exchange Fund included in liquefiable assets and secondly, the average level of customers' deposits payable on demand i.e. current and savings accounts was lower for the quarter ended 30 June 2018 when compared to the quarter ended 31 March 2018, thus, resulting in lower average qualifying liabilities used in the calculation of the liquidity maintenance ratio.

Other Prudential Ratios

	30 Jun 2018 (Unaudited)	31 Mar 2018 (Unaudited)	31 Dec 2017 (Audited)	30 Sept 2017 (Unaudited)	30 Jun 2017 (Unaudited)
Capital conservation buffer ratio	1.875%	1.875%	1.250%	1.250%	1.250%

	30 Jun 2018 (Unaudited)	31 Mar 2018 (Unaudited)	31 Dec 2017 (Unaudited)	30 Sept 2017 (Unaudited)	30 Jun 2017 (Unaudited)
Countercyclical capital buffer ratio	1.875%	1.875%	1.250%	1.250%	1.250%

The capital conservation buffer ratio for the Bank for 2018 is 1.875% (2017: 1.25%) as stipulated by the Banking (Capital) Rules. While the Bank only operates and has private sector credit exposures in Hong Kong for the purpose of the calculation of its countercyclical capital buffer ratio, the applicable countercyclical capital buffer ratio for the Bank equals to that of Hong Kong for 2018, which amounts to 1.875% (2017: 1.25%).

The Bank is not designated as a domestic systematically important authorised institution and as such is not subject to the Higher Loss Absorbency (HLA) requirements under the Banking (Capital) Rules. HLA ratio is not required to be reported by the Bank.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(25) Capital Structure and Adequacy

The Bank is required by the HKMA to compute and report on capital ratios on both consolidated and solo basis. The Bank and the Group complied with all of the externally imposed capital requirements by the HKMA throughout the reporting period.

The capital ratios shown in note (24) represent the consolidated ratios of the Bank as computed in accordance with the Banking (Capital) Rules. In accordance with the Banking (Capital) Rules, the Bank has adopted the “basic approach” for the calculation of the risk weighted assets for credit risk and the “basic indicator approach” for the calculation of operational risk. The Bank has been exempted from the calculation of risk weighted assets for market risk.

The capital base after deductions used in the calculation of the above capital ratios and reported to the Hong Kong Monetary Authority is analysed as follows :

	Consolidated Basis As at 30 Jun 2018 (Unaudited) HK\$'000	Consolidated As at 31 Dec 2017 (Audited) HK\$'000
Common equity tier 1 (CET1) capital :		
CET1 capital instruments	264,987	264,987
Retained earnings	395,596	381,884
Disclosed reserves	7,352	9,859
	<u>667,935</u>	<u>656,730</u>
Less: Cumulative fair value gains arising from revaluation of land and buildings	(271,444)	(262,045)
Regulatory reserve for general banking risk	(1,800)	(1,800)
Total CET1 capital after deductions	<u>394,691</u>	<u>392,885</u>
Additional Tier 1 capital	-	-
Total Tier 1 capital after deductions	<u>394,691</u>	<u>392,885</u>
Tier 2 capital		
Reserve attributable to fair value gains on revaluation of land and buildings	142,406	138,176
Regulatory reserve for general banking risk	1,800	1,800
	<u>144,206</u>	<u>139,976</u>
Less : Tier 2 capital deductions	-	-
Total Tier 2 capital after deductions	<u>144,206</u>	<u>139,976</u>
Total capital base	<u>538,897</u>	<u>532,861</u>

The total capital base for the current reporting period has increased from that as at 31 December 2017, mainly as a result of revaluation surplus of investment properties held by the Group as at 30 June 2018 and the operating profit earned during the period.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(26) Regulatory Disclosure Templates

The following regulatory disclosure templates as at 30 June 2018 (unaudited) are attached to the annex of this interim financial disclosure statement:

- Composition of Regulatory Capital (Template CC1)
- Reconciliation of Regulatory Capital to Statement of Financial Position (Template CC2)
- Main Features of Regulatory Capital Instruments (Table CCA)
- Summary Comparison of Accounting Assets Against Leverage Ratio (Template LR1)
- Leverage Ratio (Template LR2)
- Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer (Template CCyB1)
- Overview of Risk Weighted Assets (Template OV1)
- Credit Quality Exposures Template (Template CR1)
- Changes in Defaulted Loans and Debt Securities Template (Template CR2)
- Overview of Recognized Credit Risk Mitigation Template (Template CR3)
- Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation Template (Template CR4)
- Credit Risk Exposures by Asset Classes and by Risk Weights Template (Template CR5)
- Key Prudential Ratios (Template KM1)

The Bank does not engage in any derivative transactions, securities financing transactions or securitization transactions as at 31 December 2017 and 30 June 2018 nor has plan to engage in such transactions in the coming year, and has therefore not included any disclosure templates on counterparty credit risk in respect of derivative contracts and securities financing transactions and securitization exposures, which are considered not to be relevant and would carry nil balances on such templates if published.

The Bank has been exempted from the calculation of risk weighted assets for market risk and accordingly has been exempted from disclosing templates on market risk.

Full capital deductions under the Banking (Capital) Rules have already been applied in the Capital Disclosures Template.

Full terms and conditions of the Bank's CET1 capital instruments are disclosed in the website of the Bank.

(27) Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

HKFRS 9 "Financial Instruments"

(a) Impact of adoption on the financial statements

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(27) Changes in Accounting Policies (Continued)

HKFRS 9 "Financial Instruments"

(a) Impact of adoption on the financial statements (Continued)

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018. While hedge accounting is governed by different sets of transitional provisions in the standard, the Group does not have any transactions and financial instruments that fall under that category and as such, there is no impact on adoption and no need to restate any comparative figures on hedge accounting.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

(i) Non-trading equity investments previously classified as available-for-sale to FVOCI

The Group elected to present in OCI changes in the fair value of all its non-trading equity investments previously classified as available-for-sale, as these investments are held as long-term investments that are not expected to be sold in the short to medium term for profit. As a result, assets with a fair value of HK\$17,299,860 were reclassified from available-for-sale investments to equity investments at FVOCI in the statement of financial position and cumulative fair value gains of HK\$5,209,154 were reclassified from Investment Revaluation Reserve to Investment at FVOCI Revaluation Reserve on 1 January 2018. Total profit attributable to shareholders for the six months to June 2017 was HK\$2,016,397 lower as there is no longer any reclassification of accumulated amounts from reserves to profit or loss account on the disposal of these investments (related tax impact: HK\$Nil). On the other hand, the other comprehensive income in relation to the increase in the fair value of available-for-sale investments for the half year ended 30 June 2017 has increased by HK\$595,894 to conform with the same presentation and treatment of fair value increase in such assets as adopted in the current reporting period under HKFRS 9 (related tax impact: HK\$Nil).

(ii) Other financial assets

Other financial assets, including cash and balances with banks, placements with banks, loans and advances to customers and other debt instruments have been assessed by the Group to have the same classification as measured under amortised cost under both HKAS 39 and HKFRS 9.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(27) Changes in Accounting Policies (Continued)

HKFRS 9 "Financial Instruments"

(a) Impact of adoption on the financial statements (Continued)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated Statement of Financial Position (extract)

	31 Dec 2017 As originally presented HK\$	HKFRS 9 Adjustment HK\$	1 Jan 2018 Restated HK\$
Equity Investments at Fair Value through Other Comprehensive Income	-	17,299,860	17,299,860
Available-for-sale Investments	17,299,860	(17,299,860)	-
Total assets affected	17,299,860	-	17,299,860
Investment at FVOCI Revaluation Reserve	-	5,209,154	5,209,154
Investment Revaluation Reserve	5,209,154	(5,209,154)	-
Total equity affected	5,209,154	-	5,209,154

Consolidated Statement of Comprehensive Income (extract)
- 6 months to 30 June 2017

	As originally presented HK\$	HKFRS 9 Adjustment HK\$	Restated HK\$
Operating profit before impairment	2,549,963	-	2,549,963
Impairment allowances for impaired assets	-	-	-
Operating profit	2,549,963	-	2,549,963
Profit on disposal of available-for-sale investments	2,016,397	(2,016,397)	-
Revaluation surplus of investment properties	14,700,000	-	14,700,000
Loss on disposal of property, plant & equipment	(45,103)	-	(45,103)
Profit before income tax	19,221,257	(2,016,397)	17,204,860
Tax expense	(341,375)	-	(341,375)
Profit attributable to shareholders	18,879,882	(2,016,397)	16,863,485
Other comprehensive income:			
Available-for-sale investments:			
Increase in Fair Value during the Half Year	5,994,972	595,894	6,590,866
Deferred Tax	-	-	-
Total comprehensive income attributable to shareholders	24,874,854	(1,420,503)	23,454,351

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(27) Changes in Accounting Policies (Continued)

(a) Impact of adoption on the financial statements (Continued)

The Group has the following types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- loans and advances to customers
- cash and balances and placements with banks

The Group was required to revise its impairment methodology under HKFRS 9 for the above financial assets. Under the new impairment model introduced by HKFRS 9, impairment provisions are recognized based on expected credit losses (ECL) rather than only incurred credit losses as was the case under HKAS 39.

The Group assessed each item of the above financial assets as at 1 January 2018 and 1 January 2017 that were subject to the ECL impairment model and concluded that there were no additional provisions on top of the existing level of loan loss provisions upon the adoption of HKFRS 9. As a result of this conclusion, the Group's retained earnings as at 1 January 2018 and 1 January 2017 remained the same as the amounts that were originally stated in the Group's financial statements on those dates.

(b) Accounting policies applied from 1 January 2018 - on investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows of the assets.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(27) Changes in Accounting Policies (Continued)

(b) Accounting policies applied from 1 January 2018 - on investments and other financial assets (Continued)

Equity instruments

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss account as income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is recognised using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss statement. Impairment losses on such assets are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss account. Interest income from these financial assets is recognised using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented separately in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The assessment of ECL is made via the classification of the above financial assets into three stages, each of which is associated with an ECL requirement that reflects the respective assessed credit risk profile in each instance.

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UNAUDITED)

VI. NOTES AND SUPPLEMENTARY INFORMATION (CONTINUED)

(27) Changes in Accounting Policies (Continued)

(b) Accounting policies applied from 1 January 2018 - on investments and other financial assets (Continued)

- Stage 1: a financial asset is classified under Stage 1 if it is not a credit-impaired asset at origination and there has not been a significant increase in credit risk since inception. A provision for 12 month ECL is required.
- Stage 2 : a financial asset is classified under Stage 2 if it is not a credit-impaired asset at origination but there has been a significant increase in credit risk since inception. A provision for life time ECL is required.
- Stage 3: a financial asset is classified under Stage 3 if it has been credit-impaired with objective evidence of default. The ECL is expected to be materially the same as the existing specific provision allowed for such asset.

ECL are probability-weighted amounts determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions. The evaluation process will necessarily involve judgement.

(28) Statement in Accordance with Section 436 of Hong Kong Companies Ordinance (Cap. 622)

The financial information relating to the year ended 31 December 2017 as included in this Interim Financial Disclosure Statement for the half year ended 30 June 2018 as comparative information, does not constitute the Company'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 Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on those financial statements. The auditor's reports were 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 Companies Ordinance.

(29) Statement of Compliance

This interim financial disclosure statement for the half year ended 30 June 2018 is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" and fully complies with the requirements set out in the Banking (Disclosure) Rules.

TAI SANG BANK LIMITED
REGULATORY DISCLOSURE TEMPLATES
AS AT 30 JUNE 2018
(UNAUDITED)

Tai Sang Bank Limited

Template CC1: Composition of Regulatory Capital as at 30 June 2018
(Unaudited - on Regulatory Consolidated Basis)

		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
(Presented in HK\$' 000)			
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	264,987	(1)
2	Retained earnings	395,596	(7)
3	Disclosed reserves	7,352	(3)+(4)+(5)+(6)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0	
6	CET1 capital before regulatory adjustments	667,935	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liabilities)	0	
9	Other intangible assets (net of associated deferred tax liabilities)	0	
10	Deferred tax assets (net of associated deferred tax liabilities)	0	
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	273,244	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	271,444	(3)+(8)
26b	Regulatory reserve for general banking risks	1,800	(6)
26c	Securitization exposures specified in a notice given by the MA	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	

27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	273,244	
29	CET1 capital	394,691	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	0	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	0	
36	AT1 capital before regulatory deductions	0	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	394,691	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	0	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	0	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,800	(6)
51	Tier 2 capital before regulatory deductions	1,800	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(142,406)	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(142,406)	[(2)+(3)+(8)] *45%
57	Total regulatory adjustments to Tier 2 capital	(142,406)	
58	Tier 2 capital (T2)	144,206	
59	Total regulatory capital (TC = T1 + T2)	538,897	
60	Total RWA	627,547	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	62.89%	
62	Tier 1 capital ratio	62.89%	
63	Total capital ratio	85.87%	

64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	8.25%	
65	of which: capital conservation buffer requirement	1.88%	
66	of which: bank specific countercyclical capital buffer requirement	1.88%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	54.64%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,800	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	9,482	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	0	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	0	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	0	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	0	

Notes to the Template

	Description	Hong Kong basis	Basel III basis
9	Other intangible assets (net of associated deferred tax liabilities)	0	0
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	0	0
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		

18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
Explanation For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.			
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
Explanation For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.			
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.			
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.			
Remarks: The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

Tai Sang Bank Limited

Template CC2: Reconciliation of Regulatory Capital to Statement of Financial Position
as at 30 June 2018 (Unaudited - on Regulatory Consolidated Basis)

	Consolidated Statement of Financial Position as in published interim financial disclosure statement	Under regulatory scope of consolidation - Group's Statement of Financial Position	Cross- referenced to Template CC1
	As at 30 June 2018	As at 30 June 2018	
	HK\$'000	HK\$'000	
Assets			
Cash and balances with banks	853,041	853,041	
Placements with banks maturing between one and twelve months	239,812	239,812	
Loans and advances to customers and other accounts	235,835	235,835	
Equity investments at fair value through other comprehensive income	10,263	10,263	
Investment in subsidiary not consolidated for regulatory purposes	0	10	
Property, plant and equipment	72,846	72,846	
Investment properties	320,800	320,800	
Total assets	1,732,597	1,732,607	
Liabilities			
Deposits from customers	993,809	994,493	
Other liabilities and provisions	19,470	19,233	
Current tax liabilities	24	10	
Deferred tax liabilities	5,923	5,923	
Total liabilities	1,019,226	1,019,659	
Shareholders' Equity			
Paid-in share capital	310,000	310,000	
<i>of which: share capital paid up in cash and capitalized from realized revaluation gains of properties</i>		264,987	(1)
<i>share capital capitalized from unrealized revaluation gains of properties</i>		45,013	(2)
Other properties revaluation reserve	2,239	2,239	(3)
Investments at FVOCI revaluation reserve	2,703	2,703	(4)
General reserve	610	610	(5)
Regulatory reserve	1,800	1,800	(6)
Retained earnings	396,019	395,596	(7)
<i>of which: unrealized revaluation gains of investment properties</i>		269,205	(8)
<i>other retained earnings and profits</i>		126,391	
Total shareholders' equity	713,371	712,948	
Total liabilities and shareholders' equity	1,732,597	1,732,607	

Note:

There are no material changes in the reconciliation between the composition of the regulatory capital and the consolidated statement of financial position as at 30 June 2018 when compared to that of 31 December 2017.

Table CCA: Main Features of Regulatory Capital Instruments as at 30 June 2018

1	Issuer	Tai Sang Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Laws of Hong Kong
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules [#]	Not applicable
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 265 (Mn)
9	Par value of instrument	HKD 1
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1954, 1969, 1990, 2001, 2010
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating dividend
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Footnote:

- [#] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules
- ⁺ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules
- ^{*} Include solo-consolidated

Template LR1 : Summary Comparison of Accounting Assets Against Leverage Ratio ("LR")
as at 30 June 2018 (Unaudited - on Regulatory Consolidated Basis)

		(a)
	Item	Value under the LR framework HK\$'000 equivalent
1	Total consolidated assets as per published financial statements	1,732,597
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	10
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative contracts	0
5	Adjustment for SFTs (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	0
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	0
7	Other adjustments	6,606
8	Leverage ratio exposure measure	1,739,213

Note There are no material changes in the summary comparison reconciling items of the Bank's balance sheet assets as stated in the statement of financial position with the exposure measure for the calculation of leverage ratio for the current semi-annual reporting period.

Template LR2 : Leverage Ratio ("LR") as at 30 June 2018 (Unaudited - on Regulatory Consolidated Basis)

		(a)	(b)
	Item	Leverage ratio framework HK\$'000	Leverage ratio framework HK\$'000
		30-Jun-18	31-Mar-18
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	1,739,213	1,877,806
2	Less: Asset amounts deducted in determining Tier 1 capital	(318,257)	(308,858)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	1,420,956	1,568,948
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivatives contracts	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivatives contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives contracts	-	-
11	Total exposures arising from derivative contracts	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	10,786	11,258
18	Less: Adjustments for conversion to credit equivalent amounts	(5,968)	(6,320)
19	Off-balance sheet items	4,818	4,938
Capital and total exposures			
20	Tier 1 capital	394,691	394,680
20a	Total exposures before adjustments for specific and collective provisions	1,425,774	1,573,886
20b	Adjustments for specific and collective provisions	0	0
21	Total exposures after adjustments for specific and collective provisions	1,425,774	1,573,886
Leverage ratio			
22	Leverage ratio	27.68%	25.08%

Note Material changes in the components of the exposure measure for the calculation of the leverage ratio for the current reporting quarter have been explained in note (24) of the Interim Financial Disclosure Statement for the half year ended 30 June 2018.

Tai Sang Bank Limited

**Template CCyB1: Geographical Distribution of Credit Exposures Used in
Countercyclical Capital Buffer ("CCyB") as at 30 June 2018**

		(a)	(c)	(d)	(e)
	Geographical breakdown byJurisdiction (J)	Applicable JCCyB ratio in effect %	RWA used in computation of CCyB ratio HK\$ '000	AI-specific CCyB ratio %	CCyB amount HK\$ '000
1	Hong Kong	1.875%	171,891		
	Total		171,891	1.875%	3,223

Note: The above template shows the CCyB of the Bank computed on the consolidated basis as at 30 June 2018. As the Bank only operates and has private sector credit exposures in Hong Kong, the overall countercyclical capital buffer ratio was the same as the jurisdiction countercyclical capital buffer ratio of Hong Kong, that is. 1.875%.

Tai Sang Bank Limited
Template OV1: Overview of RWA as at 30 June 2018 (Unaudited - on Regulatory Consolidated Basis)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30-Jun-18	31-Mar-18	30-Jun-18
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	758,536	834,916	60,683
2	Of which STC approach	-	-	-
2a	Of which BSC approach	758,536	834,916	60,683
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	-	-	-
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weighted method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures - LTA	N/A	N/A	N/A
13	CIS exposures - MBA	N/A	N/A	N/A
14	CIS exposures - FBA	N/A	N/A	N/A
14a	CIS exposures - combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	43,063	42,975	3,445
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2	174,052	168,882	13,924
27	Total	627,547	709,009	50,204

Note:

- (1) N/A: Not applicable
- (2) The decrease noted in the credit risk for non-securitization exposures calculated on BSC approach between the above two periods was mainly the result of a lower level of money market placements outstanding in the books of the Bank as at the end of the current period.

Tai Sang Bank Limited
Credit Risk Templates (Unaudited) as at 30 June 2018

Template CR1 : Credit Quality of Exposures

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments HK\$ '000	Net values HK\$ '000
		Defaulted exposures HK\$ '000	Non-defaulted exposures HK\$ '000		
As at 30 June 2018					
1	Loans	0	174,287	0	174,287
2	Debt securities	0	0	0	0
3	Off-balance sheet exposures	0	10,785	0	10,785
4	Total	0	185,072	0	185,072

Template CR2 : Changes in Defaulted Loans and Debt Securities

		(a)
		Amount
		HK\$ '000
As at 30 June 2018		
1	Defaulted loans and debt securities at end of the previous reporting period	0
2	Loans and debt securities that have defaulted since the last reporting period	0
3	Returned to non-defaulted status	0
4	Amounts written off	0
5	Other changes	0
6	Defaulted loans and debt securities at end of the current reporting period	0

		(a)
		Amount
		HK\$ '000
As at 31 December 2017		
1	Defaulted loans and debt securities at end of the previous reporting period	0
2	Loans and debt securities that have defaulted since the last reporting period	0
3	Returned to non-defaulted status	0
4	Amounts written off	0
5	Other changes	0
6	Defaulted loans and debt securities at end of the current reporting period	0

Note: Our Bank does not have any defaulted loans and debt securities as at 30 June 2018 and 31 December 2017.

Tai Sang Bank Limited
Credit Risk Templates (Unaudited) as at 30 June 2018

Template CR3 : Overview of Recognized Credit Risk Mitigation (CRM)

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount HK\$ '000	Exposures to be secured HK\$ '000	Exposures secured by recognized collateral HK\$ '000	Exposures secured by recognized guarantees HK\$ '000	Exposures secured by recognized credit derivative contracts HK\$ '000
As at 30 June 2018						
1	Loans	174,287	0	0	0	0
2	Debt securities	0	0	0	0	0
3	Total	174,287	0	0	0	0
4	Of which defaulted	0	0	0	0	0

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount HK\$ '000	Exposures to be secured HK\$ '000	Exposures secured by recognized collateral HK\$ '000	Exposures secured by recognized guarantees HK\$ '000	Exposures secured by recognized credit derivative contracts HK\$ '000
As at 31 December 2017						
1	Loans	162,256	0	0	0	0
2	Debt securities	0	0	0	0	0
3	Total	162,256	0	0	0	0
4	Of which defaulted	0	0	0	0	0

Note: Our Bank does not have any exposures secured by recognized CRM as at 30 June 2018 and 31 December 2017. All loans of the Bank are fully secured by collaterals other than recognized CRM with the exception of an unsecured overdraft with an outstanding balance of HK\$Nil as at 30 June 2018 (HK\$197,640 as at 31 December 2017).

Tai Sang Bank Limited
Credit Risk Templates (Unaudited) as at 30 June 2018

Template CR4 : Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation - for BSC Approach

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
As at 30 June 2018		HK\$ '000					
Exposure classes							
1	Sovereign exposures	245,826	0	245,826	0	0	0.00%
2	PSE exposures	0	0	0	0	0	0.00%
3	Multilateral development bank exposures	0	0	0	0	0	0.00%
4	Bank exposures	843,612	0	843,612	0	168,722	20.00%
5	Cash items	3,415	0	3,415	0	0	0.00%
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0.00%
7	Residential mortgage loans	112,058	4,736	112,058	4,000	113,662	97.94%
8	Other exposures	475,872	6,050	475,872	280	476,152	100.00%
9	Significant exposures to commercial entities	0	0	0	0	0	0.00%
10	Total	1,680,783	10,786	1,680,783	4,280	758,536	45.02%

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
As at 31 Dec 2017		HK\$ '000					
Exposure classes							
1	Sovereign exposures	427,480	0	427,480	0	0	0.00%
2	PSE exposures	0	0	0	0	0	0.00%
3	Multilateral development bank exposures	0	0	0	0	0	0.00%
4	Bank exposures	863,218	0	863,218	0	172,644	20.00%
5	Cash items	4,080	0	4,080	0	0	0.00%
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0.00%
7	Residential mortgage loans	100,161	18,198	100,161	4,000	100,983	96.95%
8	Other exposures	473,277	7,391	473,277	326	473,603	100.00%
9	Significant exposures to commercial entities	0	0	0	0	0	0.00%
10	Total	1,868,216	25,589	1,868,216	4,326	747,230	39.90%

Note: The decrease in sovereign exposures for 30 June 2018 was mainly resulted from the decreased funding from customers' deposits during the first half of 2018. Residential mortgage loans in the above templates include loans and overdrafts secured by residential property mortgages, as defined by the completion instruction of the Capital Adequacy Return. The increase in these residential mortgage loans on-balance sheet exposures at 30 June 2018 when compared to 31 December 2017 was mostly due to increased usage of overdraft lines by customers. The decrease in off-balance sheet exposure for the same category was a reflection of the increased usage of overdraft facilities granted to customers. There were no material differences in other exposures between 30 June 2018 and 31 December 2017.

Tai Sang Bank Limited
Credit Risk Templates (Unaudited) as at 30 June 2018

Template CR5 : Credit Risk Exposures by Asset classes and by Risk Weights - for BSC Approach

As at 30 June 2018		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Exposure class	Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		HK\$ '000								
1	Sovereign exposures	245,826	0	0	0	0	0	0	0	245,826
2	PSE exposures	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	843,612	0	0	0	0	0	843,612
5	Cash items	3,415	0	0	0	0	0	0	0	3,415
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0	0	0	0
7	Residential mortgage loans	0	0	0	0	4,793	111,265	0	0	116,058
8	Other exposures	0	0	280	0	0	475,872	0	0	476,152
9	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0
10	Total	249,241	0	843,892	0	4,793	587,137	0	0	1,685,063

As at 31 December 2017		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Exposure class	Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		HK\$ '000								
1	Sovereign exposures	427,480	0	0	0	0	0	0	0	427,480
2	PSE exposures	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	863,218	0	0	0	0	0	863,218
5	Cash items	4,080	0	0	0	0	0	0	0	4,080
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0	0	0	0
7	Residential mortgage loans	0	0	0	0	6,357	97,804	0	0	104,161
8	Other exposures	0	0	326	0	0	473,277	0	0	473,603
9	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0
10	Total	431,560	0	863,544	0	6,357	571,081	0	0	1,872,542

Note: The decrease in sovereign exposures for 30 June 2018 was mainly resulted from the decreased funding from customers' deposits during the first half of 2018. The increase in residential mortgage loans at 30 June 2018 when compared to 31 December 2017 was mostly due to increased usage of overdraft lines by customers.

Tai Sang Bank Limited
Template KM1: Key Prudential Ratios (on Regulatory Consolidated Basis)

		(a)	(b)	(c)	(d)	(e)
		30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17
	Regulatory capital (amount) (HK\$'000)					
1	Common Equity Tier 1 (CET1)	394,691	394,680	392,885	389,553	386,724
2	Tier 1	394,691	394,680	392,885	389,553	386,724
3	Total capital	538,897	534,656	532,861	524,157	521,328
	RWA (amount) (HK\$'000)					
4	Total RWA	627,547	709,009	619,811	575,709	637,118
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	62.89%	55.67%	63.39%	67.66%	60.70%
6	Tier 1 ratio (%)	62.89%	55.67%	63.39%	67.66%	60.70%
7	Total capital ratio (%)	85.87%	75.41%	85.97%	91.05%	81.83%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.25%	1.25%	1.25%
9	Countercyclical capital buffer requirement (%)	1.875%	1.875%	1.25%	1.25%	1.25%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.75%	3.75%	2.50%	2.50%	2.50%
12	CET1 available after meeting the AI's minimum capital requirements (%)	54.64%	47.42%	56.39%	60.66%	53.70%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure (HK\$'000)	1,425,774	1,573,886	1,874,537	1,826,773	1,787,215
14	LR (%)	27.68%	25.08%	20.96%	21.32%	21.64%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	82.62%	72.27%	77.25%	83.09%	80.33%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

Note:

(1) N/A: Not applicable

(2) The explanatory notes for the current quarter movements are stated in note (14) of the Interim financial Disclosure Statement.