

KDB Asia Limited
Interim Results 2018

Corporate Information

KDB Asia Limited (“the Company”) is a limited company incorporated and domiciled in Hong Kong and is a restricted licence bank under the Hong Kong Banking Ordinance. Its registered office is Suite 2005-2010, 20th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

During the year, the principal activities of the Company consisted of deposit taking, loan syndication, underwriting, investment, trade financing and the provision of financial services.

In the opinion of the directors, the holding company is the Korea Development Bank, which is wholly owned by the South Korea Government.

Financial Review

The Company achieved a net profit before tax of US\$8.6 million in the first half of year 2018, a slight decrease when compared to the same period of 2017 of US\$11.5m, which is mainly due to one off release of impairment allowances on loans and advances in 2017 and a decrease in income from investments in unlisted fund in 2018.

Total assets decreased by 4.24% to US\$1,323.9 million (2017: US\$1,382.6 million), whereas total liabilities including deposits and borrowings also decreased by 5.97%, amounted to US\$1,028.0 million (2017: US\$1,093.3 million). Due to the current profit contribution for the period, the Company’s shareholders’ equity recorded a growth of 2.29% to US\$295.9 million (2017: US\$289.3 million).

Financial highlights for the first six months of 2018 are as follows:

- Return on average assets: 1.09%
- Return on average equities: 5.03%
- Average liquidity maintenance ratio: 132.67%
- Leverage ratio: 21.47%
- Common Equity Tier 1 capital ratio: 27.91%
- Tier 1 capital ratio: 27.91%
- Total capital ratio: 28.37%

The Directors of KDB Asia Limited announce that the unaudited interim results of the company for the first half year of 2018 are as follows:

(A) Income Statement

	Notes	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Interest income	1	20,530,702	18,190,640
Interest expense	2	(11,281,837)	(7,493,493)
Net interest income		9,248,865	10,697,147
Fee and commission income		2,738,470	3,724,782
Fee and commission expense		(185,433)	(77,330)
Net fee and commission income	3	2,553,037	3,647,452
Net gains from financial assets held at fair value through profit or loss	4	56,312	1,126,890
Net hedging loss	5	(156,582)	(230,855)
Other operating gains/(losses), net	6	1,316,655	(1,381,512)
Operating income		13,018,287	13,859,122
Operating expenses	7	(4,600,697)	(4,818,539)
Release of impairment allowances on loans and advances	8	-	908,842
Release of impairment allowance on available-for-sale investments		-	21,415
Credit losses release from financial assets	8a	65,727	-
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		109,457	1,534,835
PROFIT BEFORE TAX		8,592,774	11,505,675
Income tax expense	9	(1,288,889)	(1,626,018)
PROFIT FOR THE PERIOD		7,303,885	9,879,657

(B) Statement of Comprehensive Income

	Notes	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
PROFIT FOR THE PERIOD		7,303,885	9,879,657
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Other comprehensive income to be reclassified to income statement in subsequent periods:			
Available-for-sale investments:			
Net movement in the available-for-sale fair value reserve, net of tax		-	(378,900)
Debt instruments at FVOCI:			
Net change in debt instruments at FVOCI, net of tax	10	(1,111,802)	-
Net change in allowance for expected credit losses of debt instruments at FVOCI	10	(39,127)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,152,956	9,500,757

(C) Statement of Financial Position

	Supplementary Information	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
ASSETS			
Cash and balances with banks and other financial institutions		22,346,272	15,813,418
Placements with banks and other financial institutions		129,976,460	50,000,000
Trade bills		127,489,820	309,106,276
Trading assets	(F)1	-	46,707,476
Financial assets at fair value through profit or loss	(F)1	54,961,130	-
Loans and advances	(F)2	613,581,145	543,853,177
Available-for-sale investments	(F)3	-	399,839,138
Debt instruments at fair value through other comprehensive income	(F)3	357,248,810	-
Property and equipment	(F)4	982,394	1,042,525
Tax recoverable		-	887,776
Interest receivable and other assets		17,179,025	15,282,365
Deferred tax assets		178,052	27,436
TOTAL ASSETS		1,323,943,108	1,382,559,587
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions		375,352,829	626,308,704
Deposits from customers	(F)5	2,067,473	2,057,687
Trading liabilities		-	366,110
Financial liabilities at fair value through profit or loss		405,501	-
Certificates of deposit issued		610,281,942	437,751,740
Tax payable		391,602	-
Interest payable and other liabilities		39,535,940	26,784,437
TOTAL LIABILITIES		1,028,035,287	1,093,268,678
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		140,000,000	140,000,000
Reserves	(F)6	155,907,821	149,290,909
TOTAL EQUITY		295,907,821	289,290,909
TOTAL EQUITY AND LIABILITIES		1,323,943,108	1,382,559,587

(D) Statement of Changes in Equity

	Share capital US\$	Debt instruments at FVOCI revaluation reserve US\$	Retained profits US\$	Total US\$
Balance at 1 January 2018	140,000,000	4,523,118	144,767,791	289,290,909
Impact of adopting HKFRS 9	-	(1,487,024)	1,950,980	463,956
Restated opening balance under HKFRS 9	140,000,000	3,036,094	146,718,771	289,754,865
Profit for the period	-	-	7,303,885	7,303,885
Other comprehensive income for the period:				
Net change in fair value of debt instruments at FVOCI	-	(1,111,802)	-	(1,111,802)
Net change in allowance for expected credit losses of debt instruments at FVOCI	-	(39,127)	-	(39,127)
Total comprehensive income for the period	-	(1,150,929)	7,303,885	6,152,956
Balance at 30 June 2018 (unaudited)	140,000,000	1,885,165	154,022,656	295,907,821

	Share capital US\$	Available-for-sale investments revaluation reserve US\$	Retained profits US\$	Total US\$
Balance at 1 January 2017	140,000,000	5,131,456	124,601,625	269,733,081
Profit for the period	-	-	9,879,657	9,879,657
Other comprehensive income for the period:				
Net movement in the available-for-sale fair value reserve, net of tax	-	(378,900)	-	(378,900)
Total comprehensive income for the period	-	(378,900)	9,879,657	9,500,757
Balance at 30 June 2017 (unaudited)	140,000,000	4,752,556	134,481,282	279,233,838

(E) Condensed Statement of Cash Flows

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Net cash flows from operating activities	34,312,992	76,990,480
Net cash flows from/(used in) investing activities	52,196,322	(32,775,243)
Net increase in cash and cash equivalents	86,509,314	44,215,237
Cash and cash equivalents at 1 January	65,813,418	55,108,387
Cash and cash equivalents at 30 June	152,322,732	99,323,624

Components of cash and cash equivalents in the condensed statement of cash flows:

For the purposes of the condensed statement of cash flows, cash and cash equivalents comprise the following balances with original maturity of three months or less:

	30-Jun-2018 (unaudited) US\$	30-Jun-2017 (unaudited) US\$
Cash and balances with banks and other financial institutions	22,346,272	4,323,624
Placements with banks and other financial institutions	129,976,460	95,000,000
	152,322,732	99,323,624

Notes:**(1) Interest income arising from:**

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Listed investments	5,741,854	5,782,303
Unlisted investments	412,289	533,051
Trade bills and loans and advances	13,506,518	11,344,426
Others	870,041	530,860
	20,530,702	18,190,640

Included in the above is interest income of US\$775,820 (2017:US\$589,804) accrued on impaired financial assets for the period ended 30 June 2018.

(2) Interest expense arising from:

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Deposits from customers, banks and other financial institutions and certificates of deposit issued	11,281,837	7,493,493

(3) Net fee and commission income:

All fee and commission income and expense are related to financial assets and liabilities not designated at fair value through profit or loss.

(4) Net gains from financial assets held at fair value through profit or loss:

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Net (losses)/gains from trading securities and investments in funds	(292,909)	1,513,695
Net interest income/(expense) on derivatives	349,221	(386,805)
	56,312	1,126,890

Notes:**(5) Net hedging loss:**

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Fair value hedges		
- Net (losses)/gains on hedged items attributable to the hedged risk	(4,082,956)	538,816
- Net gains/(losses) on hedging instruments	3,926,373	(769,671)
	<u>(156,583)</u>	<u>(230,855)</u>

(6) Other operating gains/(losses), net:

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Net gains/(losses) from dealing in foreign currencies	1,299,395	(1,382,512)
Dividend income from unlisted investments in funds	17,260	1,000
	<u>1,316,655</u>	<u>(1,381,512)</u>

(7) Operating expenses:

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Staff costs	2,680,829	2,908,168
Premises and equipment expenses		
- Depreciation	62,699	73,895
- Rent	1,174,734	1,203,911
- Rates	53,913	54,105
	<u>1,291,346</u>	<u>1,331,911</u>
Auditor's remuneration	35,400	31,500
Others	593,122	546,960
	<u>628,522</u>	<u>578,460</u>
	<u>4,600,697</u>	<u>4,818,539</u>

Included in the staff costs above are retirement scheme contribution of US\$19,164 (2017: US\$18,889) and operating lease charges in respect of staff quarters of US\$458,596 (2017: US\$527,735) for the period ended 30 June 2018.

Included in the above operating expenses are operating lease charges of US\$1,491,701 (2017: US\$1,562,314) for rental of properties and US\$141,629 (2017: US\$169,332) for rental of equipment.

Notes:**(8) Release of impairment allowances on loans and advances:**

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Release to income statement collectively assessed	-	401,655
Release to income statement individually assessed	-	507,187
	-	908,842

(8a) Credit losses release from financial assets

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
(Charge)/release to income statement collectively assessed:		
Charge of ECL allowance on loans and advances	(6,231)	-
Release of ECL allowance on debt instruments at FVOCI	39,127	-
Charge of ECL allowance on placement with banks and other financial institutions	(19,790)	-
Release of ECL allowance on trade bills	9,874	-
Charge of ECL allowance on other assets	(1,336)	-
Release of ECL allowance on off balance sheet exposures	44,083	-
	65,727	-

(9) Income tax

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Taxation in the income statement represents:		
Current tax		
Current tax provision	1,279,378	1,554,227
Deferred tax		
Net reversal of temporary difference	9,511	71,791
	1,288,889	1,626,018

Commencing from the year of assessment 2018/19, a two-tiered profits tax rates regime will apply in Hong Kong. Under the two-tiered regime, the rate of tax for the first HK\$2 million of profits will be reduced by half (i.e. reduced from 16.5% to 8.25%). The remainder of the profits will continue to be taxed at 16.5%. (2017: 16.5%)

Notes:

(10) Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	For the six months ended 30-Jun-2018 (unaudited)			For the six months ended 30-Jun-2017 (unaudited)		
	Before-tax amount US\$	Tax effect US\$	Net-of-tax amount US\$	Before-tax amount US\$	Tax effect US\$	Net-of-tax amount US\$
Available-for-sale investments:						
Net movement in available-for-sale investments fair value reserve	-	-	-	(481,736)	102,836	(378,900)
Debt instruments at FVOCI:						
Net change in debt instruments at FVOCI fair value reserve	(1,311,056)	160,127	(1,150,929)	-	-	-
Other comprehensive income	(1,311,056)	160,127	(1,150,929)	(481,736)	102,836	(378,900)

(b) Reclassification adjustments relating to components of other comprehensive income

	For the six months ended 30-Jun-2018 (unaudited) US\$	For the six months ended 30-Jun-2017 (unaudited) US\$
Available-for-sale investments, net of tax:		
Changes in fair value recognised during the period	-	1,118,783
Reclassification adjustments for gains and losses included in profit or loss		
- gains on disposal	-	(1,497,683)
Debt instruments at FVOCI, net of tax:		
Changes in fair value recognised during the period	(855,675)	-
Reclassification adjustments for gains and losses included in profit or loss		
- gains on disposal	(256,127)	-
- Net change in allowance for expected credit losses of debt instruments at FVOCI	(39,127)	-
Net movement in the available-for-sale investments fair value reserve during the period recognised in other comprehensive income	-	(378,900)
Net change in the debt instruments at FVOCI fair value reserve during the period recognised in other comprehensive income	(1,150,929)	-

(F) Supplementary Information

(1) Financial assets at fair value through profit or loss/Trading assets

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Listed debt securities, at fair value	33,500,350	43,830,870
Unlisted investments in funds, at fair value	15,434,364	-
Positive fair values of derivatives	6,026,416	2,876,606
	54,961,130	46,707,476
Trading securities issued by:		
- Corporate entities	4,995,550	10,884,620
- Banks and other financial institutions	28,504,800	32,946,250
	33,500,350	43,830,870
Trading securities analysed by place of listing:		
- Listed outside Hong Kong	15,001,200	13,878,320
- Listed in Hong Kong	18,499,150	29,952,550
	33,500,350	43,830,870

The above listed debt securities were classified as held for trading. The fair values of these listed securities are based on quoted market price.

All unlisted investments in funds had been reclassified from available-for-sale investments to financial assets at fair value through profit or loss under HKFRS 9. As at 30 June 2018 and 31 December 2017, all unlisted investments in funds are carrying at fair value.

(2) Loans and advances

(a) Loans and advances less impairment

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Gross loans and advances to:		
- banks	85,944,533	86,214,054
- customers	533,191,224	466,188,352
	619,135,757	552,402,406
Less: Collectively assessed impairment allowances on loans and advances to		
- banks	(12,391)	(173,000)
- customers	(442,221)	(889,492)
	(454,612)	(1,062,492)
Less: Individually assessed impairment allowances on loans and advances to		
- customers	(5,100,000)	(7,486,737)
	(5,100,000)	(7,486,737)
Net loans and advances to:		
- banks	85,932,142	86,041,054
- customers	527,649,003	457,812,123
	613,581,145	543,853,177

(F) Supplementary Information

(2) Loans and advances (continued)

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
(b) Impaired loans and advances:		
Gross impaired loans and advances	29,892,500	32,279,237
Impairment allowance - individually assessed	(5,100,000)	(7,486,737)
	24,792,500	24,792,500
Gross impaired loans and advances as a percentage of total gross loans and advances	4.83%	5.84%

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis.

Individually assessed impaired loans and advances are unsecured.

(F) Supplementary Information

(2) Loans and advances (continued)

(c) By industry sectors

The analysis of loans and advances by industry sector is based on the categories used in the "Quarterly Analysis of Loans and Advances and Provisions" Return to the HKMA.

	At 30-Jun-2018 (unaudited) US\$	% of collateral securing loans and advances	At 31-Dec-2017 (audited) US\$	% of collateral securing loans and advances
Industrial, commercial and financial				
- Wholesale and retail trade	68,961,192	-	84,953,420	-
- Transport and transport equipment	27,522,342	-	28,868,522	-
- Financial concerns	22,100,923	-	25,659,140	-
- Manufacturing	19,157,133	-	21,150,579	-
- Stock brokers	24,358,974	-	9,983,339	-
- Information technology	8,347,875	-	8,475,000	-
- Recreational activities	3,700,000	-	-	-
- Others	36,380,930	-	28,944,758	-
Loans and advances for use in Hong Kong	210,529,369	-	208,034,758	-
Trade finance	18,566,412	-	13,989,033	-
Loans and advances for use outside Hong Kong	390,039,976	-	330,378,615	-
	619,135,757	-	552,402,406	-

The gross amount of impairment loans and impairment allowances for industry sectors is analysed as follows

	Impaired loans and advances US\$	Individually assessed impairment allowances US\$	Collectively assessed impairment allowances US\$
At 30 June 2018 (unaudited)			
Industrial, commercial and financial			
- Wholesale and retail trade	-	-	83,758
- Transport and transport equipment	-	-	8,473
- Financial concerns	-	-	7,164
- Manufacturing	9,892,500	-	15,758
- Stock brokers	-	-	2,960
- Information technology	-	-	3,279
- Recreational activities	-	-	419
- Others	-	-	37,607
Loans and advances for use in Hong Kong	9,892,500	-	159,418
Trade finance	-	-	11,755
Loans and advances for use outside Hong Kong	20,000,000	5,100,000	283,439
	29,892,500	5,100,000	454,612
At 31 December 2017 (unaudited)			
Industrial, commercial and financial			
- Wholesale and retail trade	-	-	170,301
- Transport and transport equipment	2,386,737	2,386,737	53,087
- Financial concerns	-	-	51,437
- Manufacturing	9,892,500	-	42,399
- Stock brokers	-	-	20,013
- Information technology	-	-	16,989
- Others	-	-	58,025
Loans and advances for use in Hong Kong	12,279,237	2,386,737	412,251
Trade finance	-	-	28,043
Loans and advances for use outside Hong Kong	20,000,000	5,100,000	622,198
	32,279,237	7,486,737	1,062,492

(F) **Supplementary Information**

(2) **Loans and advances (continued)**

(d) **By geographical areas**

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (unaudited) US\$
Gross loans and advances		
- South Korea	171,492,142	207,423,955
- Hong Kong	179,420,572	131,904,449
- China	87,827,371	52,294,629
- Others	150,503,172	160,779,373
	<hr/> 589,243,257	<hr/> 552,402,406
Impaired loans (individually determined)		
- South Korea	29,892,500	32,279,237
	<hr/> 619,135,757	<hr/> 584,681,643

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

(3) **Debt instruments at fair value through other comprehensive income/Available-for-sale investments**

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Debt securities		
- Listed in Hong Kong	171,648,680	186,503,950
- Listed outside Hong Kong	170,506,242	172,460,072
- Unlisted	15,056,500	27,106,050
	<hr/> 357,211,422	<hr/> 386,070,072
Unlisted equity securities	37,388	39,024
Unlisted investments in funds	-	13,730,042
	<hr/> 357,248,810	<hr/> 399,839,138
Issued by:		
Banks and other financial institutions	61,389,070	66,560,560
Corporate entities	295,859,740	333,278,578
	<hr/> 357,248,810	<hr/> 399,839,138

All unlisted investments in funds had been reclassified from available-for-sale investments to financial assets at fair value through profit or loss under HKFRS 9. As at 30 June 2018 and 31 December 2017, all unlisted investments in funds are carrying at fair value.

(F) Supplementary Information

(4) Property and equipment

	Land and buildings US\$	Leasehold improvements US\$	Furniture, fittings and office equipment US\$	Motor vehicles US\$	Total US\$
Cost:					
At 1 January 2018	1,022,708	1,080,084	760,784	117,680	2,981,256
Additions	-	-	2,568	-	2,568
Disposal	-	-	(1,731)	-	(1,731)
At 30 Jun 2018	1,022,708	1,080,084	761,621	117,680	2,982,093
Accumulated depreciation:					
At 1 January 2018	410,850	716,805	693,396	117,680	1,938,731
Charge for the year	8,199	42,356	12,144	-	62,699
Written back on disposal	-	-	(1,731)	-	(1,731)
At 30 Jun 2018	419,049	759,161	703,809	117,680	1,999,699
Net book value:					
At 30 Jun 2018 (unaudited)	603,659	320,923	57,812	-	982,394
At 31 December 2017 (audited)	611,858	363,279	67,388	-	1,042,525

(F) **Supplementary Information**

(5) **Deposits from customers**

All of the deposits from customers are time deposits.

(6) **Reserves**

	Retained profits US\$	Debt instruments at FVOCI revaluation reserve US\$	Total US\$
At 31 December 2017	144,767,791	4,523,118	149,290,909
Impact of adopting HKFRS 9	1,950,980	(1,487,024)	463,956
Restated opening balance under HKFRS 9	146,718,771	3,036,094	149,754,865
Debt instruments at FVOCI:			
- Change in fair value, net of deferred tax	-	(855,675)	(855,675)
- Transfer to income statement on disposal	-	(256,127)	(256,127)
- Transfer to income statement on ECL provision	-	(39,127)	(39,127)
Profit for the period	7,303,885	-	7,303,885
At 30 June 2018 (unaudited)	154,022,656	1,885,165	155,907,821

	Retained profits US\$	Available-for-sale investments revaluation reserve US\$	Total US\$
At 1 January 2017	124,601,625	5,131,456	129,733,081
Available-for-sale investments:			
- Change in fair value, net of deferred tax	-	4,481,766	4,481,766
- Transfer to income statement on disposal	-	(5,090,104)	(5,090,104)
Profit for the year	20,128,635	-	20,128,635
Re-measurement gains on defined benefit scheme	37,531	-	37,531
At 31 December 2017 (audited)	144,767,791	4,523,118	149,290,909

Nature and purpose of reserves

(a) Revaluation reserve on debt instruments at FVOCI

Available-for-sale investments revaluation reserve is classified as debt instruments at FVOCI revaluation reserve after adoption of HKFRS9 in 2018. The revaluation reserve on debt instruments at FVOCI comprises the cumulative net change in the fair value of Debt instruments at FVOCI held at the end of the reporting period net of any deferred tax.

(b) Regulatory reserve

As at 30 June 2018, the Company has earmarked US\$4,222,610 (2017: US\$4,249,965) as regulatory reserve from retained profits. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained profits and in consultation with the HKMA.

(F) **Supplementary Information**

(7) **International claims (by ultimate nation)**

International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk and by types of counterparties. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, are shown as follows:

			<i>Non-bank private sector</i>		
	Banks	Official	Non-bank	Non-bank	Total
	US\$	Sector	financial	private sector	US\$
		US\$	institutions		
			US\$	US\$	
At 30 June 2018 (unaudited)					
Developed countries	66,099,047	-	36,414,288	4,069,186	106,582,521
- of which Australia	9,673	-	13,285,872	-	13,295,545
- of which Belgium	8,094	-	-	-	8,094
- of which Canada	-	-	283,122	-	283,122
- of which France	7,837,665	-	-	-	7,837,665
- of which Germany	1,119,752	-	-	-	1,119,752
- of which Ireland	-	-	10,685,453	-	10,685,453
- of which Japan	38,511	-	-	-	38,511
- of which Luxembourg	18,828	-	1,830,939	-	1,849,767
- of which Spain	20,126,904	-	-	-	20,126,904
- of which United Kingdom	18,468,810	-	1,307,637	-	19,776,447
- of which United States	18,470,810	-	9,021,265	4,069,186	31,561,261
Offshore centres	15,227,841	-	121,684,036	117,752,168	254,664,045
- of which Cayman Islands	-	-	13,376,816	-	13,376,816
- of which Hong Kong	1,469,204	-	98,499,198	108,352,673	208,321,075
- of which Panama	13,758,637	-	-	-	13,758,637
- of which Singapore	-	-	9,808,022	9,399,495	19,207,517
Developing Africa and Middle East	42,758,457	8,507,126	12,186,458	4,598,291	68,050,332
- of which Angola	-	-	2,500,796	-	2,500,796
- of which Kuwait	-	-	9,685,662	-	9,685,662
- of which Qatar	25,094,289	-	-	-	25,094,289
- of which South Africa	2,511,276	-	-	-	2,511,276
- of which United Arab Emirates	15,152,892	8,507,126	-	4,598,291	28,258,309
Developing Asia and Pacific	434,680,113	5,039,471	100,408,599	272,600,709	812,728,892
- of which China	63,622,077	-	86,534,570	85,675,679	235,832,326
- of which India	2,754,371	5,039,471	-	17,786,250	25,580,092
- of which South Korea	245,948,617	-	13,874,029	153,492,880	413,315,526
- of which Malaysia	45,178,425	-	-	643,322	45,821,747
- of which Philippines	15,153,640	-	-	15,002,578	30,156,218
- of which Taiwan	60,007,711	-	-	-	60,007,711
- of which Vietnam	2,015,272	-	-	-	2,015,272

(F) Supplementary Information

(7) International claims (by ultimate nation) (continued)

			<i>Non-bank private sector</i>		
	Banks	Official	Non-bank	Non-bank	Total
	US\$	Sector	financial	private sector	US\$
		US\$	institutions	US\$	US\$
			US\$		
At 31 December 2017 (unaudited)					
Developed countries	75,805,293	-	36,380,212	4,131,425	116,316,930
- of which Australia	34,332	-	13,421,141	-	13,455,473
- of which Belgium	10,009,232	-	-	-	10,009,232
- of which France	5,274,869	-	-	-	5,274,869
- of which Germany	953,662	-	-	-	953,662
- of which Ireland	-	-	11,364,905	-	11,364,905
- of which Japan	21,557,009	-	-	-	21,557,009
- of which Luxembourg	11,521	-	1,546,836	-	1,558,357
- of which Spain	20,090,649	-	-	-	20,090,649
- of which United Kingdom	16,727,044	-	1,011,575	-	17,738,619
- of which United States	1,146,975	-	9,035,755	4,131,425	14,314,155
Offshore centres	35,750	-	96,831,659	131,177,182	228,044,591
- of which Cayman Islands	-	-	12,239,718	-	12,239,718
- of which Hong Kong	35,750	-	79,543,774	121,423,572	201,003,096
- of which Singapore	-	-	5,048,167	9,753,610	14,801,777
Developing Africa and Middle East	43,476,810	8,806,598	15,531,262	4,766,130	72,580,800
- of which Angola	-	-	2,917,905	-	2,917,905
- of which Kuwait	-	-	12,613,357	-	12,613,357
- of which Qatar	15,005,542	-	-	-	15,005,542
- of which South Africa	5,016,732	-	-	-	5,016,732
- of which United Arab Emirates	23,454,536	8,806,598	-	4,766,130	37,027,264
Developing Asia and Pacific	546,459,260	5,029,106	73,392,690	297,889,217	922,770,273
- of which China	79,320,057	-	53,414,523	74,204,483	206,939,063
- of which India	45,499,029	5,029,106	-	18,445,410	68,973,545
- of which Indonesia	-	-	10,017,940	-	10,017,940
- of which South Korea	361,374,661	-	9,960,227	189,523,325	560,858,213
- of which Malaysia	-	-	-	712,788	712,788
- of which Philippines	15,026,940	-	-	15,003,211	30,030,151
- of which Taiwan	30,114,589	-	-	-	30,114,589
- of which Thailand	9,077,726	-	-	-	9,077,726
- of which Vietnam	6,046,258	-	-	-	6,046,258

(F) **Supplementary Information**

(8) **Contingent liabilities, commitments and derivatives**

(a) **Contingent liabilities and commitments to extend credit**

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Trade-related contingencies	6,031,093	5,894,419
Other commitments		
- with an original maturity of under one year	67,624,323	69,334,844
- with an original maturity of more than one year	10,536,641	11,249,313
	84,192,057	86,478,576
Credit risk weighted amounts	19,999,405	20,670,509

Contingent liabilities and commitments are credit-related instruments which include commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon the customer default. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(b) **Capital commitments**

Commitments to unlisted investments in funds outstanding at the reporting period not provided for in the financial statements were as follows:

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Contracted for	20,499,552	22,103,543
Credit risk weighted amounts	10,249,776	11,051,772

(F) **Supplementary Information**

(8) **Contingent liabilities, commitments and derivatives (continued)**

(c) **Derivatives**

The use of derivatives as risk management products sold to customers is an integral part of the Company's business activities. These instruments are also used to manage the Company's own exposures to market risk as part of its asset and liability management process. The principal derivatives instruments used by the Company are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. For accounting purposes, derivatives are classified as trading financial instruments.

Notional amount of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting period and they do not represent amounts at risk.

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Exchange rate contracts		
Forwards	82,619,597	98,450,506
	82,619,597	98,450,506
Interest rate contracts		
Swaps		
- Qualifying for hedge accounting	319,900,000	304,900,000
- Others	10,000,000	41,000,000
	329,900,000	345,900,000
Debt security contracts		
Futures	-	16,400,000
	412,519,597	460,750,506

The transactions are used to hedge the Company's own exposure to market risks as part of its asset and liability management.

(F) Supplementary Information

(8) Contingent liabilities, commitments and derivatives (continued)

(d) Risk exposure information

Fair values and credit risk weighted amounts of derivatives

	At 30-Jun-2018 (unaudited)			At 31-Dec-2017 (audited)		
	Fair value		Credit risk weighted amount US\$	Fair value		Credit risk weighted amount US\$
Assets US\$	Liabilities US\$	Assets US\$		Liabilities US\$		
Exchange rate contracts						
Forwards	126,050	405,501	190,449	7,158	362,434	198,333
Interest rate contracts						
Swaps	5,900,366	-	2,346,272	2,869,448	3,676	1,682,161
Debt security contracts						
Futures	-	-	-	-	-	349,752
	6,026,416	405,501	2,536,721	2,876,606	366,110	2,230,246

Credit risk-weighted amount refers to the amount as computed in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The amount depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 20% to 100% for exchange rate, interest rate and debt security contracts.

The Company did not enter into any bilateral netting arrangement during the period and accordingly these amounts are shown on a gross basis.

Fair values of derivatives designated as hedging instruments

The following is a summary of the fair values of derivatives held for hedging purposes by product type entered into by the Company:

	At 30-Jun-2018 (unaudited)		At 31-Dec-2017 (audited)	
	Assets US\$	Liabilities US\$	Assets US\$	Liabilities US\$
Interest rate contracts				
Swaps	5,900,365	-	2,663,944	3,676

Fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of certain fixed rate assets due to the movements in market interest rates. At 30 June 2018, the net fair value of interest rate swaps was US\$5,900,365, comprising only assets. At 31 December 2017, the net fair value of interest rate swaps was US\$2,660,268, comprising assets of US\$2,663,944 and liabilities of US\$3,676.

(F) **Supplementary Information**

(9) **Currency risk**

The Company's foreign currency positions arise from foreign exchange dealing and commercial banking operations. All foreign currency positions are managed by the global markets department within limits

The following table indicates the concentration of currency risk at the end of reporting period defined by the Banking (Disclosure) Rules.

Expressed in millions of Hong Kong dollars	At 30-Jun-2018 (unaudited)					
	United States dollars	Japanese Yen	Euros	Renminbi	Australian dollars	Total
Spot assets	9,515	25	37	20	39	9,636
Spot liabilities	(10,189)	-	-	(18)	-	(10,207)
Forward purchases	3,217	-	-	-	-	3,217
Forward sales	(2,573)	(25)	(36)	-	(38)	(2,672)
Net long/(short) position	(30)	-	1	2	1	(26)

Expressed in millions of Hong Kong dollars	At 31-Dec-2017 (unaudited)					
	United states Dollars	Japanese Yen	Euros	Renminbi	Australian dollars	Total
Spot assets	10,254	14	121	16	-	10,405
Spot liabilities	(10,741)	(8)	-	(6)	-	(10,755)
Forward purchase	3,336	-	-	-	-	3,336
Forward sales	(2,829)	-	(120)	(8)	-	(2,957)
Net long/(short) position	20	6	1	2	-	29

(F) **Supplementary Information**

(10) **Capital adequacy ratios and regulatory capital disclosures**

(a) **Capital adequacy ratios**

	At 30-Jun-2018 (unaudited)	At 31-Dec-2017 (audited)
Common Equity Tier 1 ("CET1") capital ratio	27.91%	28.36%
Tier 1 capital ratio	27.91%	28.36%
Total capital ratio	28.37%	28.89%

Capital adequacy ratios were compiled in accordance with the Banking (Capital) Rules issued by the HKMA. The capital disclosures at the reporting period are compiled in accordance with the Banking (Capital) (Amendment) Rules 2012 effective from 1 January 2013 for the implementation of the Basel III capital framework.

In accordance with the Banking (Capital) Rules, the Company has adopted the "basic approach" for the calculation of the risk-weighted assets for credit risk, the standardized (market risk) approach to calculate its market risk, and the "basic indicator approach" for the calculation of operational risk. The Company has adopted the "standardised method" for the calculation of CVA capital charge.

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's regulatory capital disclosures will be published by using the standard disclosure templates as specified by the HKMA under the "Regulatory Disclosures" section on the website:

https://www.kdb.co.kr/ih/wcms.do?actionId=ADIIHGMWC001&contentPage=/ih/ih/gm/IH18I00055_01RP.html&menuId=IH18GM0108&localeCode=en&gmBrnid=AL

(F) Supplementary Information

(10) Capital adequacy ratios and regulatory capital disclosures (continued)

(b) Regulatory capital disclosures

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
CET1 capital instruments	140,000,000	140,000,000
Retained earnings	154,022,656	144,767,791
Disclosed reserves	1,885,165	4,523,118
CET 1 CAPITAL BEFORE DEDUCTIONS	295,907,821	289,290,909
Deduct:		
Deferred tax assets in excess of deferred tax liabilities	(554,971)	(921,224)
Regulatory reserve for general banking risks	(4,222,610)	(4,249,965)
CET1 CAPITAL	291,130,240	284,119,720
ADDITIONAL TIER 1 CAPITAL AFTER DEDUCTIONS	-	-
TIER 1 CAPITAL	291,130,240	284,119,720
Regulatory reserve for general banking risks	4,222,610	4,249,965
Collective impairment allowance	571,634	1,062,492
TIER 2 CAPITAL	4,794,244	5,312,457
TOTAL CAPITAL BASE	295,924,484	289,432,177

(F) **Supplementary Information**

(11) **Liquidity maintenance ratio**

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Company's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the global markets department under the direction of the Risk Management Committee. The global markets department is responsible for ensuring that the Company has adequate liquidity for all operations; ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to prevent price and reinvestment risk in case of a maturity gap; and monitoring local and international markets for the adequacy of funding and liquidity.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short-term funds and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. Adequate facilities can be obtained from its holding company to provide liquidity to meet unexpected and material cash outflows in the ordinary course of business.

	For the six months ended	
	30-Jun-2018	30-Jun-2017
	(unaudited)	(unaudited)
Average liquidity maintenance ratio for the period	132.67%	161.93%

The Company calculates the average liquidity maintenance ratio of each calendar month by reference to positions of specified days approved by the HKMA pursuant to Rule 48(2) of the Banking (Liquidity) Rules.

The average liquidity maintenance ratio is computed on a solo basis using the arithmetic mean of each calendar month's average liquidity maintenance ratio as reported in the return relating to liquidity position submitted to the HKMA.

To comply with the Banking (Disclosure) Rules, liquidity information disclosure will be published under the "Regulatory Disclosures" section on the website:

https://www.kdb.co.kr/ih/wcms.do?actionId=ADIH1HGMWC001&contentPage=/ih/ih/gm/IH1H18I00055_01RP.html&menuId=IH1HGM0108&localeCode=en&gmBrId=AL

(F) Supplementary Information

(12) Leverage ratio

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
On-balance sheet exposures	1,310,101,524	1,367,738,124
Less:		
Regulatory adjustments	(554,971)	(921,224)
Total on-balance sheet exposures	1,309,546,553	1,366,816,900
Replacement cost associated with all derivatives transactions	7,525,417	3,358,336
Add-on amounts for potential future exposure associated with all derivatives transactions	3,490,361	5,620,340
Total derivative exposures	11,015,778	8,978,676
Exposures with a 20% credit conversion factor	14,731,084	15,045,853
Exposures with a 50% credit conversion factor	15,518,097	16,676,428
Total off-balance sheet exposures	30,249,181	31,722,281
Securities financing transaction exposures	5,175,300	10,436,875
Total exposures before adjustments	1,355,986,812	1,417,954,732
Collective provisions and specific provision that are allowed to be excluded from exposure measure	(59,167)	-
Total exposures after adjustments	1,355,927,645	1,417,954,732
Tier 1 capital	291,130,240	284,119,720
Leverage ratio	21.47%	20.04%

Leverage ratio ("LR") is calculated in accordance with the completion instruction issued by the HKMA.

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's leverage ratio disclosure will be published by using the standard disclosure templates as specified by the HKMA under the "Regulatory Disclosures" section on the website:

https://www.kdb.co.kr/ih/wcms.do?actionId=ADIHGHMWC001&contentPage=/ih/ih/gm/IH18100055_01RP.html&menuId=IHGHM0108&localeCode=en&gmBrId=AL

(F) **Supplementary Information**

(13) **Countercyclical Capital Buffer (CCyB) Ratio**

Countercyclical capital buffer ratio ("CCyB") were complied in accordance with the Banking (Capital) Rules. The Company's specific CCyB rate is calculated as the weighted average of the applicable jurisdictional CCyB rates, in respect of the jurisdictions (including Hong Kong) where the Company has private sector credit exposures. The weight to be attributed to a given jurisdiction's applicable CCyB rate is the ratio of the Company's aggregate risk-weighted amounts for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction (where the location of the exposures is determined as far as possible on an ultimate risk basis) to the sum of the Company's aggregate risk-weighted amounts across all jurisdictions in which the Company has private sector credit exposure. For a credit exposure guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures, are shown as follows:

At 30 June 2018 (unaudited)

Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio US\$	CCyB ratio	CCyB amount US\$
Hong Kong SAR	1.875%	278,559,294		
China	-	195,578,400		
Angola	-	2,500,796		
Australia	-	13,414,035		
Canada	-	2,607,588		
Cayman Islands	-	19,695,608		
India	-	17,786,250		
Ireland	-	10,685,453		
Kuwait	-	9,685,662		
Luxembourg	-	3,437,457		
Malaysia	-	643,322		
Philippines	-	15,002,578		
Singapore	-	19,207,517		
South Korea	-	169,604,484		
United Arab Emirates	-	4,598,291		
United Kingdom	0.50%	1,509,871		
United States	-	13,090,451		
Total		777,607,057	0.673%	5,233,295

(F) **Supplementary Information**

(13) **Countercyclical Capital Buffer (CCyB) Ratio (continued)**

At 31 December 2017 (audited)

Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio US\$	CCyB ratio	CCyB amount US\$
Hong Kong SAR	1.250%	258,276,671		
China	-	126,752,361		
Angola	-	2,917,905		
Australia	-	13,421,141		
Canada	-	2,500,000		
Cayman Islands	-	19,027,295		
India	-	18,445,410		
Indonesia	-	10,017,940		
Ireland	-	11,364,905		
Kuwait	-	12,613,357		
Luxembourg	-	3,311,030		
Malaysia	-	712,788		
Philippines	-	15,003,211		
Singapore	-	14,801,777		
South Korea	-	196,183,651		
United Arab Emirates	-	4,766,130		
United Kingdom	0.500%	1,394,721		
United States	-	13,167,180		
Total		724,677,473	0.446%	3,232,062

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's countercyclical capital buffer ratio disclosure will be published by using the standard disclosure templates as specified by the HKMA under the "Regulatory Disclosures" section on the website:

https://www.kdb.co.kr/ih/wcms.do?actionId=ADIHIHGMWVC001&contentPage=/ih/ih/gm/IHIH18I00055_01RP.html&menuId=IHIHGM0108&localeCode=en&qmBrnId=AL

(F) Supplementary Information

(14) Non-bank Mainland China exposures

The analysis of non-bank Mainland China exposures is based on the categories of non-bank counterparties and the type of direct exposures with reference to the Completion Instruction for the HKMA return of non-bank Mainland exposures.

	Items in HKMA return	30-Jun-2018 (unaudited)		
		On-balance sheet exposure US\$	Off-balance sheet exposure US\$	Total US\$
Central government, central government-owned entities and their subsidiaries and joint ventures	1	212,304,259	96,619	212,400,878
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	51,707,901	7,598,390	59,306,291
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	3	70,296,243	15,836,641	86,132,884
Other entities of central government not reported in item 1 above	4	-	-	-
Other entities of local governments not reported in item 2 above	5	24,376,646	-	24,376,646
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	31,722,022	-	31,722,022
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	5,751,665	663,161	6,414,826
Total	8	396,158,736	24,194,811	420,353,547
Total assets after provision	9	1,327,514,658		
On-balance sheet exposures as percentage of total assets	10	29.84%		

(F) Supplementary Information

(14) Non-bank Mainland China exposures (continued)

	Items in HKMA return	31-Dec-2017 (unaudited)		Total US\$
		On-balance sheet exposure US\$	Off-balance sheet exposure US\$	
Central government, central government-owned entities and their subsidiaries and joint ventures	1	157,560,000	2,096,619	159,656,619
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	35,989,112	-	35,989,112
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	3	60,231,122	10,488,240	70,719,362
Other entities of central government not reported in item 1 above	4	-	-	-
Other entities of local governments not reported in item 2 above	5	10,014,128	3,846,154	13,860,282
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	31,851,465	-	31,851,465
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	20,089,415	823,798	20,913,213
Total	8	<u>315,735,242</u>	<u>17,254,811</u>	<u>332,990,053</u>
Total assets after provision	9	<u>1,383,963,844</u>		
On-balance sheet exposures as percentage of total assets	10	<u>22.81%</u>		

No individual impairment allowance was made in respect of the above exposures.

(F) **Supplementary Information**

(15) **Overdue and rescheduled assets**

(a) Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the period-end.

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Gross loans and advances to customers which have been overdue with respect to principal for period of		
- Over 1 year	-	2,386,737

(b) Rescheduled loans and advances

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Company.

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Rescheduled loans and advances to customers	9,892,500	9,892,500
Gross rescheduled loans and advances as a percentage of total gross loans and advances	1.60%	1.79%

(c) Other overdue assets

	At 30-Jun-2018 (unaudited) US\$	At 31-Dec-2017 (audited) US\$
Debt securities which have been overdue with respect to principal for period of		
- Over 1 year	1,409,142	1,409,142

(d) There are no repossessed assets held at 30 June 2018 and 31 December 2017

(16) **Pillar 3 disclosures**

To comply with the Banking (Disclosure) Rules, all information in relation to the Company's Pillar 3 disclosures will be published by using the standard disclosure templates as specified by the HKMA under the "Regulatory Disclosures" section on the website:

https://www.kdb.co.kr/ih/wcms.do?actionId=ADIIHGMWC001&contentPage=/ih/ih/gm/IH18100055_01RP.html&menuId=IH1HGM0108&localeCode=en&gmBrId=AL

(F) Supplementary information (continued)

(17) Key elements of disclosure policy

The Disclosure Policy of the Company sets out the approach used by the Company to (i) determine the content, appropriateness and frequency of the information it discloses to the general public relating to its state of affairs including its profit and loss and its financial resources (including capital/liquidity resources) and (ii) descriptions of its own risk profile as required by the Banking (Disclosure) Rules.

Summary of Information Disclosure Policy

Information Disclosure Policy is formulated in accordance with relevant legislations / statutory requirements/regulations.

Objective

The purpose of this Information Disclosure Policy is to ensure that information which are not in scope of commercial secrets and are allowed to be disclosed, be conveyed to shareholder and the public in due time in a complete, understandable, simple and affordable manner under equal conditions.

Definition of information

“Information” refers to information that should be disclosed as soon as reasonably practicable in accordance with the statutory requirements under relevant supervisory departments, regulatory authorities, or should be disclosed to the general public through any specified media.

Form of information disclosure

Information disclosure is mainly in the forms of announcements; reports (including regular reports and provisional reports); press releases; internet where information is disclosed. Information must be disclosed in compliance with relevant laws/statutory requirements or internal policies of KDB Asia Limited (the “Company”) irrespective of its forms of disclosure.

Management framework of information disclosure

The Board must ensure the Company to assume its responsibilities for fulfilling disclosure obligations, and shall authorize the Audit Committee to monitor implementation of the information disclosure affairs, conduct regular review on the information disclosure mechanism of the Company and carry out information assessment, yet the final decision on the outcome of information assessment shall rest with the Board.

(F) Supplementary information (continued)

(17) Key elements of disclosure policy (continued)

Basic principles of information disclosure

The disclosure of information of the Company should be made in accordance with the following basic principles:

Timeliness: information disclosure should be promptly disseminated to the public and completed within the time frame as stipulated in the applicable laws, regulations, ordinances, rules and other codes setting out in this Policy.

Truthfulness: contents of the information to be disclosed should be objective and on factual basis to reflect the real situation, no false statement shall be contained.

Accuracy: contents of the information to be disclosed should be impartial and precise, no exaggerated or misleading statement shall be contained.

Completeness: contents of the information to be disclosed should be complete and contains no material omissions. All relevant documents presenting with required format shall be made available.

Compliance: the disclosure requirements provided under the relevant laws, regulations, ordinances, rules and other relevant provision.

Reporting procedures

1. Monitoring Framework

The Company has established controlling measures for the oversight of business, corporate development and events of the Company to enable any information that can be promptly identified and escalated by all departments/teams. The Audit Committee of the Company meets from time to time to ensure senior management having an effective control on the Company's daily operations and business development in accordance with relevant requirements.

(F) Supplementary information (continued)

(17) Key elements of disclosure policy (continued)

Reporting procedures (continued)

2. Preliminary identification

All departments/teams should follow the internal control framework as established by the Company and pay special attention to the material information and critical incidents that will have significant impact on the Company's business operations. They should also preliminarily identify whether the information of various issues fall within the definition of material information or critical incidents as set out in this Policy, and to keep proper internal records, and conduct self-assessments and report to the Board. Once the information is preliminarily identified as material information or critical incidents to be reported, they should submit relevant reports and notify the Board on a timely basis. Head of relevant departments/Teams should restrict access to the information to a limited number of employees on a need-to-know basis during the escalation process and maintain a list of insider employees for management's inspection from time to time, and to ensure those employees whom are fully conversant with their obligations to preserve confidentiality. All reporting materials and correspondences should be properly filed for record, retrieval and examination.

3. Analysis and evaluation

The Audit Committee should review information as submitted by relevant departments/teams. The Audit Committee shall assess any possible impact on the Company with regard to such material information and critical incidents in order to determine whether it is inside information, and report their assessment result in writing to the Board. The Board may request additional information/materials and/or the Company to convene a Board meeting for further discussion, in order to make a final assessment and decision on disclosure. Minutes of relevant meetings of the Audit Committee shall include discussions and analysis on the assessment of inside information, and shall be properly filed upon favourable review and approval by attendees of the meeting.

Procedures for information disclosure

Inside information announcement should be first disseminated by the Board officially then published on the Company's website.

Arrangements for preserving information confidentiality

All employees of the Company should strictly comply with relevant provisions on confidentiality and are obligated to keep information confidential before disclosure is made. The Company shall enter into confidentiality agreement or conclude contract with confidentiality clause(s) upon engagement with any external parties in accordance with relevant requirements of the Company. The Company shall also establish stringent confidentiality arrangements to prohibit inadvertent disclosure of information, particularly during negotiation of material transactions.

(F) Supplementary information (continued)

(17) Key elements of disclosure policy (continued)

Reporting procedures (continued)

Disciplinary actions and accountability

If any employees of the Company have deliberately or negligently breached the information disclosure provisions that leads to material damage or losses to the Company, the Company shall reserve the right to hold accountable to the person(s) whom are directly liable for the breaching of information disclosure provisions, and depends on the circumstances, impose disciplinary measures or take legal actions when necessary.

If any regulators take regulatory actions, issue notice of criticism or make public reprimand against the Company with regard to the Company's violation of information disclosure regulations, the Board should immediately take appropriate rectification measures and report the same to relevant regulators (as deemed necessary).

(G) Basis of preparation

The financial information presented in this report is prepared on a basis consistent with the accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements.

(H) Compliance with Disclosure Requirements

In preparing the interim results for the six months ended 30 June 2018, the Company has fully complied with the requirements set out in the Banking (Disclosure) Rules and the guideline on the application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

(I) Review of Interim Results

These interim results have been reviewed by the Company's Board of Directors.

- End -