

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
新聯銀行(香港)有限公司

2023 Interim Report

The Directors of Allied Banking Corporation (Hong Kong) Limited are pleased to announce the unaudited consolidated results of the company and its subsidiary, ACR Nominees Limited for the period from 1 January 2023 to 30 June 2023 as follows:-

UNAUDITED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	30/06/2023	30/06/2022
	HK\$'000	HK\$'000
Interest income	34,617	26,224
Interest expenses	(7,810)	(1,199)
Net interest income	26,807	25,025
Commission income	752	476
Other operating income	4,925	3,710
Operating income	32,484	29,211
Operating expenses	(18,108)	(16,994)
Operating profit before impairment losses	14,376	12,217
Net writeback of impairment provision	35	53
Profit before tax	14,411	12,270
Income tax	(2,193)	(1,912)
Profit for the period and total comprehensive income for the period	12,218	10,358

There were no recognised gains or losses other than the net profit / (loss) for the period. There were also no significant changes relating to the activities and profit / (loss) of the company during the relevant period.

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
 新聯銀行(香港)有限公司

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2023

	NOTE	30/06/2023 HK\$'000	31/12/2022 HK\$'000
<u>ASSETS</u>			
Cash and cash equivalents		264,321	453,846
Placements with banks and other financial institutions maturing between one and twelve months		136,739	131,211
Derivative financial instruments	6	1,052	297
Advances and other accounts		1,061,411	930,818
Trade bills		1,669	-
Investment property		75,000	75,000
Property and equipment		23,269	23,782
		<hr/>	<hr/>
Total assets		<u>1,563,461</u>	<u>1,614,954</u>
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Deposits and balances of banks and other financial institutions		15,242	15,562
Deposits from customers		920,753	984,564
Derivative financial instruments	6	-	-
Other accounts and provisions		17,586	17,962
Current tax liabilities		2,575	1,262
Deferred tax liabilities		1,668	1,668
		<hr/>	<hr/>
Total liabilities		<u>957,824</u>	<u>1,021,018</u>
<u>EQUITY</u>			
Share capital		185,700	185,700
Reserves		419,937	408,236
		<hr/>	<hr/>
Total equity		<u>605,637</u>	<u>593,936</u>
		<hr/>	<hr/>
Total liabilities and equity		<u>1,563,461</u>	<u>1,614,954</u>

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Reserves					Total HK\$'000
	Share Capital HK\$'000	General Reserve HK\$'000	Impairment Reserve HK\$'000	Retained Profits HK\$'000	Total Reserves HK\$'000	
At 1 January 2022	185,700	7,000	5,499	375,851	388,350	574,050
Profit for the year	-	-	-	20,921	20,921	20,921
Total comprehensive income for the year	-	-	-	20,921	20,921	20,921
2022 preference shares dividend	-	-	-	(1,035)	(1,035)	(1,035)
At 31 December 2022 and 1 January 2023	185,700	7,000	5,499	395,737	408,236	593,936
Profit for the six months of 2023	-	-	-	12,218	12,218	12,218
Total comprehensive income for the six months of 2023	-	-	-	12,218	12,218	12,218
Preference shares dividend for the six months of 2023	-	-	-	(517)	(517)	(517)
At 30 June 2023	185,700	7,000	5,499	407,438	419,937	605,637

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
 AS AT 30 JUNE 2023

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before tax	14,411	12,270
Adjustments for :		
Net writeback of impairment provision	(35)	(53)
Depreciation	513	563
	<u>14,889</u>	<u>12,780</u>
Decrease in placements with banks and other financial institutions with maturity more than three months when acquired	5,437	12,066
Increase in trade bills	(1,668)	-
Decrease / (Increase) in advances and other accounts	(130,558)	20,946
Decrease / (Increase) in derivative financial instruments	(756)	247
Decrease in deposits and balances of banks and other financial institutions	(320)	(922)
Decrease in deposits from customers	(63,811)	(3,528)
Increase / (Decrease) in other accounts and payables	141	(395)
	<u>(176,646)</u>	<u>41,194</u>
Hong Kong profits tax paid	(880)	(814)
NET CASH FLOWS (USED IN) / GENERATED FROM OPERATING ACTIVITIES	<u>(177,526)</u>	<u>40,380</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property and equipment	-	(23)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(23)</u>
 CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid to preference shareholders	(1,035)	(1,035)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(1,035)</u>	<u>(1,035)</u>
 NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(178,561)	39,322
Cash and cash equivalents at beginning of year	508,497	410,660
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>329,936</u>	<u>449,982</u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	264,326	381,394
Placements with banks and other financial institutions repayable within three months when acquired	65,610	68,588
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>329,936</u>	<u>449,982</u>

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. ADVANCES AND OTHER ACCOUNTS

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Advances to customers	1,045,584	920,963
Allowance for impairment losses	(19)	(8)
	<u>1,045,565</u>	<u>920,955</u>
Other accounts	13,418	9,066
	<u><u>1,058,983</u></u>	<u><u>930,021</u></u>

Other accounts include HK\$14,139,631 (2022: HK\$9,066,138) of financial assets which were measured at amortised cost.

ADVANCES TO CUSTOMERS

An analysis of changes in the gross amount of advances to customers is as follows:

	THE COMPANY			
	30/06/2023			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross advances as at 1 January 2023	919,782	1,167	14	920,963
New loans/financing originated or purchased	267,508	14	-	267,522
Loans/financing derecognized or repaid	(143,999)	(130)	(58)	(144,187)
Transfers to Stage 1	1,239	-	-	1,239
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Total transfer between stages	1,239	-	-	1,239
Recoveries	-	-	47	47
Written off	-	-	-	-
Gross advances as at 30 June 2023	<u>1,044,530</u>	<u>1,051</u>	<u>3</u>	<u>1,045,584</u>

	THE COMPANY			
	31/12/2022			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross advances as at 1 January 2022	1,041,644	1,151	16,172	1,058,967
New loans/financing originated or purchased	396,440	18	-	396,458
Loans/financing derecognized or repaid	(518,302)	(2)	(16,264)	(534,568)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Total transfer between stages	-	-	-	-
Recoveries	-	-	107	107
Written off	-	-	(1)	(1)
Gross advances as at 31 December 2022	<u>919,782</u>	<u>1,167</u>	<u>14</u>	<u>920,963</u>

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

1. ADVANCES AND OTHER ACCOUNTS (continued)

ADVANCES TO CUSTOMERS (continued)

	THE COMPANY		THE COMPANY	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
Loans for use in the following regions or countries				
Hong Kong	975,636	854,007	93.00%	93.00%
Vietnam	29,952	29,941	3.00%	3.00%
China	39,996	37,015	4.00%	4.00%
	<u>1,045,584</u>	<u>920,963</u>	<u>100.00%</u>	<u>100.00%</u>

IMPAIRED ASSETS

	THE COMPANY		THE COMPANY	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
<u>Loans for use in Hong Kong</u>				
Gross amount of impaired loans	3	14	0.00%	0.00%
Impairment allowance made in respect of such advances - Stage 3	-	-		
	<u>3</u>	<u>14</u>		
<u>Loans for use in People's Republic of China</u>				
Gross amount of impaired loans	-	-	-	-
Impairment allowances made in respect of such advances - Stage 3	-	-		
	<u>-</u>	<u>-</u>		
<u>Total impaired assets</u>				
Gross amount of impaired loans	3	14	0.00%	0.00%
Impairment allowance made in respect of such advances - Stage 3	-	-		
	<u>3</u>	<u>14</u>		
Fair value of collateral	-	-		

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

1. ADVANCES AND OTHER ACCOUNTS (continued)

OVERDUE AND RESCHEDULED ASSETS

OVERDUE ADVANCES

	THE COMPANY		THE COMPANY	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
<u>Loans for use in Hong Kong</u>				
Gross amount of advances which have been overdue for:				
Six months or less but over three months	57,855	1,130	5.53%	0.12%
One year or less but over six months	-	1,168	-	0.13%
Over one year	-	-	-	-
	<u>57,855</u>	<u>2,298</u>		
<u>Loans for use in China</u>				
Gross amount of advances which have been overdue for:				
Six months or less but over three months	-	-	-	-
One year or less but over six months	-	-	-	-
Over one year	-	-	-	-
	<u>-</u>	<u>-</u>		
Total overdue advances	<u>57,855</u>	<u>2,298</u>		
Individual impairment allowance made in respect of the overdue advances	<u>-</u>	<u>-</u>		

The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Fair value of collaterals held against the above overdue loans and advances	<u>147,600</u>	<u>10,700</u>
Covered portion of the above overdue loans and advances	<u>57,855</u>	<u>2,298</u>
Uncovered portion of the above overdue loans and advances	<u>-</u>	<u>-</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

1. ADVANCES AND OTHER ACCOUNTS (continued)

RESCHEDULED ADVANCES

No advances to customers, banks and other financial institutions were rescheduled as at 30 June 2023 (31 December 2022 : Nil).

The analysis of overdue advances and impaired advances is as follows:

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Advances to customers overdue for more than 3 months	57,855	2,298
Rescheduled advances to customers	-	-
	57,855	2,298
Add: Impaired advances and impaired advances which are not overdue or rescheduled	3	14
Advances which are overdue less than 3 months but not impaired	30,303	172
Total overdue advances and impaired advances	88,161	2,484

ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

There are no individually impaired and overdue loans and advances to banks and other financial institutions at at 30 June 2023 and 31 December 2022.

NON-BANK MAINLAND CHINA EXPOSURES

The following table illustrates the disclosure required to be made in respect of the Company's Mainland exposures to non-bank counterparties :

	THE COMPANY			
	30/06/2023			
	On-balance sheet exposure	Off-balance sheet exposure	Total exposure	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Type of counterparties</u>				
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	11,996	-	11,996	-
Total	11,996	-	11,996	-
Total assets after provision	<u>1,519,370</u>			
On-balance sheet exposures as percentage of total assets	0.79%			

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

1. ADVANCES AND OTHER ACCOUNTS (continued)

NON-BANK MAINLAND CHINA EXPOSURES

	THE COMPANY			
	31/12/2022			
	On-balance sheet exposure	Off-balance sheet exposure	Total exposure	Individual impairment allowance
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<u>Type of counterparties</u>				
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	12,561	-	12,561	-
	12,561	-	12,561	-
Total assets after provision	<u>1,575,372</u>			
On-balance sheet exposures as percentage of total assets	0.80%			

2. CASH AND CASH EQUIVALENTS

This account consists of the following:

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Cash and bank balances	53,813	202,336
Money at call and short notice	202,981	246,759
	256,794	449,095
Less: allowance for impairment losses	6	8
Cash and cash equivalents	<u>256,788</u>	<u>449,087</u>

An analysis of changes in the ECL allowances for money at call and short notice:

	THE COMPANY			
	30/6/2023			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as of 1 January 2023	8	-	-	8
Assets derecognized or repaid during the year	(2)	-	-	(2)
Balance as of 30 June 2023	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>

	THE COMPANY			
	31/12/2022			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as of 1 January 2022	9	-	-	9
Assets derecognized or repaid during the year	(1)	-	-	(1)
Balance as of 31 December 2022	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

3. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS

This account consists of the following:

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Placements with banks and financial institutions	101,618	96,191
Less: allowance for impairment losses	8	6
Placements with banks and financial institutions	<u>101,610</u>	<u>96,185</u>

An analysis of changes in the ECL allowances for placement with banks and other financial institutions:

	THE COMPANY			
	30/6/2023			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as of 1 January 2023	6	-	-	6
Assets derecognized or repaid during the year	2	-	-	2
Balance as of 30 June 2023	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>

	THE COMPANY			
	31/12/2022			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as of 1 January 2022	8	-	-	8
Assets derecognized or repaid during the year	(2)	-	-	(2)
Balance as of 31 December 2022	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>

4. CREDIT LOSS EXPENSES / IMPAIRMENT ALLOWANCES

The following table shows the changes in ECL on financial instruments for the year recorded in the profit or loss.

	THE COMPANY			
	30/06/2023			
	12-months expected credit loss	Lifetime expected credit loss not credit impaired	Lifetime expected credit loss credit impaired	Total
	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net charge for / (write-back of) credit loss expenses:				
- Advances to customers	12	-	(47)	(35)
- Cash and cash equivalents	(2)	-	-	(2)
- Placements with banks and financial institutions	2	-	-	2
	<u>12</u>	<u>-</u>	<u>(47)</u>	<u>(35)</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

4. CREDIT LOSS EXPENSES / IMPAIRMENT ALLOWANCES (continued)

The following table shows the changes in ECL on financial instruments for the year recorded in the profit or loss.

THE COMPANY				
31/12/2022				
	12-months expected credit loss Stage 1 HK\$'000	Lifetime expected credit loss not credit impaired Stage 2 HK\$'000	Lifetime expected credit loss credit impaired Stage 3 HK\$'000	Total HK\$'000
Net charge for / (write-back of) credit loss expenses:				
- Advances to customers	(1)	-	(106)	(107)
- Cash and cash equivalents	(1)	-	-	(1)
- Placements with banks and financial institutions	(2)	-	-	(2)
	<u>(4)</u>	<u>-</u>	<u>(106)</u>	<u>(110)</u>

5. OFF-BALANCE SHEET EXPOSURES

A. Contingent liabilities and commitments

	THE COMPANY	
	30/06/2023 HK\$'000	31/12/2022 HK\$'000
Contractual amounts		
Direct credit substitutes	300	300
Trade-related contingencies	-	-
Other commitments:		
With an original maturity of under one year or which are unconditionally cancellable	89,048	88,916
With an original maturity of one year and over	-	-
	<u>89,348</u>	<u>89,216</u>
Credit risk weighted amounts	<u>-</u>	<u>-</u>

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default.

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

5. OFF-BALANCE SHEET EXPOSURES (continued)

B. Derivatives

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Notional amounts of derivatives		
Exchange rate contracts	329,075	318,084
Credit risk weighted amounts	4,000	3,602
Replacement costs	1,125	142

The notional amounts of these derivatives indicate the volume of transactions outstanding at the balance sheet date, but they do not represent amounts at risk. No hedge accounting was adopted.

The replacement costs and credit risk weighted amounts of the above derivatives do not take into account the effects of bilateral netting arrangements.

6. DERIVATIVE FINANCIAL INSTRUMENTS

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Derivative financial instruments (not under hedge accounting)		
Forward foreign exchange contracts (at fair value)		
-Assets	1,052	297
-Liabilities	-	-
	1,052	297

The Company utilises currency derivatives to hedge significant future transactions and cash flows. The Company is a party to a variety of foreign currency forward contracts for the sake of management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Company's principal markets.

As at the balance sheet date, all derivatives are stated at fair value. Fair value is determined based on valuation techniques.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

7. SEGMENTAL INFORMATION

The company's total operating income, profit / (loss) before taxation, total assets, total liabilities and contingent liabilities and commitments are derived predominantly from Hong Kong.

The Company's gross advances to customers analysed and reported by industry sectors are as follows :

	THE COMPANY 30/06/2023		THE COMPANY 31/12/2022	
	Gross advances HK\$'000	% of gross advances covered by collateral	Gross advances HK\$'000	% of gross advances covered by collateral
<u>Loans for use in Hong Kong</u>				
Industrial, commercial and financial :				
- Property development	30,000	100.00%	33,915	100.00%
- Property investment	129,067	100.00%	148,533	100.00%
- Financial concerns	-	-	-	-
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	419,341	100.00%	338,002	100.00%
- Manufacturing	159,489	100.00%	139,030	100.00%
- Transport and transport equipment	41,123	100.00%	41,746	100.00%
- Recreational activities	-	-	-	-
- Information technology	5,357	100.00%	5,500	100.00%
- Electricity and gas	-	-	-	-
- Civil engineering works	8,991	100.00%	1,093	100.00%
- Hotels, boarding houses & catering	36,126	100.00%	5,600	100.00%
- Non-stockbroking companies & individuals for the purchase of shares-others	33,147	100.00%	21,165	100.00%
Professional & private individuals				
- Loans for purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-	-	-
- Loans for the purchase of other residential properties	44,386	100.00%	48,765	100.00%
- Credit card advances	-	-	-	-
- Loans for other business purposes	22,330	100.00%	22,024	100.00%
- Loans for other private purposes	26,032	99.88%	26,860	99.88%
All others	2,701	100.00%	3,613	100.00%
Total loans for use in Hong Kong	<u>958,090</u>		<u>835,846</u>	
Trade finance	<u>17,547</u>	100.00%	<u>18,161</u>	100.00%
Total loans for use outside Hong Kong	<u>69,947</u>	100.00%	<u>66,956</u>	100.00%
Total advances to customers	<u>1,045,584</u>		<u>920,963</u>	

The advances are predominantly made to customers in Hong Kong. No geographical analysis is disclosed as the Company derives the majority of its income from its commercial banking business where the customers' principal operations are in Hong Kong.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

7. SEGMENTAL INFORMATION (continued)

The Company's gross and impaired loans and advances to customers, impairment allowances, impaired loans and advances written off and collateral are analysed by industry sectors pursuant to the HKMA's guidelines as follows:

Advances to customers over 10% of the total advances by industry sectors as at 30 June 2023

THE COMPANY									
	Gross loans and advances HK\$'000	Impairment allowances Stage 1 & Stage 2 HK\$'000	Impairment allowances Stage 3 HK\$'000	New impairment allowances charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Manufacturing	159,489	-	-	-	-	159,489	100.00%	-	-
Property investment	129,067	-	-	-	-	129,067	100.00%	-	-
Wholesale and retail trade	419,341	16	-	11	-	419,341	100.00%	-	-

Advances to customers over 10% of the total advances by industry sectors as at 31 December 2022

THE COMPANY									
	Gross loans and advances HK\$'000	Impairment allowances Stage 1 & Stage 2 HK\$'000	Impairment allowances Stage 3 HK\$'000	New impairment allowances charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Manufacturing	139,030	-	-	-	-	139,030	100.00%	-	-
Property investment	148,533	-	-	-	-	148,533	100.00%	-	-
Wholesale and retail trade	338,002	5	-	-	-	338,002	100.00%	-	-

8. LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

ALCO is responsible for monitoring the Company's liquidity position through periodic review of statutory liquidity ratio, maturity profile of assets and liabilities, loan-to-deposit ratio and inter-bank transactions. Liquidity policy is monitored by ALCO and reviewed regularly by the Board of Directors of the Company. The Company's policy is to maintain a conservative level of liquid funds on a daily basis so that the Company is prepared to meet its obligations when they fall due in the normal course of business, to satisfy statutory liquidity ratio requirements, and to deal with any funding crises that may arise. Limits are set on the minimum proportion of maturing funds to be maintained in order to meet all the calls on cash resources such as overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, margin calls and other calls on cash-settled derivatives. Limits are also set on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at an unexpected level of demand.

	THE COMPANY	
	30/06/2023	30/06/2022
	%	%
Average liquidity maintenance ratio for the six-month period	132.79%	118.55%

The Liquidity Ratio specified under section 102 of the Banking Ordinance, which was replaced by the liquidity maintenance ratio ("LMR") on 1 January 2015. LMR was complied in accordance with the Banking (Liquidity) Rules issued by the HKMA with effective from 1 January 2015 for the implementation of the Basel III capital framework.

The average ratio is calculated based on the arithmetic mean of the average value of its liquidity position return for each month during the reporting period.

9. LEVERAGE RATIO

	THE COMPANY	
	30/06/2023	31/12/2022
	%	%
Leverage ratio	33.01%	31.09%

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

10. CURRENCY RISK

	THE COMPANY								Total
	30/06/2023								
	AUD	CAD	EUR	GBP	JPY	NZD	SGD	USD	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Spot assets	1,019	921	5,475	10,067	-	3,995	-	268,702	290,179
Spot liabilities	(926)	(751)	(5,788)	(9,593)	-	(3,604)	-	(583,078)	(603,740)
Forward purchases	-	-	-	-	-	-	-	313,405	313,405
Forward sales	-	-	-	-	-	-	-	-	-
Net long / (short) position	93	170	(313)	474	-	391	-	(971)	(156)

	THE COMPANY								Total
	31/12/2022								
	AUD	CAD	EUR	GBP	JPY	NZD	SGD	USD	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Spot assets	1,153	879	236	9,322	-	4,094	-	285,435	301,119
Spot liabilities	(941)	(733)	(5,647)	(9,108)	-	(3,721)	-	(593,203)	(613,353)
Forward purchases	-	-	5,193	-	-	-	-	311,907	317,100
Forward sales	-	-	-	-	-	-	-	(5,191)	(5,191)
Net long / (short) position	212	146	(218)	214	-	373	-	(1,052)	(325)

There was no structural position in a particular foreign currency as at the balance sheet date.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

11. INTERNATIONAL CLAIMS

The Company's country risk exposures in the tables below are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. 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 represent the sum of cross-border claims in all currencies and local claims in foreign currencies. International claims attributable to individual countries or areas not less than 10% of the Company's total international claims, after recognised risk transfer, are shown as follows :

	THE COMPANY					Total HK\$'000
	30/06/2023					
	Banks HK\$'000	Official Sector HK\$'000	Non-bank Financial Institutions HK\$'000	Non- financial Private Sector HK\$'000	Others HK\$'000	
Counterparty country/jurisdiction						
Developed Countries	109,421	-	-	-	-	109,421
Offshore Centres	65,743	-	-	-	-	65,743
- of which : Hong Kong	-	-	-	-	-	-
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	-	-	-
Developing Africa and Middle East	-	-	-	-	-	-
Developing Asia and Pacific	40,634	-	-	-	-	40,634
International Organisations	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total	215,798	-	-	-	-	215,798

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

11. INTERNATIONAL CLAIMS (continued)

	THE COMPANY					Total HK\$'000
	31/12/2022					
Counterparty country/jurisdiction	Banks HK\$'000	Official Sector HK\$'000	Non-bank Financial Institutions HK\$'000	Non-bank Private Sector financial Private HK\$'000	Others HK\$'000	
Developed Countries	107,353	-	-	-	-	107,353
Offshore Centres	328,379	-	-	920,963	-	1,249,342
- of which : Hong Kong	296,406	-	-	920,963	-	1,217,369
Developing Europe	-	-	-	-	-	-
Developing Latin America and	-	-	-	-	-	-
Developing Africa and Middle East	-	-	-	-	-	-
Developing Asia and Pacific	39,663	-	-	-	-	39,663
International Organisations	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total	475,395	-	-	920,963	-	1,396,358

12. CAPITAL DISCLOSURES

The company has adopted the foundation basic approach (BSC approach) to calculate the credit risk capital charge for all on-balance sheet exposures and off-balance sheet exposures. The Company has adopted the standardised (market risk) (STM approach) to calculate the market risk capital charge for foreign exchange and interest rate exposures. The company has adopted the standardised (operational risk) STO approach to calculate the minimum capital charge for operational risk.

The capital ratios of the Company as at 30 June 2023 and 31 December 2022 are reported to the Hong Kong Monetary Authority are as follows :

	THE COMPANY	
	30/06/2023 %	31/12/2022 %
Common Equity Tier 1 capital ratio	38.15%	38.85%
Tier 1 capital ratio	38.15%	38.85%
Total capital ratio	40.26%	41.04%

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (continued)

12. CAPITAL DISCLOSURES (continued)

The components of the company's total capital base after deductions used in the calculation of the above capital ratios as at 30 June 2023 and 31 December 2022 and reported to the Hong Kong Monetary Authority are as follows:

	THE COMPANY	
	30/06/2023	31/12/2022
	HK\$'000	HK\$'000
Category 1 - Common Equity Tier 1 ("CET1") capital		
CET1 capital instruments	165,000	165,000
Retained earnings	372,630	363,841
Disclosed reserves	7,000	7,000
CET1 capital before deductions	544,630	535,841
CET1 capital : regulatory deductions		
Deferred tax assets in excess of deferred tax liabilities	-	-
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	48,555	48,555
Total regulatory deductions to CET1 capital	48,555	48,555
CET1 capital after deductions	496,075	487,286
Category II - Additional Tier 1 capital		
Additional Tier 1 capital instruments issued and share premium if any (subject to phase out arrangements from AT1 capital)	-	-
Additional Tier 1 capital	-	-
Tier 1 capital after deductions	496,075	487,286
Category III - Tier 2 capital		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	21,850	21,850
Collective provisions	5,532	5,513
Tier 2 capital	27,382	27,363
Tier 2 capital after deductions	27,382	27,363
Total capital base	523,457	514,649

To comply with the Banking (Disclosure) Rules, a section "Regulatory Disclosures" will be available on the Company's website at www.abchkl.com.hk on 30 September 2023 onwards and include the following information:

A detailed breakdown of the Company's capital base and regulatory deductions, using the standard template as specified by the Hong Kong Monetary Authority.

A reconciliation of capital components to the Company's balance sheet, using the standard template as specified by the Hong Kong Monetary Authority.

A description of the main features and the full terms and conditions of the Company's issued capital instruments.

13. COUNTERCYCLICAL CAPITAL BUFFER (CCyB) RATIO

	THE COMPANY	
	30/06/2023	31/12/2022
	%	%
CCyB ratio	1.0000%	1.0000%

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's CCyB ratio are published by using the standard disclosure templates, as specified by the HKMA under the "Regulatory Disclosures" section on the Company's website www.abchkl.com.hk

14. CAPITAL CONSERVATION BUFFER RATIO

Under section 3M of the Capital Rules, the capital conservation buffer ratio for calculating the Company's buffer level are 2.5% for 30 June 2023 and 31 December 2022.

15. PILLAR 3 REGULATORY DISCLOSURES

The Pillar 3 regulatory disclosures for 30 June 2023 which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the HKMA can be found under the "Regulatory Disclosures" Section on the company's website at www.abchkl.com.hk.

16. REPOSSESSED ASSETS

No repossessed assets of the company was held as at 30 June 2023 (31 December 2022 : Nil).

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

18. STATEMENT OF COMPLIANCE

The Interim Results together with the Supplementary Financial Information is prepared in accordance with and complies fully with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

Note : In the event of any difference in interpretation or meaning between the Chinese and English version of this Statement, the English version shall prevail.