KPMG

KEXIM ASIA LIMITED

31 December 2015

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2015.

Principal place of business

KEXIM ASIA LIMITED ("the Company") is a deposit taking company incorporated and domiciled in Hong Kong, and has its registered office and principal place of business at Unit 1805 & 07, 18/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Principal activities

The Company is engaged in deposit taking, loan syndication, investment and the provision of financial services.

Recommended dividend

The directors recommend the payment of a final dividend of US$142,475 (2014: US$157,124) in respect of the year ended 31 December 2015.

Share capital

Details of share capital of the Company are set out in note 24 to the financial statements. There were no movements during the year.

Directors

The directors during the financial year were:

Executive directors

Baek Nam Soo, Managing Director
Kwon Wonhyup
Oh Joeng Tae

Independent non-executive directors

Jeung Hoseob
Kim Jeonghoon

There being no provision in the Company's articles of association for the retirement of directors, all existing directors continue in office for the following year.

Directors (continued)

At no time during the financial year was the Company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the financial year or at any time during the financial year.

Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules effective from 1 January 2007. The Banking (Disclosure) Rules set out the minimum standards for public disclosure which authorised institutions must make in respect of the statement of profit or loss, state of affairs and capital adequacy.

The directors are of the view that the financial statements together with the attached unaudited supplementary information on pages 67 to 85 for the year ended 31 December 2015 fully comply with the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board

Baek Nam Soo
Managing Director
Hong Kong, 22 April 2016

Independent auditor's report to the members of KEXIM ASIA LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of KEXIM ASIA LIMITED ("the Company") set out on pages 5 to 66, which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of KEXIM ASIA LIMITED (continued)

(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of the Company's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 April 2016

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

(Expressed in United States dollars)

	Note	*2015*	*2014*
Interest income	3(a)	$ 8,525,443	$ 9,054,146
Interest expense	3(b)	(3,394,694)	(2,618,404)
Net interest income		$ 5,130,749	$ 6,435,742
Fee and commission expense	4	$ (7,735)	$ (8,371)
Net fee and commission expense		$ (7,735)	$ (8,371)
Net trading gain/(loss)	5	$ 93,589	$ (728,603)
Net loss on foreign exchange		(78,952)	(90,461)
Net hedging expense	6	(305,849)	(49,847)
Other income		6,449	-
		$ (284,763)	$ (868,911)
Operating income		$ 4,838,251	$ 5,558,460
Operating expenses	7	(1,928,654)	(1,902,186)
Operating profit		$ 2,909,597	$ 3,656,274
Impairment losses written back/(charged for) on loans and advances	9	284,881	(232,354)
Net gain on disposal of available-for-sale investments	10	237,311	320,635
Profit before taxation		$ 3,431,789	$ 3,744,555
Income tax	11(a)	(582,298)	(602,078)
Profit for the year		$ 2,849,491	$ 3,142,477
Other comprehensive income for the year, net of income tax			
Item that may be reclassified to profit or loss:			
Available-for-sale investments: net movement in the available-for-sale reserve	12	(1,076,936)	96,734
Total comprehensive income for the year		$ 1,772,555	$ 3,239,211

The notes on pages 11 to 66 form part of these financial statements.

Statement of financial position at 31 December 2015

(Expressed in United States dollars)

	Note	2015	2014
Assets			
Cash and balances with banks and other financial institutions		$ 4,534,825	$ 4,779,993
Loans and advances to banks and other financial institutions	13(a)	24,472,030	24,091,104
Loans and advances to customers	13(a)	194,448,845	223,058,166
Available-for-sale investments	14	124,496,501	83,380,760
Tax recoverable	17(a)	130,557	18,147
Deferred tax assets	17(b)	328,342	154,652
Other assets	18	2,520,969	2,267,896
Held-to-maturity investments	15	-	11,917,875
Property, plant and equipment	16	23,441	78,680
TOTAL ASSETS		$ 350,955,510	$ 349,747,273
Equity and liabilities			
Deposits and balances from ultimate holding company		$ 13,763,272	$ 11,672,300
Deposits and balances from banks and other financial institutions		110,415,924	103,706,550
Derivative financial liabilities	19	13,496	188,654
Other liabilities	23	3,703,779	893,458
Borrowings from other financial institutions	21	68,036,153	79,906,356
Long-term borrowings from ultimate holding company	20	88,000,000	87,972,500
Subordinated liabilities	22	15,000,000	15,000,000
Total liabilities		$ 298,932,624	$ 299,339,818

Statement of financial position at 31 December 2015 (continued)

(Expressed in United States dollars)

	Note	*2015*	*2014*
Equity			
Share capital	24	$ 30,000,000	$ 30,000,000
Reserves	25	22,022,886	20,407,455
Total equity		$ 52,022,886	$ 50,407,455
TOTAL EQUITY AND LIABILITIES		$ 350,955,510	$ 349,747,273

Approved and authorised for issue by the board of directors on 22 April 2016

Baek Nam Soo) Directors
Kwon Wonhyup)

The notes on pages 11 to 66 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2015

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company			
	Share capital	*Retained profits*	*Available-for-sale investment revaluation reserve*	*Total*
Balance at 1 January 2014	$ 30,000,000	$ 16,253,367	$ 1,265,994	$ 47,519,361
Changes in equity for 2014:				
Profit for the year	$ -	$ 3,142,477	$ -	$ 3,142,477
Other comprehensive income	-	-	96,734	96,734
Total comprehensive income	$ -	$ 3,142,477	$ 96,734	$ 3,239,211
Dividends declared in respect of prior year and paid during the year	$ -	$ (351,117)	$ -	$ (351,117)
Balance at 31 December 2014 and 1 January 2015	$ 30,000,000	$ 19,044,727	$ 1,362,728	$ 50,407,455
Changes in equity for 2015:				
Profit for the year	$ -	$ 2,849,491	$ -	$ 2,849,491
Other comprehensive income	-	-	(1,076,936)	(1,076,936)
Total comprehensive income	$ -	$ 2,849,491	$ (1,076,936)	$ 1,772,555
Dividends declared in respect of prior year and paid during the year	$ -	$ (157,124)	$ -	$ (157,124)
Balance at 31 December 2015	$ 30,000,000	$ 21,737,094	$ 285,792	$ 52,022,886

The notes on pages 11 to 66 form part of these financial statements.

Cash flow statement for the year ended 31 December 2015

(Expressed in United States dollars)

	2015	*2014*
Operating activities		
Profit before taxation	$ 3,431,789	$ 3,744,555
Adjustments for:		
Interest expense on borrowings and deposits from banks and other financial institutions	3,060,995	1,196,569
Interest expense on subordinated liabilities	333,699	324,667
(Write back)/impairment losses on loans and advances	(284,881)	232,354
Net gain on disposal of available-for-sale investments	237,311	320,635
Depreciation	57,523	57,668
Amortisation of premium and fees received as part of effective interest rate adjustment	(578,541)	(293,823)
Operating cash flows before changes in working capital	$ 6,257,895	$ 5,582,625
Decrease/(increase) in operating assets:		
Loans and advances to customers	28,513,276	(23,225,818)
Other assets	(253,073)	152,991
Increase/(decrease) in operating liabilities:		
Deposits and balances of banks and other financial institutions, and ultimate holding company	8,800,346	488,309
Derivative financial liabilities	(175,158)	19,295
Other liabilities	947,875	(393,806)
Cash generated from/(used in) operations	$ 44,091,161	$ (17,376,404)
Tax paid		
- Hong Kong Profits Tax Paid	(655,590)	(615,832)
Net cash generated from/(used in) operating activities	$ 43,435,571	$ (17,992,236)

Cash flow statement
for the year ended 31 December 2015 (continued)
(Expressed in United States dollars)

	2015	*2014*
Investing activities		
Payments for purchase of property, plant and equipment	$ (2,284)	$ (3,519)
Proceeds from redemption of held-to-maturity investments	11,995,139	-
Proceeds from sale or redemption of available-for-sale investments	38,660,160	29,476,837
Payment for purchase of available-for-sale investments	(80,801,679)	(20,000,000)
Net cash (used in)/generated from investing activities	$ (30,148,664)	$ 9,473,318
Financing activities		
(Repayment of)/proceeds from borrowings	$ (11,842,703)	$ 10,104,844
Interest paid on subordinated liabilities	(331,418)	(324,697)
Interest paid on borrowings	(1,200,830)	(1,108,248)
Dividend paid	(157,124)	(351,117)
Net cash (used in)/generated from financing activities	$ (13,532,075)	$ 8,320,782
Net decrease in cash and cash equivalents	$ (245,168)	$ (198,136)
Cash and cash equivalents at 1 January	4,779,993	4,978,129
Cash and cash equivalents at 31 December	$ 4,534,825	$ 4,779,993
Cash flow from operating activities included:		
Interest received	$ 7,134,232	$ 9,095,111
Interest paid on deposits from banks and other financial institutions	(724,506)	(948,914)

The notes on pages 11 to 66 form part of these financial statements.

Notes to the financial statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 2 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as fair value through profit or loss and available-for-sale (see note 1(c)(ii)) are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major source of estimation uncertainty are discussed in note 34.

1 Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition

The Company classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in the case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs incurred on the inception or issuance of financial assets and financial liabilities held at fair value through profit or loss are recognised in profit or loss immediately.

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised using trade date accounting. From this date, any gains and losses arising from changes in the fair value of the financial assets or financial liabilities are recorded.

(ii) Categorisation

Fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading.

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of selling or repurchasing in the near term, or on initial recognition they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives, including embedded derivatives, that do not qualify for hedge accounting (note 1(d)) are accounted for as trading instruments.

Financial assets and liabilities under this category are carried at fair value. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the statement of profit or loss.

1 Significant accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Company intends to sell immediately or in the near term, which will be classified as held for trading, and those that the Company upon initial recognition designates as at fair value through profit or loss; (b) those that the Company, upon initial recognition, designates as available-for-sale; or (c) those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale. Loans and receivables mainly comprise loans and advances to customers and placements with banks and other financial institutions.

Loans and receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses, if any (see note 1(f)).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity where the Company has the positive intention and ability to hold to maturity, other than (a) those that the Company, upon initial recognition, designates as held at fair value through profit or loss or as available for sale; and (b) those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any (see note 1(f)).

If as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income, except for foreign exchange gains and losses on monetary items such as debt securities, interest income and impairment losses which are recognised in the statement of profit or loss, until the financial asset is recognised. At that time, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment. Interest income is recognised using the effective interest method.

1 Significant accounting policies (continued)

Other financial liabilities

Financial liabilities, other than trading liabilities are measured at amortised cost using the effective interest method.

(iii) Fair value measurement principles

The fair value of financial instruments is based on, where available, their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide an estimated price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participates at the measurement date under current market conditions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

(iv) Derecognition

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when, and only when the obligation specified in the contract is discharged, cancelled or expires.

The Company uses the weighted average method to determine realised gains and losses to be recognised in profit or loss on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when and only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1 Significant accounting policies (continued)

(vi) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above as either loans and receivables or available-for-sale investments.

(d) Hedging

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Company assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Company discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Company revokes the designation.

(i) Fair value hedge

A fair value hedge seeks to offset risks of changes in the fair value of a recognised asset or liability that will give rise to a gain or loss being recognised in profit or loss.

The hedging instrument is measured at fair value, with fair value changes recognised in profit or loss. The carrying amount of the hedged item is adjusted by the gain or loss on the hedged item attributable to the hedged risk. This adjustment is recognised in profit or loss to offset the effect of the gain or loss on the hedging instrument.

When a hedging instrument expires or is sold, terminated or exercised, or the Company revokes the designation of the hedge relationship, any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

1 Significant accounting policies (continued)

(ii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Company carries out prospective effectiveness testing to demonstrate that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. For fair value hedge relationships, the Company utilises statistical regression analysis as the effectiveness testing methodology.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.

(e) Property, plant and equipment and depreciation

Property, plant and equipment held for own use are stated at cost less accumulated depreciation and impairment losses (note 1(g)).

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over the estimated useful lives as follows:

– Leasehold improvements	3 years
– Computer equipment	3 - 5 years
– Furniture, fittings and office equipment	3 - 5 years
– Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any are reviewed annually.

1 Significant accounting policies (continued)

(f) Impairment of financial assets

The carrying amounts of the Company's financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired include observable data that come to the attention of the Company about one or more of the following loss events which has an impact on the estimated future cash flows of the assets that can be estimated reliably:

- significant financial difficulty of the issuer or obligator;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- disappearance of an active market for financial assets because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant accounting policies (continued)

(i) Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances and collective impairment allowances.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Company. Each impaired asset is assessed on its own merits.

In assessing the need for collective impairment allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Company makes assumptions both to define the way the Company models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Company makes depends on how well the Company can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Company believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

1 Significant accounting policies (continued)

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to profit or loss. A reversal of impairment losses is limited to the loans and receivables' carrying value that would have been determined had no impairment loss been recognised in prior years.

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

(ii) Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

Assets found not to be individually impaired or which are not individually significant are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(iii) Available-for-sale investments

When there is objective evidence that an available-for-sale investment is impaired, the cumulative loss that had been recognised in the available-for-sale investments revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

1 Significant accounting policies (continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(g) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

(iii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(h) Repurchase and reverse repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Securities purchased under agreements to resell (reverse repurchase agreements) are reported as receivables and are carried in the statement of financial position at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised as interest income and interest expense respectively, over the life of each agreement using the effective interest method.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant accounting policies (continued)

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Interest income

Interest income for all interest-bearing financial instruments is recognised as it accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For impaired loans, the accrual of interest income based on the original terms of the loans is discounted, but any increase in the present value of impaired loans due to the passage of time is reported as interest income.

Net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with interest income and expense and dividend income attributable to those financial instruments.

Fee and commission income

Fee and commission income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to or risk borne for the customer or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred or is accounted for as interest income as noted above.

Origination fees or commissions received/paid by the Company which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

1 Significant accounting policies (continued)

(l) Lease contracts

An arrangement, comprising a transaction or a series of transactions is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(ii) Operating lease

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in comprehensive income or, in which case they are recognised in other comprehensive income or directly in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

1 Significant accounting policies (continued)

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences includes those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities relevant to the Company are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1 Significant accounting policies (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the statement of profit or loss as incurred.

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1 Significant accounting policies (continued)

(p) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

   (i) has control or joint control over the Company;

   (ii) has significant influence over the Company; or

   (iii) is a member of the key management personnel of the Company or the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

   (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Company:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 35). Impacts of the adoption of the amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Company's related party disclosures as the Company does not obtain key management personnel services from management entities.

3 Interest income and interest expense

(a) Interest income

	2015	*2014*
Interest income arising from:		
- Listed debt securities	$ 3,069,262	$ 3,594,600
- Unlisted debt securities	166,162	152,471
Others	5,290,019	5,307,075
	$ 8,525,443	$ 9,054,146

Included in the above is interest income accrued on impaired financial assets of $Nil (2014: $Nil) for the year ended 31 December 2015.

3 Interest income and interest expense (continued)

(b) Interest expense

	2015	2014
Interest expense arising from:		
- Deposits from banks and other financial institutions repayable within 5 years	$ 847,731	$ 886,101
- Long term borrowings repayable within 5 years	2,213,264	1,407,636
- Subordinated liabilities wholly repayable after 5 years	333,699	324,667
	$ 3,394,694	$ 2,618,404

4 Fee and commission expenses

	2015	2014
Foreign exchange transaction fees	$ 7,735	$ 8,371

5 Net trading gain/(loss)

	2015	2014
Gains less losses from derivatives	$ 93,589	$ (728,603)

6 Net hedging expense

	2015	2014
Fair value hedges		
- Net gain/(loss) on hedged items attributable to the hedged risk	$ 1,708,156	$ (364,750)
- Net (loss)/gain on hedging instruments	(2,014,005)	314,903
	$ (305,849)	$ (49,847)

7 Operating expenses

		2015		2014
Staff costs				
- Salaries and other benefits (of which operating lease charges in respect of accommodation provided to staff was $292,898 (2014: $278,900)	$	1,079,054	$	1,068,735
- Contributions to Mandatory Provident Fund		9,234		8,719
	$	1,088,288	$	1,077,454
Premises and equipment expenses				
- Depreciation	$	57,523	$	57,668
- Rent and rates		296,134		293,765
	$	353,657	$	351,433
Auditors' remuneration	$	88,300	$	82,479
Others		398,409		390,820
	$	486,709	$	473,299
	$	1,928,654	$	1,902,186

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		2015		2014
Directors' fees	$	-	$	-
Salaries, allowances and benefits in kind		426,738		375,427
Retirement scheme contributions		-		-
	$	426,738	$	375,427

9 Impairment losses written back/(charged for) on loans and advances

	2015	2014
Impairment losses written back/(charged for) on loans and advances		
- Release/(addition) (note 13(b))	$ 284,881	$ (232,354)

10 Net gain on disposal of available-for-sale investments

	2015	2014
Net gain arising in current year	$ 237,311	$ 320,635

11 Income tax

(a) *Taxation in the statement of profit or loss represents:*

	2015	2014
Current tax - Hong Kong Profits Tax		
Provision for the year	$ 539,794	$ 663,910
Under/(over)-provision in respect of prior year	3,386	(15,772)
	$ 543,180	$ 648,138
Deferred tax		
Origination and reversal of temporary differences	39,118	(46,060)
	$ 582,298	$ 602,078

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year.

11 Income tax (continued)

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2015	2014
Profit before tax	$ 3,431,789	$ 3,744,555
Notional tax on profit before tax, calculated at the standard rate of 16.5% (2014: 16.5%)	$ 566,245	$ 617,852
Tax effect of non-deductible expenses	12,666	-
Under/(over)-provision in prior years	3,386	(15,772)
Others	1	(2)
Actual tax expense	$ 582,298	$ 602,078

12 Other comprehensive income

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

	2015			2014		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
Available-for-sale financial assets: net movement in the available-for-sale investment revaluation reserve	$ (1,289,744)	$ 212,808	$ (1,076,936)	$ 115,849	$ (19,115)	$ 96,734

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

	2015	2014
Available-for-sale financial assets:		
Changes in fair value recognised during the year	$ (907,249)	$ 309,837
Reclassification adjustments for amounts transferred to profit or loss		
- gains on disposal	(237,311)	(320,635)
- amortisation of previous revaluation losses on available-for-sale investments reclassified as held-to-maturity investments, net of deferred tax	67,624	107,532
Net movement in the available-for-sale revaluation reserve during the year recognised in other comprehensive income	$ (1,076,936)	$ 96,734

13 Loans and advances to customers and to banks and other financial institutions

(a) Loans and advances to customers and to banks and other financial institutions less impairment

	2015	2014
Gross loans and advances to:		
- banks and other financial institutions	$ 24,719,962	$ 24,335,034
- customers	196,414,333	225,312,537
	$ 221,134,295	$ 249,647,571
Less: Collectively-assessed impairment allowances on loans and advances to		
- banks and other financial institutions	$ (247,932)	$ (243,930)
- customers	(1,965,488)	(2,254,371)
	$ (2,213,420)	$ (2,498,301)
	$ 218,920,875	$ 247,149,270
Net loans and advances to:		
- banks and other financial institutions	$ 24,472,030	$ 24,091,104
- customers	194,448,845	223,058,166
	$ 218,920,875	$ 247,149,270
Included in advances to banks and other financial institutions are trade bills to:		
- banks and other financial institutions	$ 6,596,650	$ 11,746,280
Less: Collectively-assessed impairment allowances on trade bills to		
- banks and other financial institutions	(65,981)	(117,486)
Net trade bills to:		
- banks and other financial institutions	$ 6,530,669	$ 11,628,794

13 Loans and advances to customers and to banks and other financial institutions (continued)

(b) Movement in impairment allowances on loans and advances

	2015			2014		
	Individually assessed	*Collectively assessed*	*Total*	*Individually assessed*	*Collectively assessed*	*Total*
At I January	$ -	$ 2,498,301	$ 2,498,301	$ -	$ 2,265,947	$ 2,265,947
Impairment losses (released)/charged to statement of profit or loss (note 9)	-	(284,881)	(284,881)	-	232,354	232,354
	$ -	$ 2,213,420	$ 2,213,420	$ -	$ 2,498,301	$ 2,498,301

14 Available-for-sale investments

	2015	*2014*
Debt securities, at fair value	$ 124,496,501	$ 83,380,760
Issued by:		
Banks and other financial institutions	$ 72,112,524	$ 54,526,540
Corporate entities	52,383,977	28,854,220
	$ 124,496,501	$ 83,380,760
Analysed by place of listing:		
Listed in Hong Kong	$ 24,114,860	$ 3,125,220
Listed outside Hong Kong	100,381,641	60,176,540
Unlisted	-	20,079,000
	$ 124,496,501	$ 83,380,760

15 Held-to-maturity investments

	2015	*2014*
Debt securities	$ -	$ 11,917,875
Issued by:		
Corporate entities	$ -	$ 11,917,875
	$ -	$ 11,917,875
Analysed by place of listing:		
Listed outside Hong Kong	$ -	$ 11,917,875
	$ -	$ 11,917,875

All held-to-maturity investments matured in 2015.

16 Property, plant and equipment

	Leasehold improvements	*Computer equipment*	*Furniture, fittings and office equipment*	*Motor vehicles*	*Total*
Cost:					
At 1 January 2015	$ 157,732	$ 338,670	$ 32,718	$ 66,368	$ 595,488
Additions	-	2,284	-	-	2,284
Disposals	-	-	-	-	-
At 31 December 2015	$ 157,732	$ 340,954	$ 32,718	$ 66,368	$ 597,772
Accumulated depreciation:					
At 1 January 2015	$ 87,620	$ 331,132	$ 31,688	$ 66,368	$ 516,808
Charge for the year	52,573	4,563	387	-	57,523
Written back on disposals	-	-	-	-	-
At 31 December 2015	$ 140,193	$ 335,695	$ 32,075	$ 66,368	$ 574,331
Net book value:					
At 31 December 2015	$ 17,539	$ 5,259	$ 643	$ -	$ 23,441

16 Property, plant and equipment (continued)

	Leasehold improvements	*Computer equipment*	*Furniture, fittings and office equipment*	*Motor vehicles*	*Total*
Cost:					
At 1 January 2014	$ 157,732	$ 336,310	$ 31,559	$ 66,368	$ 591,969
Additions	-	2,360	1,159	-	3,519
Disposals	-	-	-	-	-
At 31 December 2014	$ 157,732	$ 338,670	$ 32,718	$ 66,368	$ 595,488
Accumulated depreciation:					
At 1 January 2014	$ 35,048	$ 326,165	$ 31,559	$ 66,368	$ 459,140
Charge for the year	52,572	4,967	129	-	57,668
Written back on disposals	-	-	-	-	-
At 31 December 2014	$ 87,620	$ 331,132	$ 31,688	$ 66,368	$ 516,808
Net book value:					
At 31 December 2014	$ 70,112	$ 7,538	$ 1,030	$ -	$ 78,680

17 Taxation in the statement of financial position

(a) Current income tax in the statement of financial position represents:

	2015	*2014*
Provision for Hong Kong Profits Tax for the year	$ (539,794)	$ (663,910)
Provisional Profits Tax paid	670,351	682,057
Tax recoverable	$ 130,557	$ 18,147

17 Taxation in the statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the year are as follows:

	Depreciation in excess of related depreciation allowance	*Impairment losses on financial assets*	*Fair value adjustments for available-for-sale investments*	*Total*
At 1 January 2015	$ 11,714	$ 412,219	$ (269,281)	$ 154,652
(Charged)/credited to profit or loss	7,888	(47,006)	-	(39,118)
Charged to reserves	-	-	212,808	212,808
At 31 December 2015	$ 19,602	$ 365,213	$ (56,473)	$ 328,342
At 1 January 2014	$ 3,993	$ 373,880	$ (250,166)	$ 127,707
Credited to profit or loss	7,721	38,339	-	46,060
Charged to reserves	-	-	(19,115)	(19,115)
At 31 December 2014	$ 11,714	$ 412,219	$ (269,281)	$ 154,652

18 Other assets

	2015	*2014*
Accrued interest receivable	$ 2,094,498	$ 1,526,114
Positive fair values of hedging derivatives (note 29(c))	29,407	235,679
Others	397,064	506,103
	$ 2,520,969	$ 2,267,896

19 Derivative financial liabilities

	2015	2014
Negative fair value of non-hedging derivatives	$ 13,496	$ 188,654

20 Long-term borrowings from ultimate holding company

The analysis of the carrying amount of long-term borrowings is as follows:

	2015	2014
Borrowings from the ultimate holding company		
- unsecured (non-current portion)	$ 88,000,000	$ 87,972,500

At 31 December 2015, the long-term borrowings of USD88 million (2014: USD88 million) bore interest at 3-month LIBOR plus a spread of 0.49% (2014: 0.47%) and are repayable on 3 November 2017 (2014: 29 January 2016).

21 Borrowings from other financial institutions

The analysis of the carrying amount of borrowings from other financial institutions is as follows:

	2015	2014
Borrowings from other financial institutions		
- short-term borrowing	$ 38,185,290	$ 79,906,356
- long-term borrowing	29,850,863	-
	$ 68,036,153	$ 79,906,356

At 31 December 2015, the short-term borrowings from other financial institutions bore interest at 3.6% and are repayable on 28 April 2016 (2014: bore interest at 3-month LIBOR plus a spread ranging from 0.5% to 0.75% and were repayable in 2015).

At 31 December 2015, the long-term borrowings from other financial institutions bore interest at 3-month LIBOR plus a spread 0.55% and are repayable on 28 August 2017 (2014: Nil).

22 Subordinated liabilities

The analysis of the carrying amount of subordinated liabilities is as follows:

	2015	*2014*
Borrowings from the ultimate holding company		
- Subordinated floating rate at 3-month LIBOR plus 1.90% thereafter until 10 December 2022 (2014: 1.90%)	$ 15,000,000	$ 15,000,000

Subject to the approval of the Hong Kong Monetary Authority ("HKMA"), the Company may elect to repay all or some of the liabilities after 22 March 2011, by giving not less than 30 days prior notice to the ultimate holding company.

23 Other liabilities

	2015	*2014*
Negative fair values of hedging derivatives (note 29(c))	$ 2,170,956	$ 478,000
Accrued interest payable	1,288,135	302,347
Others	244,688	113,111
	$ 3,703,779	$ 893,458

24 Share capital

	2015 No. of shares	*2015* Amount	*2014* No. of shares	*2014* Amount
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	30,000,000	$ 30,000,000	30,000,000	$ 30,000,000

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

25 Reserves

	Retained profits	Available-for-sale investment revaluation reserve	Total
At 1 January 2015	$ 19,044,727	$ 1,362,728	$ 20,407,455
Dividends approved in respect of the previous year	(157,124)	-	(157,124)
Total comprehensive income of the year			
- Profit for the year	2,849,491	-	2,849,491
- Available-for-sale investments			
- Change in fair value, net of deferred tax	-	(907,249)	(907,249)
Reclassification adjustments for the amounts transferred to profit or loss			
- Gains on disposal	-	(237,311)	(237,311)
- Amortisation of previous revaluation losses on available-for-sale investments reclassified as held-to-maturity investments, net of deferred tax	-	67,624	67,624
At 31 December 2015	$ 21,737,094	$ 285,792	$ 22,022,886

25 Reserves (continued)

	Retained profits	Available-for-sale investment revaluation reserve	Total
At 1 January 2014	$ 16,253,367	$ 1,265,994	$ 17,519,361
Dividends approved in respect of the previous year	(351,117)	-	(351,117)
Total comprehensive income of the year			
- Profit for the year	3,142,477	-	3,142,477
- Available-for-sale investments			
- Change in fair value, net of deferred tax	-	309,837	309,837
Reclassification adjustments for the amounts transferred to profit or loss			
- Gains on disposal	-	(320,635)	(320,635)
- Amortisation of previous revaluation losses on available-for-sale investments reclassified as held-to-maturity investments, net of deferred tax	-	107,532	107,532
At 31 December 2014	$ 19,044,727	$ 1,362,728	$ 20,407,455

Nature and purpose of reserves

(i) Available-for-sale investment revaluation reserve

This reserve comprises the cumulative net change in the fair value of available-for-sale securities until the securities are derecognised and is dealt with in accordance with the accounting policies in notes 1(c) and (f).

(ii) Regulatory reserve

As at 31 December 2015, the Company has earmarked $Nil (2014: $Nil) 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 earnings and in consultation with the HKMA.

26 Dividends payable to equity shareholders attributable to the year

	2015	*2014*
Final dividend in respect of the current financial year proposed after the end of the reporting period of $0.0047 per ordinary share (2014: $0.0052 per ordinary share)	$ 142,475	$ 157,124

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

	2015	*2014*
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.0052 per ordinary share (2014: $0.01170 per ordinary share)	$ 157,124	$ 351,117

27 Assets pledged as security

The following assets have been pledged as collateral for own liabilities:

	2015	*2014*
Secured liabilities (included in deposits and balances from banks and other financial institutions and accrued interest payable)	$ 35,455,691	$ 43,756,189
Assets pledged:		
- Available-for-sale investments	$ 37,134,360	$ 36,883,504
- Held-to-maturity investments	-	11,619,381
	$ 37,134,360	$ 48,502,885

These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

28 Off-balance sheet exposures

(a) Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	2015	*2014*
Loan commitments		
- with an original maturity of under one year	$ -	$ 3,000,000
- with an original maturity of one year and over	455,746	106,049
	$ 455,746	$ 3,106,049
Credit risk weighted amount	$ 227,873	$ 653,025

Contingent liabilities and commitments are credit-related instruments which include commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and 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 in the computation of credit risk weighted amounts range from 0% to 100% for contingent liabilities and commitments.

(b) Operating lease commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	*2014*
Within 1 year	$ 420,445	$ 492,329
After 1 year but within 5 years	653,676	91,550
	$ 1,074,121	$ 583,879

The Company leases a number of properties under operating leases. The leases usually run for an initial period of one to three years, with an option to renew the lease when all terms are terminated. None of the leases includes contingent rentals.

29 Derivatives

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

(a) Notional amount of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of derivative entered into by the Company. The notional amounts of these instruments indicate the volume of outstanding transactions and do not represent amounts at risk.

	2015		
	Qualifying for hedge accounting	*Held for trading*	*Total*
Interest rate swaps	$ 44,500,000	$ 3,000,000	$ 47,500,000
Currency swap	40,000,000	-	40,000,000

	2014		
	Qualifying for hedge accounting	*Held for trading*	*Total*
Interest rate swaps	$ 43,500,000	$ 3,000,000	$ 46,500,000
Currency swap	-	-	-

29 Derivatives (continued)

(b) Fair values and credit risk weighted amounts of derivatives

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 0% to 50% and 0% to 50% for interest rate contracts and foreign exchange contracts, respectively.

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

	2015			*2014*		
	Fair value		*Credit risk weighted amount*	*Fair value*		*Credit risk weighted amount*
	Assets	*Liabilities*		*Assets*	*Liabilities*	
Interest rate swaps	$ -	$ 13,496	$ 41,381	$ -	$ 666,654	$ 107,636

(c) 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:

	2015		*2014*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
Interest rate contracts	$ 29,407	$ 325,045	$ 235,679	$ 478,000
Foreign exchange contracts	-	1,845,911	-	-
	$ 29,407	$ 2,170,956	$ 235,679	$ 478,000
	(note 18)	(note 23)	(note 18)	(note 23)

Fair value hedges

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 and liabilities due to movements in market interest rates, and currency swap that is used to protect against changes in the fair value of certain liabilities denominated in foreign currency due to movements in foreign exchange rates.

29 Derivatives (continued)

(d) Remaining life of derivatives

The following table provides an analysis of the notional amounts of derivatives of the Company by remaining maturity grouping based on the remaining period to settlement at the end of the reporting period.

	2015			
	Total	*1 year or less*	*Over 1 year to 5 years*	*Over 5 years*
Interest rate derivatives	$ 47,500,000	$ 12,000,000	$ 35,500,000	$ -
Foreign exchange derivative	40,000,000	40,000,000	-	-

	2014			
	Total	*1 year or less*	*Over 1 year to 5 years*	*Over 5 years*
Interest rate derivatives	$ 46,500,000	$ 4,000,000	$ 37,500,000	$ 5,000,000
Foreign exchange derivative	-	-	-	-

30 Financial risk management

This section presents information about the Company's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- Credit risk: Loss resulting from customer or counterparty default which arises on credit exposure in all forms, including settlement risk.
- Market risk: Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Comprises currency risk, interest rate risk and other price risk.
- Liquidity and funding risk: Risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.
- Operational risk: Risk arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss.

30 Financial risk management (continued)

The Company has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. The internal auditors also perform regular audits to ensure compliance with the policies and procedure.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital.

(a) Credit risk management

This category includes credit and counterparty risk from loans and advances, issuer risk from the securities business, counterparty risk from trading activities and country risk. The Company identifies and manages this risk through its (a) target market definitions, (b) credit approval process, (c) post-disbursement monitoring and (d) remedial management procedures.

Corporate credit risk

The corporate lending is generally concentrated among highly rated customers. In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Company has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. The Company also has a review process that ensures the proper level of review and approval depending on the size of the facility and risk grading of the credit.

The Company undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as potential problem loans on a regular basis.

Credit risk for treasury transactions

The credit risk of the Company's treasury transactions is managed in the same way as the Company manages its corporate lending risk. The Company applies a risk grading to its counterparties and sets individual counterparty limits.

30 Financial risk management (continued)

Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The Company does not provide any other guarantees which would expose the Company to credit risk.

Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Company's total exposures. The Company's portfolio of financial instruments is diversified along geographic, industry and product sectors.

(i) Maximum exposure

The maximum exposure to credit risk at the end of the reporting period without taking into consideration of any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	2015	*2014*
Cash and balances with banks and other financial institutions	$ 4,534,825	$ 4,779,993
Loans and advances to banks and other financial institutions	24,472,030	24,091,104
Loans and advances to customers	194,448,845	223,058,166
Available-for-sale investments	124,496,501	83,380,760
Held-to-maturity investments	-	11,917,875
Loan commitments and other credit related commitments with an original maturity of more than one year	455,746	106,049
	$ 348,407,947	$ 347,333,947

30 Financial risk management (continued)

(ii) Credit quality of loans and advances

Loans and advances to banks and other financial institutions are only to banks and other financial institutions with good credit standing. At 31 December 2015 and 2014, no loans and advances to banks and other financial institutions are impaired. The credit quality of loans and advances to customers and loans and advances to banks and other financial institutions can be analysed as follows:

	2015	*2014*
Gross loans and advances to customers and banks and other financial institutions		
- Neither past due nor impaired	$ 221,134,295	$ 249,647,571
- Impaired	-	-
	$ 221,134,295	$ 249,647,571

of which:

	2015	*2014*
Gross loans and advances to customers and banks and other financial institutions that are neither past due nor impaired		
- Grade 1: Pass	$ 218,597,771	$ 249,647,571
- Grade 2: Special mention	2,536,524	-
	$ 221,134,295	$ 249,647,571

The Company classifies the loans and advances in accordance with the loan classifications system required to be adopted for reporting to the HKMA.

(iii) Credit quality of financial assets other than loans and advances

Credit risk of treasury transactions is managed in the same way as the Company manages its corporate lending risk and risk gradings are applied to the counterparties with individual counterparty limits set.

At the end of the reporting period, the credit quality of investments in debt securities analysed by designation of external credit assessment institutions is as follows.

	2015	*2014*
AA- to AA+	$ 20,879,350	$ -
A- to A+	81,209,361	34,507,830
Lower than A-	22,407,790	25,312,655
	$ 124,496,501	$ 59,820,485
Unrated	-	35,478,150
Total	$ 124,496,501	$ 95,298,635

30 Financial risk management (continued)

(iv) Collateral and other credit enhancements

The Company holds collateral against loans and advances to customers in the form of mortgages over property, other registered securities over assets, cash deposits, and guarantees. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral held as security for financial assets other than loans and advances are determined by the nature of the instrument.

Debt securities, treasury and other eligible bills are generally unsecured. The Company's preferred agreement for documenting derivatives activity is the ISDA Master Agreement which covers the contractual framework within which dealing activity across a full range of over-the-counter products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults or following other pre-agreed termination events. It is also common for the Company to execute a Credit Support Annex in conjunction with the ISDA Master Agreement with the counterparty under which collateral is passed between the parties to mitigate the market contingent counterparty risk inherent in the outstanding positions.

An estimate of the fair value of collateral and other credit enhancements held against financial assets is as follows:

	2015	*2014*
Fair value of collateral and other credit enhancements held against financial assets that are:		
- neither past due nor impaired	$ 7,999,316	$ 15,823,091

(b) Market risk management

Market risk arises on all market risk sensitive financial instruments, including securities, and derivative instruments, as well as from financial or structural positions. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the Company's exposure to the volatility inherent in financial instruments.

30 Financial risk management (continued)

The Risk Management Committee monitors market risk. The board articulates the interest rate view of the Company and decides on future business strategy with respect to interest rates. It also reviews and sets funding policy and ensures adherence to risk management objectives.

Derivative 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 derivative instruments used by the Company are interest rate and foreign exchange contracts, which are primarily over-the-counter derivatives.

(i) Foreign currency risk

The Company is exposed to currency risks primarily arising from foreign exchange dealing and financial instruments that are not denominated in United States dollars ("USD"). The major currencies giving rise to this risk are primary Euros ("EUR"), Hong Kong dollars ("HKD") and Renminbi ("RMB"). To manage this risk, the Company ensures that the net exposure of financial instruments denominated in other currencies is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Also, the Company uses foreign exchange contracts to hedge its currency risk and classifies these as fair value hedges. All foreign currency positions are managed by the Managing Director within limits approved by the board.

The Company's financial liabilities denominated in RMB is hedged by currency swap as at 31 December 2015. Other financial instruments at 31 December 2015 and 2014 were mainly denominated in either HKD or USD. Thus, management does not consider there to be any significant currency risk.

(ii) Interest rate risk

The Company's interest rate positions arise from treasury and lending activities. Interest rate risk arises in both trading portfolios and non-trading portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also related to positions from non-interest bearing liabilities including shareholders' funds and current accounts. Interest rate risk is managed by the Credit Committee, Risk Management Committee and Managing Director. The Company also uses interest rate swaps to manage interest rate risk.

30 Financial risk management (continued)

The following table indicates the effective interest rates for the relevant periods and the mismatches of the expected next repricing dates (or maturity dates whichever are earlier) for interest bearing assets and liabilities at the end of the reporting period.

	2015						
	Effective interest rate	*Total*	*3 months or less*	*Over 3 months to 1 year*	*Over 1 year to 5 years*	*Over 5 years*	*Non-interest bearing*
Assets							
Cash and balances with banks and other financial institutions		$ 4,534,825	$ -	$ -	$ -	$ -	$ 4,534,825
Loans and advances to customers	2.38%	194,448,845	164,329,753	22,305,244	5,551,071	2,262,777	-
Loans and advances to banks and other financial institutions	1.10%	24,472,030	24,472,030	-	-	-	-
Available-for-sale investments	2.47%	124,496,501	5,499,720	27,465,480	91,531,301	-	-
Held-to-maturity investments		-	-	-	-	-	-
Non-interest bearing assets		3,003,309	-	-	-	-	3,003,309
Total assets		$ 350,955,510	$ 194,301,503	$ 49,770,724	$ 97,082,372	$ 2,262,777	$ 7,538,134
Liabilities							
Deposits and balances from banks and other financial institutions	0.78%	$ 124,179,196	$ 109,233,335	$ 14,945,861	$ -	$ -	$ -
Derivative financial liabilities		13,496	-	-	-	-	13,496
Subordinated liabilities	2.39%	15,000,000	15,000,000	-	-	-	-
Borrowings	1.67%	156,036,153	38,185,290	117,850,863	-	-	-
Non-interest bearing liabilities		3,703,779	-	-	-	-	3,703,779
Total liabilities		$ 298,932,624	$ 162,418,625	$ 132,796,724	$ -	$ -	$ 3,717,275
Asset-liabilities gap			$ 31,882,878	$ (83,026,000)	$ 97,082,372	$ 2,262,777	
Derivatives net long/(short) position (notional amount)			$ 10,000,000	$ 25,500,000	$ (35,500,000)	$ -	
Interest rate sensitivity gap			$ 41,882,878	$ (57,526,000)	$ 61,582,372	$ 2,262,777	

30 Financial risk management (continued)

	2014						
	Effective interest rate	*Total*	*3 months or less*	*Over 3 months to 1 year*	*Over 1 year to 5 years*	*Over 5 years*	*Non-interest bearing*
Assets							
Cash and balances with banks and other financial institutions		$ 4,779,993	$ -	$ -	$ -	$ -	$ 4,779,993
Loans and advances to customers	2.06%	223,058,166	184,986,650	27,974,468	10,097,048	-	-
Loans and advances to banks and other financial institutions	0.93%	24,091,104	24,091,104	-	-	-	-
Available-for-sale investments	3.22%	83,380,760	1,010,800	31,275,150	45,721,410	5,373,400	-
Held-to-maturity investments	6.51%	11,917,875	2,496,628	9,421,247	-	-	-
Non-interest bearing assets		2,519,375	-	-	-	-	2,519,375
Total assets		$ 349,747,273	$ 212,585,182	$ 68,670,865	$ 55,818,458	$ 5,373,400	$ 7,299,368
Liabilities							
Deposits and balances from banks and other financial institutions	0.68%	$ 115,378,850	$ 71,672,300	$ 43,706,550	$ -	$ -	$ -
Derivative financial liabilities		188,654	-	-	-	-	188,654
Subordinated liabilities	2.14%	15,000,000	15,000,000	-	-	-	-
Borrowings	0.77%	167,878,856	167,878,856	-	-	-	-
Non-interest bearing liabilities		893,458	-	-	-	-	893,458
Total liabilities		$ 299,339,818	$ 254,551,156	$ 43,706,550	$ -	$ -	$ 1,082,112
Asset-liabilities gap			$ (41,965,974)	$ 24,964,315	$ 55,818,458	$ 5,373,400	
Derivatives net long/(short) position (notional amount)			$ 10,000,000	$ 32,500,000	$ (37,500,000)	$ (5,000,000)	
Interest rate sensitivity gap			$ (31,965,974)	$ 57,464,315	$ 18,318,458	$ 373,400	

30 Financial risk management (continued)

(iii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 (2014: 100) basis points in interest rates, with all other variables held constant, would decrease/increase the Company's profit after tax and retained profits by approximately $109,793 and $109,793 respectively (2014: $214,886 and $214,886 respectively).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 (2014: 100) basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

(c) Liquidity risk management

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 any 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 a senior manager under the direction of the management. The senior manager 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 rate 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 bank balances and securities) of appropriate quality to ensure that short term funding requirements are covered within prudent limits. The Company regularly stress tests its liquidity position.

30 Financial risk management (continued)

(i) Analysis of assets and liabilities by remaining maturity:

The following maturity profile is based on the remaining period at the end of the reporting period to the contractual maturity date.

	2015							
	Total	*Repayable on demand*	*Within 1 month*	*Over 1 month but within 3 months*	*Over 3 months but within 1 year*	*Over 1 year but within 5 years*	*Over 5 years*	*Undated*
Assets								
Cash and balances with banks and other financial institutions	$ 4,534,825	$ 4,534,825	$ -	$ -	$	$ -	$ -	$ -
Loans and advances to customers	194,448,845	-	4,950,000	11,164,200	99,350,965	68,372,240	10,611,440	-
Loans and advances to banks and other financial institutions	24,472,030	-	6,530,669	6,203,301	-	11,738,060	-	-
Available-for-sale investments	124,496,501	-	-	-	28,470,040	96,026,461	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets	3,003,309	-	469,525	404,901	1,733,582	148,247	223,613	23,441
Total assets	$ 350,955,510	$ 4,534,825	$ 11,950,194	$ 17,772,402	$ 129,554,587	$ 176,285,008	$ 10,835,053	$ 23,441
Liabilities								
Deposits and balances from banks and other financial institutions	$ 124,179,196	$ -	$ 28,763,272	$ 40,470,063	$ 54,945,861	$ -	$ -	$ -
Derivative financial liabilities	13,496	-	-	-	-	-	-	13,496
Subordinated liabilities	15,000,000	-	-	-	-	-	15,000,000	-
Long-term borrowings	156,036,153	-	-	-	38,185,290	117,850,863	-	-
Other liabilities	3,703,779	-	2,076,628	121,744	1,137,371	-	-	368,036
Total liabilities	$ 298,932,624	$ -	$ 30,839,900	$ 40,591,807	$ 94,268,522	$ 117,850,863	$ 15,000,000	$ 381,532
Asset-liability gap		$ 4,534,825	$ (18,889,706)	$ (22,819,405)	$ 35,286,065	$ 58,434,145	$ (4,164,947)	

30 Financial risk management (continued)

	2014							
	Total	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Undated
Assets								
Cash and balances with banks and other financial institutions	$ 4,779,993	$ 4,779,993	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to customers	223,058,166	-	2,970,000	11,531,118	107,914,697	85,898,811	14,743,540	-
Loans and advances to banks and other financial institutions	24,091,104	-	11,628,793	4,947,575	-	7,514,736	-	-
Available-for-sale investments	83,380,760	-	-	-	31,275,150	46,732,210	5,373,400	-
Held-to-maturity investments	11,917,875	-	-	2,496,628	9,421,247	-	-	-
Other assets	2,519,375	-	680,987	386,732	780,188	133,649	223,460	314,359
Total assets	$ 349,747,273	$ 4,779,993	$ 15,279,780	$ 19,362,053	$ 149,391,282	$ 140,279,406	$ 20,340,400	$ 314,359
Liabilities								
Deposits and balances from banks and other financial institutions	$ 115,378,850	$ -	$ 21,672,300	$ -	$ 93,706,550	$ -	$ -	$ -
Derivative financial liabilities	188,654	-	-	-	-	-	-	188,654
Subordinated liabilities	15,000,000	-	-	-	-	-	15,000,000	-
Long-term borrowings	167,878,856	-	-	-	79,878,856	88,000,000	-	-
Other liabilities	893,458	-	196,780	72,371	140,351	-	-	483,956
Total liabilities	$ 299,339,818	$ -	$ 21,869,080	$ 72,371	$ 173,725,757	$ 88,000,000	$ 15,000,000	$ 672,610
Asset-liability gap		$ 4,779,993	$ (6,589,300)	$ 19,289,682	$ (24,334,475)	$ 52,279,406	$ 5,340,400	

30 Financial risk management (continued)

(ii) Analysis of assets and liabilities by remaining maturity:

The following maturity profile is based on gross undiscounted cashflows for the remaining period at the end of the reporting period to the contractual maturity date.

	2015							
	Gross nominal inflow/ (outflow)	*Repayable on demand*	*Within 1 month*	*Over 1 month but within 3 months*	*Over 3 months but within 1 year*	*Over 1 year but within 5 years*	*Over 5 years*	*Indefinite*
Deposits and balances from banks and other financial institutions	$ 124,451,749	$ -	$ 68,874,174	$ 40,559,933	$ 15,017,642	$ -	$ -	$ -
Derivative financial liabilities	1,106,156	-	-	37,389	427,495	641,272	-	-
Long-term borrowings	159,883,885	-	-	310,962	40,515,757	119,057,166	-	-
Subordinated liabilities	17,533,668	-	-	90,488	271,465	1,447,810	15,723,905	-
Other liabilities	1,335,968	-	116,478	104,377	1,061,541	31,009	-	22,563
	$ 304,311,426	$ -	$ 68,990,652	$ 41,103,149	$ 57,293,900	$ 121,177,257	$ 15,723,905	$ 22,563
Unrecognised loan commitments	$ 455,746	$ -	$ 1,897	$ -	$ 66,462	$ 387,387	$ -	$ -

30 Financial risk management (continued)

	2014							
	Gross nominal inflow/ (outflow)	*Repayable on demand*	*Within 1 month*	*Over 1 month but within 3 months*	*Over 3 months but within 1 year*	*Over 1 year but within 5 years*	*Over 5 years*	*Indefinite*
Deposits and balances from banks and other financial institutions	$ 115,644,824	$ -	$ 71,793,852	$ -	$ 43,850,972	$ -	$ -	$ -
Derivative financial liabilities	1,537,177	-	-	-	595,285	941,892	-	-
Long-term borrowings	169,485,964	-	94,943	232,146	30,906,527	138,252,348	-	-
Subordinated liabilities	17,565,120	-	-	80,160	240,480	1,282,560	15,961,920	-
Other liabilities	415,458	-	196,791	72,371	140,351	-	-	5,945
	$ 304,648,543	$ -	$ 72,085,586	$ 384,677	$ 75,733,615	$ 140,476,800	$ 15,961,920	$ 5,945
Unrecognised loan commitments	$ 3,106,049	$ -	$ 3,106,049	$ -	$ -	$ -	$ -	$ -

30 Financial risk management (continued)

(d) Operational risk management

Operational risk is the risk arising from failures in internal processes and supporting systems or from external events.

The Company has policies for each major area of operations, which are drawn up by experienced executives after taking into account the important factors affecting such transactions. Based on the policies, limits for overall and individual market risks are approved by the management.

Strict control is exercised to ensure due adherence to policies and limits. For this purpose, an internal audit system is in place to ensure that the directives of all authorities are implemented.

The Company attaches great importance to conducting its business in a safe and sound manner such that strict control is exercised at every level. Senior executives have been entrusted with the responsibility for particular areas of operations. They are well supported by experienced middle management and frontline staff. This system operates through the Company. The Managing Director is deeply involved in the affairs of the Company and is the final authority for all the major lending and administrative decisions.

(e) Capital management

The HKMA sets and monitors capital requirements for the Company as a whole. In implementing current capital requirements the HKMA requires the Company to maintain a prescribed ratio of total capital to total risk-weighted assets. The Company uses its internal gradings as the basis for risk weightings for credit risk. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

In addition to meeting the regulatory requirements, the Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurated with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by Risk Management Committee and is reviewed regularly by the board of directors.

30 Financial risk management (continued)

Consistent with industry practice, the Company monitors its capital structured on the basis of the capital adequacy ratio and there have been no material changes in the Company's policy on the management of capital during the year.

The capital adequacy ratios are computed on in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance which became effective on 1 January 2007. The Company meets all of the de minimis exemption criteria for reporting market risk as set out in the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the HKMA and is not required to maintain capital against market risk. Hence, the Company is exempted from disclosing the adjusted capital adequacy ratio computed in accordance with the mentioned Guideline.

The Company has complied with all externally imposed capital requirements at each required reporting date throughout the year ended 31 December 2015 and 2014 and is well above the minimum required ratio set by the HKMA.

31 Fair values of financial instruments

(a) Estimation of fair values

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

- Level 1 - Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2 - Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31 Fair values of financial instruments (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate swaps and currency swap that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter (OTC) derivatives like interest rate swaps and currency swap. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could not be realised in an immediate sale of the instruments.

31 Fair values of financial instruments (continued)

(b) Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 31 December 2015 and 31 December 2014 except as follows:

	2015		*2014*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Held-to-maturity investments	$ -	$ -	$ 11,917,875	$ 12,271,930

The table below presents the fair value of the Company's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement.* The level into which a fair value measurement is classifies is determined with reference to the observability and significance of the input used in the valuation technique as stated in note 31(a).

	2015			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Available-for-sale financial assets				
- Debt securities	$ 124,496,501	$ -	$ -	$ 124,496,501
Other assets				
- Positive fair values of hedging derivatives	-	29,407	-	29,407
	$ 124,496,501	$ 29,407	$ -	$ 124,525,908
Liabilities				
Derivative financial liabilities	$ -	$ 13,496	$ -	$ 13,496
Other liabilities				
- Negative fair values of hedging derivatives	-	2,170,956	-	2,170,956
	$ -	$ 2,184,452	$ -	$ 2,184,452

31 Fair values of financial instruments (continued)

	2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Available-for-sale financial assets				
- Debt securities	$ 63,301,760	$ 20,079,000	$ -	$ 83,380,760
Other assets				
- Positive fair values of hedging derivatives	-	235,679	-	235,679
	$ 63,301,760	$ 20,314,679	$ -	$ 83,616,439
Liabilities				
Derivative financial liabilities	$ -	$ 188,654	$ -	$ 188,654
Other liabilities				
- Negative fair values of hedging derivatives	-	478,000	-	478,000
	$ -	$ 666,654	$ -	$ 666,654

During the year, there were no significant transfers of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3 (2014: $Nil). The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the year in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps and currency swap in Level 2 is the estimated amount that the Company would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates, current exchange rates and the current creditworthiness of the swap counterparties.

The fair value of unlisted debt securities are determined by quoted prices from brokers for identical assets.

32 Material related party transactions

The Company entered into the following material related party transactions:

(a) Transactions with group companies

During the year, the Company entered into transactions with related parties in the ordinary course of its business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions and off-balance sheet transactions. The Company has internal policies to control connected lending.

The amount of related-party transactions during the year and outstanding balances at the end of the year are set out below:

	Ultimate holding company		*Fellow subsidiaries*	
	2015	*2014*	*2015*	*2014*
Interest expense	$ (945,105)	$ (873,588)	$ -	$ -
Operating expenses	(531,354)	(620,518)	(154)	(158)
For the year ended 31 December	$ (1,476,459)	$ (1,494,106)	$ (154)	$ (158)

	Ultimate holding company		*Fellow subsidiaries*	
	2015	*2014*	*2015*	*2014*
Placement of deposits				
At 1 January	$ -	$ -	$ -	$ -
Placement during the year	-	-	-	-
Repayment during the year	-	-	-	-
At 31 December	$ -	$ -	$ -	$ -

	Ultimate holding company		*Fellow subsidiaries*	
	2015	*2014*	*2015*	*2014*
Acceptance of deposits				
At 1 January	$ 11,672,300	$ 13,216,769	$ -	$ -
Acceptance during the year	110,708,481	98,033,801	-	-
Repayment during the year	(108,617,509)	(99,578,270)	-	-
At 31 December	$ 13,763,272	$ 11,672,300	$ -	$ -

32 Material related party transactions (continued)

	Ultimate holding company	
	2015	*2014*
Long-term borrowings		
At 1 January	$ 87,972,500	$ 77,972,805
Additional loans during the year	44,971,278	60,000,153
Repayment during the year	(44,943,778)	(50,000,458)
At 31 December	$ 88,000,000	$ 87,972,500

During the year, The Export-Import Bank of Korea acted as a guarantor for loan facilities of $3,000,000 (2014: $3,000,000). The year end balance was $607,598 for 2015 (2014: $3,000,000), with an accrued interest of $2,727 (2014: $Nil).

No impairment allowance was made in respect of the above loans and placements with related parties.

(b) *Remuneration for key management personnel is as follows:*

	2015	*2014*
Short-term employee benefits	$ 426,738	$ 375,427

(c) *Loans to directors and bodies corporate controlled by them*

Loans to directors of the Company, including loans to bodies controlled by them, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015	*2014*
Loan made by a third party under a guarantee given by the Company	$ -	$ -
Loans made by the Company	$ -	$ -

33 Immediate parent and ultimate controlling party

At 31 December 2015 and 2014, the directors consider the immediate parent and ultimate controlling party of the Company to be The Export-Import Bank of Korea, which is incorporated in the Republic of Korea. This entity produces financial statements available for public use.

34 Accounting estimates and judgements

(a) *Key sources of estimation uncertainty*

Note 30 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

Loans and advances

Individual loans and loan portfolios are reviewed periodically to assess whether impairment losses exist. The Company makes judgements as to whether there is any objective evidence that an individual loan on loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data that the payment status of a single borrower or borrowers in a group has adversely changed. It may also include observable data that local or economic conditions that correlate with defaults on the assets in the Company. If management has determined, based on their judgement, that objective evidence for impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Company. Historical loss experience is adjusted on the basis of the current observable data.

Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(b) *Critical accounting judgements in applying the Company's accounting policies*

Certain critical accounting judgements in applying the Company's accounting policies are described below.

Held-to-maturity investments

The Company classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Company has a positive intention and ability to hold to maturity as held-to-maturity investments. In making this judgement, the Company evaluates its intention and ability to hold such investments till maturity.

34 Accounting estimates and judgements (continued)

If the Company fails to hold these investments to maturity other than for certain specific circumstances, the Company will have to reclassify the entire portfolio of held-to-maturity investments as available-for sale, as such class is deemed to have been tainted.

This would result in held-to-maturity investments being measured at fair value instead of at amortised cost.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position except for HKFRS 9, *Financial instruments* which may have an impact on the Company's results and financial position arising from changes in the Company's classification and measurement of financial instruments.

Unaudited supplementary information

(Expressed in United States dollars unless otherwise indicated)

(a) Capital and capital adequacy

The Banking (Capital) (Amendment) Rules 2012 and 2013, effective on 1 January 2013 and 30 June 2013 respectively, signify the Basel III requirements in Hong Kong.

	2015	*2014*
Capital ratio:		
Common Equity Tier 1 ("CET1") Capital Ratio	16.81%	16.49%
Tier 1 Capital Ratio	16.81%	16.49%
Total Capital Ratio	22.41%	21.87%

The components of total capital before and after deductions are shown below:

	2015	*2014*
CET1 Capital:		
CET1 Capital instruments	$ 30,000,000	$ 30,000,000
Retained earnings	21,737,094	19,044,727
Disclosed reserves	342,266	1,632,010
CET1 Capital before deductions	$ 52,079,360	$ 50,676,737
Regulatory deductions to CET1 capital:		
Net deferred tax assets	(384,816)	(423,934)
Total CET1 Capital	$ 51,694,544	$ 50,252,803
Additional Tier 1 ("AT1") Capital	-	-
Total Tier 1 ("T1") Capital	$ 51,694,544	$ 50,252,803

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(a) Capital and capital adequacy (continued)

	2015	*2014*
Tier 2 ("T2") Capital		
Qualifying Tier 2 capital instruments plus any related share premium	$ 15,000,000	$ 15,000,000
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,213,420	2,498,301
Regulatory deduction for insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount Nil)	-	(1,099,380)
Total T2 Capital	$ 17,213,420	$ 16,398,921
Total Capital	$ 68,907,964	$ 66,651,724

The capital adequacy ratios were calculated in accordance with the Banking (Capital) Rules (the "Capital Rules"). In accordance with the Capital Rules, the Company 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 Company has been exempted under section 22(1) of the Banking (Capital) Rules from the calculation of market risk under section 17.

CET1 capital instruments represents 30,000,000 (2014: 30,000,000) issued and fully paid ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Collective impairment allowance is maintained to cover potential impairment losses for a group of financial assets with similar credit risk characteristics where the Company determines that no objective evidence of impairment exists for an individually assessed financial asset.

No item benefits from the transitional arrangements set out in Section 4H to the Capital Rules.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(a) Capital and capital adequacy (continued)

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 Parent Bank's website https://www.koreaexim.go.kr/site/program/board/basicboard/list?boardid=31470&boardtypeid=362&menuid=016001005&pagesize=10.

(b) Countercyclical capital buffer ratio

There is no information disclosed relating to the Countercyclical capital buffer ratio pursuant to section 24B of the Banking (Disclosure) Rules for the year because the applicable JCCyB ratios for Hong Kong and for jurisdictions outside Hong Kong are at 0% before 1 January 2016 according to section 3P and section 3Q of the Capital Rules.

(c) Liquidity maintenance ratio ("LMR")

	2015	*2014*
Average LMR for the year	281.67%	N/A
Average liquidity ratio for the period	N/A	4,149.25%

The Liquidity Ratio specified under section 102 of the Banking Ordinance was replaced by the LMR on 1 January 2015. LMR was compiled in accordance with the Banking (Liquidity) Rules issued by the HKMA with effect from 1 January 2015 for the implementation of the Basel III capital framework.

The average LMR is computed as the arithmetic mean of the average value of the LMR for each calendar month as reported in the liquidity position return submitted for the year.

(i) Approach to liquidity risk management

The Company's approach to liquidity risk management is based on the building blocks of governance by framework, oversight by risk management committees, and internal control policies that define specific risk methodologies. Processes and systems are in place to measure, limit and control exposures based on the risk methodologies defined.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(d) Leverage ratio

	At 12/31/2015	*At 12/31/2014*
Leverage ratio	14.61%	14.25%

The leverage ratio was compiled in accordance with the Leverage Ratio Framework issued by the HKMA.

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's leverage position disclosures will be published by using the standard disclosure templates, as specified by the HKMA under the "Regulatory Disclosures" section on Parent Bank's website https://www.koreaexim.go.kr/site/program/board/basicboard/list?boardid=31470&boardtypeid=362&menuid=016001005&pagesize=10.

(e) Segmental information by class of business

All the principal operations of the Company are located in Hong Kong.

The Company's activities comprise two classes of business: securities and commercial banking. The securities business includes investment holding and commercial banking activities include trade finance and the advance of loans.

Operating income before operating expenses and impairment losses:

	2015	*2014*
Securities business	$ 1,734,870	$ 1,884,991
Commercial banking	3,103,380	3,673,469
	$ 4,838,250	$ 5,558,460

Operating assets:

Securities business	$ 125,289,909	$ 96,202,253
Commercial banking	219,486,528	247,771,766
Unallocated	6,179,073	5,773,254
	$ 350,955,510	$ 349,747,273

Unallocated assets include cash at bank, property, plant and equipment and other assets.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

Advances to customers

(i) By industry sectors

Loans and advances to customers analysed by the coverage of collateral and the impairment allowance is as follows:

	2015				2014			
	Gross loans and advances	*% of gross loans and advances covered by collateral*	*Collectively - assessed impairment allowances*	*Individually - assessed impairment allowances*	*Gross loans and advances*	*% of gross loans and advances covered by collateral*	*Collectively - assessed impairment allowances*	*Individually - assessed impairment allowances*
Loans for use outside Hong Kong	$196,414,333	0.71%	$ 1,965,488	$ -	$225,312,537	1.8%	$ 2,254,371	$ -

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

Advances to customers (continued)

(ii) By geographical areas

	2015		
	Gross loans and advances	*Collectively - assessed impairment allowances*	*Individually - assessed impairment allowances*
Korea	$ 181,492,009	$ (1,816,254)	$ -
Developing Asia and Pacific	8,626,174	(86,272)	-
Developing Latin America and Caribbean	4,546,150	(45,462)	-
Developing Europe	1,750,000	(17,500)	-
	$ 196,414,333	$ (1,965,488)	$ -

	2014		
	Gross loans and advances	*Collectively - assessed impairment allowances*	*Individually - assessed impairment allowances*
Korea	$ 209,282,809	$ (2,094,074)	$ -
Asia Pacific excluding Korea	10,815,653	(108,156)	-
Latin America	2,964,075	(29,641)	-
Europe	2,250,000	(22,500)	-
	$ 225,312,537	$ (2,254,371)	$ -

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

Advances to banks and financial institutions

(i) By industry sectors

Loans and advances to banks and financial institutions analysed by the coverage of collateral and the impairment allowance is as follows:

	2015			*2014*		
	Gross loans and advances	*% of gross loans and advances covered by collateral*	*Collectively - assessed impairment allowances*	*Gross loans and advances*	*% of gross loans and advances covered by collateral*	*Collectively - assessed impairment allowances*
Loans and advances for use outside Hong Kong	$ 24,719,962	27%	$ 247,932	$ 24,335,035	48%	$ 243,930

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

Advances to banks and financial institutions (continued)

(ii) By geographical areas

	2015 Gross loans and advances	2015 Collectively - assessed impairment allowances
- Korea	$ 5,982,944	$ (60,000)
- Developing Asia and Pacific	6,154,197	(61,831)
- Developing countries	1,173,652	(11,740)
- Offshore countries	2,004,315	(20,047)
- Developing Europe	3,273,335	(32,770)
- Developing Latin America and Caribbean	-	-
- Developing Africa and Middle East	6,131,519	(61,544)
	$ 24,719,962	$ (247,932)

	2014 Gross loans and advances	2014 Collectively - assessed impairment allowances
- Korea	$ 7,981,324	$ (80,000)
- Asia Pacific excluding Korea	16,353,711	(163,930)
- Europe	-	-
- Middle East	-	-
	$ 24,335,035	$ (243,930)

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(f) International claims

International claims are on-balance sheet exposures of counterparties based on 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. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims are shown as follows:

	2015					
	Banks	*Official sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Others*	*Total*
Developed countries	$ 12,613,021	$ -	$ -	$ -	$ -	$ 12,613,021
Offshore centres	2,004,712	-	-	1,067,415	-	3,072,127
Developing Europe	3,288,151	-	-	1,752,850	-	5,041,001
Developing Latin America and Caribbean	-	-	-	4,564,410	-	4,564,410
Developing Africa and Middle East	6,166,281	-	-	-	-	6,166,281
Developing Asia-Pacific	55,758,051	-	-	265,765,033	-	321,523,084
Of which:						
– China	23,373,314	-	-	34,107,534	-	57,480,848
– South Korea	29,644,954	-	-	222,997,535	-	252,642,489
Total	$ 79,830,216	$ -	$ -	$ 273,149,708	$ -	$ 352,979,924

	2014					
	Banks	*Official sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Others*	*Total*
Developed countries	$ 10,024,374	$ -	$ -	$ -	$ -	$ 10,024,374
Offshore centres	133,649	-	-	-	-	133,649
Developing Europe	4,155,902	-	-	2,253,331	-	6,409,233
Developing Latin America and Caribbean	-	-	-	3,107,436	-	3,107,436
Developing Africa and Middle East	-	-	-	-	-	-
Developing Asia-Pacific	66,993,067	-	-	265,043,744	-	332,036,811
Of which:						
– China	44,636,994	-	-	6,222,473	-	50,859,467
– South Korea	22,356,072	-	-	239,800,173	-	262,156,245
Total	$ 81,306,992	$ -	$ -	$ 270,404,511	$ -	$ 351,711,503

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(g) Currency risk

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

(expressed in millions of Hong Kong dollars)	*2015* United States Dollars	*Euro*	*Renminbi*	*Total*
Spot assets	$ 2,638	$ 113	$ 7	$ 2,758
Spot liabilities	(2,351)	(107)	(303)	(2,761)
Forward purchases	-	-	296	296
Forward sales	(310)	-	-	(310)
Net (short)/long position	$ (23)	$ 6	$ -	$ (17)
Net structural position	-	-	-	-

(expressed in millions of Hong Kong dollars)	*2014* United States Dollars	*Euro*	*Total*
Spot assets	$ 2,643	$ 96	$ 2,739
Spot liabilities	(2,652)	(91)	(2,743)
Net (short)/long position	$ (9)	$ 5	$ (4)
Net structural position	1	-	1

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(h) Non-bank Mainland China exposure

(Expressed in thousands of United States dollars)

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the "Return of Mainland Activities".

	2015		
Types of Counterparties	*On-balance sheet exposure*	*Off-balance sheet exposure*	*Total exposure*
1 Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2 Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	92,300	-	92,300
4 Other entities of central government not reported in item 1 above	-	-	-
5 Other entities of local governments not reported in item 2 above	-	-	-

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

	2015		
Types of Counterparties	*On-balance sheet exposure*	*Off-balance sheet exposure*	*Total exposure*
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	92,300	-	92,300
Total assets after provision	354,102		
On-balance sheet exposures as percentage of total assets	26.07%		

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

	2014		
Types of Counterparties	*On-balance sheet exposure*	*Off-balance sheet exposure*	*Total exposure*
1 Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2 Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	101,306	-	101,306
4 Other entities of central government not reported in item 1 above	-	-	-
5 Other entities of local governments not reported in item 2 above	-	-	-

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

	2014		
Types of Counterparties	*On-balance sheet exposure*	*Off-balance sheet exposure*	*Total exposure*
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	101,306	-	101,306
Total assets after provision	351,221		
On-balance sheet exposures as percentage of total assets	28.84%		

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(i) Additional disclosures on credit risk management

(i) Capital requirement

The capital requirements on each class of exposures calculated under the Basic (Credit Risk) Approach at the end of the reporting period can be analysed as follow:

	2015	*2014*
Sovereign	$ 692,797	$ 868,551
Bank	2,021,495	1,508,203
Corporate	20,937,458	20,572,104
Other exposure which are not past due	87,268	453,149
Past due	-	-
Total capital requirements for on-balance sheet exposures	$ 23,739,018	$ 23,402,007
Other commitments	$ 18,230	$ 52,242
Interest rate contracts	3,311	8,607
Exchange rate contracts	6,400	-
CVA under standardized method	8,258	26,566
Total capital requirements for off-balance sheet exposures	$ 36,199	$ 87,415
	$ 23,775,217	$ 23,489,422

The above represents the capital requirements based on 8% of risk weighted assets and does not reflect the capital actually held.

(ii) Capital charge

The capital charge for operational risk calculated in accordance with the basic indicator approach at the end of the reporting period is:

	2015	*2014*
Capital charge for operational risk	$ 821,018	$ 896,611

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(iii) Credit risk mitigation

Risk management policies are in place to mitigate credit risk. Maximum available limit is set on exposure on country and concentration risk.

The main types of recognised collateral taken by the Company are ships and receivables. All collaterals are managed by the agencies of the respective loan. Collateral is revalued by independent valuers with recent experience in the location and category of collateral being valued.

The guarantors of the loans are the parent companies of the counterparties which are banks and corporates.

The concentration exposure limit is the total credit limit to a specific borrower. The country limit is established to each country taking into consideration of sovereign risk and expected frequency of transactions with the Company.

Both limits shall be within the concentration limit of the parent company.

(iv) Market risk

The Company has been exempted by the Hong Kong Monetary Authority under section 22(1) from the calculation of market risk under section 17.

(j) Corporate governance

The Company is committed to high standards of corporate governance, and has fully complied throughout the year with the guideline in the Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the HKMA.

Board committees

The board of directors has established a number of committees including the Credit Committee and Risk Management Committee.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

Credit Committee

The Credit Committee is responsible for assisting the Board to formulate the Company's risk appetite and strategies for managing the credit risk. It is also responsible for the implementation and maintenance of the Company's credit risk management framework. It also participates in evaluating large credit applications and making credit decisions. The Committee comprised the Deputy Managing Director and the Senior Manager.

Risk Management Committee

The Risk Management Committee is responsible for reviewing all risks assumed in the course of business. Its review covers, but is not limited to, the market, liquidity, credit, country, legal, reputational, strategic and operational risks as well as the limits, policies and procedures designed to mitigate these risks. It also reviews the risks outstanding and controls over, new products proposed.

The Risk Management Committee is coordinated by the Deputy Managing Director who reports to the Managing Director and to the ultimate holding company. The responsibilities of the Risk Management Committee include:

- Understand fully the nature of risks considered significant to the Company and to ensure that the necessary steps are taken to identify, measure and control these risks;

- Ensure that appropriate policies and procedures, controls, and risk monitoring systems are in place and that accountability and lines of authority are set out clearly and well communicated;

- Establish and communicate guidelines and standards for managing the Company's risks;

- Implement strategies in a manner that limits risks associated with the Company's business and ensures compliance with laws and regulations;

- Oversee the asset and liability structure of the Company and ensure that the Company has sufficient liquidity to meet its short term funding needs; and

- Construct, implement, and oversee strategies to ensure they are consistent with the Asset/Liability Management objectives. The strategies should take into consideration the economic, competitive and regulatory conditions.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(k) Senior management compensation and benefits

The below disclosures are in compliance with the guideline in Part 3 (Disclosure on remuneration) of the HKMA Supervisory Policy Manual CG-5 "Guideline on a Sound Remuneration System".

(1) Design and implementation of the remuneration system

The Company has a small establishment in Hong Kong with only around 10 staff. Since all the management are expatriates sent by the Export-Import Bank of Korea (the "Parent Bank") as a government bank in Seoul, all staff's remuneration packages follow the South Korean government guidance. All their remuneration packages are overseen by the Payroll & Welfare Team under the Human Resources Department from the Parent Bank according to its remuneration policy. At year-end, the Payroll & Welfare Team reviews the aggregate performance and the material terms of the year-end incentive awards granted to the eligible employee.

This remuneration policy at Group level has included essential elements including structure of remuneration, measurement of performance for variable remuneration and alignment payouts to the time horizon of risks.

Senior management is defined as those persons who are responsible for oversight of the Company's strategy or activities and/or those of the Company's material business lines. Key Personnel are defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or taking on of material exposures on behalf of the Company. For the year 2015, the Company does not have any staff considered as Key Personnel.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(2) ***Aggregate quantitative information on remuneration for senior management and Key Personnel for the year ended 31 December 2015 are as follows:***

(i) Amount of remuneration for the financial years 2015 and 2014 are all fixed remuneration:

		2015			*2014*	
		Non-deferred	*Number of beneficiaries*		*Non-deferred*	*Number of beneficiaries*
The value of remuneration awards for the financial year ended						
Senior management						
Fixed Remuneration (USD):						
Cash-based	$	426,738	6	$	375,427	7

Management of the Company are not entitled to any shares or share-linked instrument as variable remuneration.

(ii) There was no deferred remuneration during the financial year 2015 (2014: Nil);

(iii) There was no deferred remuneration awarded during 2015 being paid out and reduced through performance adjustment (2014: Nil);

(iv) There was no guaranteed bonuses awarded during the financial year 2015 (2014: Nil); and

(v) No senior management or key personnel has been awarded with new sign-on or severance payment during the financial year 2015 (2014: Nil).